RECEIVED
APR 1 6 2012
Utah Department of Commerce
Division of Securities

RECEIVED
APR 2 3 2012
Utah Department of Commerce
Division of Securities

Mark W. Pugsley (8253)
36 South State Street, 14th Floor
Salt Lake City, Utah 84145-0385
Telephone: (801) 532-1500
Facsimile: (801) 532-7543
mpugsley@rqn.com

Attorneys for Respondents VYSN Capital, LLC and Shawn Blaine Smart

---

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: RIDGELAND WYOMING, INC., VYSN CAPITAL, LLC, BRYAN R. FARRIS, SHAWN BLAINE SMART, AND GARY FRANK LAWYER, Respondents.	**OPPOSITION TO MOTION TO QUASH AND FOR A PROTECTIVE ORDER** **MOTION TO COMPEL PRODUCTION FO DOCUMENTS** Docket No. SD-11-0052 Docket No. SD-11-0053 Docket No. SD-11-0054 Docket No. SD-11-0055 Docket No. SD-11-0056

Respondents Vysn Capital, LLC ("Vysn") and Shawn Blaine Smart ("Smart") (collectively referred to herein as "Respondents"), by and through their undersigned counsel of record, hereby submit this memorandum in support of their Motion to Compel and in opposition to the Motion to Quash Subpoena filed by the purported victims in this case, Ross Jardine and Michael Gillespie (hereafter the "Third Parties")

INTRODUCTION

Third Parties contend that the Subpoenas issued by this Court on or about February 23, 2012 should be quashed because (1) they were not served properly, and (2) they are unreasonable, oppressive and not calculated to lead to the discovery of admissible evidence. Counsel for the Third Parties has now agreed to accept service of the complete subpoenas, so the only remaining issue is whether the subpoenas should be quashed based on burdensomeness and relevance alone.

What the Third Parties fail to understand is that they are not just minor players; they are the star witnesses. The entire case filed by the Utah Division of Securities (the "Division") is based upon oral and written factual statements Jardine and Gillespie made to the Division between 2008 and 2011.[1] Their factual statements were memorialized in memos and detailed "case summaries" which have been produced to Respondents by the Division and will be the primary evidence in this case. These factual statements also formed the basis for the allegations in the Order to Show Cause.

But the Division's memos and summaries (two of which are attached hereto as **Exhibits C and D**) are second-hand summaries containing hearsay, speculation, conclusions and unsupported factual assertions. Therefore, Respondents are certainly entitled to inquire into the bases for these assertions in order to prepare their defense in this matter and to prepare to cross examine these witnesses in interviews, depositions and at trial.

Respondents are informed and believe – and intend to prove – that the Third Parties made numerous false and/or exaggerated statements to the Division in these interviews in an effort to

---

[1] Gillespie and Jardine are the only participants in this drilling project who have complained to the Division.

prompt governmental action. Documents that contradict their oral statements to the Division bear directly on their credibility, and these are among the types of documents the subpoenas seek. Moreover, Utah Evidence Rule 608(c) clearly permits Respondents to present evidence of "bias, prejudice or any motive to misrepresent," on the part of the Third Parties and the documents sought by the Subpoenas bear on this issue as well.

For instance, on March 16, 2010 Ross Jardine wrote an angry email to the Division demanding that action be taken on their complaint. A copy of this email message is attached hereto as **Exhibit "A."** Among other things, Mr Jardine made the following statements in that email:

- We are experienced investors and would not have even bothered to file the complaint had there not been clear and indisputable evidence of wrong-doing.
- Even with their offer to buy our interest in a producing well and the royalty checks we have collected the past year, we would still suffer a substantial loss on the project.
- We just want the Division to stop making excuses and represent us!
- The investors affected by this deal run or have started companies that provide thousands of jobs in this state and collectively pay millions in personal and corporate taxes each year to support our state government.
- At a minimum, I would expect that you could demand they make us all a rescission offer of our initial investment plus a reasonable rate of interest (10-12%) for the time they have had our money.

Based upon the representations in this email alone, Respondents clearly have the right to conduct discovery into the assertion that the Third Parties are "experienced investors," whether they suffered a "substantial loss" on the project, what royalty checks they received, whether the Division told them that they could "represent" them, whether they have really started or run companies that "that provide thousands of jobs in this state," whether they "pay millions in

personal and corporate taxes each year" and what basis they had for expecting the Division to force Respondents to make a rescission offer. In short, the Third Parties have placed their experience, financial history and investment background squarely at issue in this case.

Moreover, these subpoenas are just the beginning of what is likely to be a lengthy discovery process. As the only named victims in this case the Third Parties will be witnesses at the trial and will likely be interviewed and/or deposed at length prior to trial. These subpoenas are necessary for Respondents to prepare for depositions, to determine what additional subpoenas need to be issued, and to prepare for trial.

By their Motion to Quash, the Third Parties are seeking to prevent the Respondents from investigating the truthfulness and basis of statements made to the Division, such as the ones in the email attached as Exhibit A. But that is not the way this process works. The Third Parties have made very serious allegations against Respondents, and now they have to deal with the consequences of those allegations. Respondents have a right to defend themselves in this case and the subpoenaed documents are critical to this defense.

ARGUMENT

In order to assist the Court in evaluating the relevancy of the information sought by the Subpoenas and reduce the size of the briefing, Respondents have prepared a table which is attached hereto as **Exhibit "B."** This table summarizes arguments and evidence for how each of the requests in the Subpoenas relates to specific statements attributable to the Third Parties, to other disputed issues in this case, or is otherwise relevant to Respondents' defenses. The information and argument in Exhibit B is incorporated into this section by reference.

The Third Parties have put these facts at issue in their interviews and emails with the Division and, so they cannot now complain that participating in this process is just too much trouble. The Third Parties complained to the Division in an effort to start this process, and in doing so they placed the Respondents' careers and personal assets in jeopardy. The stakes are very high and Respondents intend to aggressively defend this case.

A. The Information Sought is Clearly Relevant to This Case

The information sought by the subpoenas is relevant and reasonably calculated to lead to the discovery of admissible evidence. As set forth in the table attached as Exhibit B, each of the requests in the Subpoenas is clearly relevant to the subject matter in this case.

Generally with regard to obtaining discovery, Courts have read Rule 26(b) as being intended to be as broadly encompassing as possible and have recognized that the potential relevancy of the subject matter is all that is required. Utah Rule of Civil Procedure 26(b)[2] provides in pertinent part as follows:

> Parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in a pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or the defense of any other party, including the existence, description, nature, custody, condition, and location of any books, documents or other tangible things and location of persons having knowledge of any discoverable matter.

Federal courts have read Rule 26(b) as being intended to be as broadly encompassing as possible and have recognized that the potential relevancy of the subject matter is all that is required. *See* 8 Wright & Miller, Federal Practice & Procedure §2008, p. 101 (2d. ed. 1994). The term "relevant" encompasses any matter that "bears on or that reasonably could lead to

---

[2] Rule 26 has recently been amended but the prior version of the Rule applies in this case based on the filing date.

another matter that could bear on an issue that is or may be in the case" *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978). In Utah, the law is no different. The Utah Supreme Court has long recognized that Rule 26(b) "shall be liberally construed" so that a party may inquire into "any matter that is relevant to the subject matter of the action." *Ellis v. Gilbert*, 429 P.2d 39, 40 (Utah 1967).

B. The Subpoenas are Not Overly Burdensome or Unreasonable

The unfortunate reality of the discovery process is that it is at times burdensome, particularly in financial fraud cases. As individuals who have "run or have started companies that provide thousands of jobs in this state and collectively pay millions in personal and corporate taxes each year to support our state government" surely the Third Parties know this. People of such enormous wealth and sophistication as Messrs. Jardine and Gillespie presumably have extensive experience with commercial litigation and aware that it can be burdensome and expensive. But the burden here is not unreasonable in proportion to what is at stake in this case.

First, the assertion that by serving discovery requests Respondents are somehow trying to intimidate them or "chill a Utah citizen's ability to file a complaint with the Division" is frankly absurd. The Third Parties cannot have their cake and eat it too. They have made very serious allegations of fraud in this case, yet now they want to be excluded from participating in the discovery process? They cannot escape the fact that they are the complainants or the "victims" in this litigation and therefore their conduct, sophistication and statements made to the Division will be inquired into and challenged.

Second, the requested information is not available from other sources. Respondents (Smart and Vysn) are entitled to obtain correspondence between the Third Parties, Ridgeland,

and the Division and even if they get this information from other parties, it is often the case that key email correspondence has been deleted or lost. Respondents are entitled to ensure that all of the email has been produced, even though they may have asked for similar information from other parties. Respondents are also clearly entitled to obtain all email correspondence between Gillespie and Jardine, financial information relating to their financial sophistication and investment experience, and information about the profits they made on this deal. None of that is available from other sources.

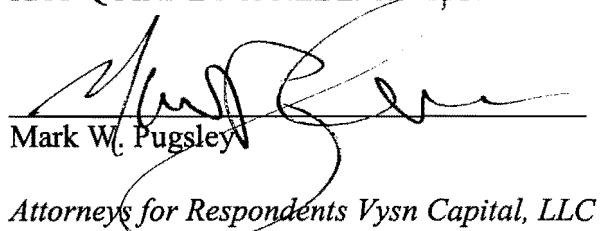
Third, to the extent that Respondents are concerned about confidentiality, Respondents are willing to stipulate to a Confidentiality Order to protect this information from disclosure outside of this case. As discussed above and as set forth in Exhibit B, the Third Parties have made numerous statements that place their personal sophistication and financial condition squarely at issue so these documents are discoverable.

CONCLUSION

For all of these reasons Respondents Vysn and Smart respectfully request that the Motion to Quash be denied in its entirety and the Third Parties be ordered to respond to the Subpoenas.

DATED this 13th day of April 2012.

RAY QUINNEY & NEBEKER P.C.



Mark W. Pugsley

Attorneys for Respondents Vysn Capital, LLC and Shawn Blaine Smart

1179498

CERTIFICATE OF SERVICE

I hereby certify on this 13th day of April 2012, a true and correct copy of the **OPPOSITION TO MOTION TO QUASH AND FOR A PROTECTIVE ORDER and MOTION TO COMPEL PRODUCTION FO DOCUMENTS** was served by U.S. First Class Mail, postage prepaid, to the following:

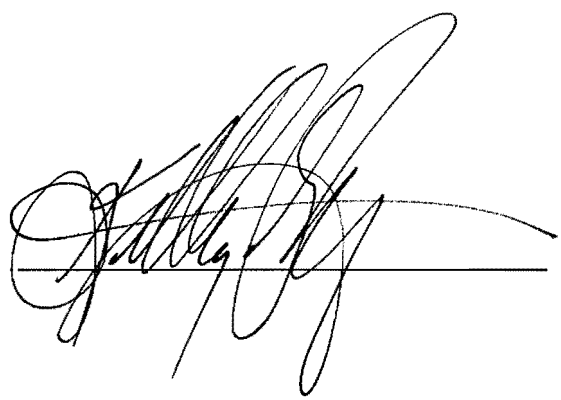
Thomas Brady
DIVISION OF SECURITIES
UTAH DEPARTMENT OF COMMERCE
160 East 300 South, 2nd Floor
Post Office Box 146760
Salt Lake City, Utah 84114-6760

Angela Hendricks
Administrative Law Judge
DIVISION OF CONSUMER PROTECTION
UTAH DEPARTMENT OF COMMERCE
160 East 300 South
Post Office Box 146760
Salt Lake City, Utah 84114-6760

D. Scott Davis
Assistant Attorney General
UTAH ATTORNEY GENERAL'S OFFICE
160 East 300 South, 5th Floor
Post Office Box 140872
Salt Lake City, Utah 84111

Mark D. Stubbs
Joseph M. Hepworth
FILLMOER SPENCER, LLC
3301 North University Avenue
Provo, Utah 84604

Blair R. Jackson
Philip L. Martin
INVICTUS LAW, PLLC
1250 East 200 South, Suite 2W
Lehi, Utah 84043



1176561

Diana Parrish - Lack of Action on Formal Complaint

Exhibit A

From: ross jardine <rossjardine@me.com>
To: <kwoodwell@utah.gov>
Date: 3/16/2010 11:01 AM
Subject: Lack of Action on Formal Complaint
CC: <jdougall@utah.gov>, Michael Gillespie <mgillespie@globalbased.com>, <asgarrity@comcast.net>

Dear Mr. Woodwell:

Over three years ago, my partner and I filed a formal complaint against a Utah based group that was promoting Oil and Gas investments in the state. We have patiently waited for over three years for the Division to take action on our complaint. Despite repeated contacts with your office, NOTHING has been done. The only word to describe the efforts of the Division on our complaint is "unacceptable."

We're starting to wonder how much money people have to lose before you determine it's worthy of your involvement. This deal is already into the millions of dollars and these groups continue to aggressively market additional investments to other unsuspecting investors in Utah. Over the past decade these same men have left in their wake a path of destruction and heartache for many utah investors. They need to be stopped.

The investigator assigned to our case is Diana Parrish. She has made no effort to communicate with us and each time we contact her, she clearly is not working on our case and offers nothing more than a pathetic list of excuses for her lack of action and results.

We are experienced investors and would not have even bothered to file the complaint had there not been clear and indisputable evidence of wrong-doing. These unlicensed promoters took a 40% commission off the top of our investment that was not disclosed in any documentation. They also represented that they were selling us a portion of their personal interest in the project, when in fact they had no interest other than that they would acquire as a result of raising capital from us for the project.

This huge undisclosed commission crippled the operator and delayed the drilling of the first well of the three well deal for more than a year while the operator scrambled to cobble together enough money to drill a hole. There is simply no way any reasonable person would have invested in this project had the commissions been disclosed upfront.

We attended an investor meeting last year and we're stunned at the number of clearly non-accredited investors in the room. The majority of investors they have taken money from, If that group was representative, were clearly not suited for such a high-risk investment. Several we spoke with personally had borrowed against their homes or from family to fund their investments and were suffering great personal hardship as a result of the repeated capital calls and lack of cash flow from the producing well. I can only speculate that these investors have been diluted or forced out as a result of their hardship.

Since striking oil, the operators have continued to make repeated capital calls for more exploration and drilling activities that have further diluted the investors and allowed the operators to now control a

majority of the project. In the investor meeting we attended, they proposed drilling 5-6 new wells in spite of the fact that the majority of investors in the room had no interest in putting more money into the project and simply wanted to enjoy the cash flow from the current producing well to help recover some of the money already invested. When we asked directly why the insisted on more drilling when the majority were opposed to it, they replied "because we have a controlling interest in the project and that's what we want to do.

They were clearly holding the current investor group hostage by threatening a dilution of their ownership in the successful 3-well project to finance a new wildcat drilling deal. That just doesn't seem right and I question whether their actions are even legal.

They also continue to charge the investors $15,000 per month for water flood usage of a well that we were all told was already owned by the group at the time of our investment. Now they claim that they personally own this water pumping well and that they paid $400,000 for it. We find that very unlikely considering they didn't have two nickels to rub together when they started this project. We would like to know how they were able to purchase a $400,000 well that we supposedly already owned when they didn't have enough money to drill the first hole in this project for nearly two years. They have provided no documentation to support their claim.

The ONLY good news is that one of the three wells we paid for struck oil and is in production. It's been a pretty good well, but it's now showing signs of slowing down and we're still far from recovering out initial investment. That is the primary reason we feel you must take action now as there is cash and assets to make the investors whole. If you continue to ignore our complaint there will almost certainly not be any chance to recover anything and once again, the bad guys will win and another group of Utah investors will lose millions, just like Vescor and Franklin Squires where the division failed to act on early signs of wrong-doing.

Last week the operators made a very unacceptable offer to buy our interest based on their own estimate of the value of the producing well. Even with their offer to buy our interest in a producing well and the royalty checks we have collected the past year, we would still suffer a substantial loss on the project. We find it troubling that when we're in the exact position (one out of three wells producing oil) they said would be a "homerun" when they pitched us this investment, that we're going to lose a substantial amount of our initial investment.

We just want the Division to stop making excuses and represent us! The investors affected by this deal run or have started companies that provide thousands of jobs in this state and collectively pay millions in personal and corporate taxes each year to support our state government. At a minimum, I would expect that you could demand they make us all a rescission offer of our initial investment plus a reasonable rate of interest (10-12%) for the time they have had our money.

The status quo is simply unacceptable. We demand that you address our complaint and take immediate action to stop these dishonest men from harming more innocent Utah investors.

Regards,

Ross W. Jardine

Exhibit B

Exhibit B

Argument re Why Subpoena Requests are Relevant

Request No. 1: "All federal and state tax returns you filed for the years 2007, 2008, 2009, 2010 and 2011, including Schedules A, B, D, and E, K1 and the IRS worksheets related to these schedules, or the equivalent for any other type of return. The income tax returns must be identical to those that were filed with the Internal Revenue Service, except social security numbers may be redacted."

Argument: Jardine and Gillespie's wealth, investment experience, sophistication and ability to understand and bear risk are clearly at issue in this case. The amount of disclosures that are appropriate and suitability of this investment are all related to their income and other investment experience.

Their sources of income, and in particular whether they have made or lost money with other oil or natural gas drilling investments is also relevant to determine whether they understood this opportunity, risks unique to oil exploration, and the disclosure documents they received.

We also need to see their income and asset statements to determine whether they filled out the subscription agreements accurately and whether they understood what they are signing.

Also, Jardine asserted in an email to the Division that he would "suffer a substantial loss" from this investment, but that did not occur. Tax returns will show revenues from the project as well as tax write offs they took advantage of, which can be significant in oil drilling partnerships. If Jardine and Gillespie obtained tax benefits and write offs from this investment those issues bear on their total losses in this case. All of this information will be shown on their tax returns.

Respondents are willing to sign a mutually agreeable protective order to protect the confidentiality of these documents.

RELEVANT QUOTES	SOURCE
We are experienced investors and would not have even bothered to file the complaint had there not been clear and indisputable evidence of wrong-doing.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)
The investors affected by this deal run or have started companies that provide thousands of jobs in this state and collectively pay millions in personal and corporate taxes each year to support our state government.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)
Even with their offer to buy our interest in a producing well and the royalty checks we have collected the past year, we would still suffer a substantial loss on the project.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)

Jardine said he finished the paperwork within a few days and gave the paperwork to Schiffman. Jardine wired his $100,000 investment to Ridgeland Wyoming, Inc. at Chase Bank as indicated on a document he received on Ridgeland Wyoming, Inc. letterhead for the Moorcroft Project.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine said he received emails from Farris and Lawyer. Jardine said he was told in an email that the first well was a dry hole. After the first hole "they" made a capital call for a second well in same area as the first well.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine added that he assumed the project was structured as a General Partnership because that is the standard practice for oil well projects to ensure the tax benefits and Farris held himself out as an attorney who had experience in these deals.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
Ridgeland Wyoming's JP Morgan Chase Bank records show Jardine's $100,000 was deposited on March 14, 2007.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
One April 16, 2007, Gillespie decided to invest $100,000 and wrote a check to Ridgeland Wyoming drawn on his Gillespie Holdings Account. Gillespie said he signed a Subscription Agreement the same day. Gillespie agreed " . . . to purchase of 3% working interest in the Moorcroft West Minmelusa Unit AMI . . . and tender this document, together with a check payable to the order of Ridgeland Wyoming, Inc. . . ."	2008 Case Summary by Diana Parrish (Exhibit C)
Ridgeland Wyoming's JP Morgan Chase Bank records show Gillespie's $100,000 was deposited on April 24, 2007.	3-30-11 Tel. Interview with J. Nielsen & D. Wawrzynski (Exhibit D)
The investors [Jardine and Gillespie] lost $200,000 in principal.	Order to Show Cause dated July 12, 2011

Request no. 2: Financial statements, including statements within loan applications, or similar statements of your assets, liabilities, and/or net worth that were prepared during the years 2005, 2006, 2007 and 2008

SAME AS NO. 1, ABOVE	

Request no. 3: All documents relating to any oil or natural gas exploration, drilling, or production investment you made in the years 2005, 2006, 2007 or 2008, including, but not limited to, copies of subscription agreements, private placement memoranda, COPAS documents, operating agreements, correspondence and account statements relating to those investments.

Argument: Jardine and Gillespie have repeatedly stated that they are experienced investors but were somehow duped by Respondents in this investment. Respondents need to inquire about their prior experience with other oil or natural gas exploration, drilling, or production investment to determine whether they understood the disclosure documents and the risks involved in an investment such as this.

This information is also relevant to determine whether they understood this opportunity, understood the risks unique to oil exploration, and the disclosure documents they received. Oil exploration investments commonly involve significant risks, including the risk of a "dry hole" and a likelihood of cash calls.

RELEVANT QUOTES	SOURCE
We are experienced investors and would not have even bothered to file the complaint had there not been clear and indisputable evidence of wrong-doing.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)
Jardine said during February 2007 he was invited to meeting about investing in an oil well by Lance Schiffman. The lunch meeting took place in a deli at Thanksgiving Point, Lehi, Utah County, Utah. *** ▪ They had three wells ready to go in Wyoming ▪ They could start drilling the wells within a week. ▪ Farris was the operator. ▪ They each had $100,00 invested in the wells; ▪ Farris and the geologist had experience in oil and gas; ▪ Smart, James McGregory, and Schiffman had financial experience; ▪ The wells were located in an existing field with resources nearby; ▪ They had all the money they needed and the financing was in place. ▪ The company was capitalized with $100,000 each from Farris, McGregor, and Schiffman; ▪ Jardine would receive 3% working interest in wells located in Wyoming; ▪ The Investment involved risk; ▪ Money Jardine invested would be used to drill the wells; and, ▪ If a well was successful, there would be a cash call.	2008 Case Summary by Diana Parrish (Exhibit C)

At the Meeting Jardine said he received the operating agreement, Copas document, and subscription agreement.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine said he received emails from Farris and Lawyer. Jardine said he was told in an email that the first well was a dry hole. After the first hole "they" made a capital call for a second well in same area as the first well.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine confirmed the following statement and attributed them to Farris: ▪ They had three wells ready to go in Wyoming ▪ They could start drilling the wells within a week. ▪ Farris was the operator. ▪ They had all the money they needed and the financing was in place (adding: Jardine would be the last of the financing). ▪ Money Jardine invested would be used to drill the wells.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
Jardine confirmed he received the operating agreement, Copas document, and subscription agreement from Farris.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
Jardine said he finished the paperwork within a few days and gave the paperwork to Schiffman. Jardine wired his $100,000 investment to Ridgeland Wyoming, Inc. at Chase Bank as indicated on a document he received on Ridgeland Wyoming, Inc. letterhead for the Moorcroft Project. Jardine never received fully executed copies of his investment documents.	2008 Case Summary by Diana Parrish (Exhibit C)
Michael Gillespie and Ross Jardine are business partners. Gillespie said he first heard about the opportunity to invest with Ridgeland form Jardine on or about March 2007. Based on his conversation with Jardine, Gillespie phoned Smart. Gillespie was in Utah County when he made the call to Smart at a Utah phone number. Smart said he had an oil and gas deal called Ridgeland in Wyoming with three wells ready to go. Soon after the phone call, on April 16, 2007, Gillespie met with Smart and McGregor. The meeting took place at Gillespie's office in American Fork, Utah County, Utah. Smart gave Gillespie a copy of Ridgeland Wyoming, Inc.'s Operating Agreement dated December 1, 2006 and Subscription Booklet. Gillespie said he glanced over the Operating Agreement during the 45 meeting. Smart said: ▪ Ridgeland was his project and he had his own money invested in the project; ▪ "If you don't take the investment its no problem" because '[my]" group will pick it up." ▪ The minimum investment was $50,000; ▪ He was certain the wells would produce based on other successful wells in	2008 Case Summary by Diana Parrish (Exhibit C)

the area and the extensive research done for this project; ▪ Gillespie's money would be used for drilling three wells in 2007; and ▪ They already had the approvals/rights to drill.	
One April 16, 2007, Gillespie decided to invest $100,000 and wrote a check to Ridgeland Wyoming drawn on his Gillespie Holdings Account. Gillespie said he signed a Subscription Agreement the same day. Gillespie agreed " . . . to purchase of 3% working interest in the Moorcroft West Minmelusa Unit AMI . . . and tender this document, together with a check payable to the order of Ridgeland Wyoming, Inc. . . ." The Acceptance page of the document was signed and dated by Bryan F. Farris as President of Ridgeland Wyoming on July 25, 2007. * * * Also on April 16, 2007, Gillespie said he received a copy of Ridgeland's Operating Agreement for Moorcroft West Minnelusa Unit AMI dated December 1, 2006. Gillespie signed the Operating Agreement on April 16, 2007 and Farris signed as president of Ridgeland on July 25, 2007. The agreement states Ridgeland Wyoming is the Operator contracted for the Moorcroft West Minnelusa Unit AMI. Gillespie said he also received a document about the Moorcroft field after he invested (Ridgeland's proposed drilling location and geology, etc.).	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine added that he assumed the project was structured as a General Partnership because that is the standard practice for oil well projects to ensure the tax benefits and Farris held himself out as an attorney who had experience in these deals.	Case Summary Addendum dated April 5, 2011 (Exhibit D)

Request no. 4: Copies of Private Placement Memoranda for any offering in which you were an officer, partner, director, or otherwise associated with the offering.

Argument: Respondents are informed and believe that Jardine and Gillespie have prepared and issued Private Placements themselves, and may have even raised money with "finders." If so, then their prior experience with similar offerings and methods of raising money is highly relevant in this case.

Moreover, their investment experience, sophistication and ability to understand and risk will be shown by other similar offering documents and disclosures that they have prepared.

RELEVANT QUOTES	SOURCE
We just want the Division to stop making excuses and represent us! The investors affected by this deal run or have started companies that provide thousands of jobs in this state and collectively pay millions in personal and corporate taxes each year to support our state government. At a minimum, I would expect that you could demand they make us all a rescission offer of our initial investment plus a reasonable rate of interest (10-12%) for the time they have had our money.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)

Request no. 5: All documents and correspondence you sent to or received from Respondents.

Argument: Respondents (Smart and Vysn) are entitled to obtain correspondence between the Third Parties and Ridgeland. Even if they get this information from other parties, it is often the case that key email correspondence has been deleted or lost. Respondents are entitled to ensure that all of the email has been produced, even though they may have asked for similar information from other parties.	
RELEVANT QUOTES	**SOURCE**
One April 16, 2007, Gillespie decided to invest $100,000 and wrote a check to Ridgeland Wyoming drawn on his Gillespie Holdings Account. Gillespie said he signed a Subscription Agreement the same day. Gillespie agreed " . . . to purchase of 3% working interest in the Moorcroft West Minmelusa Unit AMI . . . and tender this document, together with a check payable to the order of Ridgeland Wyoming, Inc. . . ." The Acceptance page of the document was signed and dated by Bryan F. Farris as President of Ridgeland Wyoming on July 25, 2007. * * * Also on April 16, 2007, Gillespie said he received a copy of Ridgeland's Operating Agreement for Moorcroft West Minnelusa Unit AMI dated December 1, 2006. Gillespie signed the Operating Agreement on April 16, 2007 and Farris signed as president of Ridgeland on July 25, 2007. The agreement states Ridgeland Wyoming is the Operator contracted for the Moorcroft West Minnelusa Unit AMI. Gillespie said he also received a document about the Moorcroft field after he invested (Ridgeland's proposed drilling location and geology, etc.).	2008 Case Summary by Diana Parrish (Exhibit C)
Shortly after investing, Gillespie said he received an email from Farris in which Farris stated "the well is dry."	2008 Case Summary by Diana Parrish (Exhibit C)
Gillespie said he and Jardine came up with a settlement proposal. Gillespie said he phoned Farris and asked for two-thirds of his money back.	2008 Case Summary by Diana Parrish (Exhibit C)
At a meeting in Gillespie's office attended by Gillespie, Farris and investor Anton Garrity, Farris disclosed he paid Smart 40% of Gillespie's investment plus 4.625% interest in the three wells to Vysn. Farris provided three papers to Gillespie (Moorecroft West 3-Prospectus as of April 22, 2007; Moorcroft West 3-Prospectus; Authorization for Expenditure). Gillespie said he could immediately see Ridgeland was underfunded to complete the three well project.	2008 Case Summary by Diana Parrish (Exhibit C)

On or about October 11, 2007, Gillespie received a letter from Farris about a proposed new well at the Moorcroft well site and placing a cash call. Gillespie did not respond to this letter.	2008 Case Summary by Diana Parrish (Exhibit C)
Gillespie said on or about May 27, 2008, he told Farris he wanted to take his complaint about his investment with Ridgeland to arbitration. Farris then sent Gillespie a text message with the arbiter's name: Mark Stubbs, Fillmore and Spencer, 426-8200. Gillespie said he had done nothing since receiving Stubb's name.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine said he received emails from Farris and Lawyer. Jardine said he was told in an email that the first well was a dry hole. After the first hole "they" made a capital call for a second well in same area as the first well.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine said he and Gillespie have asked Farris for two-thirds of their money back but their request was denied.	2008 Case Summary by Diana Parrish (Exhibit C)
Jardine confirmed the following statement and attributed them to Farris: ▪ They had three wells ready to go in Wyoming ▪ They could start drilling the wells within a week. ▪ Farris was the operator. ▪ They had all the money they needed and the financing was in place (adding: Jardine would be the last of the financing). ▪ Money Jardine invested would be used to drill the wells.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
Jardine confirmed he received the operating agreement. Copas document, and subscription agreement from Farris.	Case Summary Addendum dated April 5, 2011 (Exhibit D)
Jardine added that he assumed the project was structured as a General Partnership because that is the standard practice for oil well projects to ensure the tax benefits and Farris held himself out as an attorney who had experience in these deals.	Case Summary Addendum dated April 5, 2011 (Exhibit D)

Request no. 6: All bank records, including cancelled checks, showing any returns received from your investment with Ridgeland Wyoming, Inc.

Argument: Jardine asserted in an email to the Division that he would "suffer a substantial loss" from this investment. Whether the purported victims lost any money is obviously a key aspect if any securities fraud case. If they were not damaged, but rather were benefitted by this investment then Respondents are entitled to demonstrate that.

RELEVANT QUOTES	SOURCE
Even with their offer to buy our interest in a producing well and the royalty checks we have collected the past year, we would still suffer a substantial loss on the project.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)
The investors [Jardine and Gillespie] lost $200,000 in principal.	Order to Show Cause dated July 12, 2011

Request no. 7: All documents and correspondence you sent to or received from any employee of the Utah Division of Securities relating to Respondents, including, but not limited to, Diana Parrish, Douglas Wawrzynski, or Jeff Nielson

Argument: Respondents are clearly entitled to obtain all email correspondence between Gillespie and Jardine and the Division about their complaints. Moreover, the "formal complaint" referenced in the email below does not appear to be among the other documents produced by the Division, so there are clearly documents missing.	
RELEVANT QUOTES	**SOURCE**
Ross Jardine wrote a email to Keith Woodwell on March 16, 2010 stating, among other things: Over three years ago, my partner and I filed a formal complaint against a Utah based group that was promoting Oil and Gas investments in the state. We have patiently waited for over three years for the Division to take action on our complaint. Despite repeated contacts with your office, NOTHING has been done. The only word to describe the efforts of the Division on our complaint is "unacceptable." We're starting to wonder how much money people have to lose before you determine it's worthy of your involvement. This deal is already into the millions of dollars and these groups continue to aggressively market additional investments to other unsuspecting investors in Utah. Over the past decade these same men have left in their wake a path of destruction and heartache for many Utah investors. They need to be stopped.	March 16, 2010 Ross Jardine email to the Division (Exhibit A)

Request no. 8: All correspondence with Ross Jardine [or Michael Gillespie] relating in any way to your investment with Ridgeland Wyoming, Inc.

Argument: Respondents are clearly entitled to obtain all email correspondence between Gillespie and Jardine about this deal and about their decision to complain with the Division. None of that is available from other sources, and it is not privileged. Respondents are informed and believe that Gillespie purchased an interest in this project based solely on representations that were made to him by Jardine – not by any statements they made. All of the email and other correspondence between them relating to this project is highly relevant.	
Michael Gillespie and Ross Jardine are business partners. Gillespie said he first heard about the opportunity to invest with Ridgeland from Jardine on or about March 2007. Based on his conversation with Jardine, Gillespie phoned Smart.	2008 Case Summary by Diana Parrish (Exhibit C)

Request no. 9: A copy of your current resume.

Argument: Jardine and Gillespie have repeatedly stated that they are experienced investors but were somehow duped by Respondents in this investment. Respondents need to inquire about their business experience, and certainly this is not a burdensome request.

Request no. 10: All notes, including entries in diaries or calendars, relating in any way to your investment with Ridgeland Wyoming, Inc.

Argument: These documents are clearly relevant, and certainly this is not a burdensome request.

Request no. 11: All recordings and notes or logs of telephone calls or conversations with any of the Respondents.

Argument: These documents are clearly relevant, and certainly this is not a burdensome request.

Request no. 12: All materials you received or obtained from any source relating to your investment in Ridgeland Wyoming, Inc.

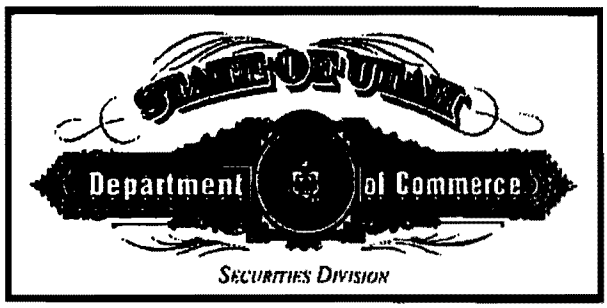
Argument: These documents are clearly relevant, and certainly this is not a burdensome request.

Request no. 13: Copies of any surveillance tapes, recordings, notes, calendar entries and/or visitor sign-in sheets from April 16, 2007 when Shawn Smart and Jim McGregor allegedly met with you at True North Academy as alleged in paragraphs 20 and 21 of the Amended OSC.

Argument: There is a dispute about how long this meeting lasted, what Respondents brought them to the meeting, if anything, and whether the envelope was sealed when they left. These disputes are set forth in Paragraphs 20 and 21 of the OSC, and in Respondent's Answer to the Amended Order to Show Cause.

1177973

Exhibit C



CASE SUMMARY
Prepared by Diana Parrish

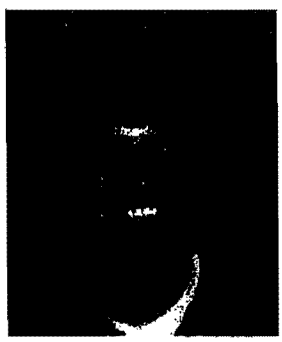
1. **Case Name and Number**

Ridgeland Wyoming, Inc.
08-0026

2. **Alleged Violations**

Securities Fraud
Unlicensed Agent

3. **Parties**

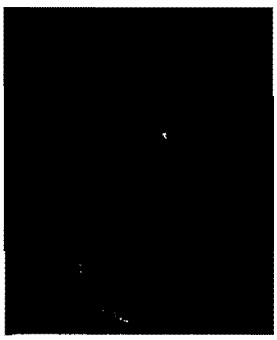


Farris, Bryan R.
821 West 1700 North
Orem. Utah 84057
801-451-5279 (Relative's number)

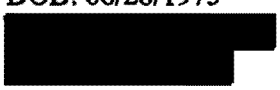
Farris and Associates
1527 N. Technology Way
Orem. Utah 84097
Phone: 801-836-4341
Fax: 801-224-1593
bfarris@1stcounsel.com
bfarris@RidgelandOperating.com

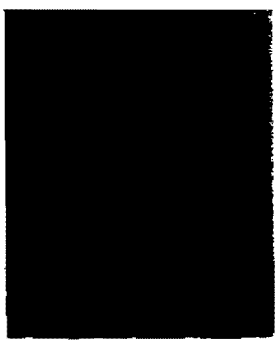
Gary Frank Lawyer
2988 Pear Circle
St. George, Utah 84790

435-628-1153
glawyer@ridglandoperaiting.com



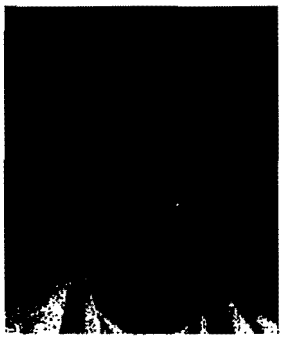
McGregor, James R.
12029 Chamberry Court
Highland, Utah 84003
DOB: 08/28/1973





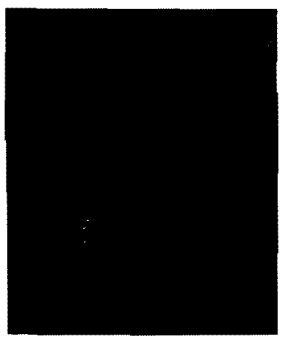
Smart. Shawn Blaine
387 West River Circle

Alpine, Utah 84004
DOB: 03/16/1966.0

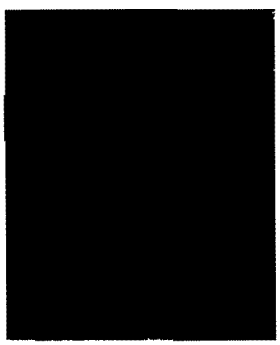


Schiffman, Lance F.
417 North Pfeifferhorn Drive
Alpine, Utah 84004
801-756-3393

4. Investors



Gillespie, Michael
7 S. Pfeifferhorn Drive
Alpine, Utah 84004
801-362-9600



Jardine, Ross W.
116 S. Pfeifferhorn Drive
Alpine, Utah 84004
801-763-0023
801-376-2101

5. Investigator

Diana Parrish
Utah Division of Securities
801-530-6600

6. Investigative Findings

Overview

Ridgeland Wyoming, Incorporated is a Utah corporation. Ridgeland registered with the Utah Department of Commerce, Division of Corporations on November 20, 2006. Ridgeland's status is "Active" and "Good Standing." Farris and Associates, P.C.[1] is listed as Ridgeland's Registered Agent. Bryan R. Farris and Gary Frank Lawyer are listed as officers and directors. Ridgeland's business address is 3549 North University Avenue, Suite 275, Provo, Utah 84604.

Ridgeland has not filed any document with the Division of Securities related to an offering of securities for Ridgeland. Ridgeland's Subscription Agreement states the ". . . prospect is being made pursuant to an exemption from registration from the Securities and Exchange Commission afforded by Section 4(2) of the Securities Act of 1933 . . . relating to the offer and sale of securities in a transaction not involving any public offering."[2]

Bryan R. Farris is an individual who at all pertinent times resided in Utah County, Utah. Utah Division of Securities records reveal that Farris is not licensed as a agent, broker-dealer, issuer-agent, or investment advisor. A check of the Utah State Bar Associations' web site revealed that Farris is licensed to practice law in the state of Utah.[3] Farris' firm is Farris and Associates, PC, Provo, Utah. According to a document provided by Farris,

---

[1]Farris & Associates registered with the Division of Corporations on January 9, 2003. Bryan R. Farris is listed as Officer, Director, and Registered Agent.

[2]Ridgland Wyoming Private Placement of Working Interests in the Moorcroft West Minnelusa Unit AMI Subscription Booklet, page 2, paragraph 2.

[3]The Utah Bar Association will only disclose public disciplinary actions taken against its members. Farris has no such actions.

"Farris & Associates concentrates its practice on mergers & acquisitions, capital financing, oil and gas and securities."

Gary Frank Lawyer is an individual who at all pertinent times resided in Washington County, Utah. Utah Division of Securities records reveal Lawyer is not is not licensed as a agent, broker-dealer, issuer-agent, or investment advisor. According to a document supplied by Farris, Lawyer is an AAPG Certified Petroleum Geologist and ". . . has been involved in the oil and gas business for over 35 years."

Vysn Capital, LLC is a Utah Corporation. Vysn Capital registered with the Utah Department of Commerce, Division of Corporations on August 11, 2006. Vysn Capital's status is "Expired" as of December 8, 2009. Jim McGregor is listed as Vysn Capital's registered agent and manager. Shawn Smart is listed as a manager. Vysn Capital's business address is listed as 10939 N. Alpine Highway, #404, Highland, Utah 84003.

Shawn Blaine Smart is an individual who at all pertinent times resided in Utah County, Utah. Utah Division of Securities records reveal that on December 9, 1997, Smart was "barred for one year from offering or selling securities in Pennsylvania unless he obtains counsel experienced in securities laws" for "offer[ing] for sale fractional undivided working interests in Destino Field Project to at least one Pennsylvania resident."[4] Utah Division of Securities records reveal Smart is not licensed as an agent, broker-dealer, issuer-agent, or investment advisor.

Jim R. McGregor is an individual who at all pertinent times resided in Utah County, Utah. Utah Division of Securities records reveal that McGregor is not licensed as a agent, broker-dealer, issuer-agent, or investment advisor.

On November 6, 2006, Farris for Ridgeland and Smart for Vysn entered into a Non-Disclosure and Non-Circumvention Agreement. Exhibit B to the agreement, dated December 28, 2006, states:

> Ridgeland Operating Company, LLC agrees to pay Vysn . . ., upon the successful funding of the Moorcroft West 3-Prospect Project, which successful funding shall be defined at TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00), a marketing/promotional fee of ONE MILLION DOLLARS ($1,000,000.00) plus TWELVE and ONE-HALF percent carried working interest, reduced pro-rata to the amount of total funding brought by Vysn to the Project, in consideration of their efforts in successfully funding the Moorcroft West 3-Prospect Project.

---

[4]See CRD: Shawn B. Smart, ID# 8977142.

Between February and April 2007, Smart and McGregor offered an investment in Ridgeland Wyoming, Inc. to at least two Utah investors. The investors were given a Ridgeland Wyoming Operating Agreement and a Subscription Booklet. While the Operating Agreement defines the role of the Operator (Ridgeland Wyoming) and Non-Operator (investors) it is also, in substance, an "investment contract" or "a participation agreement in an oil, gas, or mining title or lease or payments out of production under such a title or lease." [5]

Smart and Farris failed to disclose to the investors that Smart / Vysn would receive a substantial fee for acting as a finder / agent for Ridgeland. Smart and Farris failed to disclose to investors the payments Farris and Lawyer would be receive from investor funds. However, the investors were provided with the Operating Agreement which states, "The number of employees or contractors used by Operator in conducting operations, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all employees or contractors shall be the employees or contractors of Operator."[6]

Investors

Jardine

Ross Jardine said he and Gillespie are neighbors and business partners. Jardine said he and Gillespie have invested in oil and gas deals in the past.

Jardine said during February 2007 he was invited to meeting about investing in an oil well by Lance Schiffman. The lunch meeting took place in a deli at Thanksgiving Point, UTCO Lehi, Utah County, Utah. Present at the meeting were Schiffman, Smart and Farris. Jardine said Farris talked about his vast experience in the oil and gas industry and Smart, the primary spokesperson for the group, said:

- They had three wells ready to go in Wyoming;
- They could start drilling the wells within a week;
- Farris was the operator;
- They each had $100,000 invested in the wells;
- Farris and the geologist had experience in oil and gas;
- Smart, James McGregor, and Schiffman had financial experience;
- The wells were located in an existing field with resources nearby;
- They had all the money they needed and the financing was in place;

---

[5] "Investment contracts" and "participation in an oil, gas, or mining" operation are securities as defined by Utah Code Annotated § 61-1-13 (24)(xi)(xv).

[6] See the Operating Agreement for Moorcroft West Minnelusa Unit AMI, section V. Operator, paragraph C.

- The company was capitalized with $100,000 each from Farris, McGregor, and Schiffman;
- Jardine would receive a 3% working interest in wells located in Wyoming;
- The investment involved risk;
- Money Jardine invested would be used to drill the wells; and,
- If a well was successful, there would be a cash call.

At the meeting Jardine said he received the operating agreement, Copas document,[7] and subscription agreement.

Jardine said he finished the paperwork within a few days and gave the paperwork to Schiffman. Jardine wired his $100,000 investment to Ridgeland Wyoming, Inc. at Chase Bank as indicted on a document he received on Ridgeland Wyoming, Inc. letterhead for the Moorcroft Project. Jardine never received fully executed copies of his investment documents.[8]

Jardine said he received emails from Farris and Lawyer. Jardine said he was told in an email that the first well was a dry hole. After the first hole "they" made a capital call for a second well in same area as the first well.

Jardine said since investing he and Gillespie have learned that Ridgeland didn't have the proper permits for the second and third wells and that the promoters, Smart and his group, were paid 40% commission on Jardine and Gillespie's investments. In addition, they have learned that the operator, Farris, does not have enough money to drill the remaining two wells.

Jardine said he and Gillespie have asked Farris for two-thirds of their money back but their request was denied.

Bank Records

Bank records reveal Jardine's investment check was deposited into Ridgeland Wyoming's account on March 14, 2007 increasing the balance to $211,621.16. On March 16, 2007, another $100,000 from an investor (Simonetti) was deposited increasing the balance to $311,221.16. Between March 16 and April 9, 2007, debits and credits (one deposit of $21,815.16 was wired in from Ridgeland's operating account on March 22. 2007 and wired back to Ridgland's operating account on April 2, 2007) left the account

---

[7]COPAS. Council of Petroleum Accountants Societies Accounting Procedure. April 2005.

[8]Farris provided copies of Jardine's documents which include Ridgeland's Subscription Agreement. a copy of Jardine's investment check payable to Ridgeland Wyoming. Copas document, and operating agreement (unsigned).

with a balance of $7.08. The significant charges to the account during this period were: $12,011.07 to Smith Co Properties on March 26, 2007; $14,014.86 to Marlis E. Smith Inc on March 26, 2007; $200,000 wired to Vysn Capital; $25,000 to Gary F. Lawyer on April 2, 2007; $13,036.33 to the Peters Corporation and $13,036.33 to Philip C. Gans on April 3, 2007; $25,000 to Bryan Farris on April 3, 2007, and $10,000 to Empey Enterprises on April 9, 2007.

Misrepresentations

Smart told Jardine that money he invested would be used to drill wells. Bank records reveal investor funds were used for other purposes including $200,000 wired to Vysn Capital and $25,000 each was paid to Farris and Lawyer.

Smart told Jardine that they had three wells ready to go and they had all the financing in place. After Jardine invested, at a meeting in Gillespie's office attended by Gillespie, Farris, and investor Anton Garrity, Farris provided three papers to Gillespie (Moorcroft West 3-Prospects As of April 22, 2007; Moorcroft West 3-Prospects; Authorization for Expenditure). Gillespie said he could immediately see Ridgeland was underfunded to complete the three well project.

Smart told Jardine that they had three wells ready to go and could start drilling in a week. However in a July 25, 2007 memo Jardine received from Farris, Farris wrote that "... Ridgeland ... is still in the process of gathering critical leases on the prospects..." And in an August 21, 2007 email from Farris to the Moorcroft Partners, Farris wrote that they had begun the process of getting an exception location for the 2nd well at Moorcroft and that the commission could approve, deny or approve their request with conditions.

Omissions

Jardine was not told by Smart or Farris that Jardine's investment funds would be used to pay Vysn a finder's fee. Nor was Jardine told that his investment funds would be used to pay Farris and Lawyer. At a meeting after Jardine invested, Farris disclosed he paid Vysn 40% of Jardine's investment plus 4.625% interest in the three wells. Nor did Smart or Farris tell Jardine of their November 6, 2006 Non-Disclosure and Non-Circumvention Agreement. Exhibit B to the agreement, dated December 28, 2006, states:

> Ridgeland Operating Company, LLC agrees to pay Vysn . . ., upon the successful funding of the Moorcroft West 3-Prospect Project, which successful funding shall be defined at TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00), a marketing/promotional fee of ONE MILLION DOLLARS ($1,000,000.00) plus TWELVE and ONE-HALF percent carried working interest, reduced pro-rata to the amount of total funding

brought by Vysn to the Project, in consideration of their efforts in successfully funding the Moorcroft West 3-Prospect Project.

Michael Gillespie

Michael Gillespie and Ross Jardine are business partners. Gillespie said he first heard about the opportunity to invest with Ridgeland from Jardine on or about March 2007. Based on his conversation with Jardine, Gillespie phoned Smart. Gillespie was in Utah County when he made the call to Smart at a Utah phone number. Smart said he had an oil and gas deal called Ridgeland in Wyoming with three wells ready to go.

Soon after the phone call, on April 16, 2007, Gillespie met with Smart and McGregor. The meeting took place at Gillespie's office in American Fork, Utah County, Utah. Smart gave Gillespie a copy of Ridgeland Wyoming, Inc.'s Operating Agreement dated December 1, 2006 and Subscription Booklet. Gillespie said he glanced over the Operating Agreement during the 45 meeting. Smart said:

- Ridgeland was his project and he had his own money invested in the project;
- "If you don't take the investment its no problem" because "[my] group will pick it up;"
- The minimum investment was $50,000;
- He was certain the wells would produce based on other successful wells in the area and the extensive research done for this project;
- Gillespie's money would be used for drilling three wells in 2007; and
- They already had the approvals / rights to drill.

On April 16, 2007, Gillespie decided to invest $100,000 and wrote a check to Ridgeland Wyoming drawn on his Gillespie Holdings account[9]. Gillespie said he signed a Subscription Agreement the same day.[10] Gillespie agreed ". . . to purchase of 3% working interest in the Moorcroft West Minnelusa Unit AMI . . . and tender this document, together with a check payable to the order of Ridgeland Wyoming, Inc. . ." The Acceptance page of the document was signed and dated by Bryan R. Farris as President of Ridgeland Wyoming on July 25, 2007. The subscription agreement contains the following statements:

---

[9]Gillespie Holdings, LLC is a Utah corporation. Gillespie Holdings registered with the Utah Division of Corporations on January 22, 1997. Gillespie Holdings' status is "Expired" for "Failure to File Renewal" as of May 3, 2007. Michael Gillespie is the registered agent. Michael Gillespie and Sue G. Gillespie are listed as managers.

[10]The signature page of the subscription agreement is actually dated April 16, 2006. The month and day were entered by hand and the year was part of the document. Mr. Gillespie said he invested in 2007 and his check is dated April 16, 2007.

> [Paragraph] 2. I have received a copy of the materials on the Moorcroft West Minnelusea Unit AMI and all exhibits thereto . . . and the terms and conditions of an investment . . . as well as any other information I deemed necessary or appropriate to evaluate the merits and risks of an investment in the Moorcroft West Minnelusa Unit AMI. I . . . have had the opportunity to ask questions of, and receive answers from, representative of Ridgeland Wyoming, Inc. . .
>
> [Paragraph] 3. I understand that my purchase of the . . . prospect is being made pursuant to an exemption from registration . . . In addition, I recognize that my purchase is being made pursuant to an exemption for registration under the Utah Uniform Securities Act . . . regarding an isolated transaction . . . I understand that investing in the above referenced program is highly speculative and there is no guarantee made to me on the amount of oil and gas that may be produced . . ., if any. I . . . understand that there are many risks in the oil and gas business . . .
>
> [Paragraph] 6. The Subscriber is an "accredited investor" as that term is defined in Regulation D . . .
>
> [Paragraph] 8. I am experienced and knowledgeable in business and financial matters and in oil and gas investments general, and I am capable of evaluating the merits and risks of this investment.
>
> [Paragraph] 10. I was not contacted by Ridgeland Wyoming, Inc. through any method of public solicitation.
>
> [Paragraph] 12. . . . my decision to invest in the Moorcroft West Misselusa Unit AMI has been based solely upon the information found within the material and no other statements made by Ridgeland Wyoming, Inc, their agents, or employees.
>
> [Paragraph] 13. I understand that the investment . . . is risky . . .

Also on April 16, 2007, Gillespie said he received a copy fo Ridgeland's Operating Agreement for Moorcroft West Minnelusa Unit AMI dated December 1. 2006. Gillespie signed the Operating Agreement on April 16. 2007 and Farris signed as president of Ridgeland on July 25. 2007. The agreement states Ridgeland Wyoming is the Operator contracted for the Moorcroft West Minnelusa Unit AMI. Gillespie said he also received a document about the Moorcroft field after he invested (Ridgeland's proposed drilling location and geology, etc.).

Shortly after investing, Gillespie said he received an email from Farris in which Farris stated "the well is dry." Gillespie said he began phoning Smart and Farris about why Ridgeland was not going forward with the drilling the second and third well. At this time Gillespie said he learned from Smart and Farris that they did not have the permits and leases required to drill the second and third wells.

Gillespie said he continued to phone Smart and Farris who began pointing fingers at each other. Farris said the wells were Smart's deal. Smart said he was only a finder and the wells were Farris' deal. Eventually, Smart would not return Gillespie's calls.

Gillespie said he and Jardine came up with a settlement proposal. Gillespie said he phoned Farris and asked for two-thirds of his money back. Farris said he couldn't give Gillespie his money back because Smart refused.

At a meeting in Gillespie's office attended by Gillespie, Farris, and investor Anton Garrity, Farris disclosed he paid Smart 40% of Gillespie's investment plus 4.625% interest in the three wells to Vysn. Farris provided three papers to Gillespie (Moorcroft West 3-Prospects As of April 22, 2007; Moorcroft West 3-Prospects; Authorization for Expenditure). Gillespie said he could immediately see Ridgeland was underfunded to complete the three well project.

On or about October 11, 2007, Gillespie received a letter from Farris about a proposed new well at the Moocroft well site and placing a cash call. Gillespie did not respond to the letter.

On or about March 2008, Gillespie arranged for a meeting with members of Vysn Capital. Present at the meeting in Gillespie's office were Gillespie, Schiffman, Smart, and McGregor. Gillespie asked if the group was open to a third meeting with Ridgeland.

Within weeks a third meeting took place at Gillespie's office. In attendance were: Gillespie, Schiffman, MacGregor, Farris, Lawyer, and Smart. Smart and MacGregor said they didn't know how the deal was structured. Farris said he spoke with Mike Hines of the Division of Securities and the deal in which Gillespie invested was not a security. Smart disagreed and said he understood it was a Reg D filing. Farris said "We are the operator and we are going to deliver two holes and then we're done." Smart and Schiffman said they are the finders and have no responsibility to Gillespie. Gillespie responded, "That is not what you told me when you took my money." Smart and Lance replied. "That's the reality – we're not responsible."

Gillespie said on or about May 27, 2008, he told Farris he wanted to take his complaint about his investment with Ridgeland to arbitration. Farris then sent Gillespie a text message with the arbiter's name: Mark Stubbs, Fillmore and Spencer, 426-8200. Gillespie said he has done nothing since receiving Stubbs' name.

Bank Records

Bank records reveal Gillespie's $100,000 investment check was deposited into Ridgeland Wyoming's account on April 24, 2007 increasing the balance to $273,700.16. Between April 24 and June 28, 2007, debits and four credits left the account balance at $8,332.93. During this period the significant debits to the account were: ~~April 24, 2007, $170,000 wired to Vysn Capital~~; May 10, 2007, $40,000 wired to Key Energy Services; and on May 5 and May 6, 2007. Garv F. Lawyer and Bryan Farris each received $25,000.

Misrepresentations

Smart told Gillespie his investment funds would be used to drill three wells. Bank records reveal Gillespie's investment funds were used for other purposes including $170,000 wired to Vysn and $25,000 each paid to Smart and Lawyer.

Smart told Gillespie that they had three wells ready to go. However, in a August 21, 2007 email from Farris to the Moorcroft Partners, Farris wrote that they had begun the process of getting an exception location for the 2nd well at Moorcroft and that the commission could approve, deny or approve their request with conditions.

Omissions

Smart failed to tell Gillespie that his investment funds would be used to pay Vysn a significant finders fee. Bank records reveal $170,000 wired to Vysn soon after Gillespie invested. At a meeting after Gillespie invested, Farris disclosed he paid Vysn 40% of Gillespie's investment plus 4.625% interest in the three wells! Nor did Smart or Farris tell Jardine of their November 6, 2006 Non-Disclosure and Non-Circumvention Agreement. Exhibit B to the agreement, dated December 28, 2006, states:

> Ridgeland Operating Company, LLC agrees to pay Vysn . . ., upon the successful funding of the Moorcroft West 3-Prospect Project, which successful funding shall be defined at TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00), a marketing/promotional fee of ONE MILLION DOLLARS ($1,000,000.00) plus TWELVE and ONE-HALF percent carried working interest, reduced pro-rata to the amount of total funding brought by Vysn to the Project, in consideration of their efforts in successfully funding the Moorcroft West 3-Prospect Project.

Witnesses Subjects

Farris

Farris submitted documents to the Division. Included was a typewritten unsigned and undated statement.

Farris, in the statement, said he and Lawyer had a previous relationship with Smart but did not know Schiffman or McGregor prior to September 2006. Farris said Smart "... makes his money off of purchasing oil and gas deals, bringing in partners and getting a piece of their deal."

On September 22, 2006, Farris said Smart contacted him to see "... what projects Ridgeland had available." Farris provided a list but Smart was not interested.

On October 16, 2006, Farris said he met with Smart and Schiffman at Café Rio in American Fork, Utah. Smart expressed interest in Farris' Brookeland Northside workover program.

Farris and Lawyer discussed Smart's interest in Brookeland and decided to sell down their interest in three wells from 100% working interest to 50% working interest for an estimated $600,000 (the $600,000 represented capital costs associated with the workover program).

On October 19, 2006, a meeting was held at Smart's home office. Present were Farris, Lawyer, Smart, Schiffman, and McGregor. Farris said he was informed, at the meeting, that Vysn would be brining in partners and that Smart wanted Farris to present the deal to Vysn's partners. Over the next couple of weeks the details of the deal were finalized. Farris wrote:

> The deal from Ridgeland was 50% working interest for all capex costs covered by the partners. The estimated capex costs were $550,000 with Ridgeland also having a prospect fee of $50,000 to be paid by the partners. This is the $50,000 that is disclosed on the Form D filing as a finder's fee. There was no disclosure as far as I know by Vysn to any of their partners. [Lawyer] and I were asked to defray the question of costs back to Vysn and not discuss any promote. Vysn was not keeping any sort of working interest in the deal but was turning over all working interest and taking their cash fee.

Between October 30, 2006 and November 16, 2006, Farris and Lawyer met with several potential Vysn partners at meetings arranged by Smart and / or Schiffman and McGregor. No mention is made in Farris' statement of a meeting with Gillespie and Jardine in Smart's statement nor does Smart mention the Moorcroft West deal.

On August 15, 2007, Smart sent Farris written after Gillespie and Jardine's request to be removed from Moorcroft. Smart listed some problems associated with Moorcroft

including insufficient and inconsistent documentation, insufficient funding, the first dry well, and finishing the two additional Moorcroft wells.

On August 16, 2007, Farris wrote an email to his lawyer. In it Farris wrote that Ridgeland had already paid Vysn $370,000, that Farris and Lawyer had made presentations but "Ridgeland has never met Mike Gillespie . . .", and Jardine and Gillespie had not yet signed an agreement to cash them out of the Moorcroft project . . ."

On September 10, 2007, Farris received an email from Smart which primarily dealt with the a deal called Brookeland East. Smart wrote that ". . . Ridgeland profited . . . and the investors are left with nothing." Smart continued that "Regardless of [the deal being] a working interest or partnership interested (sic) it was always represented that Ridgeland would manage the interest."

7. Database Research

Farris, Bryan

STRESS:	Current Case
CRD:	Negative
SID (NASA):	Negative
Courts:	4th District Court - Provo Vince Warner vs. Bryan Farris 050401556 Miscellaneous 05/12/2005 Filed 05/18/2005 Transferred to American Fork 4th District Court - American Fork Vince Warner vs. Bryan Farris 050101839 Miscellaneous 05/18/2005 Filed 06/29/2006 Dismissed w/o prejudice 3rd District Court - West Jordan Hi Stakes LLC vs Ridgeland Operating Company et al 080421674 Contracts 11/20/2008 Filed
Pacer:	Negative
Utah Corporations:	See file

Lawyer, Gary

STRESS:	Current Case
CRD:	Negative
SID (NASA):	Negative
Courts:	3rd District Court - West Jordan Hi Stakes LLC vs Ridgeland Operating Company et al 080421674 Contracts 11/20/2008 Filed
Pacer:	Negative
Utah Corporations:	Ridgeland Wyoming, Inc. EMI Roadside Drilling Partners I, L.P.

Smart, Shawn Blaine

STRESS:	01/16/1998 C1001467 Information Only: The Division received information about a C&D issued in Pennsylvania against Capital Energy Corporation, Smart's business. 10/11/2006 C1003744 Information Only: The Division received an anonymous complaint about Smart and investments into oil and gas leases.
CRD:	#8977142 On 12/09/1997 the Pennsylvania Securities Commission issued a Cease and Desist to Smart. Smart offered a settlement. The summary C & D was prospectively rescinded and Smart was ordered to permanently cease and desist from violating the Pennsylvania Securities Act and was barred from selling securities in Pennsylvania for one year unless he hired counsel experienced in securities.
SID(NASSA):	Negative
Courts:	Fourth District Court - Provo Shawn Smart vs. Corners Custom Construction In 040402358 Contracts

07/19/04 Case Filed
07/18/05 Dismissed, lack of prosecution

Courts (Cases filed against Equitable Financial Group Inc, a corporation on which Smart is listed as a principal):

3rd District Court - Salt Lake
SOS Staffing Services vs. Does 1 - 10
000904403 Debt Collection
06/02/2000 Case Filed
06/17/2002 The Court orders this matter stricken for non- appearance

3rd District Court - Salt Lake
Workforce Services vs. Equitable Financial Group, Inc.
016905944 Work Services Lien
05/08/2001 Judgment entered for $701.33
06/21/2001 Judgment modified, satisfied

3rd District Court - Salt Lake
Utah State Tax Commission vs. Equitable Financial Group
016912318 Tax Lien
06/18/2001 Case Filed
06/18/2001 Judgment entered $1,413.97
12/03/2001 Judgment modified and dismissed

3rd District Court - Salt Lake
Utah State Tax Commission vs. Equitable Financial Group
016920548 Tax Lien
10/22/2001 Case Filed
10/22/2001 Judgment entered $15,268.49
10/30/2001 Judgment modified, dismissed

3rd District Court - Salt Lake
Benjamin Grindstaff vs. John Does
020201394 Miscellaneous
02/22/02 Case Filed
03/10/08 File destroyed

3rd District Court - Salt Lake
Bonneville International Corp vs. Equitable Financial
020903121 Debt Collection
04/11/2002 Case Filed
09/30/2002 Dismissed

09/19/2007 File destroyed

3rd District Court - Salt Lake
Reagan National Advertising vs. American Collection
030402789 Debt Collections
03/20/2003 Case Filed
06/27/2003 Dismissed with prejudice

3rd District Court - Salt Lake
Workforce Services vs. Equitable Financial Group Inc
036928465 Workforce Services Lien
12/08/2003 Case Filed
03/29/2004 Modified, satisfied

3rd District Court - Salt Lake
Workforce Services vs. Equitable Financial Group Inc
036918739 Workforce Services Lien
09/16/2003 Case Filed
01/28/2004 Modified, satisfied

4th District Court - Provo
4KLIX Com vs. Neil Wardle
038401044 Small Claims
07/30/2003 Filed
09/15/2003 Dismissed with prejudice

3rd District Court - Provo
Larson Dental vs. Equitable Financial Group
040903846 Debt Collection
02/25/2004 Filed
10/24/2005 Dismissed

3rd District Court - West Jordan
Lyon Financial Services vs. Equitable Financial Group
04640059 Foreign Judgment
10/28/2004 Filed
10/28/2004 Judgment entered $102,374.90
03/21/2005 Abstract of Judgment

3rd District Court - Salt Lake
Utah State Tax Commission vs. Equitable Financial Group
046914402 Tax Lien
05/10/2004 Filed
05/10/2004 Judgment entered $4,383.57

09/07/2004 Modified, dismissed

3rd District Court - Salt Lake
Builders Bid Service of Utah vs American Collection
050904262 Contracts
03/03/2005 Filed
01/30/2007 Order of Dismissal

3rd District Court - Salt Lake
Utah State Tax Commission vs. Equitable Financial Group
056904300 Tax Lien
02/28/2005 Filed
02/28/2005 Judgment $1,463.43
03/07/2005 Dismissed

3rd District Court - Salt Lake
Utah State Tax Commission vs. Equitable Financial Group
056904301 Tax Lien
02/28/2005 Case Filed
02/28/2005 Judgment $154.30
01/03/2006 Modified, satisfied

Bankruptcies: Negative

Utah Corporations:

Investor's Advantage, Inc.
Registered: 10/27/1999
Status: Expired, Failure to File Renewal
Status Date: 07/11/2001
Registered Agent: Shawn B. Smart
President & Director: Scott B. Gordon
Secretary, Treasurer, Director: Shawn B. Smart
Vice President & Director: Neil Wardle

Discovery Alliance, LLC
Registered: 06/15/2005
Status: Active, Good Standing
Registered Agent: Shawn Smart
Member: Jim R. McGregor
Member: Lanee Schiffman
Member: Shawn B. Smart

Vast Management, Inc.
Registered: 08/17/2007
Registered Agent & Director: Jim McGregor

Director: Lance Schiffman
Director: Shawn Smart

Vysn Capital, LLC
Registered: 08/17/2006
Status: Active, Good Standing
Registered Agent & Manager: Jim McGregor
Manager: Shawn Smart

Capital Properties, Inc.
Registered: 09/27/1996
Status: Expired, Voluntarily Dissolved
Status Date: 10/21/1996
Registered Agent & Director: Todd L. Vowell
Director: Shawn B. Smart

Direct Response Verification, Inc.
Registered: 11/18/1999
Status: Expired, Failure to File Renewal
Status Date: 07/11/2001
Registered Agent & Director: Neil P. Wardle
Director: Rory Crowell
Pres, Treasurer, Sec & Director: Scott B. Gordon
Vice President: Shawn B. Smart

Image Marketing, Inc.
Registered: 12/07/1999
Status: Expired, Failure to File Renewal
Status Date: 03/27/2003
Registered Agent, Director, & President: Neil P. Wardle
Director, Treasurer, Vice President: Scott B. Gordon
Vice President & Director: Shawn B. Smart

Taylor Braxton Prospect
Registered: 05/21/2003
Status: Active, Good Standing
Registered Agent & Appliant: Shawn B. Smart

Legacy Resources Incorporated
Registered: 03/31/1998
Status: Active, Good Standing
Registered Agent: Shawn B. Smart
President, Secretary & Director: Shawn B. Smart

Trams XI, LLC
Registered: 02/11/2003
Status: Active, Good Standing
Registered Agent & Manager: Shawn B. Smart

Discovery Alliance, LLC
Registered: 06/15/2005
Status: Active, Good Standing
Registered Agent & Member: Shawn Smart
Member: Jim R. McGregor
Member: Lanee Schiffman

Equitable Financial Group, Inc.
Registered: 11/18/1999
Status: Expired, Incorrect Entry
Status Date: 06/19/2000
Registered Agent: Tiffanie Brownlee
Sec, Pres, Treasurer, Director: Scott B. Gordon
Vice President & Director: Shawn B. Smart
Director & Officer: Neil P. Wardle

LRI Falcon #2
Registered 05/21/2003
Status: Active, Good Standing
Registered Agent & Applicant: Shawn B. Smart

Live in the Black
Registered: 01/03/2007
Status: Active, Good Standing
Registered Agent: Shawn B. Smart
Applicant: Vast Energy, LLC

Vast Resources, LLC
Registered: 01/11/2007
Status: Expired, Failure to File Renewal
Registered Agent: Farris & Associates, PC
Member: James R. McGregor
Member: Lance Schiffman
Member: Shawn B. Smart

Vast Energy, LLC
Registered: 01/03/2007
Status: Active, Good Standing
Registered Agent & Manager: Shawn B. Smart

Manager: James R. McGregor
Manager: Lance F. Schiffman

Capital Properties, LLC
Registered: 10/21/1996
Status: Expired, Voluntarily Dissolved
Status Date: 11/03/1998
Registered Agent & Member: Todd L. Vowel
Member: Shawn B. Smart

LRI Hagist Ranch
Registered: 05/21/2003
Status: Active, Good Standing
Status Date: 05/21/2003
Registered Agent & Applicant: Shawn B. Smart

LRI Found Soldier
Registered: 05/21/2003
Status: Active, Good Standing
Registered Agent & Applicant: Shawn B. Smart

Conceptual Fitness, LLC
Registered: 12/18/2000
Status: Active, Good Standing
Registered Agent & Manager: Shawn B. Smart
Manager: Tiffinee D. Smart

Smart Ventures
Registered: 11/04/1994
Status: Expired, Failure to File Renewal
Registered Agent & Applicant: Shawn B. Smart

Vast
Registered: 01/03/2007
Status: Active, Good Standing
Registered Agent: Shawn B. Smart
Applicant: Vast Energy, LLC

Image Marketing, Inc.
Registered: 12/07/1999
Status: Expired, Failure to File Renewal
Registered Agent, Director, President: Neil P. Wardle
Director, Treasurer, Secretary: Scott B. Gordon
Vice President & Director: Shawn B. Smart

Tiffinee & Co., LLC
Registered: 05/18/2005
Status: Delinquent, Failure to File Renewal
Status Date: 06/24/2008
Registered Agent & Manager: Shawn B. Smart
Manager: Tiffinee D. Smart

U of U Hospital Income Fund, LLC
Registered: 01/13/2000
Status: Expired, Failure to File Renewal
Status Date: 10/01/2001
Registered Agent & Shareholder: Scott B. Gordon
Manager: Investor's Advantage, Inc.
Share Holder: Shawn B. Smart

8. Time Line

Date	Source	Event
		2006
08/11/2006	Corporations	Vysn Capital registered with the Utah Division of Corporations
11/06/2006	Farris Documents	Non-Disclosure and Non-Circumvention Agreement signed by Farris for Ridgeland and Smart for Vysn
11/20/2006	Corporations	Ridgeland Wyoming registered with the Utah Division of Corporations.
12/01/2006	Farris	Date on Ridgeland Wyoming, Inc.'s Operating agreement
12/28/2006	Farris Documents	Exhibit B to Non-Disclosure and Non-Circumvention Agreement.
		2007
Feb. 2007	Jardine	Jardine attended an investor meeting at Thanksgiving Point. Schiffman, Smart, and Farris were present. Smart made the presentation.

March 2007	Gillespie	Gillespie learned of the investment opportunity in Ridgeland from Jardine.
03/14/2007	Bank Records	Bank records show Jardine's investment of $100,000 was deposited to Ridgeland's account on 03/14/2007
04/16/2007	Gillespie	Gillespie invested $100,000 in Ridgeland Wyoming via a check. Gillespie signed a subscription agreement and Operating Agreement.
07/25/2007	Recd from Jardine. Memo regarding status of Moorcroft from Farris	"Update to all working interest participants in Moorcroft drilling program. . . confidential . . . Ridgeland . . . is still in the process of gathering critical leases on the prospects. . . To increase production to an economic level . . . an additional productive well is required."
07/25/2007	Recd from Jardine. Status Update from Farris	Jardine received a letter from Farris RE: Status Update: Moorcroft West Minnelusa Unit 3-Prospect Project.
07/25/2007	Gillespie	Gillespie received a fully executed copy of his Operating Agreement signed by Farris on 07/25/2007.
07/26/2007	Jardine email to Farris, Schiffman, Smart	"I'm not comfortable with the way this project has been represented and handled and would like to withdraw my participation." Response from Smart 07/30/2007 ". . . We are "very" frustrated with the way Ridgeland has handled communication on this project. . ." Response from McGregor 07/31/2007 ". . . the Moorcroft 3-package remains under the sole control of Ridgeland."
08/13/2007	Email recd from Jardine	Email to Jardine and Gillespie from Farris. Farris said he spoke to Smart, McGregor, and Schiffman and " . . . agreed that the best course of action is to . . . cash you out of the partnership . . . it is our intention to sell you interest to another partner and have you casehd out within 30 days."
08/21/2007	Email recd from Jardine	Undated email (file dated 08/21) updating the status of the Moorcroft Project. Farris wrote that they had begun the process of getting and exception location for the 2nd well at Moorcroft.
08/29/2007	Email recd from Jardine	Email from Farris to Partners concerning an attachment (not included) about understanding the industry.

10/11/2007	Cash Call Letter from Farris to Gillespie	Letter concerning a proposal to drill a new well at an "exception location" and calling for $18,933.60 by November 15, 2007.
11/02/2007	Email recd from Jardine	Email to Partners from Farris. "We have not yet received back your election as to participate or not in the Moorcroft Developmental well . . . dead line was OCTOBER 30, 2007."
11/26/2007	Email recd from Jardine	Email from Gary Lawyer to Farris and others concerning a meeting to be held November 26, 2007.
11/30/2007	Email recd from Jardine	Email from Gary Lawyer to Farris and others concerning Schuricht. "Waiting on Permit."
		2008
02/26/2008	Email recd from Jardine	Email from Gary Lawyer to partners. "We met with the driller face-to-face and are now on the drilling schedule . . ."
03/31/2008	Letter from Short to Lawyer and Farris	Demand letter Re: Carlos Simonetti's investment
04/11/2008	Recd from Jardine	Eamil from Gary Lawyer to Gary Lawyer about updated maps for the Prospect (attachments were not provided).
05/02/2008	Recd from Jardine	Email from Gary Lawyer to Partners about the Schuricht prospect.
Unknown, possibly 05/03/2008	Email recd from Jardine	Email from Gillespie to Gary Lawyer and others. "Wow, I'm very confused at this point as to which projects you are describing in your emails. Please help me understand where we are today based on everything that has been represented over the last year since I made this investment." Undated response from Farris. "You are in one project that consists of three different prospects, Moorcroft, Schuricht and Minnie. . ."
06/10/2008	Letter from Short to Ridgeland Wyoming	Demand Letter Re: Carlos Simonetti's investment
11/20/2008	Courts & Mr. Zoll 080421674	Hi Stakes LLC and Crosland Empire filed a law suit against Ridgeland Operating Company, Farris, Lawyer, and Ken-Tex Energy Corp.

Exhibit D

CASE SUMMARY
ADDENDUM

From: Jeffery Nielsen and Douglas Wawrzynski
To: File
Date: April 5, 2011
Case: Ridgeland
Subject: Case Review

Ross Jardine

On April 5, 2011, Investigators Jeffery Nielsen and Douglas Wawrzynski called Ross Jardine by telephone. Jardine provided the following information.

Jardine confirmed the following statements and attributed them to Farris:

- They had three wells ready to go in Wyoming.
- They could start drilling the wells within a week.
- Farris was the operator.
- They had all the money they needed and the financing was in place (adding: Jardine would be the last of the financing).
- Money Jardine invested would be used to drill the wells.

Jardine could not confirm the following statement:

- They each had $100,000 invested in the wells.
- The company was capitalized with $100,000 each from Farris, McGrego, and Schiffman.

Jardine confirmed he received the operating agreement. Copas document, and subscription agreement from Farris.

Jardine added that he assumed the project was structured as a General Partnership because that is the standard practice for oil well projects to ensure the tax benefits and Farris held himself out as an attorney who had experience in these deals.

Jardine added that because Smart and Farris were offering the investment together, he believed Smart and Farris both worked at Ridgeland and that Farris was the operator while Smart was in charge of marketing and raising capital. Neither Farris nor Smart disclosed they worked for two different corporate entities.

Jardine also stated standard commissions on these projects is 10% and would have never invested in the project if he knew it was paying 40% of investor funds to a finder.

Jardine Source and Use
FIFO

Ridgeland Wyoming's JPMorgan Chase Bank records show Jardine's $100,000 was deposited on March 14, 2007, bringing the account balance to $211,621.16. According to a first in first out analysis of the funds, Jardine's funds were used as part of a $200,000 payment to Vysn Capital, LLC on or about March 27, 2007.

Michael Gillespie

On March 30, 2011, Investigators Jeffery Nielsen and Douglas Wawrzynski called Michael Gillespie by telephone. Gillespie provided the following information.

Nielsen reviewed the subject matter of Diana Parrish's case summary, Gillespie confirmed the statements made by Smart but added that Smart characterized his investment in the Moorecroft project as "as significant sum of money."

Gillespie Source and Use
FIFO

Ridgeland Wyoming's JPMorgan Chase Bank records show Gillespie's $100,000 was deposited on April 24, 2007, bringing the account balance to $273,700.16.[1] According to a first in first out analysis of the funds, Gillespie's funds were used in the following manner: $38,102.41 was part of a $40,000 payment to Key Energy Services, $551.14 paid to Qwest, $1,166.96 paid to Citi, $220 paid to an unknown payee, $2,089.21 paid to L&J Motor Repair, $2,617.67 paid to MGTC, Inc, $388.67 in bank fees, $25,000 paid to Farris, $25,000 paid to Lawyer, and $4,863.94 as part of a $7,595.04 payment to John L. Kennedy. Gillespie's funds were used by or about June 6. 2007.

Brian Farris

[1] On the same day Gillespie's funds were deposited into the Ridgeland Wyoming account, $170,000 was wired to Vysn Capital, LLC.

On March 21, 2011, Brian Farris came to the Division of Securities to discuss his involvement in the capitalization of an oil and gas drilling venture ran partly by Farris's company Ridgeland. Investigators Jeffery Nielsen and Douglas Wawrzynski were present. Farris said he knew there were two business partners, Michael Gillespie and Ross Jardine, who had filed complaints with the Division regarding a project which Farris called the Moorcroft project. The following is a summary of that interview.

Nielsen presented Farris with a three page, unsigned letter which the Division had previously received. Farris authenticated the letter as having been written by him, and Farris verified the letter received was the complete document.

Farris said Ridgeland was created by Farris and Gary Lawyer in October 2005. Farris said both he and Lawyer had previous experience in the oil industry. Farris said he had created a previous company which was involved in the oil business, and Lawyer had been a geophysicist with training in the oil industry since before Farris was born.

Farris said he knew Shawn Smart prior to starting Ridgeland. Farris said Smart had been involved in the oil industry for about 18 years, and helped bring investors into various oil projects. Farris said Smart was the person who actually introduced Farris to the oil business. Farris said Smart had contacted him in order to get involved in some oil deals starting in or about 2006. Farris said there were two smaller oil projects Ridgeland was looking to do-the Brookeland project and the Moorcroft project[2]-but Ridgeland needed funding in order to move forward with the projects.

Farris said Smart, through his company Vysn Capital, LLC, was going to bring investors into both projects. Farris said Smart and Smart's two other business partners within Vysn, Jim McGregor and Lance Schiffman, had numerous contacts who had invested in various oil projects previously. Farris said Smart wanted to maintain some "ownership" of the investors Vysn brought into the projects, so Smart asked Farris to sign a Non-Disclosure and Non-Circumvention Agreement (NDNC).

Farris said he agreed to pay Vysn a finder's fee for bringing the investors into the projects. Farris said he created two exhibits to the NDNC regarding how the finder's fees would be paid on the Brookeland and Moorcroft projects.

Farris said the agreement between Ridgeland and Vysn for the Moorcroft project was to function as a sale of Ridgeland's operating interest in Moorcroft for a predetermined price of $1.5 million, which Vysn would then turn around and resell to the investors with Vysn's own markup of $1 million, which was a 40% price increase. Farris said the $1.5 million price was due to Ridgeland's anticipated costs of about $500,000 for each well it was planning to drill. Farris said the 40% fee was only to be paid to Vysn once Vysn had brought in the $1.5 million amount.

---

[2] Farris said the Moorcroft project involved a 160 acre unit of land in Wyoming with two pre-existing wells that had been producing oil since the 1980s. Lawyer and Farris bought the unit and wanted to drill three new wells on the land.

Farris said with the exception of Gillespie, Farris had met with all of the Moorcroft investors prior to accepting funds. Farris said Lawyer was also present for a few of the investor meetings. Farris said Lawyer was very careful with his choice of words, and always liked to disclose the numerous risks involved with the projects. Farris said Smart did not like Lawyer to attend the offerings for this reason. Farris said the investors all claimed to be accredited investors. Farris said he did not have a private place memorandum prepared for the offering, but did provide investors with a copy of the Moorcroft operating agreement, a subscription agreement, and Farris went through a PowerPoint presentation to explain the project and risks to investors. Farris stated he drafted the subscription agreement, and the operating agreement was a standard form approved by AAPL. Farris said investors were also provided with a "projection" of anticipated costs up front based on the amount they were to invest, which Farris called an AFE. Farris said the AFE was later changed to show the actual costs as well.

Farris also discussed a meeting with Jardine which took place in a deli at Thanksgiving Point in or about February 2007. Farris said he, Smart, and either McGregor or Schiffman were present for the meeting with Jardine. Farris said the meeting started before he arrived. Farris said he only met with Jardine for about ten minutes before Jardine left, which was just long enough for Farris to show Jardine the Moorcroft project PowerPoint presentation. Nielsen went through a number of the statements Jardine claimed were made during the meeting.[3] Farris said he was not present for most of the statements made. Farris said he told Jardine about some of the risks involved and that the money invested would be used for drilling. Farris said he did not disclose the 40% fee which was going to be paid to Vysn.

Farris said he also told Jardine the three wells were ready to go. Farris explained the wells were ready to drill, with the exception of having the necessary funds in place to start the drilling. Farris said Ridgeland had already identified the three well sites for drilling. Farris said a permit was obtained for the first site, but Ridgeland had not obtained the permits for the second and third sites at the time of the Jardine meeting. Farris stated it is customary not to obtain drilling permits until right before drilling is to begin, because the permits typically only last for thirty days, and thus, a drilling permit is not obtained too far in advance.

One of the statements Farris was asked about was a statement about Smart and Vysn having invested $100,000 into the Moorcroft project as well. Farris said he was not present if the statement was made to Jardine. Farris said neither Smart, McGregor, Schiffman, nor Vysn had invested any money into the Moorcroft project. Farris said it did not surprise him if the statement had been made by Smart, because he had heard Smart make similar statements to previous investors in the Brookeland project. Farris said Jardine invested $100.000 a few days later. which were deposited into Ridgeland's JPMorgan Chase Bank account.

---

[3] The statements are found in the original case summary compiled by investigator Diana Parrish, who had previously been investigating the case.

Farris said after Vysn had raised about $900,000 for the Moorcroft project, Vysn requested to receive its 40% fee from Ridgeland. Farris said Vysn and Smart were anticipating the remaining investor funds would be paid to Ridgeland soon thereafter. Farris said this was the basis for about $370,000 in payments from Ridgeland to Vysn.

Farris said it is standard in the oil industry to pay finder's fees to people who refer investors to projects. Farris said the finder's fees typically fall under the type of finder discussed in the Anka letter, and the finders are typically paid about 8%. Farris said the 40% fee paid to Vysn was not an industry standard amount paid to finders, and probably did not qualify as a finder under the Anka letter since investor funds were deposited directly into Ridgeland's account and the transaction did not take the form of Ridgeland selling the Moorcroft interest to Vysn and Vysn reselling the interests with a markup. Farris acknowledged that Vysn's members were not licensed to sell securities and by having Vysn raise capital in return for a 40% finder's fee would likely be considered employing an unlicensed agent. Farris said he did not disclose the 40% finder's fee to investors, because Farris had an agreement with Vysn to direct all questions regarding costs and compensation to Vysn.

Farris said Vysn later failed to raise the remaining capital as discussed, but by then, Ridgeland had already drilled the first well and spent all of the investor funds in doing so. Farris said the first well was drilled in March 2007 and was a dry well. Farris said when Vysn failed to perform, in essence, the investors became Ridgeland's investors. Farris said he began to work with Jardine and Gillespie to try and correct any issues Jardine and Gillespie had. Farris said he told Jardine, Gillespie, and the other seven investors about the 40% fee paid to Vysn, and about Vysn not raising the remaining financing needed to drill the three wells. Farris said he also opened up all of the books for the investors to review, in order to try and move forward.

Farris provided the Form D filing made with the SEC for the Moorcroft project. The Form D filing stated the minimum investment was $50,000. Farris admitted at least one investor was allowed to invest less than $50,000 because they were a relative, who was an accredited investor and a certified financial planner who could understand the risks of investing. Farris said Ridgeland also kept a $50,000 "finder's fee," which was paid to Lawyer and himself for work they would perform by drilling the three wells. Farris said this fee was disclosed on the Form D, and was disclosed to investors in both the AFE and in the PowerPoint presentation Farris showed investors.

Farris explained the $50,000 fee described in the operating agreement was an additional overhead fee that would be assessed on each well drilled in accordance with the agreement, after the initial three wells had been drilled.

Farris said Ridgeland took on additional investors and "sold down" their operating interest in order to raise the additional funds needed to drill the other two wells and fulfill the contractual obligations Ridgeland had to the investors brought in by Vysn. Farris stated he worked closely with Gillespie in an effort to ensure Gillespie and Jardine received what they were offered.

Farris said the additional two wells have since been drilled, with the third well producing oil since about September 2008. Farris said Jardine, Gillespie, and the other investors have been receiving residual payments based on the working interest each person owns in the well. Farris said all of the investors have made, or will make, money on their investments, with the exception of the nine investors Vysn referred, due to the 40% fee paid to Vysn on the nine investors' funds. Farris said the nine investors referred by Vysn will almost be made whole. Farris said the investors will actually make money because of the tax benefits they received for investing in the oil well initially.

Farris identified a few of other investors in the bank records. Farris also identified the $50,000 initial fee collected by Ridgeland, but noted the second $50,000 fee, which appears to have been paid from Gillespie's funds, was not a cost associated with the Moorcroft project. Farris said all projects being handled by Ridgeland shared an account at the time. Farris said Ridgeland did not employ a first in first out accounting of funds, but rather maintained a separate cost sheet of how investor funds were used. Farris said COPAS guidelines were used for the accounting of funds.

At the time of the interview, Farris estimated the Moorcroft project had 13 investors, but at one time had as many as thirty investors. Farris provided a list with all of the investors involved in the Moorcroft project. Farris identified nine investors on the list as people referred to the Moorcroft project by Vysn, and whose investments were the basis for the 40% fee paid to Vysn by Ridgeland. Farris said Ridgeland is looking to buy out investors' interests in the Moorcroft well. Farris said Ridgeland and the investors who would like to maintain their working interests will buy out the investors who want out of the investment. Farris' investor list shows which investors are selling their interests.

Shawn Smart and Jim McGregor

On March 30, 2011, Shawn Smart and Jim McGregor came to the Division of Securities to discuss their involvement in the capitalization of an oil and gas drilling venture ran by a company called Ridgeland. Investigators Jeffery Nielsen and Douglas Wawrzynski were present, as well as Smart and McGregor's attorney, Mark Pugsley. Smart and McGregor provided the following information.

Smart and McGregor said they knew Bryan Farris, who owned and operated Ridgeland, from previous dealings with Farris. Smart and McGregor said they later met with Farris to discuss some oil dealings each person had. Smart and McGregor said Farris' business partner, Gary Lawyer, was a very abrasive person.

Smart and McGregor said they started working with Farris shortly before Smart and McGregor's company, Vysn, was to start raising money for a couple of oil projects Ridgeland had. Smart and McGregor said they were looking at different business options with Farris and Ridgeland, including the possibility of starting a business together. Smart and McGregor said they worked in the same office as Farris for a while.

Smart and McGregor said they agreed to refer potential investors to Ridgeland for a couple of different projects, one of which was a project in Wyoming called the Moorcroft project. Smart and McGregor said Moorcroft was to be a project in which three oil wells were to be drilled.

Smart and McGregor said they had operated oil projects by themselves in the past, and knew how to utilize private placement memorandums when making securities offerings to potential investors. Smart and McGregor said Farris had told Smart and McGregor he had structured the deal so the deal was not a security. Smart and McGregor said based on this, they believed this was the case, especially since Farris was an attorney with securities experience. Smart and McGregor said they never received any of the documents to be offered to investors, and so they were unsure if the interests offered to investors would be considered securities, or what disclosures would have been made to potential investors in the documents.

Smart and McGregor said they were to act as the wholesalers of the oil interests for Ridgeland. Smart and McGregor said they were going to be paid 40% pro rata based on the funds Vysn referred to Ridgeland. When asked if that was a standard fee amount in the oil industry, Smart and McGregor said this was a pretty reasonable "promote" fee, as companies usually marked up the price at least 100% on top of what the oil company needed to do the work.[4] Smart and McGregor said they were not the only people who were to raise money for Ridgeland's Moorcroft project. Smart and McGregor said Farris' brother-in-law, Blake Empey (Tibble Fork), also raised money for the Moorcroft project.

Smart and McGregor said they probably referred less than 12 people to the Ridgeland for the Moorcroft project. Smart and McGregor said they were unsure how much money was invested by the people they referred, but did have records to show how much money they brought in for the project.

Pugsley said he had only learned about the purpose of the meeting that day, so he was unsure of all the facts. Pugsley said based on what he knew, Pugsley thought the transactions may not be securities, and the Division may not have jurisdiction to review the transactions. Pugsley said if the investors had purchased working interests in the Moorcroft wells, this would make the investors General Partners and not mere passive investors in the project. Pugsley said the investors would have only been entitled to tax benefits if they were General Partners in the project.

Initially, Smart and McGregor said they were not a part of the offerings to their referred clients. Later in the meeting, Smart and McGregor said they had attended at least one meeting, which was a meeting for Ross Jardine. Smart and McGregor said they had

[4] When Smart and McGregor were told the Division had learned a 10% fee was usually the maximum, McGregor said there were two typical fees on oil deals. The 40% fee they received would have been low for the wholesale markup of the interests. McGregor said when an oil company sold interests to a Broker-Dealer, the fee would normally be a 100% markup. McGregor said the Broker-Dealer would then add about 10% on top of that in order to cover their costs and profit.

met with Jardine at a deli in Thanksgiving Point, Utah, in order to discuss a deal Jardine had available. Near the end of the meeting, Jardine had asked Smart and McGregor if they knew of any oil projects Jardine in which Jardine could invest.

Smart and McGregor said they contacted Farris to join them. Smart and McGregor said Farris attended the meeting, and went through a PowerPoint presentation on his laptop for Jardine.[5] Smart and McGregor said the meeting only lasted about 20 minutes, because either Jardine or Farris had to leave early.

Wawrzynski discussed some of the alleged statements which Jardine said he was during the meeting, including a statement that Jardine's money would be the last amount of money needed for the project, and a statement about Smart and McGregor having invested $100,000 into the Moorcroft project as well. Smart and McGregor denied making these statements, and said the statements were untrue. Smart and McGregor said they never invested any of their own funds into the Moorcroft project, and Smart and McGregor denied ever telling any investors this was the case. Smart and McGregor said Jardine is a person who would look for loopholes in deals in order to cause problems later.

Smart and McGregor said they did not recall meeting with Jardine's business partner, Michael Gillespie, prior to Gillespie investing in the Moorcroft deal. Smart and McGregor denied meeting with Gillespie without Farris. Wawrzynski discussed some of the statements Gillespie alleged were made to him during a meeting with only Smart and McGregor prior to investing, including a statement about Smart and McGregor having invested a "significant" amount of money in the Moorcroft project. Smart and McGregor denied they would have made the statement to Gillespie, as they had never invested any funds into the Moorcroft deal. Smart and McGregor denied they would have provided Gillespie with any documents pertaining to the deal, including the operating agreement and the subscription agreement, as Smart and McGregor had never received any of those documents from Farris.

Smart and McGregor said soon after they started referring investors to the Moorcroft project, Farris and Ridgeland decided to drill the first oil well without notifying Smart and McGregor. Smart and McGregor said they were unhappy with Farris' decision to drill the hole, since the deal was to be a three well project, and Ridgeland had not finished raising money for all three wells to be drilled. Smart and McGregor said this made it difficult to go to other potential investors and ask for money on a three well project, especially when one hole had already been drilled and came up dry. Smart and McGregor said they stopped based on their difference in opinion with Farris over drilling the well before having funding in place to drill all three wells, Smart and McGregor decided not to continue referring potential investors to the project.

Smart and McGregor said they had attended a meeting with Jardine's business partner, Michael Gillespie, after Gillespie had invested. Smart and McGregor said Farris

[5] Smart and McGregor said Farris typically used the PowerPoint presentation to explain the investment to investors.

was also present for the meeting. Smart said he learned Farris had structured the deal differently than had originally been discussed during this meeting. Smart and McGregor said they were unaware Farris had not used a PPM to raise investor funds until after Smart and McGregor had referred investors to the project.

Lance Schiffman

On April 5, 2011, Investigators Jeffery Nielsen and Douglas Wawrzynski called Lance Schiffman by telephone. Schiffman provided the following information.

Schiffman was asked about possible meetings he attended with Shawn Smart and/or Bryan Farris when offering an investment opportunity through Farris' company, Ridgeland. Schiffman said he was not part of a meeting involving Michael Gillespie, but was present for a meeting between Smart, Farris, and Ross Jardine at Thanksgiving Point, Utah, in or about February 2007.

Schiffman said he remembers the Jardine meeting as having a dual purpose. Schiffman said Jardine had talked about a deal in Hawaii, and then there was a discussion about investing in an oil project through Ridgeland. Schiffman said he was unable to remember a lot of the specific details discussed during the meeting. Specifically, Schiffman said he could not remember if either Smart or Farris had invested their own funds into the oil project, or if either Smart or Farris disclosed a 40% fee was to be paid to Smart for referring investors to the project.