

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

DISTRICT COURT  
OKLAHOMA COUNTY  
JAN - 8 2014  
TIA RHODES  
COURT CLERK  
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Oklahoma Department of Securities )  
*ex rel.* Irving L. Faught, )  
Administrator, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
2001 Trinity Fund, L.L.C. and )  
Robert Arrowood, )  
 )  
Defendants. )

Case No. CJ-2012-6164  
Judge Roger Stuart

**PLAINTIFF'S RESPONSE**  
**TO DEFENDANT ROBERT ARROWOOD'S**  
**RENEWED MOTION FOR SUMMARY JUDGMENT**  
**AND BRIEF IN SUPPORT**

The Oklahoma Department of Securities ("Department") respectfully submits the following response to Defendant Robert Arrowood's renewed motion for summary judgment ("Motion") and asks that the Court deny the Motion.

**I. Introduction**

On September 28, 2012, the Department filed its petition in this matter (the "Petition") alleging that Defendants 2001 Trinity Fund, L.L.C. (the "Trinity Fund") and its president and control person, Robert Arrowood, violated the registration and anti-fraud provisions of the Oklahoma Uniform Securities Act of 2004 (the "Act"), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011). As described in the Petition, Defendant caused the Trinity Fund to issue promissory notes (the "Notes") to numerous investors in several states as a means of raising money to fund the operations of the Trinity Fund. Despite the

Trinity Fund having little net revenue, Defendant used investor money deposited into the accounts of the Trinity Fund to repay previous investors and to directly pay for personal expenses ranging from expensive cars to vacations, landscaping, jewelry, spas, clothing and even withdrawals of cash of up to \$10,000 at a time. The scheme ultimately collapsed.

Defendant previously requested that the Court grant summary judgment on June 4, 2013. The Court denied the motion. Defendant again asks the Court to grant summary judgment by determining that the Notes are not securities as defined by the Act. Defendant's motion is based upon an inaccurate picture of the facts in this matter and omits other material facts, all of which are necessary for the Court to make an appropriate determination as to whether the Notes are securities.

## **II. Standard of Review**

Summary judgment is proper only when it appears that there is no substantial controversy as to any material fact and one of the parties is entitled to judgment as a matter of law. *Seitsinger v. Dockum Pontiac, Inc.*, 1995 OK 29, 894 P.2d 1077, 1079. Summary judgments are not favored and are granted only in matters where it is perfectly clear that no issue of material fact exists in a case. *Erwin v. Frazier*, 1989 Ok 95, 786 P.2d 61, 62-63. All inferences and conclusions drawn from any undisputed facts must be viewed in the light most favorable to the party opposing the motion. *Northrip v. Montgomery Ward & Co.* 1974 OK 142, 529 P.2d 489, 497. If reasonable persons could reach different conclusions, summary judgment is improper. *Wittenberg v. Fidelity Bank, N.A.*, 1992 OK 165, ¶ 2, 844 P.2d 155.

### III. Response to Defendant Arrowood's Statement of Undisputed Facts

Defendant's ten statements of purportedly undisputed facts present, at best, an incomplete picture of the total facts necessary for the Court to appropriately make the determination of whether the Notes are securities and fail to provide a basis to determine that the Notes are **not** securities.

**Statements 1 through 3.** Statements one through three, describing the date the Petition was filed, the factual assertions of the Petition, and the causes of action asserted in the Petition are not disputed. However, these statements are irrelevant to the determination of whether the Notes are securities.

**Statements 4 and 5.** The fourth and fifth statements, that the Notes generally carried a term of less than sixty days and bore a fixed rate of interest, are not disputed. However, the length of the term of a note and whether the note bears a fixed rate of interest are only two factors, among several, considered in determining whether a note is a security. The actual rate of interest is more relevant in determining whether a note is a security. The Notes carried extremely high rates of interest that in most cases exceeded an effective annual interest rate in excess of thirty-nine percent (39%). *See Exhibit 1, Affidavit of John Ulrey at ¶¶ 9-12; Exhibit 2, Affidavit of Richard Rossell; Exhibit 3, Note of Richard Rossell; Exhibit 4, Affidavit of Wade M. Sessions; Exhibit 5, Note of Wade M. Sessions; Exhibit 6, Bankruptcy Claim of Larry Sessions; Exhibit 7, Arrowood transc. dated May 17, 2012; 95:25-96:5<sup>1</sup> and 225:8-226:8 (In Re: 2001 Trinity Fund, L.L.C., Case No. 09-*

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<sup>1</sup> The page numbering referenced herein may create some confusion due to the condensed nature of the Arrowood transcript. The references cited refer to the actual page numbers of the transcript that are found on the left side of the page between line numbers and not to the page numbers of the condensed transcript found at the bottom of each page.

16236, *United States Bankruptcy Court for the Western District of Okla.*). This fact is strongly indicative that the Notes are securities as defined by the Act.

**Statement 6.** The sixth statement, that the Notes were not contingent upon the success of the Trinity Fund's operations, is not disputed. However, the fact that a note or other type of debt offering is contingent upon earnings does not render the securities laws inapplicable. Many types of debt obligations, not contingent upon earnings, are securities.

**Statement 7.** The seventh statement, that the Notes were merely routine business loans, is disputed. Several investors have identified the payments to the Trinity Fund as "investments." *See Exhibit 2 at ¶ 4, and Exhibit 4 at ¶ 4.* Although Defendant was successful in gathering affidavits from some of the Note holders stating that they considered the money given to Defendant to be routine commercial loans, some of those same Note holders wrote on the memo line of their checks, given contemporaneously with receiving their notes, the word "investment." *See Exhibit 8.* Defendant has not shown that the Note holders are banks or other sophisticated entities engaged in the business of commercial lending.

**Statement 8.** The eighth statement, that the holders of the Notes did not consider them to be securities, is disputed. Although the Note holders' characterization of the transaction may be a fact that the Court will consider, it is not dispositive of the determination of whether Defendant sold securities. As stated before, some of the Note holders considered the Notes to be investment rather than loans and even some of the Note holders who signed affidavits on Defendant's behalf had previously characterized the Notes as investments. *See Exhibit 2 at ¶ 6; Exhibit 4 at ¶ 6; and Exhibit 8.*

**Statement 9.** The ninth statement, that seven of the Note holders who signed affidavits on behalf of Defendant had previously loaned him money, is disputed. The Department agrees that these individuals may have had multiple transactions with Defendant. However, Defendant fails to mention what his relationship was with these individuals prior to them making their first “loan.” In his bankruptcy testimony, Defendant referred to them as persons who were brought to him by Richard Machina. He repeatedly calls them part of the “Machina group,” indicating that he did not know them but for the connection with Mr. Machina. *See Exhibit 7 at 173:25-174:24, 178:14-182:9.* In fact, Defendant did not even seem to “know” his Note holders after he took their money. *See Exhibit 7 at 199:14-201:16.* Defendant further testified that yet another person was brought to him by yet another person unaffiliated with the “Machina group.” *See Exhibit 7 at 102:4-25.*

**Statement 10.** The tenth statement, that the bankruptcy Trustee filed a report indicating the Trinity Fund’s bankruptcy estate had assets in excess of \$6.5 million, is not disputed to the extent that the bankruptcy Trustee filed the report. What Defendant fails to mention is that the great majority of that amount is contingent on settlement or recovery of a judgment the amount of which is still disputed. *See Exhibit 9, Letter from Wyn Holbrook, Chapter 7 Trustee, In Re: 2001 Trinity Fund, L.L.C., Case No. 09-16236, United States Bankruptcy Court for the Western District of Okla.* Regardless, this statement is not relevant to a determination of whether the Notes are securities.

#### **IV. Other Relevant Facts**

1. Defendant told prospective Note holders that he was in the business of purchasing oil and gas leases and selling them for a profit, or as he described it, “flipping

leases.” See *Exhibit 7 at 6:25-7:8, and 10:12-15, 101; Exhibit 2 at ¶ 3; and Exhibit 4 at ¶ 3.*

2. Defendant made it a practice to not tell the prospective Note holders the names of specific leases he would be purchasing. See *Exhibit 7 at 101:1-103:1, 173:16-174:24, 178:14-181:6, 195:14-198:20; Exhibit 2 at ¶ 3; and Exhibit 4 at ¶ 3.*

3. The Notes carried extremely high rates of interest and in most cases were in excess of thirty-nine percent (39%). See *Exhibit 1, ¶¶ 9-12; Exhibit 2, ¶ 6; Exhibit 3; Exhibit 4, ¶ 6; Exhibit 5; Exhibit 6, pp. 2 and 3; and Exhibit 7 at 95:25-96:5 and 225:8-226:8.*

4. According to Statistical Releases issued by the Federal Reserve, the bank prime loan rate from August 2008 to September 2009 ranged from 5% downward to 3.25% annualized interest. See *Exhibit 1, ¶ 9.*

5. Some Note holders considered the interest rate to be the primary reason for investing their money with Defendant. See *Exhibit 2 at ¶ 6; and Exhibit 4 at ¶ 6.*

6. Defendant recognizes that he offered a “favorable” interest rate that motivated people to give him money. See *Defendant’s Exhibit 2 at ¶ 5; and Exhibit 7 at 95:25-99:9, 181:15-182:9 and 225:8-226:8.*

7. The Note holders who provided Defendant with affidavits state that the interest rates they were receiving were “more favorable” than a routine commercial loan. See *Defendant’s Exhibits 3 through 10 at ¶ 4 on each exhibit.*

8. Defendant never sought a bank loan even though he was paying out 40% in interest. See *Exhibit 7 at 153:23-154:10.*

9. Several of the Note holders who provided affidavits to Defendant stating that they considered the money given to Defendant to be routine commercial loans, wrote on the memo line of their checks, contemporaneously with receiving their notes, the word “investment.” *See Exhibit 8.*

10. Defendant sold promissory notes to at least 12 persons, many of whom he did not know personally, but was introduced to by others. *See Exhibit 1, ¶ 4; Exhibit 7 at 101:20-102:20, 178:14-181:6, and 199:11-200:24.*

11. The Note holders were from at least five different states. *See Exhibit 1, ¶ 6; and Exhibit 7 at 200:9-17.*

12. Defendant did not “know” his Note holders even after he took their money. *See Exhibit 7 at 199:14-201:16.*

13. Note holders have stated they were not in the oil and gas business and not in the business of making loans. *See Exhibit 2, ¶¶ 1, 10; and Exhibit 4 at ¶¶ 1, 10.*

14. Note holders were given very little detail about how their money would be spent. *See Exhibit 2, ¶ 3; Exhibit 4 at ¶ 3; and Exhibit 7 at 101:1-103:1, 173:16-174:24, 178:14-181:6, 195:14-198:20.*

15. Note holders have stated that Defendant referred to their Notes as investments. *See Exhibit 2, ¶ 4; and Exhibit 4 at ¶ 4.*

16. Of the Notes issued by the Trinity Fund over an extended period of time, the Department is aware of only one that was secured and it was secured after Defendant Arrowood had failed to pay as provided for in earlier issued Notes that were not secured. *See Exhibit 7 at 248:16-251:16.*

## V. The Notes are Securities as defined by the Act

### A. The Notes are presumed to be securities and do not bear a resemblance to any of the *Reves* exceptions.

Section 1-102 of the Oklahoma Securities Act of 2004, (the “Act”), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (2011) provides in relevant part:

32. "Security" means a *note*; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security," or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. [Emphasis added.]

Oklahoma courts have stated that the Act embodies a flexible principle that is “capable of adaptation to meet the countless and variable schemes devised by those who seek to use the money of others on the promise of profits.” *State v. Hoephner*, 1978 OK CR 18, ¶ 7, 574 P.2d 1079, 1081, citing *S.E.C. v. Howey*, 328 U.S. 293, 66 S.Ct. 1100, 90 L.Ed. 1244 (1946).

The Oklahoma Supreme Court has stated that in interpreting the provisions of the Act, the interpretive history of the federal securities laws should be considered. *Day v. Southwest Mineral Energy, Inc.*, 1980 OK 118, ¶ 30-31, 617 P.2d 1334, 1339 (citing Section 406 of the predecessor act). Federal law interpreting the definition of the term “note” was settled by the United States Supreme Court in *Reves v. Ernst & Young*, 494

U.S. 56, 66, 110 S.Ct. 945, 108 L.Ed.2d 47 (1990). The Court should find the reasoning of *Reves* persuasive in considering the Department's request.

The *Reves* court unequivocally stated that *all notes are presumed to be securities*. *Reves*, 494 U.S. at 65 (*emphasis added*). That presumption is rebuttable only if the note falls within certain enumerated exceptions or has a "family resemblance" to one of those exceptions. *Id.*

The list of enumerated exceptions consists of the following:

1. a note delivered in consumer financing;
2. a note secured by a mortgage on a home;
3. a short term note secured by a lien on a small business or some of its assets;
4. a note evidencing a character loan to a bank customer;
5. short-term notes secured by an assignment of accounts receivable;
6. a note formalizing an open-account debt incurred in the ordinary course of business; and,
7. notes evidencing loans by commercial banks for current operations.

*Id.*

The Notes at issue in the case at bar clearly do not fall within any of the categories identified by the Supreme Court as being excluded from coverage as a security. The Notes were not delivered by an individual in connection with a consumer loan or for a home mortgage; all but one of the Notes were unsecured; the Notes were not issued to a bank as part of a customer loan; the Notes were not secured by an assignment of accounts or to formalize an open-account debt and the Notes were not to evidence loans by a commercial bank for current operations.

In his Motion, Defendant only attempts to compare the Notes to the third type of note excluded under *Reves*, "a short term note secured by a lien on the assets of a small

business or its accounts receivable.” There is no evidence that the Notes at issue in the case at bar are secured by the receivables of the Trinity Fund.

Of the many Notes issued by the Trinity Fund over an extended period of time, the Department is aware of only one that was secured and it was secured after Defendant had failed to pay as provided for in earlier Notes that were not secured. *See Exhibit 7 at 248:16-251:16.* The Notes at issue in this case bear no resemblance to any of the enumerated exceptions set forth in *Reves*.

**B. Defendant fails to create a new exclusion under *Reves*.**

To avoid application of the Act, the Defendant is attempting to create a new exclusion from the definition of security. The facts present in this matter and case law do not support this proposition.

Under *Reves*, if the note in question can be shown to bear a “strong resemblance” to any of the above seven categories of *non-securities*, by using a four-part test commonly referred to as the “family resemblance” test, the note may still be excluded from the definition of “security.” *Id.* at 66-67. A person claiming a note is not a security must prove a “strong resemblance” to one of the exceptions, therefore, “[w]here the question is a close one, the presumption that the note is a security holds.” *Fox v. Dream Trust*, 743 F.Supp. 2d 389, 401 (D.N.J. 2010).

The four factors of the “family resemblance” test are:

1. the motivation of the parties;
2. the offeror’s plan of distribution;
3. the reasonable expectations of the public; and
4. whether an alternative regulatory scheme renders application of the securities laws unnecessary.

*Reves* at 66-67.

It is important to note that these four *Reves* factors are to be used to evaluate whether the note in question bears a “strong resemblance” to one of the seven excluded notes listed in Section A above. It is also important to recognize that these four factors are not elements to be met, but rather points of comparison for the ultimate factual determination of “family resemblance.” *Robyn Meredith, v. Levy*, 440 F.Supp.2d 378, 384 (D.J.J. 2006).

**1. The motivations of the parties**

In the context of determining whether a note is a security as defined under federal law: “If the seller’s purpose is to raise money for the general use of a business enterprise...and the buyer is interested primarily in the profit the note is expected to generate, the instrument is likely to be a security.” *Reves at 66*.

Defendant’s own affidavit attached to his Motion as Exhibit 2 makes his motivations very clear. The motivation was “... to raise cash for its business operations.” *See Defendant’s Exhibit 2 at ¶ 3*. In his bankruptcy testimony, Defendant explains his business plan to be “flipping leases” and states repeatedly that he did not tell the note holders the names of specific leases he would be purchasing. *See Exhibit 7 at 6:25-7:8, 10:12-15, 101:1-103:1, 173:16-174:24, 178:14-181:6, 195:14-198:20*. At least two note holders concur that Defendant never identified a specific oil or gas lease to which their money would be applied though he did represent that is how he would use their money. *See Exhibit 2 at ¶ 3; and Exhibit 4 at ¶ 3*.

Some of the Note holders considered the interest rate to be the primary reason for their investment with Defendant *See Exhibit 2 at ¶ 6; and Exhibit 4 at ¶ 6*. And based on the excessive interest rates Defendant offered, the other Note holders were likely

highly motivated by it as well. Defendant himself recognizes that he offered a “favorable” interest rates that motivated people to give him money. *See Defendant’s Exhibit 2 at ¶ 5; and Plaintiff’s Exhibit 7 at 95:25-99:9, 181:15-182:9 and 225:8-226:8.* Tellingly, Defendant never sought a traditional bank loan even though he was paying out 40% in interest to the Note holders. *See Exhibit 7 at 153:23-154:10.* Even the Note holders who provided Defendant with affidavits state that the interest rates they were receiving were “more favorable” than a routine commercial loan. *See Defendant’s Exhibits 3 through 10 at ¶ 4 on each exhibit.*

Furthermore, the Notes themselves indicate investment intent on the part of the investors. The Notes carry rates of interest far in excess of normal commercial loan rates. *See Exhibit 1, ¶¶ 9-12.* This indicates the transactions involved securities, not commercial loans. *Stoiber v. S.E.C.*, 161 F.3d 745, 750 (D.C. Cir. 1998), citing *Reves*, 494 U.S. at 67-68. The *Stoiber* court also found that it did not matter whether the interest rate on the notes were fixed or variable. *Id.*

Consistent with *Reves*, Defendant’s purpose was to raise money and the lenders were interested in the profits. This factor strongly indicates that the Notes are securities.

## **2. The plan of distribution**

The second part of the *Reves* “family resemblance” test requires the Court to consider whether “there is common trading for speculation or investment” in the note. *Reves at 66.* The requisite common trading is established if the instrument is offered and sold to a broad segment of the public. *Id.* at 68.

Although the sale of notes to a broad segment of the public establishes “common trading,” the lack of sales to a broad segment of the public does not in turn warrant the

conclusion that a note is not a security. *S.E.C. v. Global Telecom Services, L.L.C.* 325 F.Supp.2d 94, 114-115 (D. Conn. 2004). Regardless of the number of individuals to whom the Notes were sold, this factor must be weighed against “the purchasing individuals need for the protection of the securities laws.” *S.E.C. v. Mulholland*, 2013 WL 979423 (E.D. Mich., 2013). See also *S.E.C. v. Ralston Purina*, 346 U.S. 119 (1953) (in the context of whether an offering qualifies as a private offering under the exemptive provisions of the federal securities laws, a determination of whether there is a “public offering” of securities does not depend on the number of offerees, but on whether the offerees need the protections of the federal securities laws).

Where even one investor has need of the protection of the securities laws, the investor is unsophisticated and has been given very little information about the use of his money, a security may be found. *Global Telecom Services* at 114-115. The *Global Telecom Services* court found that the plan of distribution factor was met even though there were only 5 note holders. *Id. Stoiber v. S.E.C.*, 161 F.3d at 750-751 (D.D.C. 1998) (though thirteen note holders did not constitute “a broad segment of the public,” the situation suggested “common trading” where the solicited individuals were not “sophisticated institutions” and the seller gave the note holders little detail about how their money would be used); *Fox v. Dream Trust* 743 F.Supp. 2d. at 400 (finding the plan of distribution factor neutral where a single note was sold to a family member who nevertheless was “exactly the kind of individual investor that securities laws seek to protect”).

Defendant argues that he sold only a few promissory notes to people who were his family and friends. He cites to *LeBrun v. Kuswa*, 24 F.Supp. 2d 641 (E.D. LA 1998) to

show that six persons did not constitute a broad segment of the public under the facts of that case. However, *LeBrun* is distinguishable because Defendant sold the Notes to at least double the number of people and because Defendant sold promissory notes to people whom he did not know personally, but was introduced to by others. *See Exhibit 1, ¶ 4; and Exhibit 7 at 101:20-102:20, 178:14-181:6, and 199:11-200:24.* The note holders were from at least five different states. *See Exhibit 1, ¶ 6; and Exhibit 7 at 200:9-17.* Even after issuing the promissory notes, Defendant could not remember the names of his Note holders or explain how he knew them other than to say they were friends of someone else. *See Exhibit 7 at 199:14-201:16.* The Department does not know of any of the Note holders who have claimed a familial relationship with Defendant, nor has Defendant asserted such a relationship with any of the Note holders.

Whether or not this Court considers 12 people to be a broad segment of the public, there can be no dispute that at least some of the Note holders need the protection of the securities laws. At least two investors have stated they were not in the oil and gas business and not in the business of making loans. *See Exhibit 2 at ¶¶ 1, 10; and Exhibit 4 at ¶¶ 1, 10.* Further, they were given very little detail about how their money would be spent. *See Exhibit 2 at ¶ 3; Exhibit 4 at ¶ 3; and Exhibit 7 at 101:1-103:1, 173:16-174:24, 178:14-181:6, and 195:14-198:20.* These are exactly the type of people that the securities laws are meant to protect.

Consistent with *Reves*, the Notes were sold to a broad segment of the public including unaffiliated people in numerous states. This factor strongly indicates that the Notes are securities.

### 3. Reasonable expectations of the public

The third *Reves* factor involves a consideration of whether the public would perceive the instrument to be a security. *Reves at 66*. “Whether notes are reasonably perceived as securities generally turns on whether they are reasonably viewed by purchasers as investments.” *Stoiber at 751*. Although an instrument may be deemed a security simply because the seller referred to it as an investment, it does not follow that an instrument is not a security simply because the seller said it is not one or a note holder himself did not characterize it as a security. *Id.* The *Stoiber* court recognized this factor as a “one way ratchet” stating:

It allows notes that would not be deemed securities under a balancing of the other three factors nonetheless to be treated as securities if the public has been led to believe they are. It does not, however, allow notes which under the other factors would be deemed securities to escape the reach of regulatory laws.

*Id.*

At least two of the Note holders have stated that Defendant referred specifically to their Notes as investments. *See Exhibit 2, ¶ 4; and Exhibit 4, ¶ 4*. As recognized by the *Stoiber* court, the characterization as loans by the Note holders who say they did not think it was a security is not determinative of whether this factor is met. “Whether a note is a security is a question of law.” *Id.* at 749. Although the Note holders’ characterization of the transaction may be a fact that the Court will consider, it is not dispositive of the determination of whether Defendant sold securities. In addition, the characterization of the Notes as loans by the Note holders who provide affidavits to Defendant is contradicted by the notations some of them made on their checks at the time they actually gave their money to Defendant. *See Exhibit 8*.

Consistent with *Reves*, the public would reasonably perceive these Notes to be investments rather than commercial loans. This factor strongly indicates that the Notes are securities.

#### **4. The existence of another regulatory structure**

Finally, the “family resemblance” test looks to whether “some factor such as the existence of another regulatory scheme significantly reduces the risk of the instrument, thereby rendering application of the securities laws unnecessary. *Reves at 66-67*. Defendant does not even argue this factor but it is still an important part of the “family resemblance” test and should be considered by this Court.

There is no other regulatory protection afforded these Note holders other than the application of the securities laws. Nor were the Notes secured by collateral, but for the ones that Defendant had failed to pay and the Note holders renegotiated for collateral. *See Exhibit 7 at 248:16-251:16*.

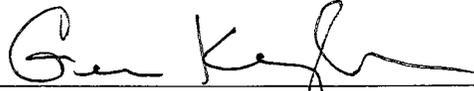
The securities laws are designed to provide investors with all of the necessary information they need about a company and its principals to make an informed investment decision. The case at bar is the quintessential example of the need for application of the securities laws. Consistent with *Reves*, this factor strongly weighs in favor of the Notes being securities.

### **VI. Conclusion**

Defendant fails to establish that the Notes are not securities. Rather, the Notes are presumed to be securities and they bear no resemblance to any judicially crafted exclusion, let alone the “strong resemblance” required by *Reves*. The Department asks that the Motion be denied.

Respectfully Submitted,

OKLAHOMA DEPARTMENT OF SECURITIES



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**CERTIFICATE OF SERVICE**

I hereby certify that on this 3rd day of January, 2014, the foregoing document was sent by email and first-class mail to the following:

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Brenda London, Paralegal

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

Oklahoma Department of Securities	)	
<i>ex rel.</i> Irving L. Faught,	)	
Administrator,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. CJ-2012-6164
	)	Judge Roger Stuart
Trinity Fund, L.L.C. and	)	
Robert Arrowood,	)	
	)	
Defendants.	)	

**AFFIDAVIT OF JOHN ULREY**

STATE OF OKLAHOMA    )  
  )    SS.  
COUNTY OF OKLAHOMA)

I, John Ulrey, of lawful age, being first duly sworn deposes and states:

1. I am a resident of the State of Oklahoma.
2. I am currently a senior Investigator with the Oklahoma Department of Securities and have been an employee of the Department since July 1987.
3. I have reviewed the Bank of America checking account records of 2001 Trinity Fund, L.L.C., including account number ending in 4535 for the time period beginning August 1, 2008, and ending September 30, 2009. I have also reviewed certain promissory notes issued by 2001 Trinity Fund, L.L.C. as described below, the affidavits of Wade M. Sessions dated January 2, 2014, and Richard Rossell dated January 3, 2014, the transcript of a bankruptcy deposition of Mr. Robert Arrowood dated May 17, 2012,

**EXHIBIT**  
/

and the bankruptcy claims made by various individuals in connection with the 2001 Trinity Fund bankruptcy case.

4. From a review of the bank records of 2001 Trinity Fund, L.L.C. and the bankruptcy transcript of Mr. Arrowood, I have identified at least 12 persons as investors in 2001 Trinity Fund, L.L.C.

5. It appears that those persons invested approximately \$1,035,000 in principal.

6. These persons live in different states including Texas, Florida, Utah, Alabama, Missouri and Oklahoma.

7. Some of those persons received their principal back plus significant interest.

8. It appears that others "rolled over" their investments into new promissory notes and never received any returns of interest or principal on their investments.

9. According to Statistical Releases issued by the Federal Reserve, the bank prime loan rate from August 2008 to September 2009 ranged from 5% downward to 3.25% annualized interest.

10. Wade M. Sessions made his initial investment in 2001 Trinity Fund, L.L.C. of \$100,000 on December 1, 2008. The promissory note issued by 2001 Trinity Fund, L.L.C. provided for a 5% return within 45 days. That equates to an annualized interest rate of return of 40.5%.

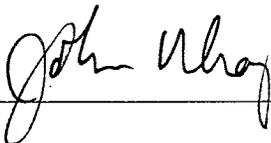
11. Richard Rossell made his initial investment in 2001 Trinity Fund, L.L.C. of \$100,000 on January 9, 2009. The promissory note issued by 2001 Trinity Fund,

L.L.C. provided for a 5% return within 48 days. That equates to an annualized interest rate of return of 38.00%.

12. From a review of the claim filed by Larry A. Sessions in the 2001 Trinity Fund, L.L.C. bankruptcy case and the 2001 Trinity Fund, L.L.C. bank accounts, it appears that Larry A. Sessions made his initial investment in 2001 Trinity Fund, L.L.C. of \$150,000 on approximately December 3, 2008. A subsequent promissory note issued by 2001 Trinity Fund, L.L.C. indicates a principal investment of \$168,000 and provides for a return of 5% within 46 days. That equates to an annualized interest rate of return of 39.67%.

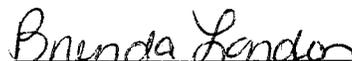
I hereby affirm that I am competent to make this Affidavit and that all of the foregoing is true and correct. I hereby affirm that I affix my signature to this document voluntarily and that no threat or promise of immunity or other assistance of any kind has been made by any person, to include the Administrator of the Oklahoma Department of Securities, any employee of the Oklahoma Department of Securities, and any member of the Oklahoma Securities Commission, to coerce the statements made herein.

Further Affiant sayeth not.

  
\_\_\_\_\_  
John Ulrey

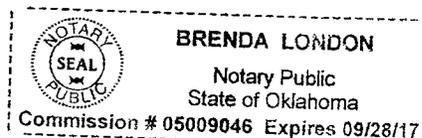
Subscribed and sworn to before me this 3<sup>rd</sup> day of January, 2014.

(NOTARIAL SEAL)

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

My Commission Expires:

\_\_\_\_\_



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-2012-6164  
 ) Judge Roger Stuart  
Trinity Fund, L.L.C. and )  
Robert Arrowood, )  
 )  
Defendants. )

AFFIDAVIT

STATE OF ALABAMA )  
 ) SS.  
COUNTY OF BIRMINGHAM )

I, Richard A. Rossell, of lawful age, being first duly sworn deposes and states:

1. I am a resident of the State of Alabama. I am not engaged in the oil and gas business.
2. In approximately Late 2008, I was introduced to Robert Arrowood. Prior to the matters addressed herein, I did not know Robert Arrowood.
3. Prior to and in connection with making the investment, Mr. Arrowood represented that he used investor money to purchase oil and gas leases that he would subsequently resell at a profit. He never indicated that 2001 Trinity Fund, L.L.C. was having cash flow problems. He also never specifically identified an oil or gas lease to which my investment money would be applied.

EXHIBIT

2

4. Mr. Arrowood repeatedly referred to the transaction as an "investment" on my part.

5. On January 9, 2009, I invested \$100,000 with Mr. Arrowood.

6. In return for the investment, I received a promissory note carrying an interest rate of 5% over a term of 45 days. The rate of return was the primary factor in my decision to invest.

7. Payment was not made following the initial 45 day term or at any time thereafter. I agreed to the issuance of two subsequent promissory notes incorporating owed principal and interest the last being due on August 18, 2009. Shortly thereafter I learned that 2001 Trinity Fund, L.L.C. had filed for bankruptcy.

8. Other than making my investment, I was not involved in any way in the business or operations of 2001 Trinity Fund, L.L.C.

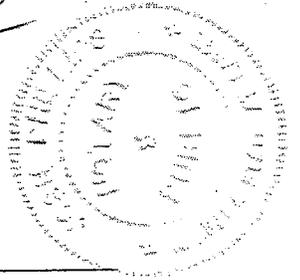
9. My investment was never secured by any collateral.

10. I am not in the business of making loans.

I hereby affirm that I am competent to make this Affidavit and that all of the foregoing is true and correct. I hereby affirm that I affix my signature to this document voluntarily and that no threat or promise of immunity or other assistance of any kind has been made by any person, to include the Administrator of the Oklahoma Department of Securities, any employee of the Oklahoma Department of Securities, and any member of the Oklahoma Securities Commission, to coerce the statements made herein.

Further Affiant sayeth not.

Richard A. Rossell  
Richard A. Rossell



Subscribed and sworn to before me this 3<sup>rd</sup> day of January, 2014.

(NOTARIAL SEAL)

Richard A. Rossell  
Notary Public

My Commission Expires:

MY COMMISSION EXPIRES AUGUST 12, 2014

PROMISSORY NOTE

Date: July 3rd, 2009

Principle Amount: \$117,762.50

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promises to pay to the order of the Richard Rossell the sum of One Hundred Seventeen Thousand Seven Hundred Sixty Two Dollars and 50/100 ( \$117,762.50 ), plus interest as set out herein. The loaned amount shall draw interest, from the date set out above, at the rate of 5% (see schedule below) which, along with the principle amount hereof, shall be paid in accordance with such schedule.

On or before August 18th, 2009, principal and interest shall be paid in full in the amount of One Hundred Twenty Three Thousand Six Hundred Fifty Dollars and 62/100 ( \$123,650.62 ).

This note, at the option of the holder thereof, immediately shall be due and payable upon the occurrence of any of the following: 1) Failure to make any payment due hereunder on or before its due date.

In the event this note shall be in default and placed for collection, then the undersigned agrees to pay all reasonable attorney fees and costs of collection. Payments not made within ten (10) days of due date shall be subject to a late charge of 5% of said payment.

This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State of Oklahoma.

2001 Trinity Fund, LLC

  
Robert C. Arrowood, President

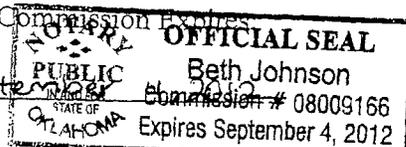
Acknowledgement

STATE OF OKLAHOMA

COUNTY OF CLEVELAND

Before me, the undersigned, a Notary Public in and for said County and State on this 10<sup>th</sup> day of July, 2009, personally appeared Robert C. Arrowood, as President of 2001 Trinity Fund, LLC to me know to be the identical person who executed the same as his free and voluntary act and deed for said corporation for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires  
  
OFFICIAL SEAL  
PUBLIC Beth Johnson  
Commission # 08009166  
STATE OF OKLAHOMA  
Expires September 4, 2012

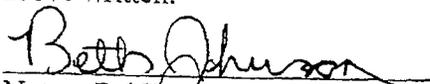
  
Beth Johnson  
Notary Public

EXHIBIT  
3

IN THE DISTRICT COURT OF OKLAHOMA COUNTY  
STATE OF OKLAHOMA

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

Plaintiff,

v.

Trinity Fund, L.L.C. and  
Robert Arrowood,

Defendants.

Case No. CJ-2012-6164  
Judge Roger Stuart

AFFIDAVIT OF WADE M. SESSIONS

STATE OF UTAH )  
 )  
COUNTY OF SALT LAKE ) SS.

I, Wade M. Sessions, of lawful age, being first duly sworn deposes and states:

1. I am a resident of the State of Utah. I am not engaged in the oil and gas business.

2. In approximately 10/08, I was introduced to Robert Arrowood. Prior to the matters addressed herein, I did not know Robert Arrowood.

3. Prior to and in connection with making the investment, Mr. Arrowood represented that he used investor money to purchase oil and gas leases that he would subsequently resell at a profit. He never indicated that 2001 Trinity Fund, L.L.C. was

EXHIBIT  
4

having cash flow problems. He also never specifically identified an oil or gas lease to which my investment money would be applied.

4. Mr. Arrowood repeatedly referred to the transaction as an "investment" on my part.

5. On December 1, 2008, I invested \$100,000 with Mr. Arrowood.

6. In return for the investment, I received a promissory note carrying an interest rate of 5% over a term of 45 days. The rate of return was the primary factor in my decision to invest.

7. Payment was not made following the initial 45 day term or at any time thereafter. I agreed to the issuance of two subsequent promissory notes incorporating owed principal and interest the last being due on August 18, 2009. Shortly thereafter I learned that 2001 Trinity Fund, L.L.C. had filed for bankruptcy.

8. Other than making my investment, I was not involved in any way in the business or operations of 2001 Trinity Fund, L.L.C.

9. My investment was never secured by any collateral.

10. I am not in the business of making loans.

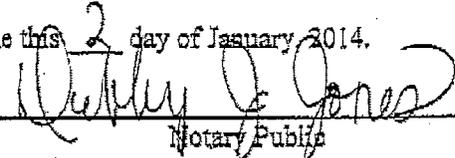
I hereby affirm that I am competent to make this Affidavit and that all of the foregoing is true and correct. I hereby affirm that I affix my signature to this document voluntarily and that no threat or promise of immunity or other assistance of any kind has been made by any person, to include the Administrator of the Oklahoma Department of Securities, any employees of the Oklahoma Department of Securities, and any member of the Oklahoma Securities Commission, to coerce the statements made herein.

Further Affiant sayeth not

  
Wade M. Sessions

Subscribed and sworn to before me this 2 day of January, 2014.

(NOTARIAL SEAL)

  
Notary Public

My Commission Expires:

02/23/2014



PROMISSORY NOTE

Date: July 3rd, 2009

Principle Amount: \$127,628.15

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promises to pay to the order of the Wade Manning Sessions the sum of One Hundred Twenty Seven Thousand Six Hundred Twenty Eight Dollars and 15/100 ( \$127,628.15 ), plus interest as set out herein. The loaned amount shall draw interest, from the date set out above, at the rate of 5% (see schedule below) which, along with the principle amount hereof, shall be paid in accordance with such schedule.

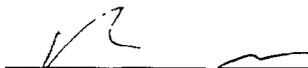
On or before August 18th, 2009, principal and interest shall be paid in full in the amount of One Hundred Thirty Four Thousand Nine Dollars and 55/100 ( \$134,009.55 ).

This note, at the option of the holder thereof, immediately shall be due and payable upon the occurrence of any of the following: 1) Failure to make any payment due hereunder on or before its due date.

In the event this note shall be in default and placed for collection, then the undersigned agrees to pay all reasonable attorney fees and costs of collection. Payments not made within ten (10) days of due date shall be subject to a late charge of 5% of said payment.

This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State of Oklahoma.

2001 Trinity Fund, LLC

  
\_\_\_\_\_  
Robert C. Arrowood, President

Acknowledgement

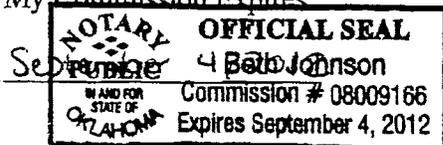
STATE OF OKLAHOMA

COUNTY OF CLEVELAND

Before me, the undersigned, a Notary Public in and for said County and State on this 10<sup>th</sup> day of July, 2009, personally appeared Robert C. Arrowood, as President of 2001 Trinity Fund, LLC to me know to be the identical person who executed the same as his free and voluntary act and deed for said corporation for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

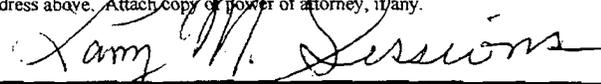
My Commission Expires:



  
Notary Public



B 10 (Official Form 10) (12/08)

<b>UNITED STATES BANKRUPTCY COURT</b> <b>Western District of Oklahoma</b>		<b>PROOF OF CLAIM</b>
Name of Debtor: <b>Mr. Robert C. Arrowood, President, 2001 Trinity Fund</b>		Case Number: <b>09-16236</b>
NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.		
Name of Creditor (the person or other entity to whom the debtor owes money or property): <b>Mr. Larry M. Sessions</b>		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim.
Name and address where notices should be sent: <b>1138 Park Lane                  Gulf Breeze, FL 32563</b>		Court Claim Number: _____ (If known)
Telephone number: <b>(850) 932-0725</b>		Filed on: _____
Name and address where payment should be sent (if different from above): <b>Same</b>		<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
Telephone number: _____		<input type="checkbox"/> Check this box if you are the debtor or trustee in this case.
1. Amount of Claim as of Date Case Filed: \$ <u>212,642.50</u> <i>A daily interest of \$192.50 is due in addition to the above stated amount on the date of payment.</i> If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.  If all or part of your claim is entitled to priority, complete item 5.  <input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.		5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.  Specify the priority of the claim.
2. Basis for Claim: <u>money loaned</u> (See instruction #2 on reverse side.)		<input type="checkbox"/> Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).
3. Last four digits of any number by which creditor identifies debtor: <u>4535</u>  3a. Debtor may have scheduled account as: <u>none known</u> (See instruction #3a on reverse side.)		<input type="checkbox"/> Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier – 11 U.S.C. §507 (a)(4).
4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.  Nature of property or right of setoff: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe:  Value of Property: \$ _____ Annual Interest Rate _____ %  Amount of arrearage and other charges as of time case filed included in secured claim, if any: \$ _____ Basis for perfection: _____  Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____		<input type="checkbox"/> Contributions to an employee benefit plan – 11 U.S.C. §507 (a)(5).  <input type="checkbox"/> Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use – 11 U.S.C. §507 (a)(7).  <input type="checkbox"/> Taxes or penalties owed to governmental units – 11 U.S.C. §507 (a)(8).  <input type="checkbox"/> Other – Specify applicable paragraph of 11 U.S.C. §507 (a)( ): _____
6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.		Amount entitled to priority: \$ _____
7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See instruction 7 and definition of "redacted" on reverse side.)  DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.  If the documents are not available, please explain:		*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
Date: <b>01/28/2010</b>	Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.  	FOR COURT USE ONLY

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 357

EXHIBIT

6

1138 Park Lane  
Gulf Breeze, FL 32563  
Date: Jan. 26, 2009

Subj.: Claim for Unpaid Loan Payment  
Proof of Claim for 2001 Trinity Fund  
Case # 09-16236

Dear Judge T. M. Weaver:

On December 3, 2008, I loaned Robert C. Arrowood, President of 2001 Trinity Fund, \$150,000.00 for the duration of 45 days yielding an interest of 5% during this period. Payment was not made. On January 19, 2009, a new promissory note was written (with the same terms) for \$165,000.00 for the original principal plus interest and late charge. When this promissory note matured on March 6, 2009, the check from the 2001 Trinity Fund, LLC for \$173,250.00 was deposited at my bank and it was returned because of insufficient funds. After discussions with Mr. Arrowood, interest and late fee payment was made for the amount of \$23,250.00; however, the principal amount of \$150,000.00 was not repaid as promised. After much discussion, a new promissory note for \$165,000.00 was signed by Mr. Arrowood. This amount equals the principal plus interest from March 6, 2009. When this note matured on August 18, 2009 for the amount of \$173,250.00 (principal plus interest), it was deposited at my bank and was returned with a stop payment given as the reason for the returned check.

As of January 13, 2010, according to the terms of the promissory note, the total amount owed to me for principal plus interest and late charge is \$212,642.50.

Please enter my claim in bankruptcy court for \$212,642.50 against the 2001 Trinity Fund on Jan. 13, 2010. At the time the claim is settled the amount of the money owed to me will escalate at an increase at a rate of 5% every 45 day period or a daily rate of \$190.50.

Sincerely,

  
Larry Sessions

P.S. The same information was sent to attorney Mr. Kischnar at [mike@robinsonwilliams.com](mailto:mike@robinsonwilliams.com) on Dec. 12, 2009

Two documents attached (documents 1 and 2)

Document 1

PROMISSORY NOTE

Date: July 3rd, 2009

Principle Amount: \$168,000.00

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promises to pay to the order of the Larry Michael Sessions the sum of One Hundred Sixty Eight Thousand Dollars and 00/100 ( \$165,000.00 ), plus interest as set out herein. The loaned amount shall draw interest, from the date set out above, at the rate of 5% (see schedule below) which, along with the principle amount hereof, shall be paid in accordance with such schedule.

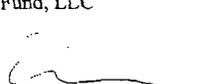
On or before August 18<sup>th</sup>, 2009, principal and interest shall be paid in full in the amount of One Hundred Seventy Six Thousand Four Hundred Dollars and 00/100 ( \$173,250.00 ).

This note, at the option of the holder thereof, immediately shall be due and payable upon the occurrence of any of the following: 1) Failure to make any payment due hereunder on or before its due date.

In the event this note shall be in default and placed for collection, then the undersigned agrees to pay all reasonable attorney fees and costs of collection. Payments not made within ten (10) days of due date shall be subject to a late charge of 5% of said payment.

This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State of Oklahoma.

2001 Trinity Fund, LLC

  
Robert C. Arrowood, President

Acknowledgement

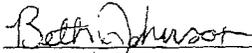
STATE OF OKLAHOMA

COUNTY OF CLEVELAND

Before me, the undersigned, a Notary Public in and for said County and State on this 10<sup>th</sup> day of July, 2009, personally appeared Robert C. Arrowood, as President of 2001 Trinity Fund, LLC to me know to be the identical person who executed the same as his free and voluntary act and deed for said corporation for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires  
  
PUBLIC Beth Johnson  
Commission # 08009166  
Expires September 4, 2012

  
Notary Public

Document 2  
2

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

RETURN REASON-A  
NOT SUFFICIENT  
FUNDS

2001 TRINITY FUND, LLC  
1-800-747-4443  
P.O. BOX 72158  
NORMAN OKLAHOMA 73072

Check No. 3709

Date 1/6/2009

Pay to the Order of LARRY MICHAEL SESSIONS  
One Hundred Seventy Three Thousand Two Hundred Fifty Only\*\*\*\*\*  
BANK OF AMERICA  
NORMAN OKLAHOMA

\$173,250.00\*  
DOLLARS

MEMO \_\_\_\_\_

*[Signature]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This is a LEGAL COPY of your check. You can use it the same way you would use the original check.

RETURN REASON-C  
STOP PAYMENT

2001 TRINITY FUND, LLC  
1-800-747-4443  
P.O. BOX 72158  
NORMAN OKLAHOMA 73072

Check No. 3764

Date 1/12/2009

Pay to the Order of LARRY MICHAEL SESSIONS  
One Hundred Seventy Three Thousand Two Hundred Fifty Only\*\*\*\*\*  
BANK OF AMERICA  
NORMAN OKLAHOMA

\$173,250.00\*  
DOLLARS

MEMO \_\_\_\_\_

*[Signature]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

0001

1 IN THE UNITED STATES BANKRUPTCY COURT FOR THE  
2 WESTERN DISTRICT OF OKLAHOMA

3

4

IN RE: 2001 TRINITY FUND, L.L.C., )  
Debtor. )

5

6

L. WIN HOLBROOK, Trustee )  
Plaintiff, )

7

8

-vs-

09-16236 WV-166

9

10

Robert Arrowood, Cathy Arrowood, )  
and Arrowood Companies, Inc., an )  
Oklahoma Corporation, )

11

12

13

Defendants.)

14

15

16

17

EXAMINATION UNDER OATH

OF ROBERT ARROWOOD

ON MAY 17, 2012

IN OKLAHOMA CITY, OKLAHOMA

\* \* \* \* \*

18

19

20

21

WORD FOR WORD REPORTING, L.L.C.  
3250 CHASE BANK BUILDING  
100 NORTH BROADWAY  
OKLAHOMA CITY, OKLAHOMA 73102

22

23

24

Reported By: Chrystal H. Vance, C.S.R.

25

0002

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A P P E A R A N C E S

4

5

Leif Swedlow, Esq.  
ANDREWS DAVIS  
100 North Broadway, Suite 3300  
Oklahoma City, Oklahoma 73102  
405.272.9241  
Lswedlow@andrewsdavis.com

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7

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9

10

Michael Paul Kirschner, Esq.  
ROBERTSON & WILLIAMS  
9658 North May Avenue, Suite 200  
Oklahoma City, Oklahoma 73120  
405.848.1944

\* \* \* \* \*

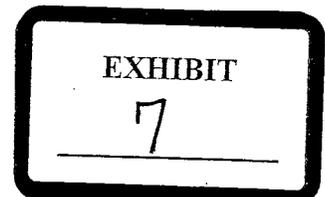
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25  
0005

1 ROBERT ARROWOOD  
2 of lawful age, being first duly sworn, examines  
3 and says in reply to the questions propounded as  
4 follows:

\* \* \* \* \*

EXAMINATION

7 BY MR. SWEDLOW:

8 Q. Will you state your name for the record,  
9 please.

10 A. Rob Arrowood.

11 Q. Mr. Arrowood, have you been to an  
12 examination taken pursuant to Section 2004 in the  
13 Bankruptcy Court before?

14 A. No, I have not.

15 Q. But you have given depositions before,  
16 right?

17 A. Yes.

18 Q. Okay. Today's examination will proceed  
19 much like a deposition. We're on the record. We  
20 do have a number of documents, as you see, that  
21 we've organized that we'll be showing you some of  
22 them over the course of time. The trustee's  
23 office has collected these from various sources.  
24 And I want to just make sure we know who we all  
25 are.

0006

1 I'm Leif Swedlow. And in this  
2 examination, I'm representing the trustee,  
3 Mr. Holbrook's, role. Mr. Kirschner is here. And  
4 my understanding is that he represents the debtor  
5 entity as an entity. Is that your understanding  
6 as well?

7 A. Yes.

8 Q. Okay. And Mr. Holbrook may come and go  
9 at various times during the course of the  
10 examination.

11 Let's do just a little bit of background  
12 since this is the first time I've met you.

13 A. Okay.

14 Q. What education do you have?

15 A. Just a Bachelor's in Business.

16 Q. Where from?

17 A. Carson-Newman.

18 Q. Where's that?

19 A. It's in Tennessee.

20 Q. Any particular specialization with that  
21 degree?

22 A. No.

23 Q. When did you obtain it?

24 A. '87, I believe.

25 Q. Where did you go to work after college?

0007

1 A. Moved to Oklahoma and just started doing  
2 some oil and gas stuff, buying minerals and  
3 selling them.

4 Q. Tell me what you mean by "stuff" more  
5 precisely.

6 A. I met a landman and we would buy  
7 minerals and, you know, flip them. And that's  
8 kind of what got me involved in oil and gas. It  
9 was the summer right after college.

10 Q. Who was the landman that you described?  
11 A. Greg Brinkley.  
12 Q. Do you still have any ongoing connection  
13 with him?  
14 A. No.  
15 Q. When was the last time you did any  
16 business involving him?  
17 A. Probably early '90's, maybe, early to mid  
18 '90's.  
19 Q. Okay. At some point, did the landman  
20 role change to someone else in terms of this --  
21 A. Well, I actually started doing landman  
22 work myself for other companies.  
23 Q. Okay. And I do want to just be clear  
24 since we are on the record. I have a bad habit of  
25 it, too. We have to watch out to not to interrupt

0008

1 each other. I might be halfway through a  
2 question, but it might not --  
3 A. Okay.  
4 Q. If you ever watch Jeopardy, sometimes  
5 somebody buzzes in and they give an answer and it  
6 has nothing to do with the rest of the question.  
7 A. Okay.  
8 Q. So we'll just watch out for that  
9 mutually.  
10 A. All right.  
11 Q. I'll try to make sure that I don't run  
12 over the top of you and if I think that you're off  
13 track, too, so -- because once you start an  
14 answer, I want you to have a chance to get the  
15 whole answer out there, too.  
16 A. Okay.  
17 Q. Okay. So I got from that that at some  
18 point you started doing your own, I would call it,  
19 title research work --  
20 A. Correct.  
21 Q. -- is that right?  
22 A. Right.  
23 Q. What training or qualifications did you  
24 get in that regard?  
25 A. Pretty much on the job. I did take some

0009

1 courses at OCU and the AAPL, became a member of  
2 it. And was, actually, I think at the time, it  
3 was called an RLP designation. I don't remember  
4 exactly what years that was, but --  
5 Q. And did you at any time --  
6 A. -- it was mostly on the job. I'm sorry.  
7 Q. Have you, at any time, hold a -- held a  
8 license or a certification?  
9 A. Well, the RLP was a certification.  
10 Q. Do you still have that as an active  
11 certification?  
12 A. I do not.  
13 Q. When was the last time you held it?  
14 A. Late '90's, maybe early 2000's.  
15 Q. Why did you let it lapse?  
16 A. There was a -- to keep -- you have to  
17 keep doing continuing education classes. And, you  
18 know, it was just -- it didn't -- I -- I  
19 wasn't -- it didn't really help me out on, you  
20 know, getting any work or --

21 Q. I understand. Tell me if I have it  
22 right.  
23 At a certain point, if you weren't going  
24 to be doing title work research for somebody else,  
25 you didn't need to keep that certification?

0010

1 A. Correct.  
2 Q. Okay. Did you continue doing your own  
3 title homework on deals --  
4 A. On and off.  
5 Q. -- that you were contemplating? Okay.  
6 A. I'm sorry.  
7 Q. That's all right.  
8 A. On and off, but I would also, you know,  
9 contract a lot of it out.  
10 Q. Okay. Who are you currently employed by?  
11 A. I'm self-employed.  
12 Q. Are you still, generally, in the business  
13 of, as you described it, flipping mineral lease  
14 interests?  
15 A. Yes.  
16 Q. What does your portfolio consist of  
17 today?  
18 A. For personal?  
19 Q. Okay.  
20 A. Or for -- I don't really own anything  
21 personal. Again, we just kind of buy and sell.  
22 But I do it through, you know, different  
23 entities.  
24 Q. What entity do you have a controlling  
25 interest in presently?

0011

1 A. Controlling interest?  
2 Q. Let me rephrase the question.  
3 A. Sorry.  
4 Q. What entities do you have any ownership  
5 interest in presently?  
6 A. Trinity Resources.  
7 Q. What else?  
8 A. Arrowood Companies.  
9 Q. Is that "Inc.," right?  
10 A. Yes.  
11 Q. What else?  
12 A. Arrowood Holdings, that's an LLC.  
13 Q. Okay. What else?  
14 A. Hydro 11, Inc.  
15 Q. What else?  
16 A. I believe that's it.  
17 Q. Do you still hold an interest --  
18 A. Oh --  
19 Q. -- in Arrow Mac?  
20 A. Arrow Mac? No.  
21 Q. An entity that you claimed on tax returns  
22 that you held an interest through 2001 Trinity  
23 Fund --  
24 A. Yeah, that company is no longer in  
25 existence.

0012

1 Q. Who were the owners of that when it  
2 existed?  
3 A. It was a family furniture company. So my  
4 sister -- I don't really remember all the owners,  
5 but I think my dad and mom, I think, that was --

16 Q. -- notes or at least state what amount is  
17 being borrowed and what amount is still owed,  
18 right?

19 A. Well, probably in your bookkeeping. But  
20 in ours, we would just keep the most recent to --  
21 we just didn't want to get confused, you know what  
22 I mean?

23 Q. I understand. Nothing on the face of  
24 this says that it's a refinance of any previously  
25 borrowed money, right?

0095

1 A. No, it does not.

2 Q. Okay. At the very least, at some point,  
3 there should be an indication of repayment of  
4 that promissory note, right?

5 A. Well, there should be in the bank records  
6 some kind of transaction that would show that.

7 Q. Okay.

8 A. You know what I mean? For instance,  
9 let's say the interest on this was -- looks like  
10 about 5,000, which probably would have been a  
11 check going back to him for, you know, the  
12 difference between the principal and the interest  
13 earned. And then they may have left their  
14 principal in.

15 Q. You agreed to pay \$5,250 interest on this  
16 particular promissory note, right? The difference  
17 between the 105,000 --

18 A. Correct.

19 Q. -- and the 110,250?

20 A. Correct.

21 Q. Okay. That works out to being 5 percent  
22 simple, the one number is 5 percent more than the  
23 other?

24 A. Right.

25 Q. Were you aware at the time that you had

0096

1 agreed to pay a 40.5 percent annual interest rate  
2 for that money?

3 A. Well, I know that seems high, but the  
4 deals that I was doing, for instance, I would have  
5 made profit on top of that.

6 Q. Okay.

7 A. Or Trinity would have made profit on top  
8 of --

9 Q. So while we're dwelling on this  
10 particular one for the moment --

11 A. Okay.

12 Q. -- and you're welcome to sit down and be  
13 comfortable, as long as the court reporter can  
14 still hear us all right.

15 What was the purpose of borrowing that  
16 amount of money at that time?

17 A. I -- I -- I'd have to go back and look.  
18 I can't tell you right off the bat.

19 Q. You answered a few moments ago that it  
20 would have allowed you to make even more money  
21 than the 40 percent interest you were paying.

22 A. Well, most of my --

23 Q. Is that the answer you gave?

24 A. Man, can we go off the record for a  
25 second?

0097

1 Q. Actually, I want to get your answer to  
2 that question --

3 A. Well --

4 Q. -- before you take a break off the  
5 record.

6 A. The only reason -- well, I don't know how  
7 to answer this without disclosing business -- I  
8 mean, is this going to be public record where  
9 people can see?

10 Q. This isn't --

11 A. That's what I need to know.

12 Q. We don't plan on this being filed with  
13 the court. What would prevent you from asking the  
14 question as to what was your business purpose for  
15 --

16 A. Because I don't want the public knowing  
17 what rate of return I make when I buy and sell  
18 something.

19 Q. I understand.

20 A. That's the purpose.

21 Q. I think that what you're telling me is  
22 that if we broke down the numbers of some of your  
23 individual transactions, there may be occasions  
24 where you buy an interest for, let's say, for  
25 example, \$200,000 and then you're able to turn

0098

1 around and sell it to somebody else who values it  
2 at over half a million. For example, the Saginaw  
3 Airport lease deal.

4 A. Yes.

5 Q. Have I figured that one out pretty  
6 accurately?

7 A. Well, the percentages may not be  
8 accurate; but, yes, it would be more than the 5  
9 percent that I was paying out. But sometimes I  
10 had already gotten all the agreements put in place  
11 and hadn't gotten the money in yet, so sometimes I  
12 would borrow money just to get to, you know, to  
13 where we got -- Trinity Fund got their money in on  
14 the transaction or -- you know, almost like a, you  
15 know, getting an advance before you get your --  
16 you know, I kind of felt comfortable on what -- on  
17 offering that based on what I knew my return was  
18 going to be.

19 Q. Okay. On this particular one, do you  
20 recall the circumstances?

21 A. No, I don't.

22 Q. All right. Would it have been typical  
23 for you to describe the circumstances to the  
24 person you were about to borrow a six figure sum  
25 from? Where we're talking about one of these

0099

1 where it's 45 or 60 or 90 days.

2 A. Yeah. I would say 90 -- in the high 90  
3 percentile people would approach me to do this.  
4 And, I mean, there were some that, you know, in  
5 the hey-day of it, I could afford to do a, you  
6 know, 10 percent. So it wasn't always described  
7 what I was doing, but that's why we did a  
8 promissory note, so I didn't, you know --

9 Q. Were there occasions where you would sit  
10 down and describe what your current financial  
11 needs were incident to getting a loan for a short

12 period?

13 A. I don't know that I ever really described  
14 my financial needs because they were different at  
15 all times.

16 Q. Let me ask it a little bit different  
17 way.

18 A. What -- what -- the way the attorney  
19 asked me to do it, you know, if I was going to do  
20 a deal and, you know, I would tell someone how  
21 much they could put in, how much I could afford  
22 because if I would, you know, have someone put in  
23 all the money then, you know, I may not be able to  
24 make the return that I wanted to make. You know  
25 what I mean? So it would just kind of be on the

0100

1 as-needed type --

2 Q. What I understand from what you've  
3 described is that if you had a flip transaction on  
4 the table --

5 A. Right.

6 Q. -- but you didn't have enough capital to  
7 execute the buy side of the transaction, you would  
8 borrow some money, is that correct?

9 A. That was not always the case. Sometimes  
10 I would have enough, but to get money into Trinity  
11 faster I would do this.

12 Q. And to be clear, sometimes you would  
13 borrow some of the money needed to fund the  
14 transaction, right?

15 A. Sometimes, yes.

16 Q. Okay. And that would be reflected by  
17 promissory notes like the one we just paused at?

18 A. Sometimes, yes.

19 Q. Okay. Were there other occasions where  
20 you would actually sell a stake in the transaction  
21 to someone in order to get some capital?

22 A. I mean, I sold stakes. I mean, I sold  
23 property all the time. You know, like the stuff I  
24 sold to Lakewind and -- I mean, that's what I've  
25 done my whole career, Trinity's whole career.

0101

1 Q. And were there occasions where you would  
2 borrow the money and the person loaning you the  
3 money would know what transaction it was that we  
4 were about to use that money for? Not necessarily  
5 know all the details, but just to know the --

6 A. I -- I never really went into specifics  
7 because I didn't -- the industry that I was in is  
8 I -- in the past I've done things like that; and  
9 all of a sudden, I had competitors in there, so I  
10 just didn't -- I didn't divulge, you know, too  
11 much information. But their whole deal was,  
12 you're going to get this kind of return on this  
13 amount of money. You know, basically, how I'll do  
14 it -- I mean, I can do it, you know, many  
15 different ways. So I didn't -- I wasn't real  
16 specific all the time. I mean --

17 Q. Were there some occasions where you were  
18 real specific?

19 A. I don't recall. I mean --

20 Q. And as you sit here today, you don't  
21 recall the specific reason that you needed to sign  
22 this note with Richard Rossell, right?

23 A. That I needed to sign it?  
24 Q. Right.  
25 A. No, I don't.  
0102  
1 Q. Okay.  
2 A. He approached me through a guy out of  
3 Fort Worth.  
4 Q. Who was the guy in Fort Worth?  
5 A. A guy named Jeremy Okler.  
6 Q. Is that O-C-H-L-E-R?  
7 A. No, that -- I think it's O-K --  
8 Q. O-K-L-E-R perhaps?  
9 Why would he have known that you needed  
10 to borrow money?  
11 A. Again, it's not a "need," okay? I had  
12 people -- I mean, this was back when natural gas  
13 prices were extremely high. Everybody and their  
14 brother wanted to do something in oil and gas.  
15 And I had people approach me on a daily basis  
16 wanting to make some kind of return on their  
17 money. What I was doing -- this -- this was only  
18 -- I mean, I could just give him a certain return  
19 on a promissory note not involving him in the deal  
20 whatsoever.  
21 And, you know, if the deal went bad, I  
22 would still be obligated, you know, on the  
23 promissory note. It wasn't "a need." I mean,  
24 literally, I had people approaching me all the  
25 time because I had made very good returns for a  
0103  
1 lot of people.  
2 Q. And did this continue in both 2008 and  
3 2009?  
4 A. I think. I'd have to go back and look at  
5 exact dates, but I believe so.  
6 Q. Okay. The next folder that we have in  
7 the series is called "Run Sheets." It looks like  
8 an attorney in Hamilton, Texas did some land  
9 review homework for you. Is that a fair  
10 statement?  
11 A. Yeah.  
12 Q. Okay. Was there some specific  
13 transaction that that related to?  
14 A. That was a deal that I -- they -- that  
15 attorney actually owned the abstract company. And  
16 that was a deal where I would pay -- it was  
17 actually her dad. They would get a certain amount  
18 per acre that they could -- on leases that I took  
19 that they instigated.  
20 Q. Kind of like a commission?  
21 A. Yeah. And part of that deal would be  
22 that they would provide run sheets and she owned  
23 the abstract company. So, you know, that was just  
24 part of earning that commission.  
25 Q. Do you remember what the name of the  
0104  
1 abstract company was?  
2 A. No, it should be on there. I'm going to  
3 guess Hamilton County Abstract or something. I  
4 really don't remember.  
5 Q. Okay.  
6 A. There might be something on --  
7 Q. So when we get to a point where there's a

20 all the time, I would post date a check when we  
21 did do a loan to give them that option to, you  
22 know, cashing out when the term had expired.

23 Q. Okay.

24 A. But I don't know why this would be dated  
25 the exact same. I'm going to say that has to be a

0153

1 typo.

2 Q. And we're looking the -- oh, there's also  
3 the trail of electronic endorsements which means  
4 how this instrument moves from one bank to  
5 another --

6 A. Right.

7 Q. -- and was recorded for purposes of  
8 debiting accounts. All of those hand-offs of this  
9 instrument occurred on April 4th of '08 so within  
10 a few days after the check?

11 A. Totally speculating here, but I'm going  
12 to kind of guess that this would probably should  
13 say note dated 2/2 or 2/29/08 since it looks like  
14 the checks were cashed on April. I mean, the  
15 check is dated 3/29.

16 Q. Do you think that this was repayment of  
17 the \$30,000 that we started with that was wire  
18 transfer from Ruby Jackson?

19 A. That's what I would guess now.

20 Q. So Larry Jackson has made \$3000 in  
21 two-and-a-half months?

22 A. I'm speculating, but it makes sense.

23 Q. At any time during the life of the  
24 Trinity Fund entity, did you apply for a bank line  
25 of credit?

0154

1 A. No.

2 Q. Why not?

3 A. Didn't really need one. I mean --

4 Q. You're paying out more than 40 percent  
5 interest, but you never sought a bank line of  
6 credit, which would have been probably 8 or 10  
7 percent?

8 A. I understand that. And I know on the  
9 surface it looks ridiculous, but Trinity Fund was  
10 making more than that percentage.

11 Q. Okay.

12 MR. KIRSCHNER: would this be a good  
13 time to take a break?

14 MR. SWEDLOW: Five minutes? Yes.

15 (A brief recess was taken, after  
16 which the following proceedings were  
17 had:)

18 Q. (By Mr. Swedlow) Back on the record now  
19 after a brief intermission.

20 I want to pause for a moment before we go  
21 onto the next one and have you tell me what  
22 flipping transaction you were working on. What  
23 was the biggest flipping transaction you were  
24 working on between January and May of 2008?

25 A. It had to have been some Barnett Shale

0155

1 something, I don't -- I just don't know.

2 Q. All right. Am I correct in understanding  
3 what you've told me before, earlier today, that  
4 your typical transaction pattern is you would

4 A. That one has been sold also. I mean,  
5 Arrowood -- actually, Arrowood still owns one of  
6 the two, but one of them has been sold.  
7 Q. One of the two motorcycles has been sold?  
8 A. Right. But neither one of them were  
9 ever -- belonged to Trinity Fund.  
10 Q. You see that this one is purchased with  
11 money of Trinity Fund, right?  
12 A. Correct. But that was also deducted from  
13 the amount of money that was owed to Arrowood  
14 Companies.  
15 Q. In other words, you offset the Arrowood  
16 claim by that amount?  
17 A. Not the claim, but -- that claim was  
18 after this date or should have been. There was  
19 more than \$150,000. I mean, there, at one time,  
20 could have been half a million dollars owed to  
21 Arrowood Companies by Trinity Fund. So, you know,  
22 if Trinity Fund put out money on behalf of  
23 Arrowood, then that would be deducted.  
24 Q. Over the course of time, between '08 and  
25 '09, two Harley Davidson purchases, right?  
0173  
1 A. Correct.  
2 Q. Cadillac purchase?  
3 A. Cadillac purchase?  
4 Q. Bob Moore Cadillac for \$42,000.  
5 A. You're going to have to show me that.  
6 Q. Okay. We'll get to that check. I  
7 thought maybe if we were on the subject you would  
8 remember them better.  
9 A. Okay.  
10 MR. KIRSCHNER: Is the Cadillac  
11 purchase in this exhibit?  
12 MR. SWEDLOW: Not in this exhibit,  
13 no.  
14 MR. KIRSCHNER: Oh, okay.  
15 Q. (By Mr. Swedlow) Take a look at Exhibit  
16 16. Earlier you testified that you would  
17 generally not tell people that you were borrowing  
18 money from what you were planning on using the  
19 money for, is that right?  
20 A. That was my practice, yes.  
21 Q. All right. Let's take a look, then, on  
22 this exhibit on Page 2 of 5 of the statement in  
23 the deposits and credits.  
24 A. Yes.  
25 Q. Were you borrowing from Edward Finstad?  
0174  
1 A. Yes.  
2 Q. The comment line on the inbound wire  
3 transfer, which would have been his memo about why  
4 he's transferring money, says, "In regards to the  
5 old Saginaw Airport lease."  
6 A. Okay.  
7 Q. Right?  
8 A. Right.  
9 Q. So you did refer to him that you planned  
10 to use money that he was providing you for some  
11 form of transaction or series of transactions in  
12 Saginaw, Texas, right?  
13 A. I'm not sure that I disclosed that to him  
14 -- I mean, that was one of Richard's friends. He

15 may have disclosed, I don't know. I don't  
16 remember disclosing that to Ed.

17 Q. Did you talk to the people associated  
18 with the Culinary School of Texas who provided  
19 \$170,000 towards any reference to that  
20 transaction?

21 A. These were all Richard Machina, 1 ROC's  
22 people, that he brought in. And I don't -- again,  
23 I just operated off of promissory notes. I'd have  
24 to ask Richard.

25 Q. Take a look at -- take a look at check  
0175

1 No. 1020, which is on Index Page 374 of this  
2 exhibit. You'll have to go past the statement  
3 pages and into the checks.

4 Do you see that? On the lower left, it's  
5 going to say Page 50 of 215. On the lower right,  
6 it'll say 274.

7 A. I'm sorry, I'm lost.

8 Q. That's all right, I'll help.

9 I'm going to give you my page since it  
10 might not have gotten into yours.

11 These folks took \$140,000 out of their  
12 investment account and noted on there that it was  
13 going towards the Old Saginaw Airport lease,  
14 right?

15 A. Correct.

16 Q. As did Richard Machine himself,  
17 personally, put \$30,000 in the deal?

18 A. Okay.

19 Q. Right?

20 A. Right.

21 Q. Okay. Then after that, a lease  
22 acquisition was done where 500-and-something-  
23 thousand dollars was paid to Saginaw Airport LP,  
24 right?

25 A. I assume. I mean, I'm sorry I can't

0176  
1 remember I ever little deal.

2 Q. That's all right. That's why the  
3 documents help. They're helping refresh us. This  
4 is on Exhibit 17, the first transaction on July  
5 11th. It's a wire transfer outbound, right?

6 A. Yes.

7 Q. So that's where Trinity Fund is  
8 purchasing lease interests, right?

9 A. Yes.

10 Q. That looks like there's on the same day a  
11 related purchase from wildlife energy?

12 A. wyldfire, probably.

13 Q. That's actually referring to Mercer lease  
14 in --

15 A. That's --

16 Q. -- Mansfield, Texas, right?

17 A. That's a different --

18 Q. I also double-checked and that really is  
19 wildlife. It's their bank account, right?

20 A. I mean, I've always called them  
21 wyldfire. I've never known them as wildlife,  
22 unless it's a totally different company I'm  
23 thinking about.

24 Q. I'll represent to you that I think that  
25 it's a totally different company.

0177

1 A. Okay.  
2 Q. Because nothing indicating in the bank  
3 records that anybody ever complained about not  
4 getting their money.  
5 A. Wyldfire is W-Y.  
6 Q. That's right.  
7 A. So --  
8 Q. And I actually tracked these folks down.  
9 They do -- they do caffeine shots for fishermen,  
10 apparently. But I don't think that you were  
11 buying an entire garage full of --  
12 A. No, this was --  
13 Q. -- caffeine shots.  
14 A. Obviously, a lease.  
15 Q. So, apparently, the owners or whoever  
16 operated Wildlife Energy that has a chunk of land.  
17 A. Right.  
18 Q. Because they do business out of Houston  
19 area, I think. Is Mansfield near Houston?  
20 A. No, near Arlington.  
21 Q. Okay. And what about Mercer?  
22 A. In this time period, I'm going to have to  
23 assume that 90 percent of these transactions were  
24 in the Tarrant, Johnson, Denton County area.  
25 Q. Okay.

0178

1 A. Which is, you know, Arlington.  
2 Q. All right.  
3 A. Dallas area.  
4 Q. So this is a -- take over \$670,000 in  
5 acquisitions.  
6 A. Right.  
7 Q. All right. Over and above the 723 that  
8 got paid to Lomac the month before.  
9 A. Right.  
10 Q. So now you've spent 1.4 million and the  
11 big revenues coming in were right about a million  
12 dollars the month before, right?  
13 A. I think so.  
14 Q. Okay. What written materials were shared  
15 with the people that put their money in relating  
16 to the Saginaw Airport lease?  
17 A. The only thing that I -- again, these  
18 were people that Richard brought in, so I don't --  
19 I don't -- I really don't know. Richard may have  
20 brought me that lease, I don't really remember.  
21 Q. How much was he paid for bringing you the  
22 lease?  
23 A. I'm not saying he did. I'm saying he may  
24 have.  
25 Q. Okay. How much was Richard paid for

0179

1 securing other aspects of the Saginaw Airport  
2 transaction?  
3 A. Every deal was different, I deal with  
4 Richard. For instance, he, you know, helped on  
5 the UT Arlington, the University of Texas lease,  
6 and he received -- his compensation was a carried  
7 working interest portion of what Trinity Fund  
8 received.  
9 Q. Okay.  
10 A. So every -- again, I'm not saying for

11 sure that he's the one that brought that. I'm  
12 just kind of guessing because I don't know how  
13 these other people would even have a clue what  
14 lease I was buying. I mean, everybody in the  
15 Dallas/Fort Worth area, whether they're in oil and  
16 gas or not, were getting in the oil and gas  
17 business.

18 You know, either, you know, for  
19 whatever -- I mean, there were people that have  
20 never been in oil and gas going out and taking a  
21 lease and I find out that's a good area.

22 Q. Let's take a look at another one. Lower  
23 right of the page, this is now on Exhibit 18. I  
24 want you to skip right ahead to Index Page 394.  
25 It will be about eight or ten pages from the

0180

1 bottom. We're looking for a check from William or  
2 Byrd, B-Y-R-D.

3 A. It's another one of Richard's people.  
4 MR. KIRSCHNER: What does it say at  
5 the bottom of the page?

6 MR. SWEDLOW: At the bottom of the  
7 page? If I'm right, it'll be 394.

8 THE WITNESS: I've got it.

9 MR. SWEDLOW: It'll be 78 to 215.

10 MR. KIRSCHNER: He found it.

11 Q. (By Mr. Swedlow) There's no loan  
12 referenced there, is there? Oil lease, Mansfield,  
13 right?

14 THE WITNESS: Right.

15 Q. (By Mr. Swedlow) Okay. Over the course  
16 of time you borrowed and paid back Enos Semore  
17 quite a bit of money, right?

18 A. Correct.

19 Q. Okay. Was he a participant in the  
20 Saginaw or Mansfield transactions?

21 A. I don't recall.

22 Q. Were Edward and Barbara Finstad  
23 participants in the Saginaw --

24 A. Again, every one of these were based off  
25 of promissory notes. It didn't mean that they

0181

1 were going to go into any particular transaction  
2 and Finstad, Byrd, this culinary school, the other  
3 one, they were all Richard Machina's people. And  
4 I think even in their claim, they kind of all gone  
5 together as an entity kind of with -- what's the  
6 guy's name? That attorney, what's his name?

7 MR. KIRSCHNER: Rapp.

8 THE WITNESS: David Rapp.

9 MR. KIRSCHNER: Yeah, David Rapp.

10 THE WITNESS: So, again, I don't --

11 MR. SWEDLOW: So --

12 THE WITNESS: There weren't --

13 Q. (By Mr. Swedlow) Let me give you a  
14 question.

15 So when we find a check to any one of  
16 these people who provided money on the Saginaw  
17 Airport lease --

18 A. Uh-huh.

19 Q. -- the outbound check is supposed to say  
20 loan repayment?

21 A. They were probably different on different

22 occasions. I don't -- I mean, again, this was --  
23 it was kind of a -- I don't know how to explain  
24 it. A laid-back type of -- I mean, you know,  
25 everybody was making some real good money and, you

0182

1 know, kept wanting to -- to do it. I mean, they  
2 were making good money on their loans and I had a  
3 very good track record of making them a lot of  
4 money, so there weren't a whole lot of --

5 Q. Are you talking about people would loan  
6 money with the returns that you were able to  
7 promise them with basically a no-questions-asked  
8 attitude?

9 A. Oh, yeah.

10 Q. But at least on some of those  
11 transactions there were some aspect of disclosure  
12 of what the transaction was about?

13 A. Well, again, the people that you just  
14 discussed all came from Richard, so I don't know  
15 what all Richard told them. And Richard, I mean,  
16 we've done business together a long time. I had  
17 no problem with him making money at all.

18 Q. Who was going to be the primary  
19 beneficiary of this Saginaw Airport lease?

20 A. What do you mean, "the primary  
21 beneficiary?"

22 Q. Who was going to drive the lion's share  
23 of the profit when it closed?

24 A. The 2001 Trinity Fund.

25 Q. Okay. Did you have a computation

0183

1 agreement at any time with Machina?

2 A. No, not that I remember.

3 Q. What about verbally?

4 A. I don't remember. I mean, we still do  
5 business, you know, today. So, I mean, it's all  
6 been kind of informal.

7 Q. Matt Barton and Jeff Petrie were also  
8 someway involved in the Saginaw transaction,  
9 weren't they?

10 A. Yes.

11 Q. They ended up suing you claiming that  
12 they were entitled to a potentially 15 percent  
13 commission on the deal?

14 A. Right.

15 Q. Now, who brought you the deal?

16 A. I guess they did.

17 Q. Then why is Richard Machina the one that  
18 you say brought all of the investors to the table?

19 A. Because he is. I mean, the deal with --  
20 they kind of brought me the deal, but if the terms  
21 weren't what they professed them to be for them to  
22 get paid the amount of money -- for instance, they  
23 said I could get it for a certain amount, certain  
24 number of years and certain royalty. And my  
25 agreement with them was, if I can get it for that,

0184

1 I will pay you this much. Because I knew how much  
2 I could sell it for.

3 Q. And as I understand testimony in  
4 Discovery in that piece of litigation, there was  
5 also the aspect that you thought you had, as part  
6 of the deal, terms that you would only pay them if

25 makes a copy of them.

0194

1 MR. SWEDLOW: What we usually do is  
2 we'd send it out to a service and get it done  
3 overnight.

4 MR. KIRSCHNER: Sure.

5 MR. SWEDLOW: But I think that we're  
6 on the precipice of being under a little less  
7 stress about the time factor.

8 MR. KIRSCHNER: Yes.

9 THE WITNESS: Yes.

10 Q. (By Mr. Swedlow) Okay. So let's flip  
11 back to Exhibit 20 now.

12 (A brief recess was taken, after  
13 which the following proceedings were  
14 had:)

15 Q. (By Mr. Swedlow) Back on the record  
16 after a short recess.

17 We've talked quite a bit about a number  
18 of loans and in the last session we talked a bit  
19 about the Saginaw lease thing. And if I  
20 understand it right, you've said that that whole  
21 transaction set was introduced to you by Machina  
22 on one side of the transaction and by Barton and  
23 Petrie on the other aspect of the transaction,  
24 right?

25 A. No, what I said was I wasn't sure where

0195

1 the transaction came from. I do know that, I  
2 mean, that after, again, some of the documents  
3 that you showed me, that there was a dispute with  
4 Petrie.

5 Q. We can call them Lomac for short?

6 A. With Lomac on one of the acquisitions  
7 that were made. But, you know, again, this was a  
8 hot, hot spot. There were probably -- on any one  
9 of these acquisitions I made there were probably  
10 20 to 30 people trying to make that exact same  
11 acquisition, so --

12 Q. Let me pause and back up a step.

13 A. Okay.

14 Q. When we talked about the Saginaw Airport  
15 lease transaction --

16 A. Right.

17 Q. -- cluster, you identified that most of  
18 the people that put money into Trinity Fund right  
19 around the time of that transaction had put  
20 notations on their checks or their wire transfers  
21 that it was specifically related to the Saginaw  
22 lease transaction. I believe that what you  
23 answered was that Richard Machina would have been  
24 the one to have told them about that?

25 A. Correct.

0196

1 Q. It wouldn't have been you?

2 A. No, I didn't disclose. Now, Richard, I  
3 would have disclosed to, again, because he was  
4 almost like one of my landmen. I mean, he stills  
5 to this day brings deals.

6 Q. Okay.

7 A. So --

8 Q. Did he bring in those people to provide  
9 the money --

10 A. Yeah, those --  
11 Q. -- in the form of whatever they were. He  
12 brought the money into Trinity Fund's bank account  
13 in essence?  
14 A. Correct.  
15 Q. Okay. And that money funded a mineral  
16 lease acquisition of some type, right?  
17 A. I'd have to go back and check and see  
18 exactly what it was used for, so --  
19 Q. Okay.  
20 A. I mean, it -- just because money was  
21 loaned to me doesn't mean I specifically used it  
22 for a lease acquisition. That's, again, why we  
23 did promissory notes and not I'm going to buy a  
24 piece of this lease, so --  
25 Q. Okay.

0197

1 A. I want to make is that distinction  
2 because that was -- that's why I --  
3 Q. What you're saying is that you used the  
4 form of having people giving promissory notes out  
5 so that people wouldn't be able to claim a lien  
6 interest in a particular lease, is that right?  
7 A. That was one of the reasons, but it was  
8 also I didn't want competition in there. Let's  
9 just use Jeff Petrie for example, okay? That guy  
10 had never been in the oil and gas business at all,  
11 ever. I mean, I think he owned nightclubs or  
12 something at one time. Okay? He sees an  
13 opportunity to make a lot of money and goes out  
14 and forms an oil and gas company and decides he's  
15 going to start going out and leasing.  
16 So that was a -- I mean, there were  
17 probably several thousand companies just in the  
18 Arlington area out trying to do the same thing I  
19 was doing, so you had to be very careful of what  
20 information you gave to anybody. Now, I had means  
21 of closing stuff fast, Jeff Petrie didn't. So  
22 what he would do is he'd bring deals to me and,  
23 you know, promote them or whatever and make a  
24 little cash and move onto the next one.

25 The problem is a lot of stuff he brought,  
0198

1 he wasn't in the industry and knew nothing about  
2 the business, so they weren't -- I mean, their  
3 title wasn't good. The people didn't own the  
4 minerals or -- so that's what you're dealing  
5 with. So if you were -- you just -- it would have  
6 been a stupid move. Period.  
7 Q. For him to have been doing it on his own?  
8 A. No, it would have been a stupid move for  
9 me to tell other people that will be possible  
10 competition with me what areas exactly I'm working  
11 and, you know, where I'm spending money. I mean,  
12 that would be -- I mean, that -- that would have  
13 killed everything.  
14 Q. So you wouldn't want the people that  
15 you're routinely borrowing -- routinely or  
16 incidentally borrowing money from you, 100 or  
17 \$200,000 increments, you wouldn't want that  
18 scenario, what particular oil and gas plays you're  
19 working on doing flip transactions for?  
20 A. Correct.

21 Q. Is that right? Okay.  
22 Take a look with me in Exhibit 20  
23 starting at Page 107 of 215. I've opened it to a  
24 deposit slip.  
25 A. Okay.

0199  
1 Q. Is that your handwriting?  
2 A. Looks like it, yes.  
3 Q. And that's a deposit of 100,000 even,  
4 right?  
5 A. Yes.  
6 Q. The date might be a little tough on the  
7 lower end of the deposit slip where it is run  
8 through a little computer printer. Do you see  
9 10/14 of 2008?  
10 A. Yes.  
11 Q. Okay. Now, the next pages are the  
12 instruments that are listed, the three instruments  
13 that are assembled, in this one deposit that you  
14 made. The first one is Thomas Rapp and Bronwyn  
15 Rapp, 10/10/08. It's a check for 30,000, do you  
16 see that?  
17 A. Yes.  
18 Q. Okay. What the memo line there?  
19 A. I believe it says, "Investment?"  
20 Q. And the next check?  
21 A. Harold-something-Investment.  
22 Q. Gernsbacher?  
23 A. Okay. I --  
24 Q. Does that sound right or is it Gernsbacher  
25 maybe?

0200  
1 A. I don't know.  
2 Q. Okay. It's got somebody's name,  
3 investment, right?  
4 A. Right.  
5 Q. That actually, also, out of a Rapp  
6 account, but it's a David Rapp or Nikki Rapp, so  
7 it's different Rapps than the other ones?  
8 A. Correct.  
9 Q. You had mentioned the Rapps previously.  
10 Which Rapp is the Rapp that you dealt with?  
11 A. Both of these. I mean, David Rapp and  
12 Thomas D. Rapp are the same.  
13 Q. Look at the address on the checks.  
14 A. Maybe not.  
15 Q. One lives in Branson, Missouri and the  
16 other lives in Fort Worth.  
17 A. I'm wrong then.  
18 Q. Does that help you?  
19 A. Yeah, I don't -- the only Rapp I know is  
20 David Rapp  
21 Q. Okay. Do you know his wife, Nikki?  
22 A. Nope.  
23 Q. Do you know that he's married?  
24 A. I do now. I haven't really --  
25 Q. Let's look at the third check.

0201  
1 A. Okay.  
2 Q. James Barlow. \$60,000, does that name  
3 ring a bell?  
4 A. Yes.  
5 Q. Who was James Barlow?

6 A. He's one of Rapp's clients, I guess. I  
7 don't know.  
8 Q. Okay. Again, the memo here is?  
9 A. I see that.  
10 Q. Investment, right?  
11 A. Right.  
12 Q. Not a loan?  
13 A. They wrote that, not me.  
14 Q. Okay. But you deposited these three  
15 checks, right?  
16 A. Yes.  
17 Q. And that was the memo line on these three  
18 checks, right?  
19 A. That's what it says, but I don't know  
20 what that -- I mean, they got promissory notes  
21 also.  
22 Q. What were the terms?  
23 MR. KIRSCHNER: Of the promissory  
24 note?  
25 MR. SWEDLOW: Right.  
0202  
1 Q. (By Mr. Swedlow) I'm sorry. What were  
2 the terms of the promissory note?  
3 A. Without looking at them, I can't tell  
4 you. I'm sure --  
5 MR. KIRSCHNER: Aren't those attached  
6 to their proof of claim?  
7 THE WITNESS: They should be.  
8 MR. KIRSCHNER: I've seen them  
9 myself, but I don't think --  
10 THE WITNESS: This may be actually  
11 the final deal where they did that mortgage  
12 thing. Again, without having them --  
13 Q. (By Mr. Swedlow) This is in 2008, right?  
14 A. Okay. So --  
15 MR. KIRSCHNER: I don't think that  
16 that's --  
17 THE WITNESS: When did we file?  
18 MR. KIRSCHNER: October the 30th of  
19 2009.  
20 THE WITNESS: Okay. This would have  
21 been prior to that. But they would have received  
22 promissory notes on those 260,000.  
23 Q. (By Mr. Swedlow) Let's go forward to  
24 Page 86 of 162, to the lower left-hand  
25 referencing up to 86. Actually, you can just skip  
0203  
1 forward because the pages will actually jump  
2 around. After you get past Page 101, then it'll  
3 go back to 85.  
4 Like I mentioned earlier, I had to  
5 reorganize some of what the bank had produced,  
6 too, so --  
7 This is Trinity Fund paying Richard  
8 Machina \$26,000 on 10/10.  
9 A. No, I'm on the wrong page. What number  
10 did you say?  
11 Q. On the lower left. It will be Page 86.  
12 A. Okay.  
13 Q. Your signature, right?  
14 A. Correct.  
15 Q. Paying Richard Machina \$26,000, right?  
16 A. Correct.

1 A. Yeah.

2 Q. So other than incidental household-type  
3 expenses, the only thing -- the first thing that  
4 happened after getting this \$100,000 loan was  
5 moving 40,000 over to Arrowood. Would you agree?

6 A. I don't know if that's the first thing  
7 that happened. I mean, we're just looking at bank  
8 records. I mean, they were, again, so many  
9 different things going on. Period. This entire  
10 timeframe -- I can't -- it's not as simple as  
11 you're trying to make it.

12 Q. I appreciate that you've tried to make a  
13 point of emphasizing to me today that when you  
14 acquired money into Trinity Fund you gave out a  
15 promissory note.

16 I am going to give you Exhibit 24.  
17 There's a page missing out of it so I'm going to  
18 hand you my copy, an extra page or two. This is  
19 going to end up belonging in that exhibit.

20 A. Okay.

21 Q. It's an inbound check for \$140,000.

22 A. Okay.

23 Q. And what does the memo line indicate the  
24 money is for?

25 A. It says, "Investment on a gas leak."

0224

1 Q. Do you have any idea what that means?

2 A. Absolutely no clue. Oil and gas leak.  
3 This -- I mean, this is another one of Richard  
4 Machina's entity people. I mean, one of the guys  
5 that he --

6 Q. That's not Richard Machina's handwriting,  
7 is it?

8 A. No, that's one of his people --

9 Q. Okay.

10 A. -- or his guys.

11 Q. And you continue to accept checks noting  
12 that people were making investments by giving you  
13 the money, right?

14 A. I felt comfortable -- well, I didn't look  
15 at the memos, so, I mean, I felt comfortable  
16 paying whatever the terms were on any promissory  
17 note.

18 Q. Did you do the endorsement stamp on the  
19 back of the check?

20 A. Probably not.

21 Q. Trinity Investment endorsement stamp?

22 A. I'm just telling you, I did not read the  
23 memos.

24 Q. Is that your handwriting on the deposit  
25 slip?

0225

1 A. That appears to be my handwriting, yes.  
2 I mean, to me, memos aren't for the person  
3 receiving the check. It's more for the person who  
4 wrote the check on what they want to categorize  
5 it.

6 Q. Right.

7 A. So --

8 Q. Here's one where even I can tell somebody  
9 was loaning you the money. Hennersdorf gives you  
10 a check. And what can you derive from the memo  
11 line that he wrote?

12 A. Fifteen percent plus 10k due 3/2009.  
13 Q. How much did he give you in exchange for  
14 that promise?  
15 A. \$10,000.  
16 Q. So were you paying him back 10k plus 15  
17 percent or were you paying him back the 10,000,  
18 another 10,000 and 15 percent?  
19 A. The promissory note would surely state  
20 10,000 plus 15 percent, not an additional \$10,000.  
21 Q. Okay. So 15 percent paid back in one  
22 month?  
23 A. Would be 1,500.  
24 Q. Well, the problem is the interest rate,  
25 isn't it?

0226

1 If we give this the benefit of the doubt  
2 that you had a full month so you didn't have to be  
3 paid until the middle of March, that's 180 percent  
4 interest rate.  
5 A. But I wasn't paying it over a year. I  
6 mean. Again -- again every -- I felt very  
7 confident and had a track record of being able to  
8 meet my obligations, so --  
9 Q. Okay. Since these are going to end up  
10 getting added into those, I'm setting them aside  
11 here so we can get them collated in later.  
12 A. Okay.  
13 Q. In March of 2009, you're borrowing again,  
14 is that right?  
15 A. What are we looking at?  
16 Q. Here's the Exhibit 25, the very first  
17 section there under Deposits, it looks like James  
18 Strawn wired in \$120,000 to you.  
19 A. Okay.  
20 Q. Do you agree?  
21 A. Where are we? I'm sorry.  
22 Q. Top section right there.  
23 A. Yes.  
24 Q. Who is James Strawn?  
25 A. One of my attorneys.

0227

1 Q. Your attorney is making a loan to you?  
2 A. That -- if that's what that was, yes.  
3 He's also purchased things from me.  
4 Q. That inbound wire transfer is March 12,  
5 right?  
6 A. Yes.  
7 Q. The same day that it comes in, you pay  
8 Larry Sessions 23,250. Is that making loan  
9 repayment?  
10 A. I'd have to go back. That number is kind  
11 of an odd number.  
12 Q. Do you know who Larry Sessions is?  
13 A. He has loaned me money, yes -- or Trinity  
14 money.  
15 Q. And then on the next page, the same day  
16 you take out 10,000 as a cash withdrawal. Do you  
17 see the very top line there?  
18 A. Yes.  
19 Q. And then the very next line the same day,  
20 you transfer 10,000 to account 4729, which we know  
21 to be Arrowood Companies account, right?  
22 A. Correct.

7 putting 100 grand in. We have 12 and a half-ish  
8 from Finstad. All together \$150,000 goes in. And  
9 notwithstanding that, Check No. 1032 written on  
10 9/11/09 to Cathy Arrowood, \$20,000, is that right?

11 A. What page are we looking at?

12 Q. Index Page 75.

13 A. Yes.

14 Q. Why was Cathy paid \$20,000 in September  
15 of 2009?

16 A. Again, I'd have to go back and look. I  
17 I'm not going to be able to answer that off of  
18 this.

19 Q. Also, in September of 2009, there's a  
20 \$7,000 to Cathy on the next page.

21 A. Okay.

22 Q. \$500 check to you, another \$3000 check to  
23 Cathy the same day as the \$7,000 one.

24 A. Okay.

25 Q. And \$1,000 to Arrowood Companies. I've

0248

1 heard you explain that there were always some sort  
2 of a loan balance with Arrowood Companies.

3 A. Correct.

4 Q. I would expect that if you held a note  
5 that you would have the instrument itself in your  
6 possession in order to be able to collect it,  
7 right?

8 A. Normally. I mean, if it was  
9 some -- normally, yes.

10 Q. Okay. And 1,000 was paid to John  
11 Arrowood. Was he still actively performing  
12 services specifically for Trinity Fund?

13 A. Yeah, yes.

14 Q. As late as September of '09?

15 A. Yes.

16 Q. Other than the money that was being  
17 invested by or borrowed from the Rapps, what  
18 actual business -- what actual mineral lease  
19 related transactions occurred during September of  
20 2009 in Trinity Fund?

21 A. Those amounts that were put in, Trinity  
22 Fund put up the -- that was that note and  
23 everything with that group, mortgage and with the  
24 Wrap Group, you know which one I'm talking about.

25 Q. Yes.

0249

1 A. That was just kind of, you know, an  
2 increase in the loan amount but this time it  
3 was --

4 Q. With security --

5 A. With security.

6 Q. -- given before?

7 A. Correct, correct.

8 Q. And after the Carizzo trial, instead of  
9 repaying that because Trinity Fund had no money to  
10 pay it?

11 A. Right.

12 Q. What did the Rapp Group investors  
13 receive?

14 A. The properties.

15 Q. Okay. Which properties?

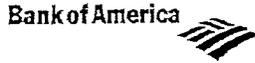
16 A. The overriding -- some of the overriding  
17 -royalties in Denton County.

18 Q. Okay. What's the fair market value of  
19 that?  
20 A. At that time?  
21 Q. Yep.  
22 A. I don't know. At least what they --  
23 Q. Did you undertake, at any point, to  
24 determine a fair market value of those properties?  
25 A. I did some guesstimates, yes.

0250  
1 Q. What's your estimate as to how much they  
2 worth when --  
3 A. It was --  
4 Q. -- you executed those documents?  
5 A. It was -- it was more than the --  
6 Q. More than two times more?  
7 A. It's hard to say. I don't --  
8 Q. I understand it's your best guesstimate.  
9 A. What I'd have to do is go back now and look  
10 at gas prices then and production then and --  
11 Q. Were they income-producing?  
12 A. They were supposed to be, but Carizzo was  
13 withholding the income.  
14 Q. If Carizzo --  
15 A. The wells were producing.  
16 Q. If Carizzo was withholding income, then  
17 that would actually be that you have assigned --  
18 or pledged or assigned away interests that you're  
19 trying to collect on from Carizzo in ongoing  
20 litigation?  
21 A. They were all aware of the litigation.  
22 Q. Have the Rapps been joined as additional  
23 parties in the litigation because they now are the  
24 beneficial owners of part of your claim?  
25 A. It would have been a separate lawsuit.

0251  
1 That actually didn't kick in until, I want to  
2 say -- I mean, I don't have the documents in front  
3 of me. But, again, every one thought the outcome  
4 of that lawsuit was going to be different. And, I  
5 mean, we were all gambling and banking on that, so  
6 that's all moved forward. You know, again, their  
7 risk reward was pretty high, so -- I think in  
8 those agreements also that if they were paid by  
9 certain date, you know, the mortgage, they didn't  
10 get the properties.  
11 So and I think that date was maybe in  
12 January the following year. I can't -- again, I  
13 don't have the documents in front of me, but it  
14 was set up in a manner that, again, we felt very  
15 confident that we were going to win, get our money  
16 from Carizzo. I could pay everybody --  
17 Q. I understand.  
18 A. -- properties.  
19 Q. I think I've got enough of the answer  
20 to --  
21 A. Right.  
22 Q. -- to get it.  
23 Now, I've got similar bank statements  
24 that relate to Arrowood Companies. I don't think  
25 that we'll have 60 seconds to cover everything I

0252  
1 want to ask you about those.  
2 A. Okay.



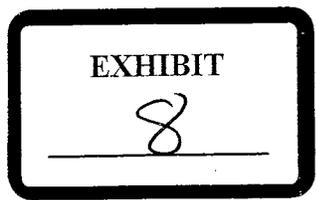
Capture Date: 10/14/2008 Sequence #: 5420442155

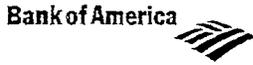
THOMAS D RAPP 0401  
 BRONWYN M RAPP  
 108  
 10-10-08 Date  
 Pay to the Order of 2001 Trinity Fund LLC \$ 30,000.00  
 thirty thousand dollars + no cents Dollars  
 Ozark Mountain Bank P.O. Box 136  
 Branson, MO 65615-4134  
 For INVESTMENT  
 [Signature]

THE FEDERAL RESERVE BOARD OF RESERVE BANKS OF THE UNITED STATES  
 The following security features are not listed, exceed and/or are not listed:  
 Security Features: Document and Documented, Security Screen, Microprint Signature Line, Chemical Sensitivity, and Padlock Icon.  
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 10/14/08

DO NOT SIGN / WRITE / STAMP BELOW THIS LINE  
 PAY TO THE ORDER OF  
 BANK OF AMERICA  
 FOR DEPOSIT ONLY  
 2001 TRINITY FUND LLC  
 [Redacted]

No Electronic Endorsements Found  
No Payee Endorsements Found





Capture Date: 10/14/2008 Sequence #: 5420442157

5

1130

JAMES B. BARLOW

DATE 10-08-08

PAY TO THE ORDER OF 2001 TRINITY FUND LLC \$60,000

SIXTY THOUSAND DOLLARS

Liberty Bank

FOR WEST MEAT

*James Barlow*

WORK AREA  
 This area is reserved for the use of the bank's internal systems. It is not to be used for any other purpose.

BANK OF AMERICA, INC  
 10/14/08

BANK OF AMERICA

PAY TO THE ORDER OF  
 BANK OF AMERICA  
 FOR DEPOSIT ONLY  
 2001 TRINITY FUND LLC

No Electronic Endorsements Found  
 No Payee Endorsements Found



Capture Date: 02/13/2009 Sequence #: 5420978937

1076

**C & P PROPERTIES** 08 07  
6750 GRAPEVINE HWY.  
NORTH RICHLAND HILLS, TX 76180

DATE 2/13/09

PAY TO THE ORDER OF 2001 Trinity Funds, LLC \$ 140,000<sup>00</sup>

One hundred forty thousand and <sup>00</sup>/<sub>100</sub> DOLLARS

**CHASE**  
JPMorgan Chase Bank, N.A.  
Dallas, Texas 75201  
www.Chase.com

FOR INVESTMENT "GAS LEAK"

*[Signature]*

A FEDERAL RESERVE NOTE  
SERIES 2009  
2009 FEB 13 10:00 AM  
FEB 13 2009  
BANK OF AMERICA INC  
02/13/09

FEB 13 2009  
BANK OF AMERICA

ENDORSE HERE  
DO NOT WRITE  
PAY TO THE ORDER OF  
BANK OF AMERICA  
FOR DEPOSIT ONLY  
2001 TRINITY FUNDS LLC

No Electronic Endorsements Found  
No Payee Endorsements Found

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**From:** Holbrook, L. Win [mailto:wholbrook@andrewsdavis.com]  
**Sent:** Friday, January 03, 2014 10:40 AM  
**To:** Shaun Mullins  
**Subject:** RE: ODS v. 2001 Trinity Fund, et al.

Mr. Mullins – I have briefly reviewed paragraph 10 of Robert Arrowood’s Renewed Motion for Summary Judgment and would have these comments. The values placed on the Form 1, in the most part, were values placed on the assets by the Debtor at the time the bankruptcy case was filed. We have little information about well production during the time Carrizo was operating the wells and we have been attempting to obtain that information for some time. The only way to know the true fair market value of the mineral interests is through either a thorough appraisal process, which would require complete information about production income and expenses, or by well advertised public auction. At this time we are not in the position for either since we do not have the detailed production income and expenses.

It is also my belief that the administrative expenses, both Chapter 11 and Chapter 7, will approach \$1,000,000.00, not including potential tax liability to the IRS or the Oklahoma Tax Commission. Administrative expenses must be paid before general unsecured claims are paid. Also there are some secured claims that must be paid before the administrative expenses, however the secured claims may not exceed \$150,000.00, not including joint operating expenses.

In addition, the general unsecured claims filed in this case approach \$2,000,000.00. So, in order for the general unsecured creditors to receive payment in full the mineral income and the sale of the mineral interests must generate about \$3,000,000.00, which in my opinion at this time is very speculative.

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**From:** Shaun Mullins [mailto:smullins@securities.ok.gov]  
**Sent:** Thursday, January 02, 2014 1:39 PM  
**To:** Holbrook, L. Win  
**Subject:** ODS v. 2001 Trinity Fund, et al.

Attached is Arrowood’s renewed motion for summary judgment. Please take a look at the following:

Page 4 at the bottom, paragraph number 10.

Thank you,

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EXHIBIT

9