

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

02

COMMISSIONERS:

JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
GARY PIERCE

2007 FEB 27 P 4: 02  
AZ CORP COMMISSION  
DOCUMENT CONTROL

In the matter of:

Docket No. S-20437A-05-0925

Reserve Oil & Gas, Inc., a Nevada corporation  
3507 North Central Avenue, Suite 503  
Phoenix, Arizona 85012

AMENDED ANSWER OF ALLEN L. STOUT TO TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING

Allen and Jane Doe Stout, Sr., husband and wife  
1309 West Portland Street  
Phoenix, Arizona 85007-2102

Arizona Corporation Commission

DOCKETED

Allen and Jane Doe Stout, Jr., husband and wife  
1309 West Portland Street  
Phoenix, AZ 85007-2102

FEB 27 2007

Respondents.

DOCKETED BY [Signature]

Respondent Allen L. Stout ("Stout" or "Respondent") for and on behalf of himself and none others, by and through undersigned attorney, does hereby file his Answer to the Temporary Order to Cease and Desist and Notice of Opportunity for Hearing ("TC&D"), and does hereby admit, deny and allege as follows:

I. JURISDICTION

1. Answering Paragraph 1, Respondent Stout admits the Commission has jurisdiction over this matter.

2. Answering Paragraph 2, Stout admits the allegations therein.

3. Answering Paragraph 3, Stout denies that Allen C. Stout is a Senior<sup>1</sup>, but admits the remaining allegations therein.

<sup>1</sup> Respondents have previously informed the Securities Division of the Arizona Corporation Commission that Allen L. Stout is not a Junior and Allen C. Stout is not a Senior.



1           18.     Answering Paragraph 18, Stout is without information sufficient to form a belief as  
2 to the allegations of Paragraph 18 and, on that basis, denies same.

3           19.     Answering Paragraph 19, Stout is without information sufficient to form a belief as  
4 to the allegations of Paragraph 19 and, on that basis, denies same.

5           20.     Answering Paragraph 20, Stout is without information sufficient to form a belief as  
6 to the allegations of Paragraph 20 and, on that basis, denies same.

7           21.     Answering Paragraph 21, Stout is without information sufficient to form a belief as  
8 to the allegations of Paragraph 21 and, on that basis, denies same.

9           22.     Answering Paragraph 22, Stout is without information sufficient to form a belief as  
10 to the allegations of Paragraph 22 and, on that basis, denies same.

11          23.     Answering Paragraph 23, Stout is without information sufficient to form a belief as  
12 to the allegations of Paragraph 23 and, on that basis, denies same.

13          24.     Answering Paragraph 24, Stout is without information sufficient to form a belief as  
14 to the allegations of Paragraph 24 and, on that basis, denies same.

15          25.     Answering Paragraph 25, Stout is without information sufficient to form a belief as  
16 to the allegations of Paragraph 25 and, on that basis, denies same.

17          26.     Answering Paragraph 26, Stout is without information sufficient to form a belief as  
18 to the allegations of Paragraph 26 and, on that basis, denies same.

19          27.     Answering Paragraph 27, Stout is without information sufficient to form a belief as  
20 to the allegations of Paragraph 27 and, on that basis, denies same.

21          28.     Answering Paragraph 28, Stout is without information sufficient to form a belief as  
22 to the allegations of Paragraph 28 and, on that basis, denies same.

23          29.     Answering Paragraph 29, Stout is without information sufficient to form a belief as  
24 to the allegations of Paragraph 29 and, on that basis, denies same.



1 are directed at him.

2 **V.**

3 **VIOLATION OF A.R.S. § 44-1842**

4 **(Transactions by Unregistered Dealers or Salesmen)**

5 41. Stout denies the allegations contained in Paragraph 41 of the TC&D insofar as they  
6 are directed at him.

7 42. Stout denies the allegations contained in Paragraph 42 of the TC&D insofar as they  
8 are directed at him.

9 **VI.**

10 **VIOLATION OF A.R.S. § 44-1842**

11 **(Fraud in Connection with the Offer or Sale of Securities)**

12 43. Stout denies the allegations contained in Paragraph 43 of the TC&D insofar as they  
13 are directed at him.

14 44. Stout denies the allegations contained in Paragraph 44 of the TC&D insofar as they  
15 are directed at him.

16 45. Stout hereby specifically denies all allegations not admitted, denied or qualified  
17 herein.  
18

19 **VII**

20 **TEMPORARY ORDER**

21 **Cease and Desist from Violating the Securities Act**

22 Stout denies that the alleged conduct supports the issuance of the TC&D, and denies that  
23 public welfare requires the TC&D. Stout admits that it has complied with all aspects of the TC&D  
24 thus far, and will continue to do so. To the extent TC&D Section VII contains additional  
25 allegations, Stout denies same.  
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**XIII.**

**SECURITIES DIVISION'S REQUESTED RELIEF**

By inadvertence or otherwise, the Securities Division omitted Counts IX, X, XI and XII—the TC&D sections jump from VII to XIII. Respondent Stout requests that the Commission deny the Requested Relief as identified in Paragraphs 1, 2, 3, 4, and 5 of Section XIII of the TC&D.

**XIV.**

**HEARING OPPORTUNITY**

By inadvertence or otherwise, the Securities Division omitted Counts IX, X, XI and XII—the TC&D sections jump from VII to XIII. Respondent has requested a hearing pursuant to A.R.S. § 44-1972.

**AFFIRMATIVE DEFENSES**

46. For his first affirmative defense, Respondent alleges that the TC&D fails to state a claim upon which relief can be granted.

47. For his second affirmative defense, Respondent alleges that no security is involved in these alleged transactions.

48. For his third affirmative defense, Respondent alleges that any ruling in this action would be unconstitutional under the laws of the State of Arizona and under the laws of the United States of America for, *inter alia*, failing to provide due process, among other provisions.

49. For his fourth affirmative defense, Respondent alleges that application of A.R.S. § 44-2031(C) in this case exceeds the authority granted to the Commission by the Arizona Constitution.

50. For his fifth affirmative defense, Respondent alleges that to the extent the Units that the Units that were allegedly offered or sold by any of the of the named Respondents are

1 determined to be investment contract securities, the Respondents and the subject Units are exempt  
2 from the registration provisions of the Arizona Securities Act.

3 51. For his sixth affirmative defense, Respondent alleges that all of his actions were  
4 taken for a proper purpose.

5 52. For his seventh affirmative defense, Respondent alleges that he has not taken any  
6 improper action within or from the State of Arizona.

7 53. For his eights affirmative defense, Respondent alleges that the Commission's claims  
8 are barred by the applicable statute(s) of limitations.

9 54. For his ninth affirmative defense, Respondent states that he did not sell investment  
10 contracts under Arizona law.

11 55. For his tenth affirmative defense, Respondent alleges the claims in the TC&D are  
12 barred by estoppel.

13 56. For his eleventh affirmative defense, Respondent alleges the claims in the TC&D  
14 are barred by laches.

15 57. For his twelfth affirmative defense, Respondent alleges that the claims in the TC&D  
16 are barred by waiver.

17 58. For his thirteenth affirmative defense, Respondent alleges that the claims in the  
18 TC&D are barred by assumption of risk.

19 59. For his fourteenth affirmative defense, Respondent alleges that the Securities  
20 Division has failed to allege securities fraud with reasonable particularity as required by Rule 9(b)  
21 of the Arizona Rules of Civil Procedure.

22 60. For his fifteenth affirmative defense, Respondent alleges that he did not know, and  
23 in the exercise of reasonable care could not have known, of any alleged untrue statements or  
24 material omissions as set forth in the TC&D.  
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1           61. For his sixteenth affirmative defense, Respondent states that he has not acted with  
2 the requisite scienter.

3           62. For his seventeenth affirmative defense, Respondent states that he has not employed  
4 a deceptive or manipulative device in connection with the purchase or sale of any security.

5           63. For his eighteenth affirmative defense, Respondent states that the investors have  
6 suffered no injuries or damages as a result of Respondent's acts or the alleged acts of any of the  
7 other Respondents named in this action.

8           64. For his nineteenth affirmative defense, Respondent states that he never made any  
9 misrepresentations or omissions, material or otherwise.

10           65. For his twentieth affirmative defense, Respondent alleges that he acted in good faith  
11 and did not directly or indirectly induce the conduct at issue.

12           66. For his twenty-first affirmative defense, Respondent states that he has caused no  
13 damages.

14           67. For his twenty-second affirmative defense, Respondent alleges that purchasers  
15 relied on others, and not the Respondents named in this action, in connection with the matters at  
16 issue in the TC&D.

17           68. For his twenty-third affirmative defense Respondent alleges that he did not  
18 participate at any time in any offer or sale.

19           69. Respondent alleges such other affirmative defenses set forth in Arizona Rule of  
20 Civil Procedure 8(c), as may be determined to be applicable through discovery.

21           70. Respondent reserves the right to amend this Answer to assert additional defenses  
22 after completion of appropriate discovery.  
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**IX.**

**ANSWER AND AFFIRMATIVE DEFENSE REQUIREMENTS**

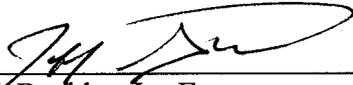
Respondent has fully complied with the Answer and Affirmative Defense requirements.

WHEREFORE, there is no basis for the imposition of liability of any kind or nature, and there should be no award of any kind or nature against the Respondent.

RESPECTFULLY SUBMITTED this 27th day of February, 2007.

ROSHKA DeWULF & PATTEN, PLC

By

  
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Attorneys for Respondents

ORIGINAL and thirteen copies of the foregoing filed this 27th day of February, 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered this 27th day of February, 2007 to:

Marc E. Stern, Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

1 Shoshana O. Epstein  
2 Securities Division  
3 Arizona Corporation Commission  
4 1300 West Washington Street, 3rd Floor  
5 Phoenix, Arizona 85007

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