

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

MEMORANDUM

To: Irving L. Faught, Administrator

From: Melanie Hall, Deputy Administrator

Date: March 6, 2013

Re: ENFORCEMENT REPORT

Attached is the report of the enforcement activities of the Department for the months of January and February, 2013.

Attachment

h/home/londonb/EnforcementReports/13_Enf-Reports_Jan-Feb_2013.doc

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
JANUARY and FEBRUARY 2013**

		FY-13		FY-12
		YTD		YTD
I.	Enforcement Files			
	a. Enforcement Files Opened during the reporting period	50		71
	1. Securities Act	46		57
	2. Business Opportunity Sales Act	2		10
	3. Other	2		4
	b. Enforcement Files Closed during the reporting period	52		52
	c. Active Enforcement Files	249		253
II.	Actions Taken during the reporting period			
	a. Orders Initiating Investigation	3		0
	1. Securities Act	3		0
	2. Business Opportunity Sales Act	0		0
	b. Summary Orders	0		1
	1. Securities Act	0		1
	2. Business Opportunity Sales Act	0		0
	c. Notices of Opportunity for Hearing Served	4		9
	1. Securities Act-Notices	4		9
	i. Hearing Set	0		0
	ii. Hearings Held	0		0
	2. Business Opportunity Sales Act Notices	0		0
	i. Hearing Set	0		0
	ii. Hearings Held	0		0

		FY-13	FY-12
		YTD	YTD
d. Other Orders		20	17
1. Securities Act		20	17
2. Business Opportunity Sales Act		0	0
e. Public Undertakings/Agreements		12	8
1. Securities Act		12	8
2. Business Opportunity Sales Act		0	0
f. Confidential Settlement Agreements		0	0
1. Securities Act		0	0
2. Business Opportunity Sales Act		0	0
g. Letters of Caution		3	0
1. Securities Act		3	0
2. Business Opportunity Sales Act		0	0
g. Appeals from Final Orders		2	0
1. Securities Act		2	0
2. Business Opportunity Sales Act		0	0
h. Civil Penalties - Amounts Collected		\$32,513.49	\$19,824.44
1. Securities Act		\$32,513.49	\$19,824.44
2. Business Opportunity Sales Act		\$0	\$0
i. Administrative Costs - Amounts Collected		\$0	\$1,000
1. Securities Act		\$0	\$1,000
2. Business Opportunity Sales Act		\$0	\$0

		FY-13	FY-12
		YTD	YTD
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	1	0
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	2	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	5	33
	2. Business Opportunity Sales Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	0	0
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	0	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	0	0
	k. Miscellaneous Activities		
	1. Public Information/Press Releases (copy attached)	0	0
	2. Trainings/Seminars Attended	16	6
	3. Coordinated Activities	0	0
	III. Inquiries and Complaints		
	a. Inquiries	41	44
	b. Referrals from Other Oklahoma Agencies	4	7
	c. Referrals from Out of State Agencies	2	4

Administrative Actions

SUMMARY

**In the Matter of: Sutterfield Financial Group, Inc., Trevor S. Sutterfield, and
Nathan M. Barham
ODS File No. 10-071**

The Oklahoma Department of Securities (Department) conducted an investigation into the activities of Sutterfield Financial Group, Inc. (SFG), Trevor S. Sutterfield (Sutterfield), and Nathan M. Barham (Barham) (collectively, "Respondents"), in connection with the development of a financial plan for an Oklahoma resident. Sutterfield and Barham are registered under the Act as investment adviser representatives of SFG, a federally registered investment adviser located in Oklahoma. The financial plan included monthly distributions from an IRA that did not comply with Section 72(t)(2)(A)(iv) of the Internal Revenue Code. As a result, the client was forced to pay penalties and interest. An Agreement was entered into on January 13, between and among Respondents and the Administrator of the Department, wherein the Respondents agreed to reimburse the client in the amount of her tax penalties and advisory fees.

**In the Matter of: Gates Oil & Gas, Ltd.
ODS File No. 13-039**

On February 21, 2013, the Administrator issued an Order Initiating Investigation against Gates Oil & Gas, Ltd. in connection with the possible offer and/or sale of securities by the Respondent. Gates Oil & Gas, Ltd. is located in Duncan, Oklahoma.

**In the Matter of: Global Safety Labs, Inc.
ODS File No. 13-024**

As part of another investigation, the Department received information regarding the offer and sale of securities in and/or from Oklahoma by Global Safety Labs, Inc. ("GSL"). GSL is based in Tulsa. The Department's investigation revealed that in 2007 and 2008 GSL offered and/or sold unregistered securities and employed and/or associated with unregistered issuer agents. The matter as to GSL was closed on February 26, 2013, with an undertaking signed by Marty J. Rowland, President and CEO of GSL, stating that GSL will fully comply with all provisions of the Act and with the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities (Rules).

**In the Matter of: Centaurus Financial, Inc., Raymond Chavez, and
Bobby Ray Ledford II
ODS File No. 09-049**

On April 21, 2010, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Centaurus Financial, Inc. (Centaurus), Raymond Chavez (Chavez), and Bobby Ray Ledford II (Ledford)

(collectively, "Respondents"). At all times material hereto, Ledford was registered as an agent and investment adviser representative of Centaurus, operating out of Norman. Ledford was supervised by Chavez. The Recommendation alleged Ledford engaged in certain securities transactions in violation of NASD Conduct Rules 2110 and 2310 and 660:10-5-42, 660:11-5-42 and 660:11-7-42 of the Rules. The specific allegations included suitability and failure to supervise. The Enforcement Division recommended the suspension of Ledford for 30 days; a censure of Centaurus and Chavez; and imposition of civil penalties against Ledford and Centaurus.

Respondent Ledford and the Department entered into an agreement on August 18, 2010, wherein Ledford agreed to take and successfully pass all required examinations before applying and becoming registered as an agent and/or principal of a broker-dealer or a representative of an investment adviser. Ledford also agreed not to engage in any activity for any broker-dealer and/or investment adviser that relates to training and/or supervision of agents, principals, and/or investment adviser representatives, or that relates to compliance including, but not limited to, inspections of offices of supervisory jurisdiction, branch offices, and non-branch offices, for a period of two (2) years from the time Respondent Ledford is registered. Ledford further agreed to the entry of an order of censure. On August 18, 2010, the Administrator issued an order of censure implementing the provisions of the agreement.

The matter was closed on February 26, 2013, with a Memorandum of Understanding signed by Chavez and the Chief Administrative Officer of Centaurus. Without admitting or denying any violation of the Act or Rules, the parties agreed to contact all Oklahoma clients to confirm that client information upon which recommendations are made and/or suitability determined is accurate and complete; and to conduct a heightened review of any future sale of a non-publicly traded security to customers in Oklahoma over the age of sixty-five (65), to include a complete review of the transactional history of the customer and previously disclosed financial profile information to validate the accuracy of the information and to ensure suitability of the transactions, and to provide a written summary describing the non-publicly traded security and its risks to each client or prospective client prior to effecting the purchase of the security.

Civil Actions

SUMMARY

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
David Warren Harris
Civil Case No. CJ-2012-2604**

In May of 2012, the Department filed an action in Oklahoma County District Court seeking to enjoin David Harris from transacting business in and/or from the state of Oklahoma as an issuer, issuer agent, broker-dealer, broker-dealer agent, investment adviser, and/or investment adviser representative or otherwise offering and/or selling securities in and/or from the state of Oklahoma. The action is based on the offer and sale of securities in the nature of working interests in oil and gas wells of a Texas entity. The Department's allegations are that Harris offered and sold unregistered securities and acted as an unregistered issuer agent. On December 27, 2012, Harris filed a motion to dismiss the action for lack of jurisdiction. A hearing date was set.

In February of 2013, Judge Barbara Swinton entered an order denying Harris' motion to dismiss.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
2001 Trinity Fund, L.L.C. and Robert Arrowood
Civil Case No. CJ-2012-6164**

On October 10, 2012, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against 2001 Trinity Fund, L.L.C. (2001 Trinity Fund) and Robert Arrowood (Arrowood) of Norman, alleging violations of Sections 1-301, 1-402 and 1-501 of the Act, in connection with the offer and sale of promissory notes to investors. Investor proceeds totaling over \$450,000 were to be used to buy oil and gas leases for eventual resale. The proceeds were not used as represented. On October 23, L. Win Holbrook, bankruptcy trustee, filed his entry of appearance as counsel for Defendant 2001 Trinity Fund and requested an extension of time to file an answer. During November 2012, answers to the Department's petition were filed by the Defendants. On November 20, the Department received discovery requests from Defendant Arrowood.

On February 5, 2013, Defendant Arrowood filed a motion to compel the Department to produce certain documents withheld in discovery on the basis of privilege.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
RAF Operating, LLC *fka* Big Oil, LLC
Civil Case No. CV-2012-2629**

On October 22, 2012, the Administrator issued a subpoena duces tecum to Big Oil, LLC, now known as RAF Operating LLC, an Oklahoma limited liability company, in connection with ODS File No. 12-067. Service of the subpoena was effected but no response was received. On November 27, 2012, the Department filed an application in the District Court of Oklahoma County against RAF Operating, LLC, for an order to enforce the administrative subpoena.

On February 21, 2013, a hearing was held. Judge Roger Stuart granted the application and an order was issued requiring compliance with the subpoena no later than March 6th. A show-cause hearing is set for March 28th regarding payment of a civil penalty.