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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	**Civil Action No.: 09-cv-3826**
	:	**ECF**
vs.	:	
THE HAIN CELESTIAL GROUP, INC., Defendant.	:	HURLEY, J.

BOYLE, M.J.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges:

SUMMARY OF ALLEGATIONS

1. From at least 1998 to 2002, Defendant The Hain Celestial Group, Inc. ("Hain" or the "Company") fraudulently backdated stock options granted to Company officers, directors, and employees, concealing millions of dollars in expenses from the Company's shareholders. Hain and its former Chief Financial Officer ("CFO") and Secretary used hindsight to choose dates corresponding to low stock prices for stock option grants, backdated stock option agreements to make it appear as if options had been granted on the earlier dates, and prepared or approved financial statements and SEC filings that omitted necessary expenses for backdated options and falsely described Hain's option granting practices. Hain and its former CFO also re-priced grants that had previously been approved, but for which stock option paperwork had not yet issued, to give recipients the advantage of subsequent lower exercise prices.

2. Under accounting principles in effect throughout the relevant period, Hain was required to record an expense in its financial statements for any stock options granted below the current market price ("in-the-money"), while the Company was not required to record an

expense for options granted with an exercise price equal to ("at-the-money") or above ("out-of-the-money") the fair market value of the stock. Hain also was required to apply variable accounting treatment to any options that were re-priced after being approved. Hain's backdating and re-pricing enabled it to attract and retain talent by giving in-the-money options without recording an expense.

3. By virtue of the undisclosed backdating and re-pricing scheme, Hain materially understated the Company's expenses and overstated its income in disclosures to the Commission and the investing public, and falsely represented in filings that Hain had incurred no expenses for option grants.

4. Furthermore, throughout the period of 1993-2005, Hain did not have adequate internal controls relating to the granting of stock options and did not maintain accurate books and records concerning its stock option grants.

5. In January 2008, Hain re-measured 48 historical option grants and restated its results to record $20.5 million of compensation expense, which combined with other adjustments resulted in a total cumulative adjustment of $16.9 million, resulting in at least a five percent change in the company's originally reported net income for every fiscal year between 1997 and 2004. Of the 48 re-measured grants, 21 grants, representing approximately 3.7 million options and $13.2 million of compensation expense, were made during 1998 to 2002.

6. By engaging in the acts alleged in this Complaint, Hain, in years 1998 to 2002, violated the antifraud provisions of the federal securities laws. For the years 1993 through 2005, Hain violated the periodic reporting, internal controls, and books-and-records provisions of the federal securities laws. The Commission seeks an order enjoining Hain from future violations of these provisions.

JURISDICTION AND VENUE

7. The Commission is an agency of the United States of America established by Section 4(a) of the Securities Exchange Act of 1934 ("Exchange Act.") [15 U.S.C. § 78d(a)]. The Commission brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)].

8. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d), and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d), and 77v(a)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa]. Venue is proper in the Eastern District of New York because Hain is a Melville, New York-based company and committed many of the acts and/or omissions discussed herein within the district.

9. Hain, directly or indirectly, made use of the means and instrumentalities of interstate commerce, of instruments of transportation or communication in interstate commerce, of the mails, or of the facilities of a national securities exchange in connection with the acts, practices, and courses of business alleged in this Complaint.

DEFENDANT

10. **Hain** is a Delaware corporation with its principal place of business in Melville, New York. Hain markets, distributes and sells natural and organic products. During the relevant period, Hain's stock was registered with the Commission pursuant to Section 12(g) of the Exchange Act and was listed on NASDAQ under the symbol "HAIN." At all times relevant to this action, Hain's fiscal year ended on June 30.

FACTS

A. Background

11. During its fiscal years 1994 through 2005, Hain granted options to purchase approximately 12 million shares of its common stock to more than 1,200 recipients pursuant to 125 stock option grants. These grants included grants to officers and senior management, grants to outside directors, new hire and promotion grants, and broad-based employee grants. Many of these grants were made at or near annual, quarterly, or monthly lows.

12. The grants to officers, senior executives, and rank and file employees were made pursuant to two stock option plans -- the Amended and Restated 1994 Long Term Incentive and Stock Option Award Plan and the 2002 Long Term Incentive and Stock Award Plan. Under both plans, Hain's Compensation Committee delegated responsibility for issuing grants and administering the plans to Hain's CEO. The 2002 Plan required that grants be made at exercise prices that were no less than the fair market value of the shares on the date the options were granted.

13. Option grants made to Hain's CEO pursuant to these plans were approved by the Compensation Committee of the Board of Directors and the full Board of Directors. The Compensation Committee delegated to Hain's CEO the authority to approve stock option grants to all other employees. Hain's CEO reviewed and approved individual grants or, in the case of broad-based grants to employees, he reviewed lists of grant recipients provided to him by department heads and other senior executives and approved the number of stock options each employee was to receive.

14. The Company granted options to outside directors pursuant to two stock option plans, the 1996 and 2000 Directors Stock Options Plans. The 1996 plan provided for automatic

grants, and called for administration by the Compensation Committee. The 2000 plan allowed for automatic and discretionary grants, and provided for administration by the Company's full Board of Directors.

15. Throughout the period of 1993 – 2005, there is little contemporaneous documentation showing when stock options grants were approved at Hain. The company had no formal or consistent process for documenting when stock options grants were approved with finality by Hain's CEO, and had no consistent practice for memorializing when stock option-related actions were taken by the Compensation Committee or full Board of Directors.

16. Hain's former CFO, a Certified Public Accountant, served as the company's CFO and Corporate Secretary from September 1998 to October of 2001. After leaving the CFO position, he remained at Hain as the Executive Vice President of Operations and Corporate Secretary until January 31, 2003.

17. From September 1998 to sometime in 2002, Hain's former CFO was responsible for administering Hain's stock option plans. During this period, he directed the preparation of and signed almost all stock option agreements issued to Hain employees. He also directed the preparation of stock option agreements issued to directors, which were signed by Hain's CEO on behalf of the Company. Many of the stock option agreements issued during this period were prepared with grant dates and exercise prices that were selected in hindsight or re-priced, rather than the date on which they actually were approved. Hain recorded the grant dates reflected on the stock option agreements in the Company's books and records.

18. During the period that he was CFO, Hain's former CFO was responsible for ensuring that Hain properly accounted for the stock options issued by the Company.

B. Hain's Representations Regarding its Stock Option Accounting

19. In its annual reports on Form 10-K filed with the Commission, Hain falsely represented that it accounted for its stock-based compensation in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*, one of two alternative available methods under generally accepted accounting principles ("GAAP") to account for stock-based compensation that were in effect throughout the relevant period.

20. Under APB 25 and the accounting rules in effect during the relevant period, public companies were required to record an expense in their financial statements for the in-the-money portion of an option grant. Under APB 25, employers were required to record as an expense on their financial statements the "intrinsic value" of a fixed stock option on its "measurement date." The measurement date, as defined by APB 25, was the first date on which the following information was known: (a) the number of options that an individual recipient is entitled to receive and (b) the exercise price. An option that is in-the-money on the measurement date has intrinsic value, and the difference between its exercise price and the quoted market price must be recorded as compensation expense to be recognized over the vesting period of the options. Options that were at-the-money or out-of-the-money did not need to be expensed under APB 25.

21. If either the number of shares or the purchase price of an option grant were not fixed during the relevant period, GAAP required that the grant be subject to variable accounting. This required the compensation cost to be recorded at each reporting date from the grant date to the measurement date, with any change in market price resulting in a new compensation calculation and prospectively expensed over the remaining vesting period of the options.

22. Throughout the relevant period, Hain's financial statements, which were included or incorporated by reference in filings with the Commission, represented that the Company

accounted for its stock option grants in accordance with APB 25. Hain's Forms 10-K during the period stated:

> The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, in accounting for stock options . . . Under APB 25, when the exercise price of the Company's employee stock options at least equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

Hain's Forms 10-K during the period also stated that, "All of the options granted to date under the plan have been incentive and non-qualified stock options providing for exercise prices equivalent to the fair market price at date of grant." Hain's proxy statements during this period stated that "options were granted at exercise prices which were not less than the fair market value of the common stock at the time of the grant."

23. With the exception of an in-the-money grant of 125,000 options made to Hain's CEO in 1997, for which the Company properly recorded a compensation expense, Hain did not recognize compensation expense for any stock options granted during the relevant period.

C. Hain Backdated and Re-Priced Officer, Director, and Employee Stock Option Grants

24. During 1998 to 2002, Hain issued 21 backdated or re-priced options, representing approximately 3.7 million options. Hain's CEO approved the grants. In the case of grants to multiple employees, he reviewed lists containing the names of proposed grant recipients and the amount of options each employee would receive, and then approved these lists either orally or by signature. Hain's former CFO and his assistant then prepared stock option agreements. Hain's former CFO signed almost all stock option agreements for grants made to employees between 1998 and 2001. The stock option agreements signed by Hain's former CFO and prepared at his

direction during this period contained false grant dates that were selected in hindsight or re-priced.

25. The grant of 300,000 options purportedly made on July 11, 2001 to Hain's CEO is illustrative. The CEO's employment agreement, entered into during 2000, stated that he was to receive 300,000 options on a date to be determined by the CEO and the Board of Directors between July 1 and July 31, 2001. On August 7, 2001, Hain's Board of Directors approved a grant to the CEO at the July 11 closing price of $21.40, the lowest closing price of Hain's stock between July 1 and July 31, 2001. Hain's closing price on August 7 was $25.40. Consequently, this grant was in-the-money by $4. Hain's former CFO knew that the grant was not approved until August 7 and knew the grant date was selected in hindsight, yet dated his signature on the stock option agreement July 11, 2001. The company did not record a compensation expense for this grant and did not disclose in Commission filings that it had made this in-the-money grant to its CEO.

26. Another example of backdating at Hain was a grant of 50,000 options to Executive A, which was purportedly made on October 1, 2001 at the price of $18.06, the annual low closing price of Hain's common stock during 2001. During October and November 2001, Executive A complained to Hain's CEO on several occasions that he had not received a grant as part of an October 1, 2001 mass grant being made to Hain's employees and officers. On December 3, 2001, Hain's CEO approved a grant of 50,000 options to Executive A. The closing price of Hain's common stock on December 3, 2001 was $26.22. However, the stock option agreement prepared by Hain's former CFO stated that the options had been granted to Executive A on October 1, 2001 with an exercise price of $18.06. Hain's former CFO signed the stock option agreement on behalf of the company and dated his signature October 1, 2001. Hain did

not record a compensation expense for this grant to Executive A, nor did it disclose that Executive A had received a grant that was in-the-money by $8.16.

27. Hain also made a discretionary grant of options to outside directors for which the grant date was selected in hindsight. The Company purportedly granted 15,000 options to each outside director on February 12, 2002. On that day, the stock closed at $20.01, the lowest price of the quarter. In reality, the grant was approved by the Board of Directors on April 2, 2002, when Hain's closing price was $22.23. Hain's former CFO prepared minutes of the April 2, 2002 Board meeting stating that he had been told by a Director that the Board had approved a grant to each non-employee member of the Board "as of February 12, 2002," even though there is no other evidence that this occurred. After the meeting, Hain's former CFO looked back and selected February 12 as the grant date because it was the lowest price of the quarter. He then dated his signatures on the stock option agreements February 12, 2002. Hain did not record a compensation expense for this grant, nor did it disclose that it had made an in-the-money grant to its outside directors.

28. Hain also made mass grants to employees for which grant dates were selected in hindsight. For example, Hain purportedly made a grant of 264,000 options to employees on September 18, 2000, at the monthly low price of $27.50. In reality, Hain's former CFO selected the date for this grant on October 25, 2000, when Hain's closing price was $36.75. Hain did not record a compensation expense for this grant, nor did it disclose that it had made an in-the-money grant to its employees.

29. In addition, a significant portion of an October 1, 2001 grant of over one million options to employees was backdated to take advantage of the annual low closing price of $18.06. The earliest existing documentation showing approval for over 600,000 options purportedly

granted on October 1, 2001 was dated January 22, 2002. Hain's former CFO dated his signature on the stock option agreements for these options grants October 1, 2001. Hain did not record a compensation expense for this grant, nor did it disclose that it made these in-the-money grants.

30. Hain also re-priced grants to give senior officers the benefit of lower exercise prices without applying variable accounting or disclosing the practice. For example, a July 31, 2000 grant of 600,000 options to the CEO at a price of $26.63 was re-priced to take advantage of a quarterly low. On June 27, 2000, a term sheet for the CEO's new employment agreement was circulated to the Board. The term sheet provided for the CEO to be granted 300,000 options on each of two dates – June 30 and July 1. The Board approved the term sheet on June 30. Hain's closing stock price was over $36 on both of these days. The final agreement, however, stated that the CEO was to receive the options between July 1, 2000 and July 31, 2000. There is no evidence that this change was approved by the Board. The grant of 600,000 options to the CEO was issued with a July 31, 2000 grant date and an exercise price of $26.63, the monthly and quarterly low. The company did not apply variable accounting treatment to this grant, did not record a compensation expense, and did not disclose that the grant had been re-priced after being approved by the Board on June 30.

31. Hain's former CFO also received a grant that was re-priced to give him the benefit of a lower exercise price. Hain's former CFO's signed employment letter stated that he was to receive 25,000 options on the day he began his employment at Hain, which was September 8, 1998. Hain's closing stock price on this day was $17.19. On September 18, 1998, Hain's former CFO filed a Form 3 stating that he had received his 25,000 options on September 10, 1998, at the closing price of $14.87. However, his final stock option agreement contained a grant date of October 13, 1998 and an exercise price of $13, the quarterly low. Hain did not apply variable

accounting treatment to this grant, did not record a compensation expense and did not disclose that the grant had been re-priced.

D. <u>Hain Filed Materially False and Misleading Reports with the Commission</u>

32. Hain filed with the Commission annual reports on Forms 10-K and 10-KSB for the fiscal years ended: (1) June 30, 1994; (2) June 30, 1995; (3) June 30, 1996; (4) June 30, 1997; (5) June 30, 1998; (6) June 30, 1999; (7) June 30, 2000; (8) June 30, 2001; (9) June 30, 2002; (10) June 30, 2003; (11) June 30, 2004; and (12) June 30, 2005.

33. In its annual reports for 1994 to 2005, Hain stated that the company accounted for its employee stock options plans in accordance with APB 25. As discussed above, under APB 25, employers are required to record as an expense on their financial statements the "intrinsic value" of a fixed stock option on its measurement date. However, in its financial statements, which were included or incorporated by reference in the company's filings, Hain consistently failed to record compensation expense for in-the-money grants, falsely asserting that the reason it recognized no compensation expense for its options grants was that it granted all options at exercise prices equal to its stock's fair market value on the date of the grant, in accordance with APB 25.

34. By backdating and re-pricing the stock option grants and failing to record the required compensation expense, Hain created the false impression that the granted stock options were at least at-the-money. As a result, Hain's annual reports filed with the Commission contained materially false and misleading disclosures concerning its options grants.

35. Hain also filed with the Commission quarterly reports on Forms 10-Q and 10-Q/A for quarters ending September 30, 1994 through September 30, 2005. The quarterly reports

contained financial statements and disclosures that were materially false or misleading because Hain failed to record compensation expenses associated with in-the-money stock options.

36. Hain also filed with the Commission (and sent to shareholders) proxy statements for every year from 1994 through 2005. These proxy statements were misleading because they stated that options were granted at exercise prices which were not less than the fair market value of the common stock at the time of the grant.

37. In addition, Hain filed with the Commission between 1994 and 2005 current reports on Form 8-K announcing the Company's financial results. These current reports contained materially false and misleading financial information because Hain failed to record compensation expenses associated with undisclosed grants of in-the-money stock options.

E. Hain Maintained Inaccurate Books and Records and had Deficient Internal Controls Relating to Stock Options During the Period of 1993-2005

38. During the period of 1993-2005, Hain had no formal or consistent process for documenting when stock options grants were approved with finality, and had no formal or consistent practice for memorializing when option-related actions were taken by the Board of Directors or Compensation Committee.

39. Throughout this period, Hain recorded in its accounting books and records that stock option grants occurred on dates when the Company's closing stock price was at or near a monthly, quarterly, or annual low price. In many instances, contemporaneous documentation shows that these purported grant dates recorded in the Company's books and records were false. In many other instances, there is no contemporaneous documentation showing when these grants were approved or corroborating that they were approved on the purported grant dates recorded in Hain's books and records.

F. Hain's 2006 Internal Review of its Stock Option Procedures was Insufficient

40. In May 2006, Hain received a media inquiry regarding its stock option practices. In June 2006, Hain was identified in a report published by an investment bank as one of a number of companies with "suspicious grant histories." In July 2006, an analyst report published by another investment bank identified Hain as one of a number of companies with suspicious options grants.

41. Following these inquiries and reports, Hain's current CFO conducted a limited internal review of certain grants by reviewing Hain's public filings, and some internal documents such as stock option agreements and Board meeting minutes. At the time, Hain did not retain counsel to review its historical stock option practices and did not conduct a forensic examination or review of emails or accounting records.

42. Subsequently, in response to a question about the Company's stock option accounting posed by an analyst during a September 2006 conference call, Hain's current CFO stated that the company had performed a "very detailed" review and had a "solid sense of comfort" that the company's procedures relating to stock options had been proper.

43. On November 9, 2006, Hain was served with a shareholder derivative complaint relating to its options grants. Hain stated in its Form 10-Q filed that day that "the Company has carefully reviewed its historical stock option grants" and "is confident that there has not been any inappropriate conduct and does not expect to restate its financial results."

G. Hain Restated Its Financial Statements in January 2008

44. After being contacted by SEC staff in June 2007, Hain formed a group of independent directors and retained outside counsel and experts to conduct a detailed review of its stock option practices.

45. On January 31, 2008, Hain restated its historical financial statements as a result of this review. In its restatement, Hain re-measured 48 grants and restated results to record $20.5 million of compensation expense. Of the 48 re-measured grants, 21 grants, representing approximately 3.7 million options and $13.2 million of compensation expense, were issued between 1998 and 2002.

46. The restatement resulted in at least a five percent change in the company's originally reported net income for every fiscal year between 1997 and 2004:

Fiscal Year (YE June 30)	Net Income (Loss), as Originally Reported (in '000's)	Net Income (Loss), as Restated (in '000's)	Dollar Change, as Restated	Percentage Increase/Decrease
1997	6,733	6,337	(396)	(6.25)%
1998	10,048	9,379	(669)	(7.13)%
1999	13,517	12,508	(1,009)	(8.07)%
2000	(17,097)	(18,025)	(928)	5.15%
2001	23,589	21,654	(1,935)	(8.94)%
2002	2,971[1]	(638)	(3,609)	(565.67%)
2003	27,492	24,751	(2,741)	(11.07)%
2004	27,008	25,263	(1,745)	(6.91)%

CLAIMS

FIRST CLAIM

(Violations of Exchange Act Section 10(b) and Exchange Act Rule 10b-5)

47. The Commission realleges paragraphs 1 through 46.

[1] The significant decrease in Hain's reported net income from FY 2001 to FY 2002 was largely due to restructuring and non-recurring charges recognized by the company in FY 2002.

48. From 1998 to 2002, Hain, directly or indirectly, by use of the means or instruments of interstate commerce or of the mails, or of the facility of a national securities exchange, in connection with the purchase or sale of securities, and with knowledge or recklessness: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

49. By reason of the foregoing, Hain violated Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5 [15 U.S.C. § 78j(b); 17 C.F.R. § 240.10b-5].

SECOND CLAIM

(Violations of Securities Act Section 17(a))

50. The Commission realleges paragraphs 1 through 49.

51. From 1998 to 2002, Hain, directly or indirectly, by use of the means or instruments of interstate commerce or of the mails, in connection with the offer or sale of securities, and with knowledge, recklessness, or negligence: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers of Hain securities.

52. By reason of the foregoing, Hain violated Section 17(a) of the Securities Act [15 U.S.C. §§ 77q(a)].

THIRD CLAIM

(Violations of Exchange Act Section 14(a) and Exchange Act Rule 14a-9)

53. The Commission realleges paragraphs 1 through 52.

54. Hain, directly or indirectly, by use of the means or instruments of interstate commerce or of the mails, or of the facility of a national securities exchange, knowingly, recklessly or negligently solicited proxies by means of a proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing statements which, at the time and in light of the circumstances under which they were made, were false and misleading with respect to material facts, or which omitted to state material facts which were necessary in order to make the statements made not false or misleading or which were necessary to correct statements in earlier false or misleading communications with respect to the solicitation of proxies for the same meeting or subject matter.

55. By reason of the foregoing, Hain violated Section 14(a) of the Exchange Act and Exchange Act Rule 14a-9 [15 U.S.C. § 78n(a); 17 C.F.R. § 240.14a-9].

FOURTH CLAIM

(Violations of Exchange Act Section 13(a) and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13)

56. The Commission realleges paragraphs 1 through 55.

57. Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Exchange Act Rules 13a-1, 13a-11, and 13a-13 [17 C.F.R. §§ 240.13a-1, 240.13a-11, and 240.13a-13], require issuers of registered securities to file with the Commission factually accurate current, quarterly, and annual reports. Exchange Act Rule 12b-20 [17 C.F.R. § 240.12b-20] further provides that, in addition to the information expressly required to be included in a statement or report, there shall

be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

58. Hain filed with the Commission and disseminated to investors false and misleading current, quarterly, and annual reports.

59. By reason of the foregoing, Hain violated Section 13(a) of the Exchange Act and Exchange Act Rules 12b-20, 13a-1, 13a-11, and 13a-13 [15 U.S.C. § 78m(a); 17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13].

FIFTH CLAIM

(Violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B))

60. The Commission realleges paragraphs 1 through 59.

61. Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)] requires issuers to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)] requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain the accountability of assets.

62. Hain failed to (1) make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets; and (2) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain the accountability of assets.

63. By reason of the foregoing, Hain violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78(m)(b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanently enjoin Hain from violating Section 17(a) of the Securities Act and Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 14(a) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, and 14a-9 thereunder; and

II.

Grant such equitable relief as may be appropriate or necessary for the benefit of investors pursuant to Section 21(d)(5) of the Exchange Act.

Respectfully submitted,

Richard E. Simpson

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