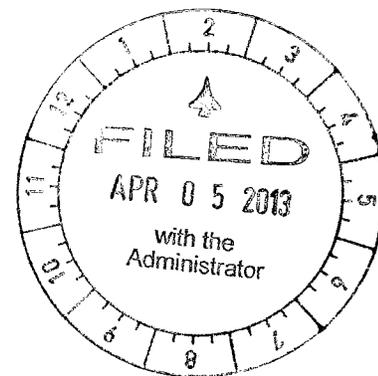


STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON AVENUE
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Equity Associates, LLC, and
Garon Rayburn,

Respondents.

ODS File No. 13-026

**DEPARTMENT'S RESPONSE TO
EQUITY ASSOCIATES LLC'S MOTION TO QUASH SUBPOENA DUCES TECUM**

The Deputy Administrator of the Oklahoma Department of Securities ("Department") issued a Subpoena Duces Tecum to Quail Creek Bank on March 20, 2013 ("Subpoena"), for the production of financial records relating to the bank accounts of Equity Associates, LLC ("Equity Associates"). Equity Associates filed a Special Appearance and Motion to Quash Subpoena Duces Tecum with the Administrator of the Department ("Administrator") on April 1, 2013 ("Motion to Quash"). The Enforcement Division of the Department requests that the Motion to Quash be denied for the reasons set forth below.

I. The Subpoena is Authorized by Law.

Pursuant to Section 1-602 of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), the Administrator may conduct public or private investigations he considers necessary or appropriate to determine whether a person has violated the Act and may subpoena the production of any records considered relevant or material to such investigations. On March 29, 2013, the

Administrator issued a formal order of investigation into the activities of Equity Associates and Garon Rayburn ("Respondents"). See Exhibit A. The Department's investigation into the activities of Respondents commenced prior to the issuance of the formal order of investigation.

Equity Associates is an Oklahoma limited liability company with its principal office purportedly located in Oklahoma City. At times material hereto, Garon Rayburn resided in Oklahoma City. Respondents have issued, offered and sold notes and/or other evidences of indebtedness ("Notes") in Oklahoma to at least one Oklahoma resident. See Exhibit B. Additional information received by the Department indicates that Respondents may have offered and sold the Notes in violation of the Act including, but not limited to, Section 1-501 of the Act that makes it unlawful for a person to, directly or indirectly, make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading, in connection with the offer and/or sale of a security.

Respondents have represented to the Department that the proceeds from the sale of the Notes were deposited into a bank account in the name of Equity Associates at Quail Creek Bank. The financial records requested by the Department's Subpoena are sought for the purpose of determining whether Respondents have violated the Act in connection with the offer and sale of the Notes. The subpoenaed financial records will be utilized by the Department in its determination of the veracity of the statements purportedly made by Respondents in connection with the offer and sale of the Notes and whether material omissions of fact were made by Respondents in connection with the offer and sale of the Notes. Further, the subpoenaed financial records will assist in

determining the number and identity of unknown purchasers of the Notes, or other securities, sold by Respondents, the principal amounts of their investments, any investment returns received by such purchasers, and the use of the investment proceeds by Respondents.

II. The Department has Complied with the Financial Privacy Act.

The Department's compliance with the applicable provisions of Oklahoma's Financial Privacy Act, Okla. Stat. tit. 6, §§ 2201 *et seq.* (2011), in connection with the Subpoena, is not at issue. The Subpoena specifies what financial records are sought and was mailed to the last known addresses of Equity Associates and its Registered Agent on the same date it was served on Quail Creek Bank. See Okla. Stat. tit. 6, § 2204.

III. No Valid Basis for Quashing the Subpoena Exists.

Section 2204 of the Financial Privacy Act provides four grounds for quashing a subpoena for a customer's financial records:

1. That the financial record sought is incompetent, irrelevant or immaterial for the purpose or purposes for which it is sought;
2. That the release of the financial record would cause an unreasonable burden or hardship under the circumstances;
3. That the government authority seeking said financial record is attempting to harass the customer; or
4. That there is no merit in the purpose or purposes for which said financial record is sought.

Okla. Stat. tit. 6, § 2204(C).

Without any explanation or support, Equity Associates states that its Motion to Quash is based on grounds numbered 1, 2, and 4 above, in addition to lack of personal

and subject matter jurisdiction by the Department. Equity Associate's Motion to Quash is without merit.

By virtue of Respondents' activities in this state as set forth in Section I above, and pursuant to Section 1-610 of the Act, the Department has jurisdiction over Respondents and this subject matter. As also set forth in Section I above, the requested financial records are competent, relevant and material to the Department's investigation into the statements and omissions purportedly made by Respondents in connection with the offer and sale of the Notes.

Equity Associates will not incur an unreasonable burden or hardship as a result of the release of the subpoenaed financial records by Quail Creek Bank. The Subpoena requires no production of records by Respondents. The Department – not Respondents – will incur the costs of Quail Creek Bank's compliance with the Subpoena. See Okla. Stat. tit. 6, § 2206. Further, pursuant to Section 1-607 of the Act, and 660:2-7-3(h) of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities, the records produced in response to the Subpoena shall be kept confidential and not made available to the public unless in connection with a civil or administrative action or proceeding brought by the Administrator.

Finally, as discussed in Section I above, the financial records requested by the Department's Subpoena are sought for a valid purpose – determining whether Respondents have violated the Act including, but not limited to, Section 1-501, in connection with the offer and sale of the Notes.

Conclusion

Equity Associates' Motion to Quash should be denied because the Subpoena is authorized by the Act and was issued and served, with notice provided to Equity Associates, in compliance with the Financial Privacy Act. Further, none of the statutory grounds for quashing the Subpoena exist.

WHEREFORE, the Enforcement Division of the Department requests that Equity Associates' Motion to Quash be denied.

Respectfully submitted,



Terra Shamas Bonnell
Robert E. Fagnant
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Oklahoma Department of Securities
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Oklahoma City, Oklahoma 73102
Telephone: (405) 280-7700
Fax: (405) 280-7742
Email: tbonnell@securities.ok.gov;
rfagnant@securities.ok.gov

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 5th day of April, 2013, a true and correct copy of the above and foregoing was mailed, with postage prepaid thereon, and emailed to:

Mr. Kent Frates
Ms. Melanie J. Jester
HARTZOG CONGER CASON & NEVILLE
201 Robert S. Kerr Avenue
1600 Bank of Oklahoma Plaza
Oklahoma City, OK 73102
kentfrates@nsis.net
mjester@hartzoglaw.com



Terra Shamas Bonnell

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ORDER INITIATING INVESTIGATION

It has come to the attention of the Administrator of the Oklahoma Department of Securities ("Department") that violations of certain provisions of the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), may have occurred, may be occurring, or may be about to occur, in connection with the offer and/or sale of securities by Equity Associates, LLC, and/or Garon Rayburn.

Section 1-602 of the Act provides in part:

A. The Administrator may:

1. Conduct public or private investigations within or outside of this state which the Administrator considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate this act or a rule adopted or order issued under this act, or to aid in the enforcement of this act or in the adoption of rules and forms under this act;
2. Require or permit a person to testify, file a statement, or produce a record, under oath or otherwise as the Administrator determines, as to all the facts and circumstances concerning a matter to be investigated or about which an action or proceeding is to be instituted; and
3. Publish a record concerning an action, proceeding, or an investigation under, or a violation of, this act or a rule adopted or order issued under this act if the Administrator determines it is necessary or appropriate in the public interest and for the protection of investors.



B. For the purpose of an investigation or proceeding under this act, the Administrator or its designated officer may administer oaths and affirmations, subpoena witnesses, seek compulsion of attendance, take evidence, require the filing of statements, and require the production of any records that the Administrator considers relevant or material to the investigation or proceeding.

Based upon information received by the Department and in light of the provisions of the Act, the Administrator has determined it to be in the public interest to conduct an investigation into the activities of Equity Associates, LLC, and Garon Rayburn.

IT IS THEREFORE ORDERED that a public investigation be commenced by the Department into the activities of Equity Associates, LLC, and Garon Rayburn, to determine whether such persons have violated, are violating, or are about to violate any provision of the Act.

If the Administrator determines that violations of the Act have occurred, are occurring, or are about to occur, the Administrator may pursue any of the courses of action set forth in the Act or as otherwise authorized by law. If, however, the facts indicate that no corrective action by the Administrator is warranted, the investigation will be closed.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 29th day of March, 2013.

(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

PROMISSORY NOTE

\$ 35,000

Date: Oct 1, 2011

On or before OCT. 1, 2013, FOR VALUE RECEIVED, Equity Associates, LLC (the "Maker"), promises to pay to the order of Equity Trust Company, Custodian FBO: [REDACTED] Taylor, Account# [REDACTED], Tax I.D. # [REDACTED] (the "Payee"), at P. O. Box 1529, Elyria, Ohio 44036, the sum of THIRTY FIVE THOUSAND 100 Dollars (\$ 35,000.00) payable, as follows:

Maker shall make an annual payment of interest only, due and payable twelve months from the date hereof, with the principal and all accrued unpaid interest due and payable in full on or before OCT. 1, 2013.

The unpaid principal amount hereof from time to time outstanding shall bear interest from the date hereof at the rate of twelve percent (12%) per annum. Payments of both principal and interest are to be made in lawful money of the United States of America. This Note can be prepaid at any time without penalty.

This Note can be accelerated upon an occurrence of a Default. Each of the following shall constitute a default under the Note at which time the Note shall be due and payable in full: a) Maker's failure to pay any payments required hereunder when due; or, b) The filing of any bankruptcy or insolvency proceedings against or by Maker, not dismissed within thirty (30) days from the date of filing.

The holder of this Note may pursue any rights or remedies as the holder of this Note independently or concurrently. All rights, remedies, or powers herein conferred upon the holder of this Note or related documentation shall, to the extent not prohibited by law, be deemed cumulative and not exclusive of any others thereof, or of any other rights, remedies, or powers available to the holder of this Note under applicable law. No delay or omission of the holder of this Note to exercise any right, remedy, or power shall impair the same or be construed to be a waiver of any default or an acquiescence thereto. No waiver of any default shall extend to or affect any subsequent default or impair any rights, remedies, or powers available to the holder of this Note. No single or partial exercise of any right, remedy, or power shall preclude any other or future exercise thereof by the holder of this Note.

In the event of default, the Maker further agrees to pay the holder of the Note such additional amounts as shall be sufficient to cover the costs and expenses of collection, including reasonable attorney's fees, in endeavoring to collect any amounts payable hereunder which are not paid when due.

The Maker, endorsers, sureties, guarantors and all other persons whom may become liable for all or any part of this obligation severally waive notice of default, notice of dishonor, notice of acceleration, presentment for payment, protest and notice of nonpayment. Said parties consent to

EXHIBIT

B

any extension of time (whether one or more) of payment hereof, the release of all or any part of the collateral securing the payment thereof, or release of any party liable for payment of this obligation. Any such extension or the release may be made without notice to any such party and without discharging said party's liability hereunder.

This Note is made under and governed by the laws of the State of Oklahoma. Any legal action brought in connection with this note shall be brought in the District Court of Oklahoma County, Oklahoma, which shall have exclusive jurisdiction and venue for such action.

Equity Associates, LLC

By: 
Garon Raybarn, Manager

PROMISSORY NOTE

\$ 7,500.00

Date: October 1, 2011

On or before October 1, 2013, FOR VALUE RECEIVED, Equity Associates, LLC (the "Maker"), promises to pay to the order of Equity Trust Company, Custodian FBO: [REDACTED] Taylor, Account# [REDACTED] Tax ID. # [REDACTED], (the "Payee"), at P. O. Box 1529, Elyria, Ohio 44036, the sum of Seven Thousand Five Hundred 00/100 Dollars (\$7,500.00) payable, as follows:

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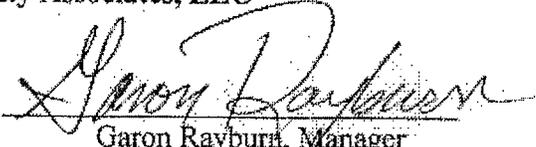
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Equity Associates, LLC

By:


Garon Rayburn, Manager