



hearing against Defendants. The entry of such orders are necessary for the reasons set forth below, to preserve the *status quo* and to protect the Department's rights in enforcing the Act.

## I. THE DEFENDANTS

Raglin Industries, LLC ("Raglin LLC") is an Oklahoma limited liability company, with its principal place of business in Wagoner, Oklahoma. At all times material hereto, Raglin LLC issued, offered and/or sold securities in and/or from Oklahoma as described herein.

Phillip Levaughn Raglin ("Phillip Raglin"), an individual and Oklahoma resident, is the founder and chief executive officer of Raglin LLC and controls all acts of Raglin LLC. At all times material hereto, Phillip Raglin offered and/or sold securities in and/or from Oklahoma as described herein.

Joseph Daniel Layne ("Layne"), an individual and Oklahoma resident, is the Director of Accounts of Raglin LLC. At all times material hereto, Layne offered and/or sold securities in and/or from Oklahoma as described herein.

## II. NATURE OF THE CASE

Beginning in or about July, 2006, and continuing to the present, Defendants have engaged in the issuance, offer and/or sale of securities in and/or from the state of Oklahoma to investors ("Investors"), in the nature of limited liability company membership interests ("LLC Interests").

To purchase the LLC Interests, Investors sign an "Operating Agreement" ("Agreement") provided by the Defendants. The Agreement recites the "Investment Amount," whether the "Investment Preference" is for "Monthly Payout" or "Rollover," the date, the payment type, the "Full Name of Shareholder," the address and the phone number. Defendants represent in the Agreement that Investors are "eligible for guaranteed payouts combined with a compounded

share of profits.” The Agreement also provides that payouts will be made upon request “once every 30 day period and a repayment of principle (sic) on the duration of one year.” The Agreement promises “a referral bonus of a one time 5% membership of the referred member on the referred member’s payout date.”

Defendants provide Investors with a copy of the Agreement and a membership certificate. The Agreement and membership certificate do not confer management powers on Investors or give any description of the business of Raglin LLC. The Agreement gives no information to Investors explaining how Investors can access information regarding their investments or how Investors can protect their investments. The Agreement states: “We reserve the right to change the specified rules and payout rates of the company at any time and at our sole discretion without notice....”

Defendants promise to pay interest of up to 30% to Investors. Defendants represent to Investors that Defendants have specialized knowledge and expertise to make the investments profitable. Investors have no role in the success or outcome of their investments or in affecting the promised profit. Investors rely completely on the judgment and discretion of the Defendants for the promised profit. Defendants do not disclose to Investors how Defendants will use Investors’ money or how they will pay the promised return.

Defendants have not invested Investor funds or earned a profit on Investor funds. Defendants have spent the principal deposited by Investors primarily for the payment of personal expenses of the Defendants and for interest payments to earlier Investors.

### **III. VIOLATIONS OF THE ACT**

#### **A. Violation of Section 1-301 of the Act: Offer and/or Sale of Unregistered Securities**

The LLC Interests are securities as defined by Section 1-102 of the Act.

The securities offered and sold by Defendants are not and have not been registered under the Act nor have the securities been offered or sold pursuant to an exemption from registration under Sections 1-201 through 1-203 of the Act. See affidavit attached as *Exhibit A*.

By reason of the foregoing, Defendants have violated, are violating, and unless enjoined, will continue to violate Section 1-301 of the Act.

**B. Violation of Section 1-402 of the Act:  
Failure to Register as Agents and Employing Unregistered Agents**

Defendants Phillip Raglin and Layne are not registered under the Act as agents under Section 1-402 of the Act. See Affidavit attached as *Exhibit B*.

Defendant Raglin LLC is an issuer as defined in Section 1-102 of the Act. Defendant Raglin LLC employed agents who were not registered under the Act to transact business in this state.

Defendants Phillip Raglin and Layne by virtue of their efforts and activities in transacting business in this state, are agents, as defined in Section 1-102 of the Act. Defendants Phillip Raglin and Layne transacted and are transacting business in this state as agents without benefit of registration under the Act.

By reason of the foregoing, Defendants have violated, are violating, and unless enjoined, will continue to violate Section 1-402 of the Act.

**C. Violation of Section 1-501 of the Act:  
Untrue Statements of Material Fact and Omissions of Material Fact  
in Connection with the Offer, Sale or Purchase of Securities**

Defendants, in connection with the offer and/or sale of securities, directly and indirectly, made and are making untrue statements of material fact including, but not limited to the following matters:

a. that Defendants would provide guaranteed profits or returns on the LLC Interests in the nature of interest of up to 30% when, in fact, Defendants have not invested the Investors' funds in any manner to generate such profits or returns; and

b. that the investigation by the Department was initiated by the Defendants who contacted the Department to make sure they were conducting business properly when, in fact, the Department initiated the investigation after receiving information that Defendants may have violated the Act.

Defendants, in connection with the offer and/or sale of securities, directly and indirectly, omitted and are omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were and are made, not misleading, including, but not limited to, the following matters:

- a. any general or specific risk factors associated with the LLC Interests;
- b. that the LLC Interests are securities under the Act;
- c. that the LLC Interests have not been and are not registered under the Act;
- d. that the Defendants who offered and sold the LLC Interests were not and are not registered under the Act;
- e. the actual background or business experience of the Defendants;
- f. information on the manner in which profits would be generated on the LLC Interests or how Investors' funds would be disbursed;
- g. that Defendants would use Investor funds for the payment of personal expenses of the Defendants and for interest payments to earlier Investors; and
- h. that Defendant Phillip Raglin was charged in October, 2005, with the criminal felony of embezzlement in the District Court of Cleveland County, Oklahoma, and that the charge is pending.

By reason of the foregoing, Defendants, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

**D. Violation of Section 1-501 of the Act:  
Engaging in any Act, Practice, or Course of Business that Operates  
or Would Operate as a Fraud or Deceit upon any Person**

Defendants, in connection with the offer, sale or purchase of securities, and through the use of the untrue statements of material fact and the omissions of material fact described above, have engaged and are engaging in an act, practice, or course of business that has operated and continues to operate as a fraud or deceit upon investors.

By reason of the foregoing, Defendants, directly and indirectly, have violated, are violating, and unless enjoined, will continue to violate Section 1-501 of the Act.

**IV. NEED FOR TEMPORARY RESTRAINING ORDER, ASSET FREEZE,  
ACCOUNTING AND TEMPORARY INJUNCTION**

**A. Temporary Restraining Order**

Section 1-603 of the Act provides:

A. If the Administrator believes that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or constituting a dishonest or unethical practice or that a person has, is, or is about to engage in an act, practice, or course of business that materially aids a violation of this act or a rule adopted or order issued under this act or a dishonest or unethical practice, the Administrator may, prior to, concurrently with, or subsequent to an administrative proceeding, maintain an action in the district court of Oklahoma County or the district court of any other county where service can be obtained to enjoin the act, practice, or course of business and to enforce compliance with this act or a rule adopted or order issued under this act.

B. In an action under this section and on a proper showing, the court may:

1. Issue a permanent or temporary injunction, restraining order, or declaratory judgment;
2. Order other appropriate or ancillary relief, which may include:
  - a. an asset freeze, accounting, writ of attachment, writ of general or specific execution, and appointment of a receiver or conservator, that may be the Administrator, for the defendant or the defendant's assets,

b. ordering the Administrator to take charge and control of a defendant's property, including investment accounts and accounts in a depository institution, rents, and profits; to collect debts; and to acquire and dispose of property,

c. imposing a civil penalty up to a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or up to Two Hundred Fifty Thousand Dollars (\$250,000.00) for more than one violation; an order of rescission, restitution, or disgorgement directed to a person that has engaged in an act, practice, or course of business constituting a violation of this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act, and

d. ordering the payment of prejudgment and postjudgment interest; or

3. Order such other relief as the court considers appropriate.

A temporary restraining order has the object of preserving the *status quo*, in order to prevent irreparable injury, until such time as the Court may determine Plaintiff's application for temporary injunction. *Granny Goose Foods, Inc. v. Brotherhood of Teamsters*, 415 U.S. 423, 439, 94 S.Ct. 1113, 1124 (1974); *Morse v. Earnest, Inc.*, 547 P.2d 955 (Okla. 1976). Issuing a temporary restraining order is in the public interest when the failure to grant the relief would allow dishonest businesses and individuals to take advantage of vulnerable investors. The protection of the public interest is paramount in this matter.

Defendants have engaged in acts and practices in violation of the Act and have, as a result of these activities, received a substantial amount of money from numerous Investors. A danger exists that the money received from the Investors and/or held by Defendants will be lost, removed or transferred. A temporary restraining order to issue *instanter* against Defendants is necessary to preserve these funds, securities, and the records relating thereto, and to prevent further violations of the Act.

In addition, no injury will befall Defendants by granting such relief since Defendants have no right to act in the state of Oklahoma in violation of the Act, to include engaging in fraudulent conduct in connection with securities activities. The interference with Defendants' rights by granting the temporary restraining order will be minimal, if any, while protecting the public from immediate and irreparable injury or loss.

### **B. Asset Freeze and Accounting**

Section 1-603 of the Act specifically grants this Court the power to fashion appropriate equitable relief to provide effective enforcement of the Act. Once the equity powers of the court are invoked, the court possesses the power to fashion appropriate interim remedies. *SEC v. Manor Nursing Centers*, 458 F.2d 1082, 1103 (2<sup>nd</sup> Cir. 1972). Within this power is the authority to grant effective equitable relief by temporarily freezing specific assets. *SEC v. General Refractories Co.*, 400 F.Supp. 1248, 1259 (D.D.C. 1975); *SEC v. International Swiss Investments Corp.*, 895 F.2d 1272, 1276 (9<sup>th</sup> Cir. 1990); *SEC v. Manor Nursing Centers*, 458 F.2d at 1105-06 (upholding district court's order freezing assets in part because "... at the time the court's order was entered, a great deal of uncertainty existed with respect to the total amount of proceeds received and their location.") Within the equity power of the court is the authority to order an accounting by the Defendants. *SEC v. R.J. Allen & Associates*, 386 F. Supp. 866, 880 (S.D.N.Y. 1974); *SEC v. Manor Nursing Centers*, *supra* at 1103-1104.

Defendants make use of untrue statements of material fact and omit to state material facts as alleged in Plaintiff's verified petition, in violation of Section 1-501 of the Act. The whereabouts of the money raised by Defendants through violations of the Act is not known at this time. These circumstances make it necessary that the court freeze specific assets to preserve

the status quo by preventing the dissipation of assets and to account for the money raised through violations of the Act so as to protect Investors and to provide effective relief.

### **C. Temporary Injunction**

Once the plaintiff has shown the Defendants' past conduct is in violation of the Act, the proper test for the issuance of a statutory injunction is whether there is a reasonable expectation of future violations by Defendants. *SEC v. Manor Nursing Centers, Inc., supra; SEC v. Culpepper, 270 F.2d 241, 249 (2d Cir. 1959)*. In considering this issue, past illegal conduct is strong support for the likelihood of future violations. *Oklahoma Securities Commission v. CFR International, Inc., supra*. Here, the Defendants have violated the Act which creates a presumption of likelihood of future violations. Because the Plaintiff has conclusively demonstrated the existence of past violations, injunctive relief is appropriate and the burden of showing there is no reasonable expectation of future violations will shift to the Defendants and their burden "is a heavy one." *SEC v. Culpepper, supra; Oklahoma Securities Commission v. CFR International, Inc., supra*.

Unlike private actions for injunctions, the Department's action is based on statute and no showing of irreparable injury or the inadequacy of other remedies is required. *Oklahoma Securities Commission v. CFR International, Inc., 622 P.2d 293, 295 (Okla. Ct. App. 1980)* (citing *Bradford v. SEC, 278 F.2d 566 (9th Cir. 1960)*). Although not required, the Department has also shown that the public will suffer irreparable injury if Defendants are not enjoined from further violations of the Act.

### **D. An Ex Parte Order Should be Issued**

While courts have been cautious with the use of ex parte orders, they are approved in appropriate cases. *Covington, Knox Inc. v. Texas, 577 S.W. 2d 323 (Tex. App. Houston [14th*

*Dist.] 1979, no writ).* The Department alleges facts that demonstrate a strong likelihood of ongoing violations of the Act by Defendants.

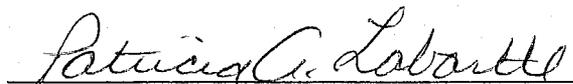
In addition, there is a great risk that Defendants will take measures to dissipate assets if provided notice of this action before a temporary restraining order is issued and assets are frozen. Providing notice of this action to Defendants could lead to loss of Investor funds, and consequently cause irreparable injury to the Department's ability to safeguard the public interest by *inter alia* providing monetary redress. The issuance of a temporary restraining order *instanter*, an asset freeze, and an order for an accounting by the Defendants will help maximize the relief to Investors and protection of the public interest.

#### **V. Conclusion**

The Department, pursuant to Section 1-602 of the Act, conducted an investigation into Defendants' activities in and/or from the state of Oklahoma. The investigation produced evidence that clearly indicates Defendants have issued, offered and/or sold unregistered securities, acted as unregistered agents and/or employed unregistered agents. Such activity is continuing. The investigation also revealed that Defendants, in connection with the offer, sale and/or purchase of securities: (1) made and are making untrue statements of material fact; (2) omitted and are omitting to state certain material facts; and (3) engaged and are engaging in a course of business which has operated as a fraud or deceit upon Investors. Defendants have engaged and are engaging in substantial violations of the Act, including fraudulent practices. The Department submits that the evidence firmly establishes a *prima facie* case for the issuance of a temporary restraining order, an asset freeze, an accounting, and a temporary injunction.

In light of the facts presented and the authorities cited, the Department respectfully requests that this Court issue an order freezing assets of Defendants, an order for an accounting, and a temporary restraining order, until such time as the Court may afford the parties a hearing on the Plaintiff's motion for temporary injunction, all to halt Defendants' unlawful practices and to provide effective relief to Investors and to the Department.

Respectfully submitted,



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Oklahoma City, Oklahoma 73102  
Telephone (405) 280-7700  
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AFFIDAVIT

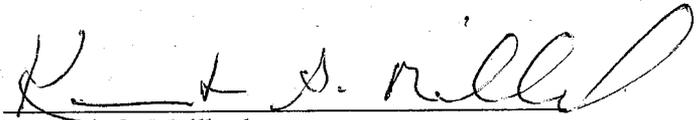
STATE OF OKLAHOMA     )  
  ) SS.  
COUNTY OF OKLAHOMA    )

I, Kenneth G. Maillard, Director of Registrations of the Oklahoma Department of Securities (the "Department"), swear that I have conducted an examination of the registration files of the Department pertaining to current and past registrations for the offer or sale of securities in Oklahoma and that nowhere therein was found a record of an application for the registration of securities pursuant to the Oklahoma Uniform Securities Act of 2004, OKLA. STAT. tit. 71, §§1-101 to 1-701 (Supp. 2004), or the predecessor Oklahoma Securities Act repealed effective July 1, 2004 (the "Acts"), for Raglin Industries, LLC ("Company").

I further swear that nowhere within the registration files of the Department was found a record of a registration of securities for the Company pursuant to the Acts.

I further swear that nowhere within the exemption files of the Department was found a record of a notice of intent to claim exemption from registration of securities for the Company pursuant to the Acts.

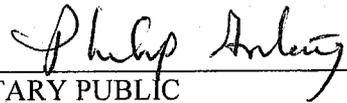
(SEAL)



Kenneth G. Maillard  
DIRECTOR OF REGISTRATIONS  
OKLAHOMA DEPARTMENT OF SECURITIES  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

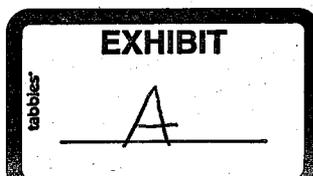
Subscribed and sworn to before me this 12<sup>th</sup> day of December, 2006.

(NOTARIAL SEAL)

  
\_\_\_\_\_  
NOTARY PUBLIC

#14515

My Commission Expires: Sept. 18, 2008



AFFIDAVIT

STATE OF OKLAHOMA )  
 )  
COUNTY OF OKLAHOMA ) SS.

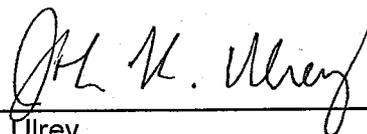
I, John K. Ulrey, Director of Licensing of the Oklahoma Department of Securities, swear that I have caused to be examined the registration files of the Oklahoma Department of Securities pertaining to current and past registered investment advisers, broker-dealers, investment adviser representatives, broker-dealer agents, and issuer agents and that nowhere therein was found a record of the registration pursuant to the Oklahoma Uniform Securities Act of 2004 or the predecessor Oklahoma Securities Act repealed effective July 1, 2004 for the following:

Raglin Industries, Inc.

Raglin Industries, LLC

Phillip Raglin

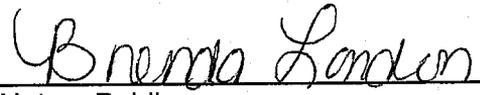
Joseph Daniel Layne



John K. Ulrey  
Director of Licensing  
OKLAHOMA DEPARTMENT OF SECURITIES  
First National Center, Suite 860  
120 North Robinson  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

Subscribed and sworn to before me this 17<sup>th</sup> day of November, 2006.

 BRENDA LONDON  
Notary Public  
State of Oklahoma  
Commission # 05009046 Expires 09/28/09

  
Notary Public

My Commission Expires:

My Commission Number:

EXHIBIT  
B

**CERTIFICATE OF MAILING**

The undersigned certifies that on the 12<sup>th</sup> day of December, 2006, a true and correct copy of the foregoing was mailed via certified mail, return receipt requested, delivery restricted to addressee, to the following:

**Raglin Industries, LLC**  
c/o National Registered Agents, Inc. of OK  
115 SW 89<sup>th</sup> Street  
Oklahoma City, OK 73139

and

33261 East 701 Drive  
Wagoner, OK 74467-8653

**Phillip Raglin**  
5309 N Johnstown Avenue  
Tulsa, OK 74126-2730

and

33261 East 701 Drive  
Wagoner, OK 74467-8653

and

Doubletree Hotel-Warren Place  
6110 South Yale Avenue  
Tulsa, OK 74136

**Joseph Daniel Layne**  
305 NE Second St  
Wagoner, OK 74467-4411

  
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