

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. )  
 )  
2001 Trinity Fund, L.L.C. and )  
Robert Arrowood, )  
 )  
Defendants. )

SEP 28 2012

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

Case No.

CJ - 2012 - 6 1 6 4

**PETITION FOR PERMANENT INJUNCTION AND/OR  
OTHER EQUITABLE RELIEF**

COMES NOW the Plaintiff, Oklahoma Department of Securities, *ex rel.* Irving L. Faught, (the "Department"), and for its claims against the above-named Defendants, alleges and states as follows:

**OVERVIEW**

This case involves violations of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011), by 2001 Trinity Fund, L.L.C. and Robert Arrowood (collectively, the "Defendants"). Specifically, the Department alleges that Defendants offered and sold unregistered securities in violation of Section 1-301 of the Act and committed fraud in connection with the offer, sale and/or purchase of securities in violation of Section 1-501 of the Act.

**JURISDICTION**

1. The Administrator of the Department brings this action pursuant to Section 1-603 of the Act and is the proper party to bring this action against the Defendants.

2. Pursuant to Sections 1-102 and 1-610 of the Act, Defendants, in connection with their activities in the offer and/or sale of securities in and/or from this state, are subject to the provisions of the Act. By virtue of their activities in this state, as described herein, Defendants are subject to the jurisdiction of this Court and to service of summons within this state and outside of this state.

3. Venue is proper in this county.

### **DEFENDANT**

4. 2001 Trinity Fund, L.L.C. (the "Fund") was, at all times material hereto, an Oklahoma limited liability company with its principal place of business in Norman, Oklahoma.

5. Robert Arrowood (Arrowood) is an individual who, at all times material hereto, was an Oklahoma resident who offered and/or sold securities in and/or from Oklahoma as described herein. At all times material hereto, Arrowood controlled the Fund. Arrowood has not been registered in any capacity under the Act.

### **NATURE OF THE CASE**

6. Arrowood, through various entities, has been engaged in the business of buying and reselling oil and gas leases for more than twenty years. Beginning in at least 2008, Arrowood, through the Fund, began to offer and sell securities in the form of promissory notes (the "Notes") to investors for the stated purpose of financing the purchase of leases. Despite receiving little net revenue from the purchase and resale of leases during the relevant time period, Arrowood continued to accept money from investors and continued to spend investor money for cars, vacations, clothing, motorcycles, mortgages, landscaping, jewelry, sporting event tickets, and other personal expenses. The scheme collapsed and the Fund filed for bankruptcy on October 30, 2009. In the four week period preceding the bankruptcy filing,

Arrowood continued to accept money from investors and continued to spend virtually all remaining investor money on clothing, spas, landscaping, and through direct cash withdrawals of investor money by him and his wife.

## I.

### The Notes

7. The Notes generally carried maturities of less than sixty days and offered annualized rates of return in excess of 90 percent. The Notes were not secured by collateral and contained no details other than the stated principal and interest amounts and the term or due date.

8. Primarily through word-of-mouth referrals from business and personal contacts, Arrowood received money through the sale of the Notes from investors in Oklahoma, Texas, Alabama and Florida.

## II.

### The Scheme

9. In the latter half of 2008, the bank records of the Fund reflect that its business activity of purchasing and selling oil and gas leases began to decline. Arrowood, however, continued to accept money from investors and used investor money to repay previous investors and to fund his lifestyle.

10. The bank account records of the Fund reflect the use of investor money to repay previous investors. For example, on August 1, 2008, the primary business account of the Fund (the "Primary Account") had an opening balance of \$4,127.48. On August 5, 2008, investor deposits totaling \$150,000.00 were received into the Primary Account from Investors W.B. and E.F. On that same day Investor E.S. was repaid principal and interest in the amount of \$16,500.00 and immediately reinvested the principal amount of \$15,000.00. Investor E.S. was

repaid using his own money and/or the money from Investors W.B. and E.F., not from revenue received through the purchase and sale of oil and gas leases.

11. On December 3, 2008, the balance in the Primary Account was only \$6,756.10 when \$150,000.00 was received from Investor L.S. The following day Investors T.R. and E.I. were repaid in excess of \$35,000.00 with the money received from Investor L.S.

12. The bank account records of the Fund and Arrowood Companies, Inc. (Arrowood Companies), an entity controlled by Arrowood and to which investor money was transferred, reflect the use of investor money to fund the lifestyle of Arrowood and his wife. The records reflect little net revenue from the purchase and sale of oil and gas leases.

13. Beginning on October 10, 2008, following a cash withdrawal of \$10,000.00 by Arrowood from the Primary Account, an additional \$120,000.00 was received from investors. That same day Arrowood caused \$50,000.00 to be transferred to the account of Arrowood Companies. On October 21, 2008, Arrowood caused an additional \$60,000.00 to be transferred to the same account from the Primary Account. After the combined \$110,000.00 was transferred to the account of Arrowood Companies, no oil and gas leases were purchased. Rather, in less than 15 days, over \$18,000 was paid to NBA Oklahoma City, \$42,890.00 was paid to a Cadillac dealership, in excess of \$4,000.00 was paid to retail clothing stores, and in excess of \$25,000.00 was spent using various debit cards held by Arrowood, his wife and others. On October 31, 2008, the balance of the Arrowood Companies account was only \$3,344.06. The balance of the Primary Account had been depleted to \$14,455.27.

14. On November, 28, 2008, the balance of the Primary Account had been further depleted to \$1,205.51 when \$100,000.00 was received from Investor W.S. Within three business days, Arrowood used the money received from Investor W.S. to pay \$33,500.00 to two previous

investors and transferred \$50,000.00 to an account of Arrowood Companies. Of the \$50,000.00 transferred to the Arrowood Companies account, in excess of \$11,000.00 of investor money was spent at clothing retailers, in excess of \$18,000.00 was paid to NBA Oklahoma City, \$4,000.00 was paid to a mortgage company and in excess of \$15,000.00 was spent through the use of debit cards held by Arrowood, his wife and others.

15. On February 13, 2009, the balance in the Primary Account was only \$410.12 when deposits totaling \$150,000.00 were received from Investors C.P. and G.H. On February 17, 2009, Arrowood transferred \$20,000.00 of the money received from Investors C.P. and G.H. to an Arrowood Companies account. That same day, Arrowood withdrew \$10,000.00 in cash, purchased airline tickets, made payments to Bellagio Hotel and Casino Las Vegas, Las Vegas Limousines, the Oklahoma Department of Human Services and Farmers Life Insurance, and transferred an additional \$40,000.00 to the same Arrowood Companies account. By February 26, 2009, the balance in the Primary Account was down to \$7,389.95. Of the \$60,000.00 transferred to the Arrowood Companies account, \$3,000.00 was paid to Arrowood's wife, in excess of \$7,000.00 was paid to a mortgage company, in excess of \$7,000.00 was paid to an airline and \$22,511.00 was paid to an import car dealership. On February 28, 2009, the balance of the Arrowood Companies account into which the money from Investors C.P. and G.H. was transferred was \$5,115.47. During this time period, the bank records of neither the Fund nor Arrowood Companies reflect the purchase or resale of any oil and gas leases.

16. When the Primary Account was closed by the financial institution with which it was maintained in June 2009, Arrowood began to use an account maintained at a different financial institution as the primary business account of the Fund (the "Alternate Account"). When the Primary Account was closed by the financial institution, it was overdrawn by several

thousand dollars. At the time Arrowood began using the Alternate Account for business of the Fund, the account balance stood at less than \$1,000.00.

17. On September 28, 2009, the Alternate Account was overdrawn by \$3,383.83 when \$110,000.00 was received into the account from investors. On October 1, 2009, Arrowood transferred in excess of \$42,000 of investor money to an Arrowood Companies account maintained at another financial institution. By October 19, 2009, \$29,500.00 of investor money held in the Alternate Account had been paid to Arrowood's wife and \$9,210.00 to Professional Basketball Club, L.L.C, along with payments to restaurants, spas, clothing retailers, movie theaters, veterinarians, landscaping companies and hair salons. At the close of business on October 19, 2009, the balance of the Alternate Account was \$6,074.52. During this time period, the bank accounts of the Fund and Arrowood Companies reflect no purchases or sales of oil and gas leases.

18. On October 30, 2009, the Fund filed for bankruptcy.

### **FIRST CAUSE OF ACTION**

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

19. Plaintiff realleges and incorporates by reference each and every allegation contained in paragraphs 1 through 18 above.

20. The Notes are securities as defined by Section 1-102 of the Act.

21. Defendants offered and sold the Notes in and/or from Oklahoma.

22. The Notes offered and sold by Defendants are not and have not been registered under the Act nor have the Notes been offered or sold pursuant to an exemption from registration, as required by Section 1-301 of the Act.

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

**SECOND CAUSE OF ACTION**

**(Violation of Section 1-402 of the Act:  
Failure to Register as Agent)**

24. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding cause of action.

25. Defendant Arrowood, by virtue of his efforts and activities in this state in effecting or attempting to effect transactions in securities of an issuer, is an agent, as defined in Section 1-102 of the Act.

26. Defendant Arrowood is not, and has not been, registered as an agent pursuant to Section 1-402 of the Act.

27. By reason of the foregoing, Defendant Arrowood, directly and indirectly, has violated Section 1-402 of the Act, and unless enjoined, will continue to violate Section 1-402 of the Act.

**THIRD CAUSE OF ACTION**

**(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 another person)**

28. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding causes of action.

29. Defendants, in connection with the offer and/or sale of securities, through the acts, practices and course of business described above in paragraphs 6 through 19, have engaged in acts, practices, and a course of business that operated as a fraud upon investors.

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

**PRAYER FOR RELIEF**

Defendants have engaged in acts and practices in violation of the Act and, as a result of these activities, received a substantial amount of money from investors.

WHEREFORE, based upon the foregoing, and pursuant to the authority specifically granted by Section 1-603 of the Act, the Department prays for the court to grant the following relief:

I.

A permanent injunction enjoining Defendants from transacting business in and/or from the state of Oklahoma as an issuer, issuer agent, broker-dealer, broker-dealer agent, investment adviser, and/or investment adviser representative and from otherwise offering and/or selling securities in and/or from the state of Oklahoma;

II.

An order requiring Defendants to make restitution to any and all Investors who purchased securities from Defendants;

III.

A civil penalty in the amount of One Hundred Thousand Dollars (\$100,000) against Defendant Arrowood; and

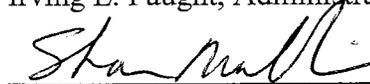
IV.

Such other equitable relief as the Court may deem necessary, just and proper in connection with the enforcement of the Act including the costs of the investigation.

Respectfully submitted,

OKLAHOMA DEPARTMENT OF SECURITIES  
Irving L. Faught, Administrator

By:

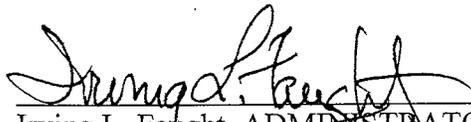


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STATE OF OKLAHOMA    )  
                                  )  
COUNTY OF OKLAHOMA )       SS.

Irving Faught, of lawful age, being first duly sworn deposes and says: that he is the Administrator of the Oklahoma Department of Securities, that he has read the foregoing Petition for Permanent Injunction and Other Equitable Relief and knows the contents thereof, and that the matters and things stated therein have been provided to him by staff members of the Department under his authority and direction, and are true and correct to the best of his knowledge, information and belief.

(SEAL)

  
\_\_\_\_\_  
Irving L. Faught, ADMINISTRATOR OF THE  
OKLAHOMA DEPARTMENT OF SECURITIES  
120 North Robinson, Suite 860  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

Subscribed and sworn to before me this 28th day of September, 2012.

(NOTARIAL SEAL)

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

