

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: September 13, 2013*

*Re: ENFORCEMENT REPORT*

Attached is the report of the enforcement activities of the Department for the months of July and August, 2013.

Attachment

h/home/londonb/EnforcementReports/13\_Enf-Reports\_Jul-Aug\_2013.doc

**OKLAHOMA DEPARTMENT OF SECURITIES  
ENFORCEMENT ACTIVITIES  
JULY AND AUGUST 2013**

		<b>FY-14</b>	<b>FY-13</b>
		<b>YTD</b>	<b>YTD</b>
<b>I.</b>	<b>Enforcement Files</b>		
	a. Enforcement Files Opened during the reporting period	14	17
	1. Securities Act	10	15
	2. Business Opportunity Sales Act	4	1
	3. Other	0	1
	b. Enforcement Files Closed during the reporting period	28	10
	c. Active Enforcement Files	223	258
<b>II.</b>	<b>Actions Taken during the reporting period</b>		
	a. Orders Initiating Investigation	0	1
	1. Securities Act	0	1
	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	0	1
	1. Securities Act-Notices	0	1
	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

		<b>FY-14</b>		<b>FY-13</b>
		<b>YTD</b>		<b>YTD</b>
	d. Other Orders	2		7
	1. Securities Act	2		7
	2. Business Opportunity Sales Act	0		0
	e. Public Undertakings/Agreements	2		2
	1. Securities Act	2		2
	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	1		0
	1. Securities Act	1		0
	2. Business Opportunity Sales Act	0		0
	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		\$0
	1. Securities Act			\$0
	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

		<b>FY-14</b>		<b>FY-13</b>
		<b>YTD</b>		<b>YTD</b>
	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	0		1
	v. Civil Appeals Filed	0		0
	vi. Administrative or other Court Appearances (including pleadings filed)	5		0
	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	2		1
	3. Coordinated Activities	0		0
	<b>III. Inquiries and Complaints</b>			
	a. Inquiries	11		9
	b. Referrals from Other Oklahoma Agencies	2		1
	c. Referrals from Out of State Agencies	1		2

*Administrative Actions*

SUMMARY

**In the Matter of:     Robert T. Montgomery and J&R Distributing Co., LLC**  
**ODS File No. 12-027**

An investigation was conducted by the Department into the activities of Robert T. Montgomery and J&R Distributing Co., LLC (collectively, the “Respondents”), both of Tulsa, Oklahoma. The investigation revealed that Respondents offered and sold unregistered interests in J&R Distributing Co., LLC, in connection with the purported distribution of “Wonder Wedges”, a plastic shim to stabilize furniture. Five investors purchased interests totaling \$19,500. In resolution of this matter, an agreement was entered between and among Respondents and the Administrator wherein Respondents agreed to imposition of an order prohibiting them from offering and/or selling securities in and/or from the state of Oklahoma and for payment of a civil penalty in the amount of \$100. On July 5, 2013, the Administrator issued an order implementing the provisions of the agreement.

**In the Matter of:     RLH Consulting Group, LLC**  
**ODS File No. 12-035**

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 made 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.

Respondents did not request a hearing. On July 5, 2013, the Administrator issued a final cease and desist order against Respondents.

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

An investigation was conducted by the Department into the activities of Equity Associates, LLC and Garon Rayburn (collectively, the “Respondents”), both of Oklahoma City. The investigation revealed that Respondents offered and sold securities in the nature of notes. To resolve this matter, an agreement was entered on July 5, 2013, among Respondents and the Administrator wherein Respondents agreed to offer restitution in the amount of \$42,500 to the one investor who is an Oklahoma resident.

**In the Matter of: Freeman Investment Capital Group, LLC and Michael H. Freeman  
ODS File No. 13-077**

The Department concluded an examination into the activities of Boston Street Advisors, Inc. (“BSA”) and Robert Boyd. The examination revealed that BSA and Mr. Boyd failed to comply with the recordkeeping requirements of the Oklahoma Uniform Securities Act of 2004 and Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities while registered and/or transacting business in this state as an investment adviser and investment adviser representative, respectively. The matter was closed on July 22, 2013, with a letter cautioning the issuer to review and comply with the applicable provisions of the Act.

**Civil Actions**

**SUMMARY**

**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 Department’s subpoena no later than March 6th. A show-cause hearing was set for March 28th regarding payment of a civil penalty.

On March 28, a show-cause hearing was held wherein Judge Stuart ordered Defendant to pay a civil penalty of \$5,000 to the Department no later than April 29, 2013.

On May 22, the Department filed an application for contempt and other relief against Defendant in connection with its failure to comply with the subpoena duces tecum and to pay the civil penalty.

On July 31, 2013, Judge Stuart issued a contempt citation against Defendant and Robert A. Falco for failure to comply with the Order Imposing Civil Penalty entered on March 28.

**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.

On March 7, 2013, the Department filed its response to Defendant Arrowood's motion to compel. On March 27, the Defendant filed his reply to the Department's response.

On June 5, 2013, Defendant Arrowood filed a motion for summary judgment against the Department. On June 24, the Department filed its response to the motion.

On July 8, 2013, Defendant Arrowood filed his reply to the Department's response to the motion. On July 18, Defendant filed a motion to enter. On August 6, Judge Roger Stuart entered orders denying the Defendant's motion to compel and motion for summary judgment.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.  
Gregory L. Gray  
Civil Case No. CJ-2013-1606**

On June 28, 2013, the Administrator issued a subpoena ad testificandum to Gregory Gray of Norman, Oklahoma, in connection with ODS File No. 12-084. On August 2, 2013, the Department filed an application in the District Court of Oklahoma County against Gregory Gray, for an order to enforce the administrative subpoena. On August 5, a hearing was scheduled for September 12. On August 22, Defendant Gray filed his answer.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.  
Buy Car Notes.com, Inc., Invest In Car Notes.com, Inc., and Bill R. Thompson  
Civil Case No. CJ-2013-3786**

On July 8, 2013, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against Buy Car Notes.com, Inc., Invest In Car Notes.com, Inc., and Bill R. Thompson (collectively, “Defendants”), all of Oklahoma City, Oklahoma, in connection with the offer and/or sale of unregistered securities, in and/or from Oklahoma. The Department also alleges violations of the agent registration and anti-fraud provisions of the Act. The filing of this civil action follows the Defendants’ failure to comply with the restitution provision of an agreement among the Administrator and the Defendants in a previous administrative action. Defendants sold “Note Purchase Agreements” that were to be funded by Defendants’ sale and financing of used cars. Defendants represented that the investment would pay 8.5%-21% annually over six to twenty-four months and that such returns were guaranteed. Defendants received at least \$500,000 in investment proceeds.