

NEW APPLICATION

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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of: WOLFEPACK TRANSPORTATION, INC. an Arizona corporation; aka WOLFEPACK TRANSPORTATION, INC. and MICHAEL L. HAIRSTON, SR. and SHEILA HAIRSTON, husband and wife Respondents.) DOCKET NO. S-20629A-08-0496)) NOTICE OF OPPORTUNITY FOR HEARING) REGARDING PROPOSED ORDER TO) CEASE AND DESIST, ORDER FOR) RESTITUTION, ORDER FOR) ADMINISTRATIVE PENALTIES AND FOR) OTHER AFFIRMATIVE ACTION
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NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents WOLFEPACK TRANSPORTATION, INC. and MICHAEL L. HAIRSTON, SR. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

Arizona Corporation Commission
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1 **II.**

2 **RESPONDENTS**

3 2. WOLFEPACK TRANSPORTATION, INC. ("WOLFEPACK") was, at all relevant
4 times, an Arizona corporation. WOLFEPACK became an Arizona corporation in February of 2005.
5 The sole officer and director is MICHAEL L. HAIRSTON, SR. In some instances, agreements signed
6 by MICHAEL L. HAIRSTON, SR. spelled the company name as WOLFEPACK
7 TRANSPORTATION, INC.

8 3. MICHAEL L. HAIRSTON, SR. ("HAIRSTON") was, at all relevant times, a resident
9 of Scottsdale, Arizona. HAIRSTON moved to Georgia in December of 2007.

10 4. SHEILA HAIRSTON ("S. HAIRSTON") was, at all relevant times, a resident of
11 Scottsdale, Arizona and the spouse of HAIRSTON. SHEILA HAIRSTON relocated to Georgia. S.
12 HAIRSTON ("Respondent Spouse") is joined in this action under A.R.S. § 44-2031(C) solely for
13 purposes of determining the liability of the marital community.

14 5. WOLFEPACK and HAIRSTON may be referred to collectively as "Respondents".

15 6. At all times relevant, HAIRSTON was acting for his own benefit and for the benefit or
16 in furtherance of HAIRSTON's and S. HAIRSTON's marital community.

17 **III.**

18 **FACTS**

19 7. Beginning in 2007, WOLFEPACK and HAIRSTON began raising money, in
20 Arizona, from Arizona investors for investments involving tractor/trailers. During 2007,
21 WOLFEPACK and HAIRSTON raised over \$360,000 from at least seven investors through the
22 offer and sale of promissory notes.

23 8. Respondents raised money from investors by representing the funds would be used
24 in WOLFEPACK and HAIRSTON'S trucking business. Some investors were told their funds
25 would purchase or lease a tractor/trailer ("Combinations") and the investors would receive a return
26

1 from the completed runs made by the tractor/trailer. Some investors were told their funds would be
2 used to purchase refrigerator trailers from an estate at a reduced rate and then sold for a profit.

3 9. HAIRSTON, individually and through WOLFEPACK, issued promissory notes to
4 investors promising a variety of interest rates and due dates ranging between 30 and 90 days. One
5 note promised 100% return in five months.

6 10. HAIRSTON, as owner of WOLFEPACK, was to locate and manage the loads for the
7 Combinations. Some of the offering documents that HAIRSTON gave to investors represented that
8 WOLFEPACK, through HAIRSTON, would be responsible for "all mechanical maintenance and
9 upkeep on the Combinations including all permits, insurances, tags, warranties and all other legal
10 responsibilities to keep the Combinations on the road." Further, the documents indicated that
11 WOLFEPACK, through HAIRSTON, were responsible for having the Combinations contracted for
12 loads to assure maximum profits.

13 11. Some of the promissory notes issued by WOLFEPACK and HAIRSTON referenced
14 refrigerated trailers. Respondents represented to some investors that HAIRSTON was the executor
15 of an estate that included a large number of refrigerated trailers. Respondents represented that the
16 refrigerated trailers could be purchased at a low price and sold at a substantially higher price. The
17 investors' funds would be used to purchase the trailers from the estate. The investors would receive
18 the return of their principal and a set amount of profit on a specific date as set forth in the
19 promissory note. HAIRSTON subsequently denied the existence of the estate or being the
20 executor.

21 12. In at least one instance, the promissory note listed a vehicle identification number to
22 a specific truck as collateral if the loan was not repaid. The loan was not repaid and the title to the
23 truck was not transferred to the investor nor was the truck provided to the investor. No lien was
24 recorded on this vehicle.

25 13. Some promissory notes stated that the note was secured by a "Deed of Trust Deed
26 Lien in second position" on specific real property. HAIRSTON owned the property described in the

1 Deed of Trust through a quit-claim deed on the property. The promissory notes stated that the
2 property was "free from all other liens and encumbrances withstanding the underlying mortgage."
3 However, there were numerous liens and encumbrances filed on the property. None of the
4 investors' liens were recorded. HAIRSTON did not make the payments on the subject property and
5 ultimately the subject property was lost through foreclosure.

6 14. WOLFEPACK, through HAIRSTON, leased a number of tractor/trailers from
7 several different leasing agents. HAIRSTON, through the WOLFEPACK bank account, paid the
8 initial down payment and one month payment on three tractors and did not make the remaining
9 payments and the tractor/trailers were repossessed or are still missing. In another instance,
10 WOLFEPACK and HAIRSTON used a credit from a related leasing company to pay the down
11 payment and first month payments on leases for two tractors and three trailers. Then,
12 WOLFEPACK and HAIRSTON failed to make any additional payments on those leases.
13 WOLFEPACK and HAIRSTON failed to disclose to the offerees and investors that HAIRSTON
14 had already defaulted on the purchase of a tractor and that the investors' funds would be used to
15 make some of the payments to a debt collection agency.

16 15. None of the known investors have received the return of their principal or interest.

17 **IV.**

18 **VIOLATION OF A.R.S. § 44-1841**

19 **(Offer or Sale of Unregistered Securities)**

20 16. From on or about March of 2007 through about December of 2007 Respondents
21 offered or sold securities in the form of notes, within or from Arizona.

22 17. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
23 Securities Act.

24 18. This conduct violates A.R.S. § 44-1841.

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V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

19. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

20. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

21. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) WOLFEPACK and HAIRSTON misrepresented to offerees and investors that HAIRSTON was the executor of an estate that had a large quantity of refrigerated trailers that HAIRSTON could purchase and resell at a substantial profit when in fact, HAIRSTON denies the existence of the estate or being the executor.

b) WOLFEPACK and HAIRSTON misrepresented to offerees and investors that their investments would be secured by a second deed of trust on real property in Scottsdale and that HAIRSTON owned the property "free from all lines and encumbrances withstanding the underlying mortgage" when, in fact, HAIRSTON was not making payments on the underlying mortgage and there were numerous liens and encumbrances filed on the property.

VIII.**HEARING OPPORTUNITY**

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If a respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, e-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

XIV.**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a respondent or Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained

1 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
2 <http://www.azcc.gov/divisions/hearings/docket.asp>.


3 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
4 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
5 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
6 addressed to Wendy Coy, Senior Counsel.

7 The Answer shall contain an admission or denial of each allegation in this Notice and the
8 original signature of the answering respondent or respondent's attorney. A statement of a lack of
9 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
10 denied shall be considered admitted.

11 When the answering respondent intends in good faith to deny only a part or a qualification
12 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
13 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

14 The officer presiding over the hearing may grant relief from the requirement to file an
15 Answer for good cause shown.

16 Dated this 29 day of September, 2008.

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20 Matthew J. Neubert
21 Director of Securities
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