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BEFORE THE ARIZONA CORPORATION C

In The Matter Of The Offer And Sale Of )  
Securities By: )

INTERACTIVE TECHNOLOGIES WEST, )  
INC., 6390-2 East Thomas Road, )  
Suite 300, Scottsdale, Arizona 85251, )

LOUIS F. CONANT, III, 6218 East Pinchot )  
Avenue, Scottsdale, Arizona 85251, )

KYLE E. GILLMAN, 9624 Bainbridge Court, )  
Manassas, VA 22110, )

Respondents. )

DOCKET NO. S-3057-I

At: Phoenix, Arizona

Date: December 23, 1996

Filed: **DEC 30 1996**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BARRY, HETZER, STICKLEY & SCHUTZMAN  
Court Reporting  
Suite 135  
4041 North Central Avenue  
Phoenix, Arizona 85012-3301

BY: KAREN OWENS, RPR

Prepared for:

ACC  
(Original)



1 BE IT REMEMBERED that the above-entitled and  
2 numbered matter came on regularly to be heard before the  
3 Arizona Corporation Commission, on the Second Floor of said  
4 Commission, 1200 West Washington Street, Phoenix, Arizona,  
5 commencing at 9:30 a.m. on the 23rd day of December, 1996.

6

7 BEFORE: MARC E. STERN, Hearing Officer

8

9 APPEARANCES:

10

11 RON KENT HOOPER, Attorney at Law, on behalf of  
Louis F. Conant, III;

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13 BRIAN J. SCHULMAN, Senior Counsel, Securities  
Division, on behalf of the Securities Division;

14

15 DAVID N. RAMRAS, Attorney at Law, on behalf of  
16 Kyle E. Gillman;

17

18 MARK SENDROW, Assistant Attorney General, Office  
of the Attorney General, on behalf of the Securities  
19 Division;

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KAREN OWENS  
Court Reporter

1 HEARING OFFICER STERN: On the record. This  
2 hearing is now open in the matter of the offering and sale  
3 of securities by Interactive Technologies West, Inc., et  
4 al.; Mr. Louis Conant, III, and Mr. Kyle E. Gillman, also  
5 named as respondents, in Docket Number S-3057-I.

6 My name is Mark Stern; I'll preside over the  
7 hearing in this matter and order a recommended opinion and  
8 decision to the commissioners, ultimately, if there is a  
9 full hearing in the matter. Today's hearing is called  
10 specifically for some prehearing matters to be determined  
11 with respect to the proceeding.

12 With that, we'll take appearances for the  
13 Division.

14 MR. SCHULMAN: Mr. Brian Schulman, for the  
15 Division.

16 MR. SENDROW: Mark Sendrow, Assistant Attorney  
17 General. For the record, Mr. Schulman is a special  
18 assistant attorney.

19 HEARING OFFICER STERN: For the respondents,  
20 Interactive, and Mr. Conant?

21 MR. HOOPER: Ron Hooper, Your Honor, and  
22 Mr. Conant is here on my right side.

23 HEARING OFFICER STERN: Okay. And for  
24 Mr. Gillman?

25 MR. RAMRAS: David Ramras.

1 HEARING OFFICER STERN: Mr. Hooper, before we  
2 went onto the record, you indicated that you had some matter  
3 you wanted to clear up?

4 MR. HOOPER: Yes, Your Honor. I would like to  
5 propose a scheduling, which I think falls in the line -- and  
6 I would like to advise you that I have served last -- I  
7 believe it was last week, but early last week,  
8 interrogatories and an extensive Request for Production  
9 which, when I get those answered and produced, should put us  
10 in a position to where we can see if this case can be  
11 resolved, and determine what we need to do to prepare for  
12 trial. When I receive those documents, I anticipate making  
13 extensively brief jurisdictional motions.

14 The other thing that is, however, probably more  
15 important, is that Mr. Conant, and my first concern is the  
16 fact that in all probability is going to be indicted, and a  
17 federal grand jury has been continued, as I understand it,  
18 from the United States Attorney to January 16th.

19 I expect indictments will be rendered sometime  
20 in January. And as in most federal cases, I think there's a  
21 reasonable probability after those indictments come down  
22 that Mr. Conant will resolve his federal case. And because  
23 of that, I have -- Friday, I filed a motion for stay. I  
24 have an extra copy with me that probably has not -- I  
25 served --

1 HEARING OFFICER STERN: A stay in this  
2 proceeding?

3 MR. HOOPER: Right.

4 There is an extra copy of that. The required  
5 numbers were delivered and everywhere else.

6 The practical aspect of that is that I don't  
7 think the federal case can be resolved or this case can be  
8 resolved until the best plan is made to -- for the investors  
9 to get all of their -- all of the possible money that they  
10 can recover.

11 And as I understand it, there were three  
12 partnerships where there is a sale pending, investors are  
13 supposed to receive all of their money. My client is not  
14 doing anything with these anymore, as I indicated in my  
15 response. He's willing to agree to cease and desist.

16 From information -- I talked briefly to  
17 Mr. Ramras, and I don't think he has any objection to that,  
18 either. I can't speak for him, but...

19 So we have three partnerships that have been  
20 sold; I don't know what's happened to that money. I don't  
21 know how the Division has analyzed this. They've been  
22 investigating us for over two years. We have allegations  
23 that he bought his house with partnership money, but he  
24 obtained a construction loan for 100 percent financing on  
25 his house in Alpine.

1           So we need to look at how they traced the money,  
2 because they have obviously turned over their little charts  
3 and conclusions in accounting in the United States  
4 Attorney's Office, so we can put something together to  
5 resolve -- for the investors to hopefully to get ahold of  
6 their money, if not all of it but most of it, and I think I  
7 know how that can be accomplished, but I have to look at it.

8           So what I propose is that we find out when the  
9 Commission can respond to my Request for Production and  
10 interrogatories, then take up my Motion for Stay at that  
11 point; they'll have the chance to respond to that.

12           I would assume that before that, if we do it in  
13 that way, we can submit a proposal to the -- discourage the  
14 Division and try to settle the case with the United States  
15 Attorney's Office.

16           But at this point, I anticipate they've done the  
17 same kind of investigation they did in the Franklin Lord  
18 case, and I anticipate having boxes full of information, and  
19 I guess it will take at least a full week to go through  
20 everything with Mr. Conant to try to figure out what the  
21 best plan is.

22           And if the case cannot be settled, we will go  
23 ahead with constitutional and jurisdictional motions and  
24 take those up the appellate ladder as may be necessary. But  
25 I think, from a procedural and constitutional standpoint,

1 it's important that we figure out a time for hearing on my  
2 Motion for Stay.

3 And I don't think anything can happen until --  
4 they can be resolved. I don't think any progress can be  
5 made until after discovery, so it only makes sense to -- I  
6 have some familiarity with this case; Mr. Ramos has none,  
7 and until I talked to him Saturday, he was unaware that the  
8 government had performed an extensive investigation of this.

9 So that's all I have to say.

10 HEARING OFFICER STERN: Okay. Mr. Ramras, do  
11 you have anything to add to what he said, since it's over on  
12 the respondent's side at this point?

13 MR. RAMRAS: Okay. I would just ask -- I guess  
14 this isn't a court -- you have to help me a little bit,  
15 because I've never appeared before the Commission. How do I  
16 refer to you, Your Honor?

17 HEARING OFFICER STERN: Let's just -- you can  
18 call me Mr. Hearing Officer, Your Honor, Mr. Stern, anything  
19 you want.

20 MR. RAMRAS: Okay, great.

21 I was just retained within the last week or so  
22 for Mr. Gillman. I'm just trying to sort out the names, let  
23 alone what happened here or what the allegations are.

24 I spoke briefly with Mr. Schulman and with  
25 Mr. Hooper, just primarily to let them know that I was

1 involved.

2 I understood today was some kind of a scheduling  
3 conference. And frankly, I don't even know what the  
4 procedures are in this forum, although I got my green book  
5 and I intend to read it over the next few days.

6 To the extent that this is a scheduling  
7 conference, one thing I noted, and I haven't even had a  
8 chance to talk to Mr. Gillman about it, is he is a Virginia  
9 resident. My understanding, he's never been here  
10 physically, which in my mind, just raised the question of  
11 jurisdiction over him.

12 And I mentioned that only because if there is  
13 some kind of a jurisdictional question, I want to alert you  
14 to it in advance, and don't intend to waive any  
15 jurisdictional objections by my appearance here today, but  
16 I'll check into that and let you know as soon as possible.

17 To the extent that because I'm new to the case,  
18 and I didn't realize this has been going on for two years  
19 either, but I would like the opportunity to at least get a  
20 copy of the hearing officer's file on this matter. I would  
21 like to --

22 HEARING OFFICER STERN: You mean the  
23 Commission's file or the Division's file?

24 MR. RAMRAS: The Division's file, yes, just to  
25 see where we are, whether I'm here at the tail end or

1 whether this thing has been going on for that long,  
2 whatever. And obviously, I'd like to be able to do some  
3 initial discovery so we know where we are.

4 I don't know what your normal time frame is, so  
5 you can educate me on that.

6 HEARING OFFICER STERN: In some instances,  
7 believe it or not, they've gone to hearing, in some cases,  
8 in a month, but in lots of cases, where there's counsel  
9 present and people want to do some discovery, there's some  
10 discovery that takes place, which can be short, it can be  
11 lengthy, depending upon the extent of the amount of  
12 materials to be looked at.

13 I just want to see where the Division is right  
14 now with respect to presenting this case; also, time and  
15 witnesses and all of that, because we have some scheduling  
16 problems downstairs.

17 MR. SCHULMAN: Well, let me first respond to the  
18 issue of the stay and the discovery and those matters,  
19 because I think I might be able to resolve some of these  
20 matters here today, hopefully.

21 First of all, the Division recognizes the  
22 possibility of further criminal activity being pursued by  
23 the federal government, and we also recognize that although  
24 it's in the trial court's discretion to issue a stay in a  
25 civil proceeding, it's also not a constitutional right.

1                   However, if we can agree to certain, what I  
2 think are modest proposals, I think we can all stipulate to  
3 a stay for a reasonable period of time pending some type of  
4 resolution in the federal case.

5                   What we're willing to propose is the following,  
6 and most of these points are already stipulated to by  
7 Mr. Hooper and/or -- not stipulated to, but he's indicated  
8 his willingness to agree to these deal points, and then it's  
9 a question of whether Mr. Ramras would agree to these, as  
10 well.

11                   The first being, we would request an order that  
12 would require respondents to cease and desist from selling  
13 any securities or any partnerships, and those partnerships  
14 would be the partnerships similar to the ones that are at  
15 issue in this case.

16                   MR. HOOPER: I have no problem with that. Do  
17 you, Mr. Ramras?

18                   MR. RAMRAS: I have to talk to my client. I  
19 have no idea of the status of anything, but I certainly can  
20 find out quickly and respond quickly.

21                   MR. SCHULMAN: The second point that we would  
22 request would be that a stay be in place, but we do not want  
23 a stay to be in place for some undetermined period of time,  
24 so we would request a reasonable stay of 90 days, at which  
25 time we could have a scheduling conference so we could

1 advise the hearing officer on the status of the federal  
2 matter.

3           Whether it's resolved or ongoing or whatever, I  
4 think it's pure speculation at this point to try to guess  
5 what the time period is going to be in the federal case. I  
6 surely have no idea what is going to transpire there.

7           Mr. Hooper apparently has some idea of the time  
8 frame over there, but I'm not sure where he's getting his  
9 information from.

10           MR. HOOPER: From Pete -- the United States  
11 Attorney.

12           MR. SCHULMAN: In any event, rather than just  
13 having a stay for an undetermined period of time, we propose  
14 that a stay be in place for 90 days. At that time, if the  
15 stay needs to be extended, the scheduling conference could  
16 be used to extend the stay for another determined period of  
17 time.

18           The third point is that, we feel that if,  
19 ultimately, a stay is going to be pursued and, in fact, a  
20 motion has been already on file by certain of the  
21 respondents requesting a stay, that we think it's basically  
22 a waste of resources from all parties and time from all  
23 parties to engage in discovery if ultimately all that's  
24 going to be done, is there's going to be a stay in place.

25           So what we would ask for from the hearing

1 officer is an order freezing discovery between the parties  
2 for the length of that stay, which is 90 days. That way,  
3 everything is frozen, and no one is having to, as I've said  
4 before, spend resources and time on this case, which  
5 ultimately, a stay is in place anyway, so it seems like a  
6 waste of time.

7 Finally, because of the stay, what we're  
8 requesting is basically a status quo of where we're at right  
9 now, so that everyone can basically stand packed. One of  
10 the things that we would require would be a list of the  
11 investors in the six partnerships that are identified in our  
12 notice, as well as an accounting of all partnership assets  
13 and accounts.

14 The reason for this is this is -- this would be  
15 used as a way to assure that the stay, and in particular,  
16 the cease and desist element of the stay is being honored by  
17 the respondents.

18 And I think that public interest requires that  
19 we have some type of police mechanism so that we can be  
20 assured that no further sales are being made. And in  
21 addition, we can also be assured that additional investor  
22 assets are not being used for unauthorized or undisclosed  
23 purposes.

24 And if all the parties can reach some agreement  
25 along these terms, then I think we can have something in

1 place sooner rather than later.

2 HEARING OFFICER STERN: Does that sound  
3 reasonable to you, Mr. Hooper?

4 MR. HOOPER: No, Your Honor. In the first  
5 place, the federal government seized all of the records, and  
6 we don't have a list of the investors. We don't have any  
7 records to compile an accounting list. They are all in the  
8 possession of the United States Attorney's Office, and we  
9 have produced for the United States Attorney's Office  
10 essentially all our records; we may supplement that today.

11 And I don't think my client ever realized before  
12 he was subpoenaed that penalties -- there's an enhancement  
13 on telemarketing fraud of five to ten years with a million  
14 dollars involved approximately. So he's facing potentially  
15 20 years. And he is not contacting any investors -- I mean,  
16 he's not selling anything and -- but in terms of -- so we  
17 can't comply with that even if we wanted to.

18 On the second part is you can't -- we've  
19 received, from time to time, information from a number of  
20 partners and from the Broadcast Services that the  
21 Corporation Commission has subpoenaed documents. They have  
22 this whole file buildup, and they put tens of thousands of  
23 dollars worth of work into making a case against my client,  
24 who has -- which is somewhat skewed, from what I can see,  
25 turned it over to the United States Attorney's Office, and I

1 think I'm entitled to the production of documents.

2 I don't care if they wait to answer  
3 interrogatories, but to say we're supposed to account for  
4 funds -- I think we can make a rough accounting of the  
5 partnership assets as we know them, but I insist and will  
6 not agree to anything unless they produce the documents.

7 The answer to the interrogatories is another  
8 matter. I can't develop any plan. I know that the  
9 Commission will have accountings and outlines of what they  
10 think happened to the money and what is necessary to --  
11 where these things are at, but it's going to be used against  
12 my client, and I have to see where we are, and I don't want  
13 to come to a hearing 90 days from now and say, okay, we  
14 haven't settled this case, set a hearing in 30 days.

15 I don't think it's honoring for us to say just  
16 produce the documents that you have so we can find a way to  
17 resolve this thing.

18 We can do our best on the other part, and maybe  
19 I can get the names from the United States Government, but I  
20 certainly think that since the United States Government has  
21 all that stuff, they ought to be able to get the stuff from  
22 Pete quicker than I can.

23 MR. SENDROW: Your Honor, if I can address that  
24 issue.

25 If you're going to agree to a stay or you're

1 going to grant a stay because there's a pending criminal  
2 case, then I think the discovery ought to be stayed in our  
3 proceeding, and the reason is I think the federal  
4 prosecutors are at work under very specific discovery rules,  
5 and I don't think we should do anything to interfere with  
6 their activity if this matter is being stayed for the  
7 purposes of allowing the criminal case to proceed.

8 Mr. Conant will be entitled to whatever  
9 discovery is permitted under Federal Criminal Procedure  
10 Rules that will enable him to make his case, and when that's  
11 over, it will either be settling our case or go to a  
12 hearing.

13 And if we go to a hearing, it will go to  
14 discovery, but I think at this point, it would be premature  
15 to require extensive disclosure from the Commission when the  
16 case is presumably going to be stayed for purposes of  
17 allowing the criminal case to proceed.

18 HEARING OFFICER STERN: I assume the Commission  
19 would dismiss its complaint if, in fact, there is a criminal  
20 prosecution brought.

21 MR. SENDROW: Either that or -- I don't know.  
22 If Mr. Conant is going to prison for a long period of time,  
23 as his attorney indicated is a possibility, we would have to  
24 evaluate it at that time.

25 HEARING OFFICER STERN: It seems like if he's

1 prosecuted by the federal people, and even if they come to  
2 some sort of a resolution where he doesn't end up being in  
3 prison, or they make a settlement or whatever it is, maybe  
4 he will go away for a year, I don't know, maybe he won't go  
5 away for any time, maybe they'll decide not to prosecute  
6 him, I don't know, I would assume you would want to go  
7 forward with your case if they don't prosecute him.

8 On the other hand, if they do prosecute him, and  
9 make some sort of an arrangement with him on that level or  
10 the other respondent in this case, it would seem to me that  
11 it would be highly duplicitas for the Commission to go  
12 forward and bring its action, which would already be  
13 resolved by the federal government.

14 MR. SENDROW: It depends on what charges they  
15 bring. If it's mail fraud and wire fraud, that's a  
16 different type of charge than a Securities violation.

17 I think it's premature today to assume what  
18 we're going to do 90 days or...

19 HEARING OFFICER STERN: Here is what I would  
20 suggest you should do, because this is the way I think we  
21 should do this: I think that there's no harm to your client  
22 with respect to the Commission's action if we put a hold on  
23 our proceedings here.

24 I certainly, whenever at some point in time we  
25 decide to go forward with it, would not deny you your right

1 to discovery, because I think if it's a two-year  
2 investigation, I certainly think there's -- ample time  
3 should be allowed. I wouldn't say two years in discovery,  
4 but I certainly would allow you more than 30 days to do your  
5 discovery if you have to go forward. So I don't think you  
6 would be prejudiced by that.

7 MR. HOOPER: I think we are prejudiced, Your  
8 Honor, because in the federal government, you -- first of  
9 all, they've sent their press releases out advising all the  
10 partners, it's one of the first pages of the attachment,  
11 that my client had been charged with all these violations.

12 They've had -- they've had allegations and  
13 numbers, from what I can see, that are ridiculous there.  
14 And what's happened is they've slandered him, they've, in  
15 essence, told everyone that they can get ahold of that not  
16 only has he violated the Securities laws because he's  
17 appropriated funds, and in a way, that's not true.

18 In the federal system, you only get discovery --  
19 limited discovery on certain things. So I went to the work  
20 to make a Motion for Stay assigning the authority, and they  
21 come in here orally and say that means we don't have to  
22 produce anything, even though we've already, in effect,  
23 ruined your client, and told everybody else that we've  
24 ruined him, and made all these allegations and...

25 I'd like the opportunity to brief that issue. I

1 don't think it's appropriate for them not to produce  
2 discovery and oral without any authority, and I think we  
3 ought to take a look at it.

4 HEARING OFFICER STERN: Let me ask you this:  
5 Did you say you're willing to forego the answers to  
6 interrogatories at the present time --

7 MR. HOOPER: Yes.

8 HEARING OFFICER STERN: -- and wanted to inspect  
9 the documents?

10 MR. HOOPER: I just want to see where we are and  
11 find a solution. I can't go to the United States Attorney  
12 and say, gee, I think -- as you may know, in most all  
13 criminal prosecutions, payment of restitution is required,  
14 and one of the things that really bothers me here is that  
15 these partnerships were turnkey operations presented by a  
16 company called Broadcast Services. And I think that's where  
17 the deep pocket is, and I think the resolution of this  
18 matter is going to be towards reaching the deep pockets.

19 One of the things that saddened me when I got  
20 into this thing is that my client had never done an  
21 investigation as to what would allow me to make a  
22 determination as to how he could get everybody paid. We  
23 tried to -- Mr. Freedman tried to approach the Commission in  
24 July and August in that regard.

25 So if I could get the production of documents,

1 that's all I need to evaluate, I think I can propose --  
2 manage to settle the federal case and this, and if not, at  
3 least give information.

4 We certainly have valuable feedback that could  
5 help the investors. And the investors are kind of out on a  
6 limb right now, and I'd probably have to try to propose  
7 solutions through the Attorney General's office or the  
8 United States Attorney's -- in this case, the United States  
9 Attorney's office.

10 MR. SCHULMAN: Your Honor, can I add one point  
11 that Mr. Sendrow is alluding to that has to do with the fact  
12 that there are different discovery rules at the  
13 administrative level and at the federal level.

14 I don't like the fact that Mr. Hooper is  
15 packaging together the administrative action with the  
16 federal action. They're not the same. They're not packaged  
17 together.

18 There are different requirements of each; there  
19 are different standards to be met, and if we're looking at  
20 discovery, certainly, there's -- no one here is suggesting  
21 that the respondents are not entitled to some form of  
22 discovery; that's not what we're saying here. And I think,  
23 as you pointed to earlier, if there was a stay in place,  
24 they would be afforded whatever ample opportunity,  
25 reasonable opportunity the hearing officer determined they

1 would need prior to a hearing, but I don't think that  
2 discovery here should be used for another action, which is  
3 the federal action.

4 As Mr. Sendrow alluded to, there are discovery  
5 rules that need to be followed, federal rules of discovery.

6 HEARING OFFICER STERN: Then let the federal  
7 prosecutors come and say we shouldn't give them anything.  
8 We brought an action against people, and ordinarily  
9 speaking, in order to defend people's property, their  
10 rights, et cetera, you allow discovery.

11 I understand we'd be undergoing a stay, but  
12 ultimately, if a proceeding goes forward, his argument to  
13 see documents is not necessarily, I believe, that damaging  
14 to this proceeding. If it's damaging to the federal  
15 proceeding, let the federal prosecutors try and stop the  
16 issuance of documents.

17 I can't understand why both agencies go forward  
18 at the same time if there's a fear of something like this  
19 happening.

20 MR. SENDROW: Well, the reason to do it is to  
21 protect the public.

22 HEARING OFFICER STERN: Well, to protect the  
23 public, I think if the feds would want to proceed, they can  
24 do something and indict them all that faster.

25 I don't know, I would like to see this resolved.

1 I can see there's going to be a lot of problems defending  
2 someone in this proceeding if they can't respond to the  
3 allegations because they're afraid they'll have to give  
4 incriminating evidence.

5 In an administrative proceeding, it ultimately  
6 will probably occur much more quickly than in a federal  
7 proceeding, if they haven't been indicted yet.

8 MR. SCHULMAN: That's one of the reasons why  
9 we've come here today and said we agree to a stay.

10 HEARING OFFICER STERN: I'll suggest this: I  
11 think we're going to take a little recess in this  
12 proceeding. What I would prefer is a signed stipulation  
13 between counsel that you agree; A, there's no more dealings  
14 in these securities pending the outcome of the action; B,  
15 that there would be a stay in place pending, we can say  
16 approximately 90 days, after which time I can schedule it or  
17 we can try and pick a date out of a hat, if we have hearing  
18 space available for another scheduling conference, to see  
19 where we're at.

20 I think between the two of you, I think you can  
21 arrive at some sort of a reasonable solution to this  
22 discovery thing, and to limit the time and effort on it, but  
23 if it's been a two-year process, I think you can afford to  
24 expend a few more hours to possibly reveal more documents  
25 possibly. Maybe it won't be a full discovery in that

1 respect.

2 I think with respect to your fourth request for  
3 a list of investors and the partnerships, gee, guys, I guess  
4 you're going to have to go to the federal attorney for it --  
5 to the U. S. Attorney for it, because he says they don't  
6 have it.

7 MR. RAMRAS: Your Honor, if I can just  
8 interject: I know you said to have a stipulation between  
9 the two parties. Mr. Gillman is separately represented  
10 here, and I don't know whether he is being looked at on this  
11 indictment issue or not, but I -- just in listening around  
12 the table, it seems to me that a fair compromise to this, in  
13 order to -- since we're sort of doing a wait and see on the  
14 federal thing, I can understand not having a full-blown  
15 discovery, but it seems to me that if there is boxes or a  
16 box of documents, whatever documents that exist, I know -- I  
17 don't think it's going to take a week, if there's a box of  
18 documents, it takes longer than that to digest that,  
19 especially with a client in Virginia.

20 And my suggestion to the court would be, with  
21 regard to the cease and desist on these particular  
22 securities, it sounds reasonable to me, I would recommend it  
23 to my client.

24 With regard to a 90-day stay and a second look,  
25 I would recommend that. With regard to a limited freeze, in

1 other words, stop all discovery with the exception of at  
2 least produce the documents, I mean, let us see what the  
3 documents are that are the basis of the claims.

4 If you wanted to stay this action a minute after  
5 you file it, then why file it in the first place?

6 It just it seems to me that reasonably, if  
7 you've got documents, let's look at them. That should not  
8 be a problem, and we would like to have those.

9 Other than that, it seems like it's a nice  
10 compromise. No one is getting hurt too badly, and let's  
11 take another look at it.

12 MR. HOOPER: I can handle that. We produced  
13 documents pursuant to the Federal Grand Jury Subpoena, which  
14 of course the notice of this proceeding, the Federal Grand  
15 Jury Subpoena for my client to produce documents were also  
16 made -- inspectors at my client's home kept all those  
17 records.

18 Mr. Freedman and I have some records in our  
19 file, most of which are duplicates, but I would be glad to  
20 provide the Commission with what we've produced to the  
21 United States Attorney's office.

22 There are some documents that they don't have  
23 that I had previously objected to. And as far as the  
24 documentation is concerned, I think the opportunity to  
25 resolve this case and to protect the investors can only be

1 done with a fair and full exchange of documents.

2 I'm willing to do that, excluding, of course,  
3 the attorney/client privileged documents between Mr. Conant  
4 and myself and Mr. Conant and Mr. Freedman and between  
5 Mr. Freedman and myself.

6 HEARING OFFICER STERN: Who is Mr. Freedman?

7 MR. HOOPER: Mr. Freedman and I represented  
8 Mr. Conant when Mr. Conant was subpoenaed to testify last  
9 June or July, and he met with the Commission to see if he  
10 could resolve this thing.

11 HEARING OFFICER STERN: Is Freedman here?

12 MR. SENDROW: James Freedman.

13 MR. HOOPER: But he is not in this proceeding,  
14 since he does not litigate.

15 HEARING OFFICER STERN: I'm going to take about  
16 a five- or ten-minute recess here. I think you guys are  
17 close to working this out.

18 Like you said, I guess you can't agree unless  
19 you talk to your client. I prefer a stipulated agreement  
20 between counsel for the Division and the respondents as to  
21 how you're going to do this, and it can be incorporated into  
22 a proposed order, which I may amend or change, and we'll --  
23 I'll sign it and docket it, and that will get you the 90  
24 days, and we'll see where we're at, approximately 90 days.

25 But in any event, I'm going to take a few

1 minutes. If you want to talk to each other, fine; if you  
2 don't want to talk to each other -- yes, sir?

3 MR. HOOPER: I think I can probably resolve  
4 things, get Mr. Ramras -- I'm a little ahead of him.

5 HEARING OFFICER STERN: You can talk to him in  
6 the interim --

7 MR. HOOPER: I think if I talk to Mr. Ramras --

8 HEARING OFFICER STERN: I'll come back in ten  
9 minutes, if you want to take a half-hour, I don't care.  
10 We'll go off the record now.

11 (The hearing was in a 15-minute recess.)

12 HEARING OFFICER STERN: Returning to the record,  
13 the Division and the counsel for Mr. Gillman and counsel for  
14 Mr. Conant of Interactive Technologies West have had a  
15 discussion wherein it's been generally agreed where they  
16 should be able to enter into a stipulated agreement for a  
17 stay of the proceedings at the Commission here pursuant to  
18 them entering into an agreement whereby the respondents will  
19 agree not to engage in the offering or sale of securities  
20 with respect to the notice, and that discovery in a format  
21 agreed to between the parties will take place, and they will  
22 file the stipulation with me and may, if they wish to file a  
23 proposed order, which I may amend somewhat, but probably the  
24 form would be agreeable if it embodies your agreement.

25 And with respect to the 90 days or thereabouts

1 scheduling, if you want a date, you can contact me before  
2 you file everything, or if you leave it up to me, I'll just  
3 throw a date out approximately 90 days from the date of the  
4 filing of your agreement.

5 MR. HOOPER: Why don't we go ahead and set a  
6 date now? I pretty much know what my calendar is.

7 HEARING OFFICER STERN: I would suggest this:  
8 The only reason I say leave it open or give me a call and  
9 I'll give you a date, I don't have access to our calendar  
10 right now. I have to go downstairs and physically get a  
11 book, and I have some stuff already scheduled out, and I  
12 have to work around locations in the building.

13 MR. HOOPER: I think it would be really helpful  
14 is -- we have this crazy procedure where you file the 12  
15 documents with the docket clerk, and in terms of getting  
16 this stuff to you, do you want us to fax copies to your  
17 office or something?

18 HEARING OFFICER STERN: You can. That's very  
19 easy, if you want, but you have to file the original and  
20 nine or ten copies with the docket office here. That's the  
21 way they do it.

22 MR. HOOPER: Where should I fax it that to?

23 HEARING OFFICER STERN: If you want to fax  
24 things to me -- I won't file them necessarily.

25 MR. HOOPER: We'll file them. I don't know how

1 long it takes.

2 HEARING OFFICER STERN: We usually get them the  
3 same day.

4 MR. HOOPER: In terms of a proposed stipulation  
5 or having a conference or something?

6 HEARING OFFICER STERN: If there's a problem or  
7 something, you can fax something to me, 542-4230, but in  
8 terms of if you're just docketing something, that's not much  
9 of a problem usually. It gets filed, the latest I get it is  
10 the next day.

11 MR. SENDROW: So you don't need a courtesy copy?

12 HEARING OFFICER STERN: That would be nice, if I  
13 get a courtesy copy.

14 MR. HOOPER: Where do you want us to send that  
15 to?

16 HEARING OFFICER STERN: Same place as here, I'm  
17 just in Room 125.

18 Let's go off the record.

19 (A discussion was held off the record.)

20 HEARING OFFICER STERN: Back on the record. We  
21 had a brief discussion off the record regarding phones and  
22 fax. So I'll look forward to getting a stipulation from you  
23 gentlemen somewhere in the near future, I suspect probably  
24 in the next ten days.

25 If there's any problems, give me a call. I

1 should be in and out of the office in the next two weeks, so  
2 you may miss me one day, but I'll probably be in the next  
3 day. Thank you. That concludes this today.

4 (The proceedings concluded at 10:45 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings had upon the foregoing hearing are contained in the shorthand record made by me thereof, and that the foregoing pages constitute a full, true and accurate transcript of said shorthand record; all done to the best of my skill and ability.

DATED at Phoenix, Arizona this 26th day of December, 1996.

  
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Court Reporter