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BEFORE THE ARIZONA CORPORATION

IN THE MATTER OF:)
)
 JEFFRIE HARPER (CRD #2863910)) DOCKET NO.
 (aka Jeff Harper) and KATHLEEN) S-20649A-09-0013
 JANICE HARPER, husband and wife;))
)
 DONALD ROBERT MATTSON, JR.,)
 (aka Rob Mattson) and JANE DOE)
 MATTSON, husband and wife;)
)
 KNUCKLEBALL CAPITAL MANAGEMENT,)
 LLC, an Arizona limited)
 liability company;)
)
 Respondents.) PREHEARING
) CONFERENCE

At: Phoenix, Arizona
 Date: February 26, 2009
 Filed: **MAR 11 2009**

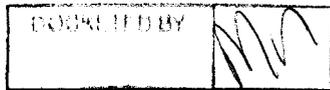
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Arizona Corporation Commission
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Prepared for: By: COLETTE E. ROSS
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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 1 of
4 said Commission, 1200 West Washington Street, Phoenix,
5 Arizona, commencing at 9:37 a.m. on the 26th of
6 February, 2009.

7

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BEFORE: MARC E. STERN, Administrative Law Judge

9

10 APPEARANCES:

11

For the Arizona Corporation Commission Staff:

12

Ms. Aikaterine Vervilos
Securities Division
1300 West Washington Street
Phoenix, Arizona 85007

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For the Respondent Harper:

16

PERKINS, COIE, BROWN & BAIN
By Ms. Rebecca K. Setlow
2901 North Central Avenue
Phoenix, Arizona 85020

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For the Respondent Mattson:

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MITCHELL & ASSOCIATES
By Ms. Julie M. Beauregard
1850 North Central Avenue, Suite 1715
Phoenix, Arizona 85004

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COLETTE E. ROSS
Certified Reporter
Certificate No. 50658

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1 ALJ STERN: We are on the record in the matter
2 of Jeffrie Harper, et al., in Docket No.
3 S-20649A-09-0013. My name is Marc Stern. I will
4 preside over the proceeding today.

5 And at this time we will take appearances. On
6 behalf of the Division.

7 MS. VERVILOS: Aikaterine Vervilos.

8 ALJ STERN: And on behalf of Mr. and
9 Mrs. Harper.

10 MS. SETLOW: Rebecca Setlow.

11 ALJ STERN: Okay. And on behalf of Mr. Mattson.

12 MS. BEAUREGARD: Good morning. Julie
13 Beauregard.

14 ALJ STERN: Ms. Vervilos, what is the status of
15 this matter now? I know the Division brought the
16 action. Have you had a chance to discuss anything at
17 all?

18 MS. VERVILOS: Your Honor, before we started the
19 prehearing conference this morning I had an opportunity
20 to speak with Ms. Setlow and Ms. Beauregard and make
21 offers of settlement to each one. So what I would
22 request, pending counsel's approval, is that we set this
23 for a status check first and then at the status check
24 time we can then determine whether or not we need to go
25 forward with hearing dates.

1 ALJ STERN: Okay. I am looking. In terms of a
2 status conference, probably it is going to be at the
3 beginning of April. I just scheduled one for, I think,
4 I think --

5 MS. VERVILOS: That was April 2nd, 9:30.

6 ALJ STERN: Maybe we will do this one at 10:30.

7 MS. VERVILOS: Sounds good.

8 ALJ STERN: How does that sound, Ms. Setlow? Do
9 you have anything?

10 MS. SETLOW: No. That will work for me, Your
11 Honor. Thanks.

12 ALJ STERN: Ms. Beauregard?

13 MS. BEAUREGARD: That's perfectly fine. Thank
14 you.

15 ALJ STERN: Let's go April 2nd then. And I am
16 pretty sure that we are okay for 10:30. The only thing
17 we might have a problem with -- just let me just go off
18 the record for a minute.

19 (An off-the-record discussion ensued.)

20 ALJ STERN: On April 2nd at 10:30, we are set
21 with a room. So we will do a status conference.

22 Now, with respect to Knuckleball, I don't know
23 what your intention is to deal with them. I thought
24 Mr. Harper way back when wrote a letter and requested a
25 hearing on behalf of himself. I don't know whether he

1 was including his wife but he said this is in regard to
2 Knuckleball Capital Management, LLC.

3 So what is the story?

4 MS. SETLOW: It was only on his behalf. He is a
5 25 percent owner. There is another 25 percent owner and
6 I think her client is 50 percent. But his request was
7 only on behalf of himself personally as respondent.

8 ALJ STERN: Yes. Well, he couldn't represent
9 Knuckleball anyhow, I guess. But I don't know what --
10 what are you going to do with Knuckleball? I guess they
11 have no representation. Who owns the 50 percent?

12 Mr. Harper only owns 25 percent?

13 MS. SETLOW: Yes.

14 ALJ STERN: Or Mr. and Mrs. Harper or something.
15 And then Mr. Mattson owns 25 percent?

16 MS. BEAUREGARD: You know, honestly I am not
17 exactly sure of the percentage. I am going to have to
18 check that with him.

19 ALJ STERN: I don't know what you want to do
20 with Knuckleball. I don't know if you are going to
21 default them or get rolled into the settlement.

22 MS. VERVILOS: We will address it seeing what
23 happens with the offers of settlement with Mr. Harper
24 and Mr. Mattson.

25 ALJ STERN: And I notice Mr. Mattson apparently

1 is not married according to the response. Is that
2 correct?

3 MS. BEAUREGARD: That's correct.

4 ALJ STERN: Okay. Anything else?

5 MS. VERVILOS: No, Your Honor.

6 ALJ STERN: Okay. Well, with that we will
7 recess this matter. And we are scheduled, I will put
8 out a procedural order for April 2nd at 10:30. Thank
9 you.

10 MS. VERVILOS: Thank you.

11 MS. SETLOW: Thank you, Your Honor.

12 MS. BEAUREGARD: Thank you.

13 (The proceeding concluded at 9:46 a.m.)

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1 STATE OF ARIZONA)
) SS.
 2 COUNTY OF MARICOPA)

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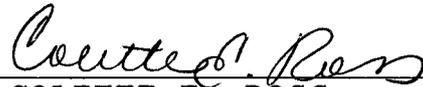
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I, COLETTE E. ROSS, Certified Reporter No.
 50658 for the State of Arizona, do hereby certify that
 the foregoing printed pages constitute a full, true and
 accurate transcript of the proceedings had in the
 foregoing matter, all done to the best of my skill and
 ability.

WITNESS my hand this 9th day of March, 2009.



COLETTE E. ROSS
 Certified Reporter
 Certificate No. 50658