

IN THE STATE OF OKLAHOMA, DEPARTMENT OF SECURITIES
 First National Center, Suite 860, 120 North Robinson,
 Oklahoma City, Oklahoma 73102

In the matter of:)	File No.: <u>ODS-01-122</u>
)	
B&B Worm Farm, Greg Bradley and Lynn Bradley)	REPLY AND ANSWER OF
)	RESPONDENTS, B&B
Respondents)	WORM FARM, GREG
)	BRADLEY AND LYNN
)	BRADLEY

IN ANSWER AND RESPONSE to the recommendation to issue an order to cease and desist pursuant to Okla. Stat. Tit. 71, §§801-829 (1991 and Supp. 1999) filed May 1, 2002 and served on May 8, 2002 under file number ODS-01-122, and said respondents hereby state and allege as set forth below in seriatim answer and response to the specifically numbered paragraphs contained therein, as follows:

1. Admitted.
2. Admitted.
3. Respondents are without sufficient knowledge or information so as to form a belief with respect to petitioner's allegation in paragraph 3 and therefore, to that extent only, denies the same.
4. Respondents are without sufficient knowledge or information so as to form a belief with respect to petitioner's allegation in paragraph 4 and therefore, to that extent only, denies the same.
5. Respondents admit entering into a contract on March 7, 2000 which did contain the terms as alleged in this paragraph 5 but, which also contained numerous other terms necessary to make the selected terms alleged herein fully meaningful and in context. Upon information and belief, petitioner is in possession of said Smith contract dated March 7, 2000 but has omitted to attach same to the allegations.

Respondents therefore reserve the right to supply the entire contract dated March 7, 2000 at any time requested or, as a part of an amended answer, if hereafter necessary or appropriate.

6. Respondents admit that a contract dated October 18, 2000 was entered into with one Lassiter but, contrary to petitioner's allegations, the breeder worms contracted to be delivered were not in the amount of 400,000 "thereof" but rather, in the amount of 375,000 "thereof" which were duly and properly delivered as per said contract. Respondents further admit that the price for the purchase of the breeder worms was \$12,400.00 and, the price charged and paid for the harvesting equipment was \$1,500.00, including the term thereof being six (6) years.
7. Respondents deny that the Purchase Contracts provide that "respondents would buy back a minimum of 100 lbs. of worms per month at a price of no less than seven dollars (\$7.00) per pound for the term of the contract" as alleged but rather, said Contract states (and was clearly explained and understood to mean) that "seller will purchase any amount of worms per month from the buyer" but, that the buyer must have a "minimum of 100 lbs." to sell-back at the price of no less than \$7.00 per pound. Otherwise stated, the term in the Contract (stating minimum of 100 lbs.) meant that (and was understood and stated to mean) that seller would not be obligated to make buy-back purchases of quantities "less than 100 lbs." in amount. (Note: Parenthetically, respondents point out that this Contract term and policy was "waived" since Lassiter requested respondents to buy back quantities as small as "6.4 lbs." and "44 lbs." at a time.
8. Respondents deny telling Smith that "10-15 worm beds could generate

\$10,000.00 of monthly income” because, in fact, respondents routinely and consistently refused to make either a “quantity” or a “dollar” representation whatsoever, since the variables, contingencies and other circumstances beyond the control of respondents make it impossible to guarantee, predict or otherwise assure any purchaser of such a worm contract of a given worm contract that any specifically represented amount would be achievable. Similarly, and for the same reasons, respondents deny “telling” or “representing” that 30-40 pounds of worms could be harvested from a 2x2x 8 ft. bed. Further, respondents deny omitting to state or failing to state that it would be that “it would be 6-9 months before any worms could be harvested” and, to the contrary, respondent Greg Bradley, indicated that the most successful worm growers allowed their breeder worms to multiply and increase for one year or more, in order to generate a larger and more significant periodic harvest thereof for re-selling. Emphatically also, the allegations contained in paragraph 8, are totally contrary to and “fly-in-the-face” of paragraph 6 of both the Smith contract and the Lassiter contract, each stating as follows:

No guarantee of earnings or range of earnings is made save and except article #3 Seller does not guarantee that Buyer will be successful with their earthworm business. The success or failure of the Buyer's business is the sole responsibility of the Buyer. The survival of the Buyer's worms is the sole responsibility of the Buyer.

Respondents reserve the right to supply the entire contract dated March 7, 2000 at any time requested or, as a part of an amended answer, if hereafter necessary or appropriate.

9. Respondents deny giving “direction” to Lassiter as alleged in paragraph 9 because

the choice of plastic, wood or other particular methods of growing worms are left entirely up to each individual worm grower. Further, upon information and belief, respondents understand and therefore aver that Lassiter actually attempted to grow his worms in a small, confined "temporary mini-storage" cubicle which was not temperature controlled, had no sufficient air supply and was not conducive to adequate worm-growing conditions.

10. Respondents deny that they ever told or represented to Lassiter that "he should be able to harvest approximately 2000 pounds of worms every 60-90 days" and further, such an alleged verbal statement is expressly contrary to and "flies in the face" of paragraph 6 of the actual contracts in question. Respondents further deny telling Lassiter or representing that he would "make" sixteen thousand dollars (\$16,000.00) per month but, respondents do not deny if Lassiter were able to harvest 2000 pounds of worms every 60 days that, respondents would have purchased same (in accordance with the contract) at \$8.00 per pound (computed at \$7.00 per pound plus, \$1.00 per pound for "delivering" said worms to respondents' distributor, thereby making a total price of \$8.00 per pound. Here again, petitioner's allegation is totally contrary to and "flies-in-the-face" of paragraph 6 of the within concerned contracts, quoted verbatim above herein in paragraph 8. (See contract terms.)
11. Respondents deny that the transaction alleged in paragraph 11 took place on July 9, 2001 but, respondents admit that Lassiter did deliver 6.4 pounds of worms on July 20, 2001 and for which he was timely paid the proper amount of \$51.20, as per contract. Further, although not alleged by petitioner, respondents admit that

on September 8, 2001, Lassiter delivered another 44 pounds of worms and was timely paid the proper sum of \$352.00 as per contract.

12. Respondents deny that the "contracts" themselves are required to be registered under the above-captioned Act but, respondents do state that their selling entity, (herein by stipulation of petitioner is identified as "B&B Worm Farm") is required to be so registered and further, respondents state that, in fact, substantial compliance with said requirement was made by respondent, B&B Worm Farm, on August 13, 2001 when respondent Greg Bradley, filed what he believed to be the proper application to be so registered under said Act, all as evidenced by the \$250.00 registration receipt, a copy of which is attached hereto and made a part hereof. Further, notwithstanding said good faith effort however, upon information and belief, said application was found to contain deficiencies as later itemized, with respect to which, the undersigned is now in the process of perfecting, completing and achieving full compliance. Therefore, it is admitted that B&B Worm Farm was not "technically registered" at the time some of the events alleged herein took place but, respondent vigorously denies that there had been no registration thereof (or a good faith effort to be so registered) by the time the allegations herein were made nor further, that the same is not being fully completed at this present time also in good faith.

RESPONDENTS' RESPONSE TO PETITIONER'S CITED AUTHORITIES AND
CONCLUSIONS OF LAW

Respondents acknowledge that §802 of the Act alleged applies to the business respondents have attempted to conduct as alleged herein and otherwise. Further, respondents

also acknowledge that the specific sub-sections alleged herein to apply by petitioner are also applicable and correctly cited.

RESPONDENTS' RESPONSE TO PETITIONER'S CONCLUSIONS OF LAW

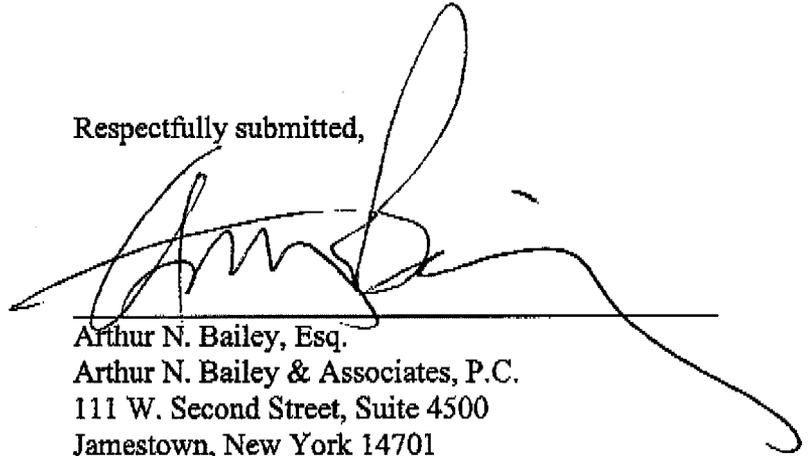
1. Respondents admit that the within concerned Purchase Contracts are "business opportunities" as that term is alleged.
2. Respondents admit that the alleged Lassiter contract was offered and/or sold as a business opportunity in the State of Oklahoma.
3. Respondents deny that the offer and sale of the Purchase Contracts by respondents were made without a colorable, a good faith and a substantial compliance with the registration under the Oklahoma Business Opportunities Sales Act and therefore, respondents deny violating §806 thereof, despite the fact that Respondents are required to (and are now vigorously attempting to) complete the registration process as aforesaid.
4. Respondents categorically deny that respondents, or any of them, made untrue statements of material facts and/or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made not misleading, in violation of §819 of the Act.

FURTHER, even though demanded separately herefrom, respondents nevertheless in this Answer and responsive pleading, do hereby demand an Opportunity for Hearing in accordance with the rights accorded respondents under the Act and further, the respondents specifically herein reserve the right to amend, supplement, particularize and otherwise perfect the within Answer and Response, together with the submission of all proofs and the calling of all witnesses in order to prove respondents own allegations and position herein.

WHEREFORE, the above named respondents, B&B Worm Farm, Greg Bradley and Lynn Bradley hereby oppose the issuance of any Order to Cease and Desist from the offer and sale of business opportunities in the State of Oklahoma.

Dated this 21st day of May, 2002

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'Arthur N. Bailey', is written over a horizontal line. The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

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CERTIFICATE OF MAILING

This is to certify that I did, on this 21st day of May, 2002, mail a true and correct copy of the above and foregoing to:

Rebecca Cryer, Esq., Enforcement Attorney
State of Oklahoma, Department of Securities
Department of Securities
First National Center, Suite 860
120 North Robinson
Oklahoma City, Oklahoma 73102
Public Telephone (405)280-7700 (Ext. 7734)
Fax (405)280-7742

Attorneys for Respondents B&B Worm
Farm, Greg Bradley and Lynn Bradley

Livia M. Gustafson

GENERAL BUSINESS FORM—PROPERTY OF WILSON JONES

RECEIPT

Date 8-13-01

108110

Received from Greg Bradley

Address

250.00

For Regn of Bus p

ACCOUNT		HOW PAID	
AMT. OF ACCOUNT		CASH	
AMT. PAID		CHECK	250.00
BALANCE DUE		MONEY ORDER	

#1484
by B. Lendon