

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: November 14, 2013*

*Re: ENFORCEMENT REPORT*

Attached is the report of the enforcement activities of the Department for the months of September and October, 2013.

Attachment

h/home/londonb/EnforcementReports/13\_Enf-Reports\_Sep-Oct\_2013.doc

**OKLAHOMA DEPARTMENT OF SECURITIES  
ENFORCEMENT ACTIVITIES  
SEPTEMBER AND OCTOBER 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	29	27
	1. Securities Act	24	25
	2. Business Opportunity Sales Act	5	1
	3. Other	0	1
	b. Enforcement Files Closed during the reporting period	44	31
	c. Active Enforcement Files	222	247
<b>II.</b>	<b>Actions Taken during the reporting period</b>		
	a. Orders Initiating Investigation	0	2
	1. Securities Act	0	2
	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	3	4
	1. Securities Act-Notices	3	4
	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		10	16
1. Securities Act		10	16
2. Business Opportunity Sales Act		0	0
e. Public Undertakings/Agreements		3	9
1. Securities Act		3	9
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		2	3
1. Securities Act		2	3
2. Business Opportunity Sales Act		0	0
g. Appeals from Final Orders		0	2
1. Securities Act		0	2
2. Business Opportunity Sales Act		0	0
h. Civil Penalties - Amounts Collected		\$25,000	\$2,500
1. Securities Act			\$2,500
2. Business Opportunity Sales Act		\$25,000	\$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	2	1
	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)	18	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	5	1
	3. Coordinated Activities	0	0
	<b>III. Inquiries and Complaints</b>		
	a. Inquiries	26	25
	b. Referrals from Other Oklahoma Agencies	2	4
	c. Referrals from Out of State Agencies	1	4

Administrative Actions

SUMMARY

**In the Matter of: William H. Mildren  
ODS File No. 13-065**

An investigation was conducted by the Department regarding certain supervisory activities for which William H. Mildren ("Mildren") was responsible while employed at Sanders Morris Harris, Incorporated. In order to resolve the issues raised as a result of the Department's investigation, Mildren and the Administrator entered into an agreement on September 17, 2013, wherein Mildren agreed to a censure and payment of a civil penalty to the Department in the amount of \$25,000. Mildren also agreed to complete specific FINRA E-Learning courses. On September 17, the Administrator issued an order implementing the provisions of the agreement.

**In the Matter of: Novers Financial, Chris A. Novinger and J. Brady Speers  
ODS File No. 13-079**

On September 17, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Novers Financial, Chris A. Novinger (Novinger), and J. Brady Speers (Speers) (collectively, "Respondents"). Novers Financial maintains an office in Oklahoma City, and Novinger and Speers are individuals who reside in Texas. Respondents were ordered to cease and desist from offering and selling unregistered securities, making untrue statements and omissions of material fact in connection with the offer and sale of securities, and transacting business as an unregistered broker-dealer, agent, investment adviser, and/or investment adviser representative. Novers Financial, through Novinger, offered to sell an investment in a life settlement to an Oklahoma resident (Investor). Under the "Life Settlement Purchase Agreement," Investor would purchase interests in five specific life insurance policies issued on the lives of other persons ("Policies"), from DP Financial Services, LLC ("Seller"), with the expectation of profits to be derived primarily from the Seller's efforts in paying the premiums of the Policies through an Escrow Agent. After Investor declined the offer, Novinger represented to Investor that Novers Financial could offer other products and services such as index funds and/or exchange traded funds. The life settlement investment offered to Investor had not been registered under the Act. On October 25, the Administrator issued a final cease and desist order against Respondents.

**In the Matter of: Mohammad Asad Asad  
ODS File No. 14-007**

On October 30, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Mohammad Asad Asad (Asad), with addresses in Wylie, Texas, and Oklahoma City. The investigation revealed Asad offered and sold an investment opportunity to an Oklahoma couple for \$3,000. The couple was to receive return of the principal and \$1,500 from the proceeds of a purported flooring job to be performed by Asad.

**In the Matter of:     Meat Goats and Sheep, Inc. and Francis “Frank” Willis**  
**ODS File No. 12-049**

On October 31, 2013, the Administrator issued an order to cease and desist, and a notice of opportunity for hearing, to Meat Goats and Sheep, Inc. (MGS) and Francis “Frank” Willis (Willis) (collectively, “Respondents”) of Adair, Oklahoma. Respondents were not registered in any capacity under the Act and were ordered to cease and desist from offering and/or selling unregistered securities in violation of the Act. Between May 2010 and June 2011, Respondents offered investment opportunities in the form of shares of stock, joint venture agreements, and convertible bonds.

**In the Matter of:     Waddell & Reed, Inc. and Lonnie Gene Brown**  
**ODS File No. 13-005**

The Department conducted a for-cause examination of certain activities of Waddell & Reed, Inc. (WRI) and Lonnie Gene Brown (Brown), a registered agent and investment adviser representative of WRI, (collectively, the “Respondents”). The examination revealed that Brown failed to comply with, and WRI failed to enforce, WRI’s written supervisory procedures relating to the processing of a redemption request form, thereby causing a monetary loss to a client. The client received reimbursement for her loss. The matter was closed on October 29, 2013, with a letter cautioning Respondents to comply with, and enforce, the written supervisory procedures of WRI.

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. On September 18, Judge Russell granted the Receiver's final application for compensation and reimbursement of expenses.

On September 20, 2013, the Receiver filed a motion to dissolve the receivership. On September 20, the Department filed its notice of non-opposition to the Receiver's motion. On October 15, Judge Russell granted the Receiver's motion.

**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, Oklahoma, 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 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.

On September 10, Defendant Arrowood filed a notice to take the deposition of the Administrator. On September 17, the Department filed a motion to quash Defendant Arrowood's deposition notice and to request a protective order. On September 20, the Defendant filed his motion for a protective order. On September 27, the Department filed its response to Defendant's second motion. On September 30, Defendant filed his response to the Department's motion.

**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, 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. On August 22, Defendant Gray filed his answer.

On September 11, 2013, the Department dismissed without prejudice its application for an order to enforce the administrative subpoena.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v. Jasmine, Inc.; Oklahoma Energy Exchange, LLC; Harrisburg Prospect Lease Fund, LLC; Gates Oil & Gas, Ltd.; Harrisburg 2 Prospect Lease Fund, LLC; Jimmy W. Gray; Greg L. Gray; Michael K. Gray; and Lance P. Bowman**  
**Civil Case No. CJ-2013-5023**

On September 9, 2013, the Department filed a Petition for Permanent Injunction and other Relief in the District Court of Oklahoma County against the above-named 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, an asset freeze, an accounting and a temporary injunction. On the same date, Judge Patricia Parrish, for Judge Barbara Swinton, issued a temporary restraining order, an order for an asset freeze as to the business entities, and an order for an accounting. On September 30, a hearing was held wherein Judge Swinton entered an agreed order appointing L. Vance Brown (Brown) as the Receiver for Defendants Jasmine, Inc. (Jasmine), Gates Oil & Gas, Ltd. (Gates), and Harrisburg 2 Prospect Lease Fund, LLC (Harrisburg 2). She also issued a temporary injunction against Defendants Jasmine, Gates, Harrisburg 2, Jimmy Gray, Michael Gray and Lance Bowman. On October 17, Judge Swinton entered an order appointing Brown as the Receiver for Defendants Oklahoma Energy Exchange, LLC and Harrisburg Prospect Lease Fund, LLC. On October 23, Judge Swinton entered an agreed order vacating the asset freeze as to the entities subject to the receivership. Judge Swinton also issued a temporary injunction against Defendants Oklahoma Energy Exchange, LLC (OEE) and Harrisburg Prospect Lease Fund, LLC.