

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

Oklahoma Department of Securities)
ex rel. Irving L. Faught,)
Administrator,)
)
Plaintiff,)
)
v.)
)
Raglin Industries, LLC, an Oklahoma)
limited liability company; Phillip Levaughn)
Raglin, an individual; and Joseph Daniel)
Layne, an individual,)
)
Defendants.)

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.

DEC 12 2006

PATRICIA PRESLEY, COURT CLERK
by _____
Deputy

Case No.

CJ-2006-10111

PETITION FOR PERMANENT INJUNCTION

AND OTHER EQUITABLE RELIEF

COMES NOW the Plaintiff, Oklahoma Department of Securities, *ex rel.* Irving L. Faught, ("Department"), and for its claims against the above-named Defendants, alleges and states as follows:

OVERVIEW

1. This case involves violations of the Oklahoma Uniform Securities Act of 2004 (the "Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003), by Raglin Industries, LLC, Phillip Levaughn Raglin and Joseph Daniel Layne ("Defendants"). Specifically, the Department alleges Defendants have offered and sold unregistered securities in violation of Section 1-301 of the Act, failed to register as agents and employed unregistered agents in violation of Section 1-402 of the Act, and perpetrated fraud in connection with the offer, sale or purchase of securities in violation of Section 1-501 of the Act.

2. As alleged below, Defendants operate a "ponzi" scheme. The term "ponzi scheme" refers to an investment scheme whereby returns to investors are financed, not through the success of an underlying business venture, but from the principal sums of newly attracted investors. Typically, investors are promised large returns for their investments. Initial investors are actually paid the promised returns, attracting additional investors who lose their principal when the scheme eventually collapses.

JURISDICTION

3. The Administrator of the Department brings this action pursuant to Section 1-603 of the Act and is the proper party to bring this action against the Defendants.

4. Pursuant to Sections 1-102 and 1-610 of the Act, Defendants, in connection with their activities in the offer, sale, and purchase of securities, are subject to the provisions of the Act. By virtue of their transaction of business by contract and otherwise and commission of other acts in this state, Defendants are subject to the jurisdiction of this Court and to service of summons within or outside of this state.

5. Defendants have engaged and are engaging in acts and practices in violation of the Act. Unless enjoined, they will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object.

DEFENDANTS

6. Raglin Industries, LLC ("Raglin LLC") is an Oklahoma limited liability company, with its principal place of business in Wagoner, Oklahoma. At all times material hereto, Raglin LLC issued, offered and/or sold securities in and/or from Oklahoma as described herein.

7. Phillip Levaughn Raglin ("Phillip Raglin"), an individual and Oklahoma resident, is the founder and chief executive officer of Raglin LLC and controls all acts of Raglin LLC. At

all times material hereto, Phillip Raglin offered and/or sold securities in and/or from Oklahoma as described herein.

8. Joseph Daniel Layne ("Layne"), an individual and Oklahoma resident, is the Director of Accounts of Raglin LLC. At all times material hereto, Layne offered and/or sold securities in and/or from Oklahoma as described herein.

NATURE OF THE CASE

9. Beginning in or about July, 2006, and continuing to the present, Defendants engaged in the issuance, offer and/or sale of securities in and/or from the state of Oklahoma to investors ("Investors"), in the nature of limited liability company membership interests ("LLC Interests").

10. To purchase the LLC Interests, Investors sign an "Operating Agreement" ("Agreement") provided by the Defendants. The Agreement recites the "Investment Amount," whether the "Investment Preference" is for "Monthly Payout" or "Rollover," the date, the payment type, the "Full Name of Shareholder," the address and the phone number. Defendants represent in the Agreement that Investors are "eligible for guaranteed payouts combined with a compounded share of profits." The Agreement also provides that payouts will be made upon request "once every 30 day period and a repayment of principle (sic) on the duration of one year." The Agreement promises "a referral bonus of a one time 5% membership of the referred member on the referred member's payout date."

11. Defendants provide Investors with a copy of the Agreement and a membership certificate. The Agreement and membership certificate do not confer management powers on Investors or give any description of the business of Raglin LLC. The Agreement gives no information to Investors explaining how Investors can access information regarding the

investments or how Investors can protect their investments. The Agreement states: "We reserve the right to change the specified rules and payout rates of the company at any time and at our sole discretion without notice...."

12. Defendants promise to pay interest of up to 30% to Investors. Defendants represent to Investors that Defendants have specialized knowledge and expertise to make the investments profitable. Investors have no role in the success or outcome of their investments or in affecting the promised profit. Investors rely completely on the judgment and discretion of the Defendants for the promised profit. Defendants do not disclose to Investors how Defendants will use Investors' money or how they will pay the promised return.

13. Defendants have not invested Investor funds or earned a profit on Investor funds. Defendants have spent the principal deposited by Investors primarily for the payment of personal expenses of the Defendants and for interest payments to earlier Investors.

FIRST CAUSE OF ACTION

(Violation of Section 1-301 of the Act: Offer and/or Sale of Unregistered Securities)

14. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 13 above.

15. The LLC Interests are securities as defined by Section 1-102 of the Act.

16. The securities offered and sold by Defendants are not and have not been registered under the Act nor have the securities been offered or sold pursuant to an exemption from registration under Sections 1-201 through 1-203 of the Act.

17. By reason of the foregoing, Defendants have violated, are violating, and unless enjoined, will continue to violate Section 1-301 of the Act.

SECOND CAUSE OF ACTION

(Violation of Section 1-402 of the Act: Failure to Register as Agents and Employing Unregistered Agents)

18. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

19. Defendants Phillip Raglin and Layne are not registered under the Act as agents under Section 1-402 of the Act.

20. Defendant Raglin LLC is an issuer as defined in Section 1-102 of the Act. Defendant Raglin LLC employed agents who were not registered under the Act to transact business in this state.

21. Defendants Phillip Raglin and Layne by virtue of their efforts and activities in transacting business in this state, are agents, as defined in Section 1-102 of the Act. Defendants Phillip Raglin and Layne transacted and are transacting business in this state as agents without benefit of registration under the Act.

22. By reason of the foregoing, Defendants have violated, are violating, and unless enjoined, will continue to violate Section 1-402 of the Act.

THIRD CAUSE OF ACTION

(Violation of Section 1-501 of the Act: Untrue Statements of Material Fact and Omissions of Material Fact in Connection With Offer, Sale or Purchase of Securities)

23. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

24. Defendants, in connection with the offer and/or sale of securities, directly and indirectly, made and are making untrue statements of material fact including, but not limited to the following matters:

a. that Defendants would provide guaranteed profits or returns on the LLC Interests in the nature of interest of up to 30% when, in fact, Defendants have not invested the Investors' funds in any manner to generate such profits or returns; and

b. that the investigation by the Department was initiated by the Defendants who contacted the Department to make sure they were conducting business properly when, in fact, the Department initiated the investigation after receiving information that Defendants may have violated the Act.

25. Defendants, in connection with the offer and/or sale of securities, directly and indirectly, omitted and are omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were and are made, not misleading, including, but not limited to, the following matters:

a. any general or specific risk factors associated with the LLC Interests;

b. that the LLC Interests are securities under the Act;

c. that the LLC Interests have not been and are not registered under the Act;

d. that the Defendants who offered and sold the LLC Interests were not and are not registered under the Act;

e. the actual background or business experience of the Defendants;

f. information on the manner in which profits would be generated on the LLC Interests or how Investors' funds would be disbursed;

g. that Defendants would use Investor funds for the payment of personal expenses of the Defendants and for interest payments to earlier Investors; and

h. that Defendant Phillip Raglin was charged in October, 2005, with the criminal felony of embezzlement in the District Court of Cleveland County, Oklahoma, and that the charge is pending.

26. By reason of the foregoing, Defendants, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

FOURTH CAUSE OF ACTION

**(Violation of Section 1-501 of the Act:
Engaging in any Act, Practice, or Course of Business Which Operates or
Would Operate as a Fraud or Deceit upon any Person)**

27. The Department realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

28. Defendants, in connection with the offer, sale or purchase of securities, and through the use of the untrue statements of material fact and the omissions of material fact described in paragraphs 24 and 25 above, have engaged and are engaging in an act, practice, or course of business that has operated and continues to operate as a fraud or deceit upon investors.

29. By reason of the foregoing, Defendants, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

PRAYER FOR RELIEF

Defendants have engaged in acts and practices in violation of the Act and have, as a result of these activities, received a substantial amount of money from Investors. Unless enjoined, Defendants will continue to engage in the acts and practices set forth herein and acts and practices of similar purport and object. A danger exists that the money received by Defendants from the Investors or money or securities held by Defendants on behalf of the Investors will be lost, removed or transferred. A temporary restraining order to issue *instanter* and temporary and permanent injunctions to issue against Defendants are necessary to preserve the money received and money or securities held and the records relating thereto and to prevent further violations of the Act.

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, the Department prays for the court to grant the following relief:

I.

A temporary restraining order to issue *instanter* and a temporary and permanent injunction, restraining and enjoining the Defendants, their agents, servants, employees, assigns and all those persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, who receive actual notice of the restraining order or temporary and/or permanent injunction, by personal service, facsimile or otherwise, and each of them from offering and selling any security in this state including, but not limited to the LLC Interests;

II.

An order prohibiting Defendants, their agents, servants, employees, assigns and all those persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, who receive actual notice of the order, by personal service, facsimile or otherwise, and each of them from tampering with, mutilating, altering, erasing, concealing, removing, destroying or otherwise disposing of any and all books, records, documents, files, correspondence, computer disks, tapes or other data recordings of any type, pertaining to or referring to Defendants or any financial transactions by Defendants or to which Defendants were parties;

III.

An order *instanter* freezing the assets of Defendants and ordering that all banks, depository institution, or other financial institutions comply with the Court's order;

IV.

An order *instanter* requiring Defendants to file with this Court and to serve on Plaintiff, within fifteen (15) days of the filing of this petition, an accounting, under oath, detailing all of their assets and detailing all funds received from Investors and the disposition and/or use of those funds;

V.

An order requiring Defendants to make restitution to any and all Investors who purchased securities from Defendants or who transferred money to Defendants for the purpose of making securities investments on their behalf;

VI.

An order requiring Defendants, their agents, servants, employees, assigns, and all persons, directly or indirectly, acting on their behalf, under their direction and control, and/or in active concert or participation with them, to disgorge all ill-gotten gains;

VII.

An order imposing a civil penalty against Defendants in the amount of Fifty Thousand Dollars (\$50,000.00) each; and

VIII.

Such other equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act.

Respectfully submitted,

OKLAHOMA DEPARTMENT OF SECURITIES
Irving L. Faught, Administrator

By: Patricia A. Labarthe
Patricia A. Labarthe (OBA #10391)
Melanie Hall (OBA #1209)
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

SS.

Irving Faught, of lawful age, being first duly sworn deposes and says: that he is the Administrator of the Oklahoma Department of Securities, that he has read the foregoing Petition for Permanent Injunction and Other Equitable Relief and knows the contents thereof, and that the matters and things stated therein have been provided to him by staff members of the Department under his authority and direction, and are true and correct to the best of his knowledge, information and belief.

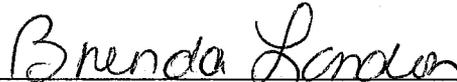
(SEAL)



Irving L. Faught, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES
120 North Robinson, Suite 860
Oklahoma City, Oklahoma 73102
(405) 280-7700

Subscribed and sworn to before me this 12th day of December, 2006.

(NOTARIAL SEAL)


Notary Public

My Commission Expires:

