

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

FILED IN THE DISTRICT COURT  
OKLAHOMA COUNTY, OKLA.

Oklahoma Department of Securities )  
ex rel. Irving L. Faught, )  
Administrator, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
Edward Alan Haines, )  
 )  
Defendant, )  
 )  
v. )  
 )  
Sharon Kay Haines, )  
 )  
Relief Defendant. )

MAR - 2 2012

PATRICIA PRESLEY, COURT CLERK  
by \_\_\_\_\_  
DEPUTY

Case No. CJ-2010-8906

**PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

Plaintiff, Oklahoma Department of Securities *ex rel.* Irving L. Faught, Administrator, pursuant to 12 O.S. § 2056 and Rule 13 of the Rules of the District Courts of Oklahoma (the "District Rules"), moves for summary judgment against Defendant Edward Alan Haines ("Haines") and Relief Defendant Sharon Kay Haines ("Sharon Haines") (collectively, "Defendants"). Plaintiff seeks an order finding that Haines violated the Oklahoma Uniform Securities Act of 2004 ("Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), permanently enjoining Haines from offering and/or selling securities, ordering Haines to disgorge all funds received from any and all investors who purchased securities from Haines, authorizing the Plaintiff to submit to the Court a claims process to determine the amount Haines must disgorge, ordering civil penalties against Haines and ordering Sharon Haines to return all ill-gotten funds

she received from the offer and/or sale of securities by Haines for which she gave no consideration and to which she has no claim. Based on the undisputed facts and the legal authority set forth herein, summary judgment should be entered against Defendants.

**STATEMENT OF MATERIAL FACTS AS TO WHICH THERE IS NO SUBSTANTIAL  
CONTROVERSY**

1. The Oklahoma Department of Securities ("Department"), on the 14th day of December 2011, sent *Plaintiff's First Set of Requests for Admissions, Interrogatories and Document Production to Defendant Edward Alan Haines and Relief Defendant Sharon Kay Haines* ("Request for Admissions"), a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, via electronic mail and by regular U.S. Mail, postage prepaid, to Kenneth M. Smith, Esq., attorney of record at the time for Edward Alan Haines and Sharon Kay Haines. The Department, as of the 1st day of March 2012, has not received a reply or answer to the Request for Admissions. See *Affidavit of Brenda London* ("London Affidavit").

2. At all times material hereto, Haines was a resident of Oklahoma. See Request for Admissions, Admission No. 1 *and* London Affidavit.

3. At all times material hereto, Sharon Haines was a resident of Oklahoma. See Request for Admissions, Admission No. 1 *and* London Affidavit.

4. Beginning in approximately 2008, Haines solicited investors to participate in the purchase and resale of oil and gas industry related materials and supplies, including pipe and chemicals, (the "Business Opportunities") in and from Oklahoma. See Request for Admissions, Admission No. 2 *and* London Affidavit.

5. Investors relied on the information in No. 4, above, as a part of the total mix of information available to them when deciding whether or not to invest in the Business Opportunities offered to them by Haines. See *Affidavit of Erick Johnson* and *Affidavit of Brian Johnson* (collectively, "Investors' Affidavits").

6. Haines admitted to a Carter County Detective that the offer and sale of the Business Opportunities by Haines was a transaction designed to gain possession of investors' money for his personal gain and use. See Request for Admissions, Admission No. 4 and London Affidavit.

7. Haines pled guilty to four (4) felony charges of obtaining cash by false pretenses in Carter County, Oklahoma, in connection with the offer and sale of the Business Opportunities. See Request for Admissions, Admission No. 3 and London Affidavit.

8. Haines has received, directly or indirectly, funds from investors pursuant to the offer and sale of the Business Opportunities. See Request for Admissions, Admission No. 5, and London Affidavit.

9. Haines represented to potential investors that his prior experience and contacts in the oil and gas industry provided Haines an opportunity to purchase materials and supplies from his contacts at a reduced cost. This reduced cost would then allow subsequent resales to oil and gas companies for a profit. See Request for Admissions, Admission No. 6 and London Affidavit.

10. Haines represented to investors that he had prearranged orders from buyers and would therefore be able to return their principal, plus a percentage of profits, within thirty (30) days. See Request for Admissions, Admission No. 7 *and* London Affidavit.

11. Rather than purchasing pipe, chemicals and other industry related materials and supplies, Haines used investor money for his personal use. See Request for Admissions, Admission No. 8 *and* London Affidavit.

12. Investors relied on the information in Nos. 9 and 10, above, when deciding whether or not to invest in the Business Opportunities solicited to them by Haines. See Investors' Affidavits, Item Nos. 2, 3 and 5.

13. If available to them, investors would have relied on the information in No. 11, above, when deciding whether or not to invest in the Business Opportunities solicited to them by Haines. See Investors' Affidavits, Item Nos. 6 and 7.

14. Investors expected to make a profit from their investments in the Business Opportunities and relied upon Haines' managerial efforts to produce the profit. See Investors' Affidavits, Item Nos. 9 and 10.

15. To conceal the true nature of his conduct, Haines provided a series of excuses to investors as to why each transaction was not completed and returns not made to investors. See Request for Admissions, Admission No. 9, London Affidavit, *and* Investors' Affidavits, Item No. 11.

16. Sharon Haines received funds from at least one investor in connection with Haines' offer and sale of the Business Opportunities. Sharon Haines gave no consideration for, nor has any claim to, investor funds. See Request for Admissions, Admission Nos. 10 and 11 and London Affidavit.

17. Sharon Haines' BancFirst checking account, covering July to August 2008, begins with a balance of \$472.83, receives \$2,817.31 in deposits (including an investor's \$1,900), is subjected to \$3,453 in withdrawals (none of which are for oil and gas supplies or materials), and ends with a negative balance of \$162.86. See *Affidavit of Dan Clarke* ("Clarke Affidavit").

18. The Business Opportunities are not, and have never been, registered under the Act. The securities are not exempt from registration under the Act nor are they part of an exempt transaction. See *Affidavit of Kenneth Maillard* ("Maillard Affidavit").

19. Defendant Haines is not, and has not been, registered under Section 1-402 of the Act to transact business in this state in any capacity. See *Affidavit of Carol Gruis* ("Gruis Affidavit").

## **ARGUMENTS AND AUTHORITIES**

### **I. DEFENDANTS ADMIT ALL PLAINTIFF'S REQUESTED ADMISSIONS**

The Oklahoma Discovery Code authorizes a party, via 12 O.S. § 3236, to serve upon any other party a written request for the admission of the truth of any matter within the appropriate scope. As provided by 12 O.S. § 3236, the matter is admitted unless, within thirty (30) days after service of the request, the party to whom the request is

directed serves upon the party requesting the admission a written answer or objection addressed to the matter, signed by the party or by his attorney.

Plaintiff served Defendants' counsel the Request for Admissions via electronic mail and by regular U.S. Mail, postage prepaid, on December 14, 2011. The Defendants' reply to the Request for Admissions was due on January 18, 2012; however, none was received by Plaintiff. Plaintiff attempted to contact, via telephone, Defendants' counsel on the due date in order to inquire about the lack of response. Unable to establish direct contact, Plaintiff left a voice message detailing the Defendants' failure to respond to the Request for Admissions along with a request for Defendants' counsel to contact Plaintiff. Plaintiff, as of the 1st day of March 2012, has not received a reply or answer to the Request for Admissions. Because the Defendants have failed to respond to the Plaintiff's Request for Admissions within the allowed time frame, the admissions requested therein are deemed admitted in accordance with 12 O.S. § 3236 ("Admissions").

## **II. THERE IS NO SUBSTANTIAL CONTROVERSY AS TO THE MATERIAL FACTS AND PLAINTIFF IS ENTITLED TO SUMMARY JUDGMENT AS A MATTER OF LAW**

The summary judgment procedure authorized by 12 O.S. § 2056 and Rule 13 of the District Rules provides a method to dispose of cases where there is no substantial controversy as to any material fact. When a party demonstrates to the court that no substantial controversy exists as to the material facts, and that the moving party is entitled to judgment as a matter of law, the court shall render summary judgment in favor of that party. Rule 13(e), Rules of the District Courts of Oklahoma, Okla. Stat. tit. 12, Ch. 2, App.

The Defendants' Admissions and the matters set forth in the Investors' Affidavits, Clarke Affidavit, Maillard Affidavit, and Gruis Affidavit, relied upon herein and throughout by Plaintiff, show that no controversy exists as to any material fact and, therefore, the Court should enter summary judgment in favor of the Plaintiff.

### **III. DEFENDANTS OFFERED AND SOLD SECURITIES IN VIOLATION OF SECTION 1-301 OF THE ACT**

Section 1-301 of the Act makes it unlawful for a person to offer or sell a security in and/or from Oklahoma "unless: 1. The security is a federal covered security; 2. The security, transaction, or offer is exempted from registration under . . . [Sections 1-201 through 1-203 of the Act]; or 3. The security is registered under [the Act]." Defendants violated Section 1-301 of the Act.

#### **(1) The Business Opportunities Offered and Sold by Defendants are Securities under the Act**

Section 1-102(32) of the Act defines a "security" to include, *inter alia*, an investment contract. Section 1-102(32)(d) of the Act specifically "includes as an 'investment contract' an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor[.]" This definition codifies the four-pronged test set forth by the United States Supreme Court in *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293 (1946), and adopted by the Oklahoma Supreme Court in *State ex rel. Day v. Petco Oil & Gas, Inc.*, 558 P.2d 1163 (Okla. 1977). The four prongs of the *Howey* test, as restated in *Petco* and codified in the Act, are: (1) the investment of money (2) in a common enterprise (3) with the expectation of profits (4) through the efforts of others.

The United States Supreme Court stated that the definition of a security adopted by it in *Howey* “embodies a flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.” *Howey*, 328 U.S. at 299. The Oklahoma Supreme Court, in *Petco*, also adopted the flexible definition of an investment contract in Oklahoma. *Petco*, 558 P.2d at 1167.

The investments offered and/or sold by Haines satisfy all four investment contract prongs set forth in *Howey* and codified in the Act. First, it is undisputed that persons invested money in the Business Opportunities.

Second, the investment involved a “common enterprise.” Section 1-102(32)(d) of the Act provides that a “‘common enterprise’ means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors[.]” The monies the investors transferred to Haines were purported to give the investors a share in the fortunes to be made by the person offering the investment, Haines. Haines’ managerial efforts, including his self-proclaimed connections and expertise in the oil and gas industry, formed the backbone to the success or failure of the Business Opportunities offered and sold to the investors; thus, the fortunes of the investors and the person offering the investment, Haines, were interwoven.

Third, the investors expected to make a profit from their investments. The investors believed that because of Haines’ purported connections and expertise in the oil and gas industry, he would be able to procure pipe, chemicals and other materials

needed by the industry at a low cost from suppliers. These items would then be resold, at a higher price, making a profit to be shared among the investors.

Fourth, any profits made by an investor would have been derived through the efforts of a person other than the investor. Section 1-102(32)(d) of the Act relaxed this prong of the *Howey* test by providing that the profits are to be derived “primarily” from the efforts of others. Here, investors were primarily, if not entirely, dependent on Haines for any profit they would receive on their investments. As stated above, profit was to be made via Haines’ managerial efforts, by using the connections and expertise Haines represented he had in the oil and gas industry. Haines represented to investors that his purported connections and expertise gave him the ability to purchase these supplies at a low cost allowing subsequent sales at higher profit-producing prices to oil and gas companies.

Investors made an investment of money in a common enterprise with the expectation of profits through the efforts of someone other than themselves. The Business Opportunities offered and/or sold by Haines are investment contracts, and therefore, securities under the Act.

## **(2) Defendants Offered and Sold Securities in Oklahoma**

Section 1-610 of the Act specifies when securities are offered or sold in Oklahoma for purposes of Section 1-301 of the Act. Section 1-610(A) states that Section 1-301 does not apply “to a person that sells or offers to sell a security unless the offer to sell or the sale is made in [Oklahoma] or the offer to purchase or the purchase is made and accepted in [Oklahoma].” Further, Section 1-610(C) states that “an offer to sell or to purchase a security is made in [Oklahoma], whether or not either

party is then present in [Oklahoma], if the offer: 1. Originates from within [Oklahoma]; or 2. Is directed by the offeror to a place in [Oklahoma] and received at the place to which it is directed.”

Here, Haines offered securities from Oklahoma to numerous persons living in Oklahoma. Defendants, in Oklahoma, received monies from these sales to the investors.

**(3) The Securities Offered and Sold in Oklahoma should have been Registered under the Act**

The securities offered and sold in Oklahoma by Defendants should have been registered under the Act pursuant to Section 1-301 unless the securities were federal covered securities<sup>1</sup> or the securities, the transactions, or the offers, were exempt from registration under Sections 1-201 through 1-203 of the Act.

The securities offered and sold by Defendants have not been registered, nor are they subject to any exemption filing, under the Act. Pursuant to Section 1-503 of the Act, the burden of proving an exemption, exception, preemption, or exclusion from registration is on the person claiming the exemption, exception, preemption, or exclusion. However, Defendants have not raised the affirmative defense of the availability of an exemption, exception, preemption, or exclusion from registration for the offer and/or sale of the unregistered securities. Failure to plead an affirmative defense is a waiver of that defense. *RST Serv. Mfg., Inc. v. Musselwhite*, 628 P.2d 366, 368 (Okla. 1981). Accordingly, summary judgment on the cause of action under Section 1-301 of the Act is appropriate.

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<sup>1</sup> Section 1-102(8) of the Act defines the term “federal covered security” to mean “a security that is, or upon completion of a transaction will be, a covered security under Section 18(b) of the Securities Act of 1933 (15 U.S.C. Section 77r(b)) or rules or regulations adopted pursuant to that provision[.]” Federal covered securities are preempted from registration under the Act.

#### IV. HAINES MADE UNTRUE STATEMENTS OF MATERIAL FACT AND OMISSIONS OF MATERIAL FACT IN CONNECTION WITH THE OFFER AND SALE OF SECURITIES, IN VIOLATION OF SECTION 1-501(2) OF THE ACT

Section 1-501(2) of the Act makes it unlawful for a person, directly or indirectly, “[t]o make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading” in connection with the offer and/or sale of a security. Plaintiffs do not have to plead or prove scienter for purposes of Section 1-501(2). See *Aaron v. S.E.C.*, 446 U.S. 680, 696 (1980); *Trivectra v. Ushijima*, 144 P.3d 1, 15 (Haw. 2006); *Fibro Trust, Inc. v. Brahman Fin., Inc.*, 974 P.2d 288, 294 (Utah 1999); Unif. Securities Act 2002, § 501, Official Comments, n.6.<sup>2</sup>

For purposes of Section 1-501(2), the standard of materiality set forth by the U.S. Supreme Court in *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976), is applicable.<sup>3</sup> See also *Basic Inc. v. Levinson*, 485 U.S. 224 (1988). “The question of materiality, it is universally agreed, is an objective one, involving the significance of an omitted or misrepresented fact to a reasonable investor.” *TSC Indus., Inc.*, 426 U.S. at 445. A fact is material if there is a “substantial likelihood” that a reasonable investor would consider it important. *Id.* at 449; *Basic Inc.*, 485 U.S. at 231. Further, an omitted fact is material if there is “a substantial likelihood that the disclosure of the omitted fact

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<sup>2</sup> The Supreme Court of Oklahoma has used federal cases as instructive to interpret the state’s securities laws that are uniform to the federal securities laws. See *State ex rel. Day v. Sw. Mineral Energy, Inc.*, 617 P.2d 1334 (Okla. 1980). In an effort to achieve coordination with federal law and uniformity in state securities regulation, the Act was modeled on the Uniform Securities Act of 2002, promulgated by the National Conference of Commissioners on Uniform State Laws (with some distinctions mostly related to oil, gas and other mineral production). Okl.St. Ann. tit. 71, Ch. 1, Refs & Annos. Section 1-501 of the Act is identical to Section 501 of the Uniform Securities Act. Section 501 of the Uniform Securities Act was modeled on Rule 10b-5 adopted under the federal Securities Exchange Act of 1934 and on Section 17(a) of the federal Securities Act of 1933, although it is not identical to either Rule 10b-5 or Section 17(a). Unif. Securities Act 2002, § 501, Official Comments.

<sup>3</sup> See *supra* note 2.

would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." *TSC Indus., Inc.*, 426 U.S. at 449.

**(1) Haines made Untrue Statements of Material Fact in Connection with the Offer and Sale of Securities**

Haines has, directly and/or indirectly, made at least one untrue statement of material fact to investors: Haines stated he would use the funds paid by investors to purchase pipe, chemicals and other industry related materials in violation of Section 1-501(2) of the Act. Haines never purchased pipe, chemicals or other industry related materials.

**(2) Haines omitted to state Material Facts in connection with the Offer and Sale of Securities**

In connection with the offer and sale of securities, Haines has, directly and/or indirectly, omitted to state at least one material fact necessary in order to make the statements made, in light of the circumstances under which they have been made, not misleading. Haines omitted to state that Haines would use investor funds for Haines' personal expenditures instead of purchasing pipe, chemicals and other industry related materials and supplies as he represented.

There exists a substantial likelihood that a reasonable investor would consider this untrue statement and/or omission of material fact to be important in making an investment decision and that disclosure of the omission would have altered the "total mix" of information available. As evidenced by their affidavits, there was a factual occurrence of reliance on both by the investors that purchased the Business Opportunities. Without this reliance on the untrue statement and/or omission in the case at bar the investors would not have willingly enriched the Defendants. As such,

summary judgment on the cause of action of an untrue statement and omission of a material fact in violation of Section 1-501(2) is appropriate.

**V. HAINES ENGAGED IN AN ACT, PRACTICE AND COURSE OF BUSINESS WHICH OPERATED OR WOULD OPERATE AS A FRAUD OR DECIET UPON ANY PERSON, IN VIOLATION OF SECTION 1-501(3) OF THE ACT**

Under Section 1-501(3) of the Act, it is unlawful for a person, directly or indirectly, “[t]o engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person” in connection with the offer and/or sale of a security. Plaintiffs do not have to plead or prove culpability or scienter for purposes of Section 1-501(3). See *Aaron*, 446 U.S., 696; *Trivectra*, 144 P.3d, 15; *Fibro Trust, Inc.*, 974 P.2d, 294; Unif. Securities Act 2002, § 501, Official Comments, n.6.<sup>4</sup> The language of Section 1-501(3) “focuses upon the *effect* of particular conduct on members of the investing public, rather than upon the culpability of the person responsible.” See *Aaron*, 446 U.S., 697.

Haines, through the use of the untrue statement and the omission of the material fact described above, has engaged in an act, practice, or course of business that has operated as a fraud or deceit upon investors in violation of Section 1-501(3) of the Act. The effect of the untrue statement and omission of the material fact was to induce investors, through Haines’ fraud and deceit, into transferring funds to the Defendants, thereby unjustly enriching them. For these reasons, summary judgment on the cause of action under Section 1-501(3) is appropriate.

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<sup>4</sup> See *supra* note 2.

## VI. SHARON HAINES RECEIVED ILL-GOTTEN GAINS FROM THE SALE OF THE BUSINESS OPPORTUNITIES BY HAINES

Relief, or nominal, defendants are persons not accused of wrongdoing that have received ill-gotten funds and do not have a legitimate claim to those funds. *S.E.C. v. Cavanagh*, 155 F.3d 129, 136 (2d Cir. 1998), citing *S.E.C. v. Colello*, 139 F.3d 674, 677 (9th Cir. 1998). In *Cavanagh*, it was undisputed that a relief-defendant wife received ill-gotten gains in connection with her husband's security transaction. The court in *Cavanagh* recognized that the S.E.C. had the jurisdiction to recover the relief defendant's ill-gotten funds in federal court. *Id.* Similarly, the Oklahoma Supreme Court has recognized the Department's jurisdiction in Oklahoma courts to recover the fruits of a security fraud from a non-violator who has been unjustly enriched. *Oklahoma Dept. of Sec. ex rel. Faught v. Blair*, 231 P.3d 645, ¶¶ 17-24 (Okla. 2010), as corrected (Apr. 6, 2010), reh'g denied (Apr. 12, 2010).

Sharon Haines is a proper relief defendant. As in *Cavanagh*, Plaintiff does not accuse Sharon Haines of wrongdoing. In addition, and parallel to *Cavanagh*, an investor wired funds to a bank account solely controlled by Sharon Haines as a result of her husband's security transaction. In return for those funds, Sharon Haines did not provide any legitimate service or product nor was any other consideration given to any investor. No legitimate claim to investor funds has ever been asserted by Defendants.

As described above, Sharon Haines' checking account begins with a balance of \$472.83, receives \$2,817.31 in deposits (including an investor's \$1,900), is subjected to \$3,453 in withdrawals (none of which are for oil and gas supplies or materials), and ends with a negative balance of \$162.86. Defendants have not provided a single piece

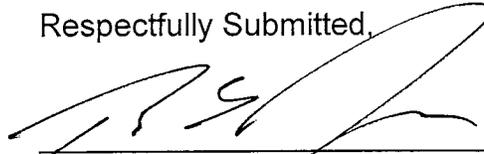
of evidence to dispute these facts. Accordingly, this Court should grant summary judgment against Sharon Haines in this action.

### **CONCLUSION**

The facts stated herein, and evidentiary materials attached hereto, establish that no genuine issue of material fact exists regarding the Plaintiff's causes of action for violations of Sections 1-301 and 1-501 of the Act. Further, Plaintiff is entitled to summary judgment against Defendants as a matter of law.

Plaintiff therefore prays that this Court enter summary judgment against Defendants finding that Haines violated the Act, permanently enjoining Haines from the offer and/or sale of securities in and/or from the state of Oklahoma, ordering Haines to disgorge all funds received from any and all investors who purchased securities from Haines (with interest accruing thereon at the statutory rate from the date judgment is entered until paid in full), authorizing the Plaintiff to submit to the Court a claims process to determine the amount Haines must disgorge, ordering a civil penalty against Haines in the amount of Fifty Thousand Dollars (\$50,000.00), ordering Sharon Haines to return all ill-gotten funds from the offer and/or sale of securities by Haines, and ordering any other relief the Court deems just and equitable.

Respectfully Submitted,



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*Attorney for Defendants*

## CERTIFICATE OF MAILING

The undersigned certifies that on the 22 day of March 2012, a true and correct copy of the foregoing was mailed by certified mail addressed to:

Kenneth M. Smith  
Riggs, Abney, Neal, Turpen, Orbison & Lewis  
4554 South Harvard Avenue, Suite 200  
Tulsa, Oklahoma 74135-2906



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Robert Fagnant  
Enforcement Attorney

**IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA**

Oklahoma Department of Securities )  
ex rel. Irving L. Faught, )  
Administrator, )

Plaintiff, )

v. )

Case No. CJ-2010-8906

Edward Alan Haines, )

Defendant, )

v. )

Sharon Kay Haines, )

Relief Defendant. )

**PLAINTIFF'S FIRST SET OF REQUESTS FOR ADMISSIONS, INTERROGATORIES  
AND DOCUMENT PRODUCTION TO DEFENDANT EDWARD ALAN HAINES AND  
RELIEF DEFENDANT SHARON KAY HAINES**

TO: Edward Alan Haines  
Sharon Kay Haines  
c/o Kenneth M. Smith  
Riggs, Abney, Neal, Turpen, Orbison & Lewis  
4554 South Harvard Avenue, Suite 200  
Tulsa, Oklahoma 74135-2906

Please notice that, pursuant to 12 O.S. § 3233, 3234 and 3236 the Plaintiff, Oklahoma Department of Securities ("Department") *ex rel.* Irving L. Faught, Administrator, hereby submits the following requests for admissions ("Requests for Admissions"), interrogatories ("Interrogatories"), and requests for the production and/or inspection of documents ("Document Requests") to Defendant Edward Alan Haines ("Haines") and Relief Defendant Sharon Kay Haines ("Sharon Haines") (collectively,

**EXHIBIT**

    A

"Defendants"). Defendants shall serve their answers to the Requests for Admissions and Interrogatories and produce the documents requested herein before the Administrator of the Oklahoma Department of Securities, or his designated representative, at 120 North Robinson, First National Center, Suite 860, Oklahoma City, County of Oklahoma, State of Oklahoma, **WITHIN THIRTY (30) DAYS** after the service of this discovery request.

### **INSTRUCTIONS**

1. The discovery requested herein is directed toward all information known or available to Defendants including information contained in the records and documents in their custody or control or available to them upon reasonable inquiry.

2. Where a request for admission, interrogatory or document cannot be answered in full, they shall be answered as completely as possible. Incomplete answers shall be accompanied by a specification of the reasons for the incompleteness of the answer and of whatever knowledge, information or belief is possessed with respect to each unanswered or incompletely answered discovery request. If Defendants believe that other persons may be able to provide additional information responsive to the interrogatory or document request, the answer shall include an identification of each such person.

3. Unless otherwise specified (as, for example, by use of the word "ever" or the phrase "at any time" or "of any date"), and without regard to the tenses used, any Request for Admission, Document Request and/or Interrogatory shall cover the period from **January 2007 to the present**. To the extent that any answer varies with respect to

any part of that period, a separate answer is required for each such part with the pertinent dates indicated.

4. Unless otherwise specified, any word used herein in the singular is also to be construed in the plural and vice versa and any use of the conjunctive is also to be construed in the disjunctive and vice versa. Any use of "any" is also to be construed as "all" and vice versa, and any use of "each" is also to be construed as "every" and vice versa.

5. These requests for interrogatories and documents shall be deemed continuing pursuant to 12 O.S. § 3226(E) requiring amended answers if you obtain information on the basis of which you know that any response made was incorrect when made or, although correct when made, is no longer true.

6. As to every Request for Admission, Document Request and/or Interrogatory which you fail to answer in whole or in part on the ground that the information sought involves a document or oral communication which you contend to be privileged, or otherwise protected from disclosure, state in detail:

- a. the portion of the request to which the response is claimed to be privileged;
- b. the identification of the responsive document, as defined below;
- c. the general subject matter of the document or communication;
- d. the author and all recipients of the document, and the persons involved in any oral communication;

- e. the identity of any other persons having knowledge of the document or communication involved;
- f. the nature of the privilege claimed; and
- g. every fact on which you base the claim of privilege or that the information need not be disclosed.

7. Any reference to a corporate or business entity shall include references to any employee, principal, or agent of such business or entity that is familiar with the subject matter, background and/or context of said reference.

8. If any document responsive to this request was, but is no longer in your possession, custody, control or in existence, state whether it (a) is missing or lost; (b) has been destroyed; (c) has been transferred voluntarily or involuntarily to others; or (d) has been otherwise disposed of, and in each instance explain the circumstances surrounding the authorization of such disposition and state the date or approximate date thereof.

#### **DEFINITIONS**

1. **"You" and "your"** shall refer to Defendants or any entity over which Defendants have, or have had, control.

2. **"Person(s)"** shall refer to any natural person, association, partnership, limited liability company, corporation, business trust, estate, trust, joint venture, or other form of business entity, or any government or any agency, subdivision or instrumentality thereof.

3. **"Document(s)" or "writing(s)"** means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation;

any invoice, bill, order form, receipt, financial statement, account statement, accounting entry, diary, written material, book, file, note, pamphlet, periodical, letter, memorandum (including any memorandum or report of a meeting), calendar, telex, telegram, cable, report, record, contract, agreement, study, handwritten note, working paper, chart, print, laboratory record, drawing, sketch, graph, index, list, tape, photograph, microfilm, data sheet or data processing card, or any other written, recorded, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced. "Document(s)" or "writing" shall also mean all stored computer generated data, and associated metadata, including, but not limited to, word processing, spreadsheet, database, graphic, chart, presentation, electronic mail message, electronic facsimile, any digital form for representing an electronic document (such as the ISO 32000 format) and scanned material files regardless of its storage method including, but not limited to, removable hard drives, removable storage media, optical disks, flash memory, personal digital assistants, smart phones, online and/or "cloud" storage, backup and archive tape cartridges, reels and cassettes, or fixed storage media, including, but not limited to, internal hard drives, external hard drives, and Local Area Network drives.

4. **"Identification," "identify," or "identity,"** when used in reference to (a) a natural individual, requires you to state his or her full name and residential and business addresses and telephone numbers; (b) a firm, association, partnership, limited liability company, corporation or other form of business entity, requires you to state its full name and any names under which it does business, its state of organization, the address of its principal place of business, and the addresses of all of its offices; (c) a business, requires you to state the full name or style under which the business is conducted, its

business address or addresses, the types of businesses in which it is engaged, the geographic areas in which it conducts those businesses, and the identity of the person or persons who own, operate, or control the business; (d) a communication requires you, if any part of the communication was written, to identify the document(s) which refer to or evidence the communication, and, to the extent that the communication was non-written, to identify the persons participating in the communication and to state the date, manner, place, and substance of the communication.

5. **"Relation," "pertaining to," "relating to," "related to," or "related"** mean pertaining in any way to, referring to, reflecting, recording, memorializing, mentioning, constituting, describing, or concerning, directly or indirectly.

#### **REQUEST FOR ADMISSIONS**

The Department requests that you admit or deny the following:

**Request for Admission No. 1:** Defendants are residents of Ardmore, Oklahoma, and have been since at least January 2007.

**Request for Admission No. 2:** Haines has offered and sold interests in the purchase and resale of oil and gas industry related materials and supplies, including pipe and chemicals, ("Business Opportunities") in and from Oklahoma.

**Request for Admission No. 3:** Haines pled guilty to four (4) felony charges of obtaining cash by false pretenses in Carter County, Oklahoma, in connection with the offer and sale of the Business Opportunities.

**Request for Admission No. 4:** Haines admitted to Carter County, Oklahoma, Detective Justin Brown that the offer and sale of the Business Opportunities by Haines was a transaction designed only to gain possession of investor money for his personal gain and use.

**Request for Admission No. 5:** Haines has received, directly or indirectly, funds from investors pursuant to the offer and sale of the Business Opportunities.

**Request for Admission No. 6:** Haines represented to potential investors that his prior experience and contacts in the oil and gas industry provided Haines an opportunity to purchase materials and supplies from his contacts at a reduced cost. This reduced cost would then allow subsequent resells to oil and gas companies for a profit.

**Request for Admission No. 7:** Haines represented to investors that he had prearranged orders for oil and gas industry related materials and supplies, including pipe and chemicals, from buyers and would therefore be able to return the investors' principal, plus a percentage of profits, within thirty (30) days.

**Request for Admission No. 8:** Rather than purchasing pipe, chemicals and other oil and gas industry related materials and supplies, Haines used investor money for personal use.

**Request for Admission No. 9:** To conceal the true nature of his conduct, Haines provided a series of excuses to investors as to why each transaction was not completed or why returns were not made to investors.

**Request for Admission No. 10:** Sharon Haines received a bank wire transfer in the amount of \$1,900 from an investor in connection with Haines' offer and sell of the Business Opportunities.

**Request for Admission No. 11:** Sharon Haines gave no consideration for, nor has any claim to, any investor funds.

**Request for Admission No. 12:** Haines offered and/or sold Business Opportunities to the following persons: Dwight and Mary Beth Cavner, Don Hadley, Robert Parker, Chad Patzke, Danny Steele, Brian Johnson, Erick Johnson and Lisa Wallace.

### **INTERROGATORIES**

**Interrogatory No. 1:** For each and every request for admission in which you provide anything other than an unqualified admission, state all facts upon which you base your response.

**Interrogatory No. 2:** Except those already identified in Request for Admission No. 12, identify all persons to whom you have ever offered and/or sold the Business Opportunities.

**Interrogatory No. 3:** List the total amount of funds paid, directly or indirectly, to the Defendants by each person identified in Request for Admission No. 12 and Interrogatory No. 2.

**Interrogatory No. 4:** Identify all persons that have ever employed Haines, affiliated themselves with, and/or done business with Haines in the oil and gas industry.

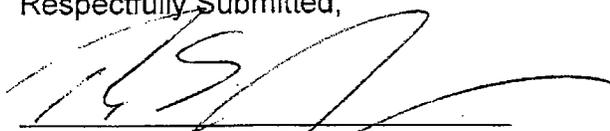
**Interrogatory No. 5:** Identify all persons that have ever placed orders to purchase oil and gas industry related materials and supplies including, but not limited to, pipe and/or chemicals, from Haines.

**Interrogatory No. 6:** Identify all persons that have ever sold oil and gas industry related materials and supplies including, but not limited to, pipe and/or chemicals, to Haines.

#### **DOCUMENTS REQUESTED**

**Document Request No. 1:** All contracts, undertakings, purchase orders, receipts, estimates, emails, faxes, memorandums of understanding and/or agreements, or any other communication between, or among, you and any person/entity identified in Request for Admissions No. 12, Interrogatory Nos. 2, 4, 5, or 6 related to the offer and/or sale of the Business Opportunities and not already provided to the Plaintiff. Any and all electronically stored information is to be produced in its native format.

Respectfully Submitted,

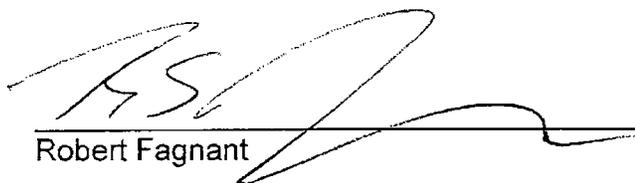


Robert Fagnant (OBA #30548)  
Gerri Kavanaugh (OBA #16732)  
Shaun Mullins (OBA #16869)  
Oklahoma Department of Securities  
120 North Robinson, Suite 860  
Oklahoma City, Oklahoma 73102  
Telephone: (405) 280-7700  
Fax: (405) 280-7742  
Email: rfagnant@securities.ok.gov  
Email: gkavanaugh@securities.ok.gov  
Email: smullins@securities.ok.gov  
*Attorneys for Plaintiff*

#### CERTIFICATE OF MAILING

The undersigned certifies that on the 14th day of December, 2011, a true and correct copy of the foregoing was mailed by first class mail, with postage prepaid thereon, addressed to:

Kenneth M. Smith  
Riggs, Abney, Neal, Turpen, Orbison & Lewis  
4554 South Harvard Avenue, Suite 200  
Tulsa, Oklahoma 74135-2906  
*Attorney for Defendants*



Robert Fagnant

**AFFIDAVIT OF MAILING**  
**AND**  
**NON-RESPONSE**

STATE OF OKLAHOMA            )  
  )  
COUNTY OF OKLAHOMA        )        **ss:**

I, Brenda London, being of lawful age and being duly sworn, deposes and states as follows:

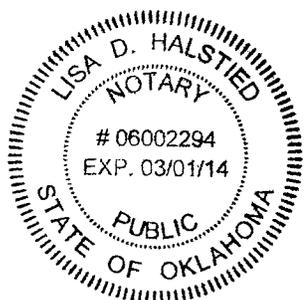
1. That I am a custodian of records for the Oklahoma Department of Securities ("Department").
2. That on the 14th day of December 2011, the *Plaintiff's First Set of Requests for Admissions, Interrogatories and Document Production to Defendant Edward Alan Haines and Relief Defendant Sharon Kay Haines* ("Request") was sent via electronic mail and by regular U.S. Mail, postage prepaid, to Kenneth M. Smith, Esq., attorney for Edward Alan Haines and Sharon Kay Haines.
3. That as of the 1<sup>st</sup> day of March 2012, the Department has not received a reply or answer to the Request.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Brenda London

Subscribed and sworn to before me this 01 day of March, 2012.

(Seal)



  
\_\_\_\_\_  
Lisa D. Halstied, Notary Public

**AFFIDAVIT**

**STATE OF OKLAHOMA            )**  
  )  
**COUNTY OF OKLAHOMA        )**        **ss:**

I, Erick Johnson, being of lawful age and being duly sworn, deposes and states as follows:

1.     In early 2008, Edward Alan Haines (“Haines”) offered me, from Ardmore, Oklahoma, an investment opportunity to participate in the purchase and resale of oil and gas industry related materials and supplies, including pipe and chemicals. Haines represented that investor money would be used only for the purchase of oil and gas industry equipment.
2.     Haines told me that he had prearranged orders from buyers for the oil and gas industry related materials and would therefore be able to return my principal investment, plus a percentage of profits, within thirty (30) days.
3.     Haines told me that only insiders, such as himself, are able to purchase these supplies at a low cost allowing subsequent sales at higher, profit-producing prices to oil and gas companies.
4.     Haines told me my money would be used to purchase oil and gas industry related materials and supplies.
5.     I relied on the above statements when I decided to invest with Haines.

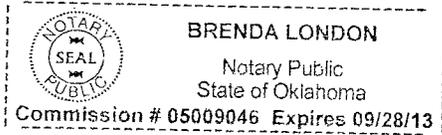
6. Haines never told me he would use the money I invested for personal use and not to purchase pipe, chemicals and other industry related materials and supplies.
7. If Haines had told me this, I would not have invested.
8. Between February and July 2008, I invested approximately Twenty Six Thousand Five Hundred Twenty-Five Dollars (\$26,525) with Haines.
9. I expected to make a profit from my investment.
10. I expected Haines to use all his efforts, connections and expertise to manage my investment.
11. When asked, Haines provided excuse after excuse as to why the transactions to buy and sell the pipe, chemicals and other industry related materials and supplies were never completed and why I never received any profit on my investment.
12. On or about January 12, 2009, Haines admitted to me he used the invested to pay personal debts and that it was never used to purchase oil and gas industry related materials and supplies.
13. I never received a refund or percentage of profits from Haines or anyone else in relation to my investment.

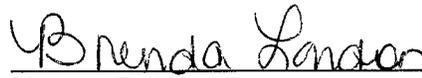
FURTHER AFFIANT SAITH NOT.

  
Erick Johnson

Subscribed and sworn to before me this 27 day of February, 2012.

(Seal)



  
Notary Public

**AFFIDAVIT**

**STATE OF OKLAHOMA**

)

)

**ss:**

**COUNTY OF OKLAHOMA**

)

I, Brian Johnson, being of lawful age and being duly sworn, deposes and states as follows:

1. In late 2008, Edward Alan Haines ("Haines") offered me, in Oklahoma City, Oklahoma, an investment opportunity to participate in the purchase and resale of oil and gas industry related materials and supplies, including pipe and chemicals. Haines represented that investor money would be used only for the purchase of oil and gas industry equipment.
2. Haines told me that he had prearranged orders from buyers for the oil and gas industry related materials and would therefore be able to return my principal investment, plus a percentage of profits, within thirty (30) days.
3. Haines told me that only insiders, such as himself, are able to purchase these supplies at a low cost allowing subsequent sales at higher, profit-producing prices to oil and gas companies.
4. Haines told me my money would be used to purchase oil and gas industry related materials and supplies.
5. I relied on the above statements when I decided to invest with Haines.

6. Haines never told me he would use the money I invested for personal use and not to purchase pipe, chemicals and other industry related materials and supplies.

7. If Haines had told me this, I would not have invested.

8. Between December 2008 and January 2009, I invested approximately Eight Thousand One Hundred Dollars (\$8,100) with Haines.

9. I expected to make a profit from my investment.

10. I expected Haines to use all his efforts, connections and expertise to manage my investment.

11. When asked, Haines provided excuse after excuse as to why the transactions to buy and sell the pipe, chemicals and other industry related materials and supplies were never completed and why I never received any profit on my investment.

12. On or about **{January 05, 2009}** Haines admitted to me he used the invested money to pay personal debts and that it was never used to purchase oil and gas industry related materials and supplies.

13. I never received a refund or percentage of profits from Haines or anyone else in relation to my investment.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Brian Johnson

Subscribed and sworn to before me this 27th day of February, 2012.

(Seal)



  
\_\_\_\_\_  
Notary Public

**AFFIDAVIT**

STATE OF OKLAHOMA            )  
  )  
COUNTY OF OKLAHOMA        )        **ss:**

I, Dan Clarke, being of lawful age and being duly sworn, deposes and states as follows:

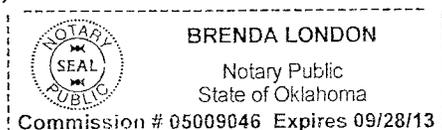
1. That I am a Supervisory Investigator for the Oklahoma Department of Securities ("Department").
2. As part of my assigned duties as a Supervisory Investigator, I conduct or assist in investigations by the Department's Enforcement Division by, inter alia, reviewing and analyzing pertinent bank account records to determine the sources and uses of funds flowing through such bank accounts.
3. From June 2007 to at least November 2008, Sharon K. Haines controlled a checking account numbered XXXXXX5835, at BancFirst ("Checking Account").
4. In connection with the Department's investigation into the activities of Edward Alan Haines, I have reviewed and analyzed the deposit items to and disbursements from the Checking Account, for the period beginning July 2008 to August 2008 ("Analyzed Time Period").
5. During the Analyzed Time Period, the Checking Account's statement begins with a balance of \$472.83, receives \$2,817.31 in deposits (including an investor's \$1,900), is subjected to \$3,453 in withdrawals (none of which are for oil and gas supplies or materials), and ends with a negative balance of \$162.86.

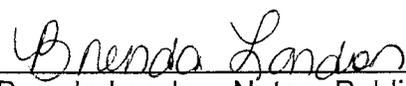
FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Dan Clarke

Subscribed and sworn to before me this 1<sup>st</sup> day of March, 2012.

(Seal)



  
\_\_\_\_\_  
Brenda London, Notary Public

AFFIDAVIT

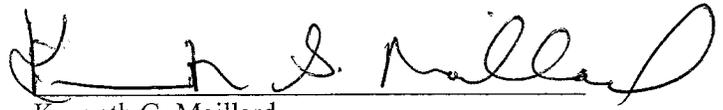
STATE OF OKLAHOMA     )  
  ) SS.  
COUNTY OF OKLAHOMA    )

I, Kenneth G. Maillard, Director of Registrations of the Oklahoma Department of Securities (Department), swear that I have conducted an examination of the registration and exemption 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 Section 1-301 of the Oklahoma Securities Act (Act), 71 O.S. §§1-101-1-701(2011), for Edward Alan Haines or Sharon Kay Haines.

I further swear that nowhere within the registration files for the Department was found a record of a registration of securities for Edward Alan Haines or Sharon Kay Haines pursuant to Section 1-301 of the Act.

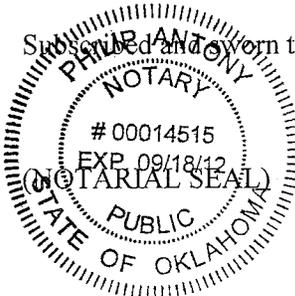
I further swear that nowhere within the exemption files for the Department was found a record of a notice of intent to claim exemption from Sections 1-301 and 1-402 of the Act for Edward Alan Haines or Sharon Kay Haines pursuant to any subsection of Section 1-401 of the Act.

(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 18<sup>th</sup> day of March, 2012.

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

My Commission Expires:

9-18-2012

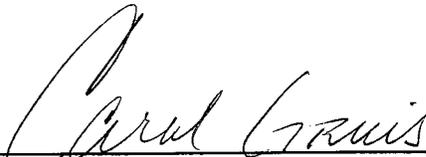
**AFFIDAVIT**

STATE OF OKLAHOMA            )  
  )  
COUNTY OF OKLAHOMA        )        **ss:**

I, Carol Gruis, being of lawful age and being duly sworn, deposes and states as follows:

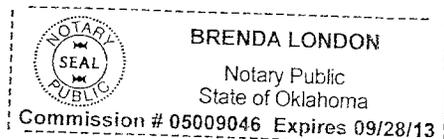
1. That I am the Director of Examinations and Licensing for the Oklahoma Department of Securities ("Department").
2. I have conducted a diligent search of the regularly made and preserved registration files of the Department pertaining to current and past registered investment advisers, broker-dealers, investment adviser representatives, broker-dealer agents, and issuer agents.
3. I have also conducted an examination of the Central Registration Depository ("CRD").
4. My diligent search failed to disclose a record or entry within such registration files of the Department or CRD pursuant to the Oklahoma Uniform Securities Act of 2004, Okla. Stat. tit. 71, §§ 1-101 to 1-701 (2011), or the predecessor Oklahoma Securities Act repealed effective July 1, 2004, for Edward Alan Haines or Sharon Kay Haines.

FURTHER AFFIANT SAITH NOT.

  
\_\_\_\_\_  
Carol Gruis

Subscribed and sworn to before me this 1st day of March, 2012.

(Seal)



  
\_\_\_\_\_  
Brenda London, Notary Public