

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: *January 8, 2016*

Re: **ENFORCEMENT REPORT**

Attached is the report of the enforcement activities of the Department for the months of November and December, 2015.

Attachment

h/home/londonb/EnforcementReports/15_Enf-Reports_Nov-Dec_2015.doc

**OKLAHOMA DEPARTMENT OF SECURITIES
ENFORCEMENT ACTIVITIES
NOVEMBER AND DECEMBER 2015**

		FY-16	FY-15
		YTD	YTD
I.	Enforcement Files		
	a. Enforcement Files Opened	31	43
	1. Securities Act	29	42
	2. Business Opportunity Sales Act	2	0
	3. Other	0	1
	b. Enforcement Files Closed	43	60
	c. Active Enforcement Files	171	171
II.	Actions Taken		
	a. Administrative Subpoenas	34	0
	1. Securities Act	34	0
	2. Business Opportunity Sales Act	0	0
	b. Orders Initiating Investigation	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	c. Summary Orders	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	d. Notices of Opportunity for Hearing Served	4	4
	1. Securities Act-Notices	4	3
	i. Hearing Set	1	1
	ii. Hearings Held	0	0
	2. Business Opportunity Sales Act Notices	0	1
	i. Hearing Set	0	0
	ii. Hearings Held	0	0

		FY-16	FY-15
		YTD	YTD
	2. Business Opportunity Sales Act Notices	0	1
	i. Hearing Set	0	0
	ii. Hearings Held	0	0
	e. Other Orders	12	20
	1. Securities Act	12	19
	2. Business Opportunity Sales Act	0	1
	f. Public Undertakings/Agreements	5	5
	1. Securities Act	5	5
	2. Business Opportunity Sales Act	0	0
	g. Confidential Settlement Agreements	0	0
	1. Securities Act	0	0
	2. Business Opportunity Sales Act	0	0
	h. Letters of Caution	2	5
	1. Securities Act	2	5
	2. Business Opportunity Sales Act	0	0
	i. Appeals from Final Orders	0	1
	1. Securities Act	0	1
	2. Business Opportunity Sales Act	0	0
	j. Civil Penalties - Amounts Collected	\$12,000	\$216,690.11
	1. Securities Act	\$12,000	\$216,690.11
	2. Business Opportunity Sales Act	\$0	\$0
	k. Administrative Costs - Amounts Collected	\$0	\$0
	1. Securities Act	\$0	\$0
	2. Business Opportunity Sales Act	\$0	\$0

		FY-16	FY-15
		YTD	YTD
	I. Civil Enforcement Activities		
	1. Securities Act		
	i. Subpoenas Issued	0	0
	ii. Civil Petitions Filed	1	2
	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)	36	40
	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
	m. Miscellaneous Activities		
	1. Public Information/Press Releases (copy attached)	0	0
	2. Trainings/Seminars Attended	13	8
	3. Coordinated Activities	0	0
	III. Inquiries and Complaints		
	a. Inquiries	27	20
	b. Referrals from Other Oklahoma Agencies	2	1
	c. Referrals from Out of State Agencies	2	2

Administrative Actions

SUMMARY

In the Matter of: Nicholas Mastropiero and E.J. Sterling, LLC
ODS File No. 16-014

On October 2, 2015, the Administrator issued an order to cease and desist (“Cease and Desist Order”), and a notice of opportunity for hearing, to Nicholas Mastropiero (“Mastropiero”) of Staten Island, New York, and E.J. Sterling, LLC (“E.J. Sterling”) of New York, New York (collectively, “Respondents”). Respondents Mastropiero and E.J. Sterling were ordered to cease and desist from transacting business in this state as an unregistered broker-dealer agent and associating with an unregistered agent, respectively, in violation of Section 1-402 of the Oklahoma Uniform Securities Act of 2004 (Act).

On November 24, an agreement was entered into between Respondents and the Administrator in which Respondents consented to the entry of an order whereby the Cease and Desist Order was made final by operation of law and E.J. Sterling was ordered to pay a civil penalty in the amount of \$5,000. Such order was issued by the Administrator on November 24, 2015.

In the Matter of: Beth E. Dutoit
ODS File No. 16-021

On November 30, 2015, the Administrator of the Department issued a notice of opportunity for hearing on an Enforcement Division Recommendation (Recommendation) against Beth E. Dutoit (“Respondent”), of Norman, Oklahoma. The Department alleged that Respondent was registered under the Act as an agent and investment adviser representative of Edward Jones from December 2011 and February 2012, respectively, to May 2015. While associated with Edward Jones, Respondent photocopied documents containing clients’ signatures to create new documents appearing to have been signed by the clients. Respondent was permitted to resign from Edward Jones while under an internal review. In connection with the internal review, Edward Jones informed Respondent that her conduct violated firm policy and had been previously addressed by the firm in a continuing education course on ethics. After leaving Edward Jones, Respondent was registered under the Act as an agent and investment adviser representative of United Planners Financial Services (“United Planners”) until September 2015. While associated with United Planners, Respondent copied a client’s signature onto a form without the client’s knowledge. United Planners discharged Respondent as a result. The Department is seeking an order barring Respondent from registration under the Act and from association with a broker-dealer or investment adviser registered under the Act.

Civil Actions

SUMMARY

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
Larry Robert McDaniel
Civil Case No. CJ-2014-3920**

On July 10, 2014, the Department filed a Petition for Permanent Injunction and Other Equitable Relief (“Petition”) in the District Court of Oklahoma County against Larry Robert McDaniel, of Del City, Oklahoma, alleging violations of Sections 1-301 and 1-501 of the Oklahoma Uniform Securities Act of 2004 (Act).

On December 18, 2015, the Department filed a Dismissal without Prejudice in this matter due to lack of service on the Defendant.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
Seabrooke Investments, LLC; Seabrooke Realty, LLC; Oakbrooke Homes, LLC;
Bricktown Capital, LLC; KAT Properties, LLC; Cherry Hill, LLC *dba* Cherry Hill
Apartments; Tom W. Seabrooke; and Judith Karyn Seabrooke
Civil Case No. CJ-2014-4515**

On August 11, 2014, the Department filed a Petition for Permanent Injunction and Other Equitable Relief in the District Court of Oklahoma County against the above-named Defendants, all of Oklahoma City, Oklahoma, 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, Order Appointing Receiver, Order for Accounting and Temporary Injunction. On the same date, Judge Patricia G. Parrish issued a Temporary Restraining Order, Order Appointing Receiver, Order Freezing Assets, and Order for Accounting. Judge Parrish appointed Ryan Leonard as Receiver. On August 18, Robert Edinger filed his entry of appearance as counsel for the Receiver. On August 19, the Defendants filed a motion to vacate the temporary restraining order. On August 19, a hearing was held on the Department’s application for a temporary injunction and Defendants’ motion to vacate the temporary restraining order. Judge Parrish ordered the entry of a temporary injunction and ordered that the asset freeze, with the exception of one bank account, and the receivership remain in effect.

On September 9, a hearing was held on the Receiver’s emergency motion to release the Bricktown Hotel and Convention Center as an asset of the Receivership. The Receiver believed that the value of the hotel was less than the value of its existing mortgages. The Court ordered that the Bricktown Hotel and Convention Center be released from the asset freeze and receivership. Upon oral motion by the Seabrookes’ counsel, the Court considered compensation from the receivership estate for Tom and Karyn Seabrooke. The Court authorized a one-time \$4,000 payment to Tom Seabrooke for his prior services in management of the hotel. The Court further authorized Karyn Seabrooke to receive a monthly payment of \$2,500 for property management services so long as the Receiver continues to utilize her services and one-half of all

real estate commissions earned by Seabrooke Realty, LLC so long as she is licensed to sell real estate, employed by Seabrooke Realty, LLC, and utilized by the Receiver in that regard.

After the Court's September compensation ruling, the Department filed a motion to remove Tom and Karyn Seabrooke from employment by the receivership. This motion was heard on October 14. The Court denied the Department's motion and ruled that Karyn Seabrooke would continue to receive monthly compensation in the amount of \$2,500.

During the month of November, 2014, the Court approved the Receiver's fee application for the month of September and the Receiver filed an application for the approval of his October 2014 fees. An agreed order was entered for the sale of the Cherry Hill Apartments located at 4708 S.E. 44th Street, Oklahoma City, Oklahoma (Cherry Hill Apartments). The Department filed a motion to retain the commission from the receivership sale of the Cherry Hill Apartments. The Defendants filed an objection to the Department's motion to retain the commission and the Department filed a reply. An agreed order was entered for the sale of property located at 2528 N.W. 12th Street in Oklahoma City, Oklahoma. An order was issued memorializing a September 2014 decision of the Court approving compensation to Tom and Karyn Seabrooke.

During the month of December, 2014, the Receiver filed a motion for contempt and for a declaratory order against First Commercial Bank (FCB) regarding the release of funds escrowed in connection with the sale of the Cherry Hill Apartments. Judge Parrish ordered the commission from the sale of the Cherry Hill Apartments to be escrowed. The Receiver filed an application for the Court to establish a claims procedure for creditors and/or investors. First National Bank of Weatherford (FNB-Weatherford) filed a motion for the release of the Oakbrooke Lawton Property from the Receivership estate. The Court approved the Receiver's October fee application and the Receiver filed an application for an order approving fees and expenses for the month of November.

During the month of January 2015, FNB-Weatherford filed a motion for the release of the Oakbrooke College Park Property from the Receivership estate and a supplement to its motion for the release of the Oakbrooke Lawton Property. An agreed order was entered releasing the property from the Receivership estate. Quail Creek Bank (QCB) filed a motion to disburse escrowed funds to QCB. Bricktown Capital LLC (Bricktown Capital) filed a motion to disburse escrowed funds to Bricktown Capital and for the payment of expenses of hotel vendors, and an objection to QCB's motion for disbursement. QCB filed an objection to Bricktown Capital's motion for disbursement of escrowed funds and for the payment of expenses of hotel vendors. The Department and the Receiver filed responses to QCB's motion. The Department also filed a response to Bricktown Capital's motion. QCB filed a response to all parties' objections to its motion. Wayne Doyle, a non-party, filed a motion for leave to intervene. An agreed protective order was issued relating to certain information requested from Wayne Doyle. The Court approved the Receiver's November fee application. An agreed order was entered establishing a claims procedure and setting a March 15, 2014 deadline for the filing of claims.

During the month of February, agreed orders were entered authorizing conditional intervention by FCB and Wayne Doyle. FCB filed its response to the Receiver's contempt

motion and the application for an order to disburse escrowed attorney's fees relating to the Cherry Hill Apartments. Ilana D. Sharpe filed her entry of appearance as counsel for the Defendants. The Receiver filed a response to Bricktown Capital's motion for payment to hotel vendors. A hearing was held on February 6, wherein the Court granted, in part, QCB's motion to disburse escrowed funds. The Court ordered the payment of \$6,064.20 to QCB and the payment of the remaining escrowed funds to the Receiver. At the hearing, the Court postponed a decision on the Defendants' motion to pay hotel vendors. An order was issued memorializing the February 6 rulings. Bricktown Capital filed a motion to strike the order and to substitute a corrected order. Agreed orders were entered releasing the Oakbrooke College Park Property from the Receivership estate and continuing the hearing on the FNB-Weatherford intervention motion. Alicia Holtslander-Petrone filed an emergency application to intervene and a motion for an emergency order for the disposition of assets relating to Receivership properties on 17th Street in Oklahoma City, Oklahoma. The Receiver filed a fee application for December 2014 and January 2015. Defendants filed an objection to this fee application. An agreed order was entered for the sale of property located at 1609 N.W. 15th Street, Oklahoma City, Oklahoma.

During the months of March and April, an agreed order was entered for the sale of properties located on 17th Street in Oklahoma City, Oklahoma. The Receiver's fee application for December 2014 and January 2015 was granted. The Receiver, Intervenor Wayne Doyle, and Defendant Bricktown Capital filed a Joint Motion for Interpleader requesting that the Court authorize the deposit with the court clerk of the balance of the proceeds from the sale of the Bricktown Hotel (\$187,585.90). The motion was granted. Doyle filed a motion asking for disbursement of the interpled funds plus an additional \$11,733.74 as payment on the secured indebtedness owed him. The Receiver filed a fee application for February 2015. Defendants filed an objection to this fee application. The Receiver's fee application was granted. The Department and the Receiver filed responses to FCB's application for an order to disburse escrowed fees. Both parties requested the release of the escrowed funds to the Receiver, while preserving the right of FCB to seek reimbursement of attorney fees in the claims process.

During the months of May and June, the Receiver filed a fee application for March 2015 to which Defendants filed an objection. The Court granted the application, as revised. Agreed orders were entered for the sale of the Briargate Plaza Apartments and properties located on Indiana Avenue and Northwest 11th, Northwest 17th and Northwest 21st Streets in Oklahoma City, Oklahoma. An application to intervene and a motion for an order to determine the right to proceeds from the sale of real estate were filed by Peggy Johnston and HPJ Family LP. A hearing is set for August 5th. The Department and Receiver filed responses to Doyle's motion asking for disbursement of the interpled funds. Doyle filed a reply to the Department's response. The Receiver filed notice of his *in camera* submission to the Court relating to his objection to Doyle's motion to disburse interpled funds and the Receiver's motion to retain the interpled funds as a receivership asset. Doyle filed a reply to the Receiver's objection and motion. An evidentiary hearing date is set for August 5th on Doyle's motion to disburse. The Receiver filed fee applications for April and May 2015.

During the months of July and August, the Receiver filed an amended fee application for April through May 2015; a fee application for June 2015; and an application for distributions on

certain claims relating to Oklahoma City properties located at 1405 N.W. 17th Street, 1409 N.W. 17th Street, 1413 N.W. 17th Street, 1419 N.W. 17th Street, 1507 N.W. 17th Street, 1609 N.W. 15th Street, and 425 N.W. 11th Street. On August 24, James A. Slayton filed his entry of appearance as counsel for Peggy Johnston; HPJ Family LP; and HPJ Family Trust.

During the months of September and October, Terry D. Kordeliski II filed a motion to withdraw as counsel for Peggy Johnston, HPJ Family Trust, and HPJ Family LP. The Court granted the Receiver's fee application for June 2015. The Receiver filed fee applications for July, August and September. The Court granted the applications. An agreed order was entered for intervention by Peggy Johnston, HPJ Family Trust, and HPJ Family LP. An order was entered on the Receiver's application for distributions on certain claims relating to Oklahoma City properties located at 1419 N.W. 17th Street and 1507 N.W. 17th Street. Judge Parrish ordered the interpled funds from the sale of the Bricktown Hotel be disbursed by the District Court Clerk to the Receiver. An agreed order was entered for the sale of eight lots in the Ravenswood Manor Addition in Oklahoma City.

During the months October and November, Mr. Kordeliski's motion to withdraw as counsel for Peggy Johnston, HPJ Family Trust, and HPJ Family LP was granted. The Receiver filed fee applications for October and November. The Court granted the Receiver's fee applications for September and October. Defendants consented to the entries of permanent injunctions and waived any right to appeal the order. Judge Parrish issued orders against Defendants permanently enjoining them from offering and/or selling securities in and/or from Oklahoma. The Receiver filed his report on claims and requested the Court's authority to make distributions. The judge issued an order requiring notice to claimants of the Receiver's report and their opportunity to respond. A hearing on the claims is set for February 29, 2016.

**The State of Oklahoma *ex rel.* The Oklahoma Securities Commission v.
Secure Operations Group, LLC and George Conner
Civil Case No. CJ-2015-568**

On March 31, 2015, the Department filed an Application to Enforce Subpoena Compliance in the District Court of Oklahoma County, against Secure Operations Group, LLC and George Conner (collectively, the "Defendants").

A hearing was held on October 30, 2015. Judge Thomas E. Prince ordered the Defendants to produce all documents required by the subpoena no later than November 30. The documents were not produced.

During the month of December, the Department filed an application for contempt against Defendants for failure to comply with the Court's order enforcing the administrative subpoena that was entered on October 30. Judge Prince issued a Citation for Contempt against Defendants and set a contempt hearing for January 29, 2016.

**Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator v.
Larry Robert McDaniel
Civil Case No. CJ-2015-6867**

On December 18, 2015, the Department filed a Petition for Permanent Injunction and Other Equitable Relief (“Petition”) in the District Court of Oklahoma County against Larry Robert McDaniel, of Del City, Oklahoma, alleging violations of Sections 1-301 and 1-501 of the Act.