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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- Mike Gleason, Chairman
- Kristin Mayes
- William Mundell
- Jeff Hatch-Miller
- Gary Pierce

In the matter of:

THE 12% FUND I, LLC (a/k/a "THE 12% FUND," "12% FUND I" and "FUND"), an Arizona limited liability company;

COYOTE GROWTH MANAGEMENT, LLC, an Arizona limited liability company;

MICHAEL JOSEPH HANNAN (a/k/a "MICHAEL HANNAN," "MIKE HANNAN" and "MICHAEL J. HANNAN, II") and JANE DOE HANNAN, husband and wife; and

SAM AHDOOT (a/k/a "SAM AHDOUT") and JANE DOE AHDOOT, husband and wife;

Respondents.

Docket No. S-20472A-06-0535

REQUEST TO CONTINUE HEARING ON APPOINTMENT OF RECEIVER/PRELIMINARY OBJECTION TO APPOINTMENT OF RECEIVER

Arizona Corporation Commission
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JUN -8 2007

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Rosario Trask (Trask) and John Wood (Wood) join in Roderick R. McBroom's request to continue the hearing set for 1:00 p.m., June 8, 2007, on the Commission's Verified Petition

1 for the Appointment of a Receiver.

2 Trask and Wood are investors in The 12% Fund I, L.L.C. (the Fund). Trask has
3 \$225,000 invested in the Fund. Wood has \$150,000 invested in the Fund. Trask filed a
4 lawsuit in Pima County Superior Court (*Trask v. The 12% Fund, et al.*; *Pima County Superior*
5 *Court No. C20072420*) raising claims against Respondents that arose from the same set of
6 facts discussed in the Arizona Corporation Commission's August 28, 2006, Cease and Desist
7 Order. Wood soon will file a similar lawsuit against Respondents.

8 Trask and Wood first received notice of the June 8, 2007, hearing on the Petition for
9 the appointment of a receiver at **4:00 p.m. on June 7, 2007**, less than 24 hours before the
10 hearing. Trask and Wood received this notice at 2:15 p.m. from Respondents' attorney, not
11 from the Commission. The pleadings were received at 3:54 p.m. from Respondents' attorney.
12 The pleadings are not even signed or dated. Moreover, the pleadings are forms. The
13 verification by Matthew J. Neubert even has the wrong year, 2006.

14 Because of the lack of proper notice, undersigned counsel cannot attend the hearing.
15 Undersigned counsel has prearranged appointments before and during the time set for the
16 hearing on the Petition and a hearing in United States District Court at 1:45 p.m.

17 Trask and Wood join in all the arguments that Mr. McBroom made in his request to
18 continue regarding the lack of notice of this hearing. Trask and Wood join in Mr. McBroom's
19 request to continue the hearing for at least 30 days. This scheduled procedure does not
20 remotely approach *due process* or allow for careful analysis by the Commission.

21 Trask and Wood also join in all the arguments made in Mr. McBroom's preliminary
22 objection to the appointment of a receiver.

23 In addition to Mr. McBroom's objections, Trask and Wood also object to the
24 appointment of a receiver for the reasons below. Trask and Wood reserve the right to
25 supplement these objections should the Commission grant their request to continue the June
26 8 hearing.

27 The appointment of a receiver only will benefit Respondents and further injure
28 investors in the Fund, such as Trask and Wood. The appointment of a receiver only will waste

1 the Fund's assets, which Respondents confess are substantially less than the amount needed
2 to repay investors. Granting Respondents' request for appointment of a receiver will require,
3 at the very least, that the receiver, the receiver's attorney, and a CPA be paid. Such expenses
4 are not prudent in light of the Fund's limited assets.

5 Furthermore, there is no prudent reason to appoint a receiver or have receivership in
6 Phoenix when all the victims and, for those victims who are represented, their attorneys, are
7 in Tucson. The appointment of a receiver in Phoenix only would be a convenience to
8 Respondents' attorneys, who are in Phoenix, while forcing the victims to drive from Tucson
9 to Phoenix for all proceedings.

10 Because of the lack of proper notice and the extreme speed by which a hearing was set
11 on the Petition, and Respondents' apparent consent in the appointment of a receiver,
12 apparently there is a "behind closed doors" deal between the Respondents and the
13 Commission. This is buttressed by the fact that the Commission previously was working with
14 Respondents to set up an informal "committee" of investors in the Fund to take over
15 management of the Fund's assets. None of the investors in the Fund are professional investors
16 or have the experience needed to manage the Fund's assets. The attempt to form a
17 "committee" of amateur investors to take over management of the Fund from Respondents was
18 an obvious attempt to set up a defense for Respondents in this and other legal actions that will
19 stem from Respondents' securities violations. Specifically, once the investor "committee"
20 took over management of Fund assets, Respondents could claim that the "committee" was
21 responsible for losses the Fund sustained, not Respondents. The Commission helped facilitate
22 the attempt to set up this "committee" of victims. By appointing a receiver, the Commission
23 will enable Respondents to blame the receiver for the lack of funds to pay the victims.

24 When Trask filed her lawsuit against Respondents and refused to participate in the
25 investor "committee," the attorney for the proposed investor "committee" conceded that such
26 a plan was not workable. Now, Respondents' attorney, the "committee's" attorney, and the
27 Commission have devised a plan for the appointment of a receiver, which satisfies
28 Respondents' goals, at further injury to the victim investors.

1 The plan of appointing a receiver for the Fund and pushing the request for a
2 receivership through a hastily set hearing, was done in secret, without any input from or due
3 process notice to the investors—who are the *victims* of the Respondents' wrongdoing.
4 ***Protection of victims, such as those who invested in the Fund, including Trask and Wood,***
5 ***is one of the missions of the Securities Division of the Corporation Commission.*** That
6 mission is being ignored here, to help Respondents.

7 At the very least, minimum standards of due process and fundamental fairness should
8 be applied towards the investors' interests. No concern is being given to the victim investors
9 here. This process seems to be one that has been manipulated by the Respondents, to be
10 "rubber stamped" by the Commission.

11 If a receiver is to be appointed, the receivership ***must*** include Respondents' Michael
12 Hannan and Jane Doe Hannan's and Sam Ahdoot's and Jane Doe Ahdoot's ***personal assets***.
13 The Commission's proposed petition for the appointment of a receiver ***does not name***
14 ***Hannan, Ahdoot, or their wives***. This is yet another fact that proves that the Commission,
15 Hannan, and his attorneys are acting too fast, and in Hannan's best interest, not in the interest
16 of the victim investors. Or, this is another example of how haste results in a sloppy pleading,
17 that mistakenly omitted the wrongdoers, who have the victims' money.

18 Hannan's, Ahdoot's, and their wives' assets should be put into receivership, liens
19 should be placed upon those assets, including their ***homes***, and all of those assets, such as
20 ***checking and savings accounts***, should be frozen pending the resolution of this matter and all
21 other legal matters stemming from these facts. Failure to include Hannan's, Ahdoot's, and
22 their wives' personal assets in the receivership is yet another way this way too fast receivership
23 procedure was manipulated, to the benefit of Hannan and Ahdoot, to the extreme detriment
24 of the victim investors. Hannan and Ahdoot should not be allowed to continue to freely spend
25 investors' money to pay attorneys, pay their own living expenses, enjoy the high life, and
26 direct attention to the Fund, and away from their own personal culpability for securities fraud
27 and other crimes.

28 Trask and Wood also request that Hannan and Ahdoot and their attorneys immediately

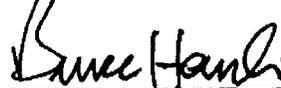
1 be ordered to disgorge and repay to the Fund any Fund assets that have been used to pay their
2 attorney's fees in this and any related matter.

3 In sum, Trask and Wood request that the hearing on the Petition for the Appointment
4 of a Receiver be continued for at least 30 days. Trask and Wood object to the appointment of
5 a receiver.

6 Trask and Wood further request that the Commission refer this matter to the Arizona
7 Attorney General's Office, pursuant to 44-2011, so that that office can investigate and
8 prosecute Respondents for their criminal violations of Arizona's securities laws.

9 Dated June 8, 2007.

10 KARP HEURLIN WEISS

11 

12 Bruce R. Heurlin
13 Eric J. McNeilus
14 Attorneys for Rosario Task and John Wood

15 Copy of the foregoing faxed/emailed on
16 June 8, 2007, to:

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