

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: May 10, 2013

Re: ENFORCEMENT REPORT

Attached is the report of the enforcement activities of the Department for the months of March and April, 2013.

Attachment

[h/home/londonb/EnforcementReports/13_Enf-Reports_Mar-Apr_2013.doc](http://home/londonb/EnforcementReports/13_Enf-Reports_Mar-Apr_2013.doc)

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
MARCH and APRIL 2013**

		FY-13	FY-12
		YTD	YTD
I.	Enforcement Files		
	a. Enforcement Files Opened during the reporting period	64	81
	1. Securities Act	59	67
	2. Business Opportunity Sales Act	3	10
	3. Other	2	4
	b. Enforcement Files Closed during the reporting period	62	70
	c. Active Enforcement Files	253	245
II.	Actions Taken during the reporting period		
	a. Orders Initiating Investigation	4	0
	1. Securities Act	4	0
	2. Business Opportunity Sales Act	0	0
	b. Summary Orders	0	2
	1. Securities Act	0	2
	2. Business Opportunity Sales Act	0	0
	c. Notices of Opportunity for Hearing Served	8	15
	1. Securities Act-Notices	8	15
	i. Hearing Set	0	2
	ii. Hearings Held	0	1
	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		24		29
1. Securities Act		24		29
2. Business Opportunity Sales Act		0		0
e. Public Undertakings/Agreements		13		10
1. Securities Act		13		10
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		4		0
1. Securities Act		4		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		\$112,513.49		\$19,824.44
1. Securities Act		\$112,513.49		\$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	2	1
	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)	9	42
	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	18	6
	3. Coordinated Activities	0	0
	III. Inquiries and Complaints		
	a. Inquiries	42	49
	b. Referrals from Other Oklahoma Agencies	5	7
	c. Referrals from Out of State Agencies	3	4

Administrative Actions

SUMMARY

In the Matter of: Insights Now, LLC and Jerome L. DeFries
ODS File No. 13-006

On March 12, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Respondents. Respondents were ordered to cease and desist from engaging in acts, practices or a course of business constituting violations of the Act. Respondent Insights Now, LLC (IN) is a dissolved limited liability company operating from Bonner Springs, Kansas, and Respondent Jerome L. Defries (DeFries) currently resides in Bonner Springs. In 2008, an Oklahoma resident (“Investor”) contacted the Respondents based on a referral. During the course of several telephone calls with Investor, in Oklahoma, DeFries represented that Respondents were earning a monthly compounded return of approximately 10%. Respondents and Investor entered into an unregistered “Joint Venture Contract” (“JVC”) that stated: Investor’s funds would be pooled with IN’s and any other investors’ funds for currency and other market trading; IN would use its best efforts to enhance pooled funds during trading; Investor would be apportioned a share of profits; Investor, upon written request and/or termination of the JVC, would receive any and all funds and/or profits from IN within 10 days; and IN would not be compensated from any trading and/or administrative fees. Over the course of a 13-month period, Investor invested \$301,800. Investors’ money was not used as represented by Defendants. Investor lost all but \$500 of her investment.

In the Matter of: Gary Edward Hibbing
ODS File No. 13-046

On March 26, 2013, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Gary Edward Hibbing (Hibbing) of Grove, Oklahoma. Hibbing is the subject of an order issued by the Insurance Commissioner of Oklahoma revoking his insurance licenses based on the “twisting” of annuities purchased and sold by two senior citizens. The Enforcement Division recommended an order barring Hibbing from registration and from association with a broker-dealer or investment adviser registered under the Act.

In the Matter of: Rodney Larry Watkins, Jr., Southeast Investments, N.C., Inc. and
Frank H. Black
ODS File No. 12-058

On March 29, 2013, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Rodney Larry Watkins, Jr. (Watkins) of Tulsa, Oklahoma, Southeast Investments, N.C., Inc. of Charolette, North Carolina, and Frank H. Black (Black) of Rock Hill, South Carolina, based on Watkins engaging in unethical practices. On August 22, 2012, Watkins voluntarily entered into an agreement (Agreement) with the Department providing for the issuance of an agreed order

(Order) prohibiting Watkins from offering and selling securities for a period of nine months, retroactively beginning November 25, 2011 and ending August 26, 2012. On August 29, 2012, the Administrator signed the Agreement and issued the Order. However, between May 11, 2012 and September 19, 2012, while unregistered under the Act, Watkins solicited and/or effected, through his office in Tulsa, the purchase or sale of securities by customers living in Texas and Kansas. At the time Watkins entered into the Agreement on August 22, 2012, Watkins did not disclose to the Department that he had effected certain of the transactions during the period covered by the terms of the Agreement. The Enforcement Division recommended that the Administrator issue an order denying the pending registration application of Respondent Watkins; barring him from engaging in the offer and/or sale of securities and association with a broker-dealer or investment adviser in any capacity; imposing a censure against Respondent Black; suspending the registration of Respondent Southeast for a period of one (1) year; and imposing a civil penalty in the amount of Sixty-Five Thousand Dollars (\$65,000) against Respondent Southeast.

**In the Matter of: RLH Consulting Group, LLC
 ODS File No. 12-058**

On March 29, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to RLH Consulting Group, LLC (RLH Consulting). RLH Consulting was a Wyoming limited liability company with its principal place of business in Texas. Respondent was ordered to cease and desist from offering and/or selling unregistered securities and/or employing an unregistered agent or agents in violation of the Act. Beginning in April, 2011, RLH Consulting solicited an Oklahoma resident (Investor) through phone calls and a sales presentation in Oklahoma to purchase a "right to use" timeshare interest. The calls and presentation were conducted by an agent of RLH Consulting. RLH Consulting entered into a participation agreement relating to the "right to use" timeshare on April 4, 2011 (Timeshare Contract) with Investor. The Timeshare Contract and the RLH agent were not registered under the Act and no filing to claim an exemption from registration was filed under the Act.

**In the Matter of: Equity Associates, LLC and Garon Rayburn
 ODS File No. 13-026**

On March 29, 2013, the Administrator issued an Order Initiating Investigation against Equity Associates, LLC and Garon Rayburn in connection with the possible offer and/or sale of securities by the Respondents. Equity Associates, LLC is located in Oklahoma City, Oklahoma.

On April 1, Respondents' filed a motion to quash a bank subpoena issued by the Administrator on March 20. The Enforcement Division filed its response. On April 12, the Administrator issued an order denying the motion.

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

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).

On April 1, 2013, an agreement was entered into between Marc W. Evans (“Evans”) and the Administrator wherein Evans agreed that his broker-dealer agent and investment adviser representative registrations under the Act will be suspended for six months. Evans also consented to take and pass the Uniform Securities Agent State Law Exam, known as the “Series 63” examination, administered by FINRA and to pay a civil penalty in the amount of \$80,000. On the same date, the Administrator issued a Consent Order implementing the provisions of the agreement.

**In the Matter of: TipShop.com, Inc. and Ronald Chris Dent
 ODS File No. 13-027**

The Department received information indicating Ronald Chris Dent offered and sold securities in the nature of shares of stock of TipShop.com, Inc., in and/or from Oklahoma, during the year 2004. The matter was closed on March 19, 2013, with a letter cautioning the issuer to review and comply with the applicable provisions of the Act in connection with all offers and/or sales of securities in and/or from Oklahoma.

Civil Actions

SUMMARY

Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. Global West Funding, Ltd., Co., Global West Financial LLC, Sure Lock Financial, LLC, Sure Lock Loans LLC, The Wave-Goldmade Ltd., Brian McKye, Joe Don Johnson and James Farnham
Civil Case No. CJ-2009-2773

On March 24, 2009, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against the above-named Defendants (Global West Defendants) alleging violations of Sections 1-301, 1-402 and 1-501 of the Act. The Department also filed an Application for a Temporary Restraining Order, Order Freezing Assets and Order for Accounting. On that date, Judge Noma D. Gurich issued a Temporary Restraining Order, Order Freezing Assets and Order for Accounting. On March 25, 2009, the Department filed a motion for the dissolution or modification of the temporary restraining order.

Judge Gurich granted the motion to modify the temporary restraining order. Judge Gurich entered an order appointing Stephen J. Moriarty as Special Master. On April 1, 2009, R. Scott Adams filed his entry of appearance as counsel for Joe Don Johnson and Heritage Estate Services, LLC (Heritage Defendants). On April 10, 2009, the Department filed an amendment to the Petition naming Heritage Estate Service LLC, Storybook Properties, LLC, Storybook Investments WA LLC, and Matthew G. Story as defendants. The Department also filed a Temporary Restraining Order, Order Freezing Assets and Order for Accounting as to the additional defendants. On April 17, 2009, Robert G. McCampbell and Kristin L. Huffaker of Crowe & Dunlevy filed their entries of appearance as counsel for Storybook Properties, LLC, Storybook Investments WA, LLC, and Matthew G. Story (Storybook Defendants). On April 21, 2009, Judge Noma D. Gurich issued a Temporary Restraining Order, Order Freezing Assets and Order for Accounting relating to the Storybook Defendants. On April 23, 2009, Judge Gurich issued an Order Modifying, in Part, Temporary Restraining Order, Order Freezing Assets and Order for Accounting and Appointing Special Master as to the Heritage Defendants.

On May 21, 2009, Judge Gurich granted the Special Master's motion for an order to approve bidding procedures for the sale of certain assets and to schedule a hearing for the approval of the sale of such assets. On May 22, 2009, Judge Gurich entered an order establishing a deadline for filing written objections to the sale of assets.

On June 5, 2009, the Department filed a Motion for Default Judgment against Heritage Estate Services, LLC, Joe Don Johnson and James Farnham. On June 12, 2009, Judge Gurich granted the Special Master's motion for an order establishing procedures for the sale of certain property.

On July 2, 2009, the Department filed a Motion for Default Judgment against Defendants Global West Funding, Ltd., Co., Global West Financial LLC, Sure Lock Financial, LLC, Sure Lock Loans LLC and the Wave-Goldmade Ltd. On July 13, 2009, a hearing was held on motions filed by the Department for a default judgment against Defendant Farnham. Judge Gurich granted the motion. On July 14, 2009, Judge Gurich granted the Special Master's motion to accept the bid of Your Credit, Inc. and set a closing date for the sale of the Sure Lock Assets and the Heritage Assets to Your Credit, Inc.

On August 14, 2009, a default judgment was issued against Defendants Global West Funding, Ltd., Co., Global West Financial LLC, Sure Lock Financial, LLC, Sure Lock Loans LLC and the Wave-Goldmade Ltd.

On September 3, 2009, the Special Master filed his report regarding the sale of loans to Your Credit, Inc. On September 18, 2009, the Special Master filed a motion for an order to grant authority to sell a trailer.

On October 5, 2009, Judge Gurich granted the Special Master's motion for authorization to sell certain property.

On November 3, 2009, Defendants Heritage Estate Service LLC and Joe Don Johnson submitted a Stipulation and Consent to the Department wherein Defendants consented to the entry of a final judgment and permanent injunction and waived any right to appeal the order. On November 3, 2009, Judge Gurich issued a Final Order, Judgment and Permanent Injunction against Defendants Heritage Estate Service LLC and Joe Don Johnson. On November 9, 2009, the Department filed a Motion for Summary Judgment against Defendant McKye. On November 16, 2009, the Special Master filed an application for compensation and reimbursement of expenses.

On January 7, 2010, Judge Gurich issued a Permanent Injunction and Order of Restitution against Brian McKye.

On June 23, 2010, the Department filed a motion to establish the amount of restitution payable to investors by Defendants.

On August 2, 2010, the Special Master filed a Motion for an Order to Establish Procedures for the Sale of Certain Real Property. On August 24, 2010, the Special Master filed his second report with the Court. On August 26, 2010, Judge Gurich entered an Agreed Order of Restitution wherein Joe Don Johnson agreed to pay restitution in the amount of \$500,000.

On September 9, 2010, Judge Gurich entered an order establishing the amount of restitution payable to investors by Defendants.

On October 7, 2010, Judge Gurich granted the Receiver's motion for an order to approve the contract for the sale of property at 2308 South Air Depot Boulevard in Midwest City, and for authority to close the sale of the property.

On December 2, 2010, the Department filed a Statement of Judgment as to real property located in Camelot Estates, an addition in Oklahoma City, Oklahoma, and any other real property currently owned or subsequently owned by Joe Don Johnson. On December 17, 2010, the Department filed an Application for Citation of Contempt against Joe Don Johnson.

On May 19, 2011, the Special Master filed an application for the Court to establish a claims procedure for potential claimants and creditors, and also filed a report. The Special Master's application to establish a claims procedure was granted.

On July 1, 2011, the Special Master filed his report for July 1, 2010 through May 31, 2011. On July 18, 2011, Judge Davis found Defendant Johnson guilty of indirect criminal contempt for failure to comply with the Permanent Injunction and Restitution Order and sentenced Johnson to 6 months confinement in the Oklahoma County jail and payment of a \$500 fine.

On September 13, 2011, the Special Master filed a motion seeking court approval of a proposed distribution. A hearing date was set.

On October 17, 2011, the Special Master filed his final application for compensation and reimbursement of expenses. On October 21, 2011, the Special Master's Motion for Proposed Distribution was granted.

On December 1, 2011, Judge Davis issued an order approving the Special Master's final application for compensation and reimbursement of expenses.

On March 27, 2012, the Department filed a Motion to Dismiss and to Discharge the Special Master. On March 27, 2012, the Special Master filed a motion for an order requiring Bank of Oklahoma to turn over the balance in the Processmart Payment Systems, Ltd. Co. account to the Special Master.

On May 3, 2012, Defendant McKye filed his objection to the Special Master's motion for an order requiring Bank of Oklahoma to turn over the balance in the Processmart Payment Systems, Ltd. Co. account. On May 4, 2012, McKye filed his objection to the Department's Motion to Dismiss and to Discharge the Special Master. On May 4, 2012, Judge Davis issued an order requiring Bank of Oklahoma to turn over the balance in the Processmart Payment Systems, Ltd. Co. account. On May 8, 2012, Judge Davis issued an Order of Dismissal and to Discharge the Special Master.

On March 21, 2013, an unopposed motion was filed by Defendant Johnson to modify the judgment and sentence, entered on July 18, 2011. Judge Davis entered the following modifications: the six month sentence previously imposed is satisfied by Johnson's detention in federal custody in excess of six months; and the \$500 fine is rescinded due to his inability to pay while in federal detention.

**Oklahoma Department of Securities *ex rel.* Irving L. Faight, Administrator v.
Jasper E. Bidy, IV
Civil Case No. CV-2013-911**

On April 29, 2013, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against Jasper E. Bidy IV (Bidy) alleging violations of Sections 1-403 and 1-501 of the Act and a previous order by the Administrator wherein Bidy's registration as an investment adviser representative under the Act was revoked. In addition, Respondent Bidy was indefinitely barred from transacting business in and/or from the state of Oklahoma as an investment adviser, investment adviser representative, broker-dealer, and/or agent.