

IRVING L. FAUGHT
ADMINISTRATOR



MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES

MEMORANDUM

To: Irving L. Faught, Administrator

From: Melanie Hall, Deputy Administrator *MH*

Date: October 5, 2012

Re: REVISED ENFORCEMENT REPORT

Attached is the revised report of the enforcement activities of the Department for the months of July and August, 2012.

Attachment

[h/home/londonb/EnforcementReports/12_Enf-Reports_Jul-Aug-2012.doc](http://home/londonb/EnforcementReports/12_Enf-Reports_Jul-Aug-2012.doc)

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
JULY and AUGUST 2012**

		FY-13	FY-12
		YTD	YTD
I.	Enforcement Files		
	a. Enforcement Files Opened during the reporting period	17	16
	1. Securities Act	15	13
	2. Business Opportunity Sales Act	1	3
	3. Other	1	0
	b. Enforcement Files Closed during the reporting period	10	16
	c. Active Enforcement Files as of last day of the reporting period	258	230
II.	Actions Taken		
	a. Orders Initiating Investigation	1	0
	1. Securities Act	1	0
	2. Business Opportunity Sales Act	0	0
	b. Summary Orders	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	c. Notices of Opportunity for Hearing Served	1	2
	1. Securities Act-Notices	1	2
	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. Orders	7		4
	1. Securities Act	7		4
	2. Business Opportunity Sales Act	0		0
	e. Public Undertakings/Agreements	3		1
	1. Securities Act	3		1
	2. Business Opportunity Sales Act	0		0
	f. Confidential Settlement Agreements	0		1
	1. Securities Act	0		1
	2. Business Opportunity Sales Act	0		0
	g. Letters of Caution	1		0
	1. Securities Act	1		0
	2. Business Opportunity Sales Act	0		0

SUMMARY

In the Matter of: Helix Capital Management, LLC
ODS File No. 10-092

Helix Capital Management, LLC (Adviser) was registered as an investment adviser under the Securities Act from February 1, 2007, through December 31, 2008. While the Adviser failed to renew its registration, the company continued to operate as an investment adviser through May of 2009. Samis N. Fredrickson and Jean A. McDonald served as control persons of Adviser. Mr. Fredrickson served as Chief Compliance Officer. Both individuals signed an undertaking that provides the following: no investment advisory fees were collected since June 2009; the Adviser no longer conducts business; Fredrickson will not seek registration as an investment adviser under the Securities Act; and should Fredrickson seek registration as an investment adviser representative, he will act under the supervision of a specially designated supervisor for a period of two years and will not act in any supervisory capacity for a period of five years.

In the Matter of: Anthony L. Cross and The O.N. Equity Sales Company
ODS File No. 11-017

Anthony Cross is an Edmond agent and investment adviser representative of O.N. Equity Sales Company (ONESCO). ONESCO is based in Ohio. On January 25, 2012, the Enforcement Division recommended sanctions against the Respondents in connection with the purchase by a widow, living only on social security, of interests in an investment company that invests in floating-rate bank loans. The monies invested were the proceeds from the mortgage of her paid-

in-full house at the age of 76. Cross is alleged to have recommended an unsuitable investment and to have falsified information on the new account form, specifically, that the proceeds for the investment were from savings. He also overstated her net worth. While the trade appeared on an exception report, the firm did not investigate. The value of the investment has dramatically decreased.

On August 16, 2012, the Administrator issued an order extending the deadline for exchanging documents and exhibits. Without admitting or denying a violation of the Act, Cross subsequently entered into an agreement in settlement of the matter. Cross agreed to complete certain training requirements and to make partial restitution to the victim. The Administrator issued an agreed order on August 23 in which Cross was ordered to pay the sum of \$4,900 to the victim. The case against ONESCO is on-going.

In the Matter of: Thomas Wade Tower
ODS File No. 11-021

On July 6, 2012, the Administrator of the Department issued an Order Initiating Investigation against Thomas Wade Tower, a resident of Stillwater, Oklahoma. The matter was closed with a letter of caution to Tower in connection with his failure to follow his firm's written supervisory procedures.

In the Matter of: Richard W. Possett Sr.
ODS File No. 11-076

On April 30, 2012, Richard Possett Sr. was ordered by the Administrator to cease and desist from transacting business in and/or from this state as an unregistered broker-dealer.

On August 14, 2012, the Department received discovery requests from Possett. On August 20, 2012, the Administrator issued an Agreed Scheduling Order. On August 20, 2012, the Department filed its objection to Possett's request to the issuance of a Subpoena Duces Tecum to G. Blankenship. On August 21, 2012, Possett filed his preliminary list of witnesses and exhibits. On August 24, 2012, the Department filed its preliminary list of witnesses and exhibits. On August 28, 2012, the Department complied with Possett's request for documents but objected to Possett's requests for admissions and interrogatories. On August 29, 2012, the Administrator issued an order granting Possett's request for the issuance of a Subpoena Duces Tecum, with modifications, to Ms. Blankenship.

In the Matter of: Ray Karl Hobbs, Jim M. Rios, Charles H. Havens, Sr.,
Domestic Development Company, DDC O&G Corporation, and
Energy Revenue America, LLC
ODS File No. 12-053

In August, the Respondents, all of whom are located in Texas, were ordered to cease and desist from engaging in acts, practices or a course of business constituting violations of the Securities Act. Respondents repeatedly offered unregistered securities, in the form of stock,

in-full house at the age of 76. Cross is alleged to have recommended an unsuitable investment and to have falsified information on the new account form, specifically, that the proceeds for the investment were from savings. He also overstated her net worth. While the trade appeared on an exception report, the firm did not investigate. The value of the investment has dramatically decreased.

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ODS File No. 12-053

In August, the Respondents, all of whom are located in Texas, were ordered to cease and desist from engaging in acts, practices or a course of business constituting violations of the Securities Act. Respondents repeatedly offered unregistered securities, in the form of stock,

fractional undivided oil and gas interests, and a promissory note, to an Oklahoma resident. Respondents also omitted to state material facts such as the risks associated with the investments.

In the Matter of: Colby Younger Ruth
ODS File No. 12-057

Respondent was formerly a registered agent of Farmers Financial Services LLC in Oklahoma City. Respondent was terminated from Farmers Insurance and Farmers Financial Services after depositing customer checks in payment of insurance policy premiums in his personal account. The Department is attempting to bar Mr. Ruth from registration in any capacity under the Act or from otherwise associating with a broker-dealer or investment adviser.

On August 6, 2012, the Administrator issued a Scheduling Order. On August 6, the Department filed its preliminary list of witnesses and exhibits. On August 16, the Department filed a notice to take the deposition of Respondent. On August 20, the Department filed its final list of witnesses and exhibits and its Statement of Facts and Legal Contentions.

In the Matter of: Rodney Larry Watkins Jr.
ODS File No. 12-058

Rodney Larry Watkins Jr. was formerly an agent of Ameriprise Financial Services in Tulsa. An internal investigation by the firm revealed that Watkins had engaged in unauthorized discretionary trading, signed customers' names to forms and failed to disclose outside business activities. After being suspended by the firm, Watkins resigned. He has a pending application for registration as an agent. In August, Watkins entered into an agreement with the Administrator. As set forth in the agreement, Watkins agreed to a retroactive, nine month bar from offering and/or selling any security in and/or from the state of Oklahoma. The Administrator also ordered Respondent to pay a monetary penalty in the amount to \$2,500 prior to or contemporaneously with any future registration under the Securities Act. Further, any future registration shall be conditioned on a Department approved heightened supervision plan for Watkins.

In the Matter of: Geary Securities, Inc. *fka* Capital West Securities, Inc.;
Keith D. Geary; Norman Frager; and CEMP, LLC
ODS File No. 09-141

During the month of July 2012, the Hearing Officer issued subpoenas for the depositions of David Paulukaitis and James Roth. On July 2, Respondent Frager filed a reply in support of his motions to strike the Department's motion for reconsideration of its summary judgment motion or, in the alternative, to extend the deadline in which to respond. On July 5, the Hearing Officer issued an order denying Frager's motion to strike the Department's motion for reconsideration and granting the motion to extend the deadline for Frager to respond. Frager filed his response on July 31.

On August 3, 2012, the Department filed an unopposed motion for an extension of time to reply to Respondent Frager's response to the Department's motion for reconsideration and to respond to Frager's cross motion. The motion was granted. On August 14, the Department filed its reply and its response to Frager's cross motion. On August 16, Frager filed a motion for a ruling on his previously filed motion to dismiss. On August 24, Frager filed his reply in support of his cross motion. On August 27, the Department filed its response to Frager's motion for a ruling on his motion to dismiss. On August 30, the Department filed a motion to amend its final witness list.

		FY-13	FY-12
		YTD	YTD
	g. Appeals from Final Orders	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	h. Civil Penalties - Amounts Collected	\$0	\$4,074.44
	1. Securities Act	\$0	\$4,074.44
	2. Business Opportunity Sales Act	\$0	\$0
	i. Administrative Costs - Amounts Collected	\$0	\$0
	1. Securities Act	\$0	\$0
	2. Business Opportunity Sales Act	\$0	\$0
	2. Business Opportunity Sales Act	\$0	\$0
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	0	0
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	1	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	0	3

		FY-13	FY-12
		YTD	YTD
	2. Business Opportunity Sales Act	\$0	\$0
	j. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	0	0
	iii. Civil Trials Held	0	0
	iv. Criminal Referrals	1	0
	v. Civil Appeals Filed	0	0
	vi. Administrative or other Court Appearances (including pleadings filed)	0	3
	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

Civil Actions

SUMMARY

**U.S. Commodity Futures Trading Commission and the Oklahoma Department of Securities
ex rel. Irving L. Faught, Administrator v.
Prestige Ventures Corp., Federated Management Group, Inc., Kenneth Wayne Lee and
Simon Yang *aka* Simon Chen, Defendants
Sheila M. Lee, David A. Lee and Darren Lee, Relief Defendants
Civil Case No. 09-CV-1284**

The Department and the U.S Commodity Futures Trading Commission filed a joint complaint in the U.S. District Court for the Western District of Oklahoma against the Respondents for violations of the Commodity Exchange Act and the Oklahoma Securities Act. The Respondents had offered and sold in excess of \$11 million in interests in commodity pools to at least 140 investors. A receiver was appointed at the Plaintiffs' request. In October of 2010, Judge Russell granted summary judgment for the Plaintiffs as to liability and later ordered disgorgement and restitution. Respondents appealed to the Tenth Circuit which affirmed the

summary judgment. In May of 2012, Judge Russell approved a distribution by the Receiver in the amount of \$300,000.

On August 24, 2012, the Receiver filed his final report with the Court. The Receiver also filed his final application for compensation and reimbursement of expenses.

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

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 July 19, 2012, the Department responded to Harris’ discovery requests.

On August 16, 2012, the Department submitted its discovery requests to Harris.

		FY-13		FY-12
		YTD		YTD
	k. Miscellaneous Activities			
	1. Public Information/Press Releases (copy attached)	0		0
	2. Trainings/Seminars Attended	1		2
	3. Coordinated Activities	0		0
	III. Inquiries and Complaints			
	a. Inquiries	9		15
	b. Referrals from Other Oklahoma Agencies	1		0
	c. Referrals from Out of State Agencies	2		1