



1 BEFORE THE ARIZONA CORPORATIO

2

3 IN THE MATTER OF:)

4 ROBERT W. MANGOLD and MICHELLE M.)
MANGOLD, husband and wife;)

5 ONE SOURCE MORTGAGE & INVESTMENTS,)
6 INC., an Arizona corporation;)

7 STRATEGIC EQUITY INVESTMENTS, LLC,)
8 an Arizona limited liability)
corporation;)

9 Respondents.)

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12

13 At: Phoenix, Arizona

14 Date: January 25, 2010

15 Filed: **FEB 08 2010**

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By: KAREN L. KESSLER, RPR
Certified Reporter
Certificate No. 50821

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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 10:14 a.m., on the 25th day of
6 January, 2010.

7

8

BEFORE: MARC E. STERN, Administrative Law Judge

9

10 APPEARANCES:

11

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12 Division:

13

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KAREN L. KESSLER, RPR
Certified Reporter
24 Certificate No. 50821

24

25

1 ALJ STERN: This matter is now open in the
2 matter of Robert W. Mangold, et al., in Docket
3 No. S-20669A-09-0187.

4 My name is Marc Stern. I'll preside over the
5 matter this morning.

6 And on behalf of the Securities Division, do you
7 want to enter your appearance, sir?

8 MR. HUYNH: Good morning, Judge. Phong Paul
9 Huynh, staff attorney for the Division.

10 ALJ STERN: All right. And on behalf of the
11 respondent, Mr. Mangold?

12 MR. MANGOLD: Robert W. Mangold.

13 ALJ STERN: All right, Mr. Huynh, you told me
14 you had something you all wanted to discuss on the
15 record. So what's the status of the proceeding at this
16 point?

17 MR. HUYNH: Your Honor, we're unable to resolve
18 the matter through a consent order because Mrs. Mangold
19 is un -- or unable or unwilling to sign off on a consent
20 order, and with the marital community matter we can't
21 obtain or execute a binding order without her consent.

22 To expedite the matters, Mr. Mangold and I have
23 discussed stipulations. And if I could approach to
24 provide you a document in regards to stipulation of
25 facts, and also we have discussed stipulation of a

1 certain number of exhibits. We would ask to go forward
2 on a hearing, but it would be limited basically to
3 testimony regarding the marital community liability and
4 any foundational requirements for any exhibits not
5 stipulated to by Mr. Mangold and the parties.

6 ALJ STERN: Okay. And how long do you
7 anticipate this proceeding to take to deal with the
8 issues you're talking about?

9 MR. HUYNH: Very briefly, Judge. I would think
10 an hour, roughly.

11 ALJ STERN: How many witnesses?

12 MR. HUYNH: Just Mr. Philips, and Mr. Mangold or
13 Mrs. Mangold as required.

14 ALJ STERN: All right. Mr. Phillips being your
15 investigator?

16 MR. HUYNH: Yes, Judge.

17 ALJ STERN: Is that your understanding,
18 Mr. Mangold?

19 MR. MANGOLD: Yes, sir.

20 ALJ STERN: Okay. Let's proceed.

21 Do you have any opening statement you wish to
22 make at this time, Mr. Huynh.

23 MR. HUYNH: No, Judge. If I could just approach
24 and provide you with the stipulation of facts document.

25 ALJ STERN: All right, let me see what you have.

1 MR. HUYNH: I've got an original and a copy for
2 you. I'm not sure if the original I should file with
3 you.

4 ALJ STERN: Okay, if I understand things
5 correctly then, the document I'm looking at which, and,
6 Mr. Mangold, correct me if I'm wrong and Mr. Huynh, as
7 far as the actual findings that, of fact that the
8 Commission would make in this proceeding and to which
9 the Division and the respondent are willing to stipulate
10 to, are the findings -- well, I think they start on page
11 two but then they continue over to whatever page, 14,
12 15, wherever it is, over to page 13. And then we start
13 with notary signatures, et cetera.

14 MR. HUYNH: Yes, Judge.

15 ALJ STERN: Correct?

16 MR. HUYNH: Correct.

17 ALJ STERN: And, Mr. Mangold, you signed
18 individually, correct?

19 MR. MANGOLD: Yes.

20 MR. HUYNH: And on behalf of the entities, Your
21 Honor.

22 ALJ STERN: And on behalf of Strategic Equity
23 Investments, LLC, and One Source Mortgage Investments
24 Inc.?

25 MR. MANGOLD: Correct.

1 ALJ STERN: Okay, and then the real material
2 issue then is whatever evidence you're going to present
3 with respect to the showing the benefit of the marital
4 community, correct?

5 MR. HUYNH: Or the liability of the marital
6 community.

7 ALJ STERN: The liability of the marital
8 community. And then the other issue I see is at the
9 bottom of page five there; although, I imagine there are
10 some other matters. Okay, and then the issue of
11 whether -- the "no risk" at the bottom of page five?

12 MR. HUYNH: Yes, Your Honor, we are okay with
13 that modification.

14 ALJ STERN: Oh, you're okay with that?

15 MR. HUYNH: Anything currently incorporated
16 within the stipulation of facts we are okay with as it
17 stands, with the cross outs on, you know, one or two
18 minor items.

19 ALJ STERN: I think we, correct me if I'm wrong,
20 I'm only looking at where the one issue is the marital
21 situation in finding number eight on your stipulation,
22 which --

23 MR. HUYNH: Uh-huh.

24 ALJ STERN: -- that's --

25 MR. HUYNH: Which we have agreed to redact out

1 for the purposes of the stipulation.

2 ALJ STERN: For the stipulation, but the final
3 findings that the Commission may make may be determined
4 by whatever else is presented today and/or briefed --

5 MR. HUYNH: Correct.

6 ALJ STERN: -- in the issue.

7 MR. HUYNH: Correct.

8 ALJ STERN: Let's just -- and then as far as the
9 one at the bottom of page five, the no risk issues, says
10 each deed would be in the investor's name, there's an R
11 is that M --

12 MR. MANGOLD: They were my initials on the
13 bottom of page five.

14 ALJ STERN: Okay. Are you -- well, I'll ask you
15 at some point.

16 Those are the only places I see any
17 interlineations at all.

18 MR. HUYNH: Yes, Judge, and we are fine with
19 that.

20 ALJ STERN: The Division agrees with that, and
21 then ultimately I can make additional findings in
22 relationship to what's been lined out if I wish.

23 MR. HUYNH: Correct, Judge.

24 ALJ STERN: Or the Commission wishes to.

25 MR. HUYNH: Right.

1 ALJ STERN: Based on whatever evidence is
2 presented.

3 ALJ STERN: Okay. Now, with respect to --
4 anything else?

5 MR. HUYNH: Judge, two additional matters, one
6 being the party's discussion in regards to stipulation
7 of exhibits.

8 ALJ STERN: Well, I was going to get to that,
9 but is that where you're going now?

10 MR. HUYNH: That and I think in regards to
11 today's hearing, I think there are going to be two
12 discussions. One with the Division's ability or
13 willingness to go forward today, and Mr. Mangold wanting
14 to make a request to the Court regarding him and his
15 wife, and whether or not -- because Mrs. Mangold is not
16 here today, my guess is he is going to request a
17 continuance, briefly, on the matter, till maybe tomorrow
18 or somewhere --

19 ALJ STERN: Okay.

20 ALJ STERN: Mr. Mangold, do you -- we can go to
21 the stipulations if you want to do that first, or do the
22 other matter Mr. Mangold wants to request.

23 MR. HUYNH: Yeah.

24 ALJ STERN: Do you want to do the stipulations
25 first, is that what you --

1 MR. HUYNH: Okay, yeah.

2 ALJ STERN: I mean, I don't have a preference,
3 I'm just asking.

4 MR. HUYNH: So just to be certain here, we are
5 okay with the stipulation of facts as it stands?

6 ALJ STERN: I can't read the eight pages. I can
7 take a recess and read them for a few minutes if you
8 want to give me time to read through them. But they
9 look --

10 MR. HUYNH: Well, I guess the only point I'd
11 make is, you know, the Division agrees in regards -- and
12 would recommend that the Administrative Law Judge enter
13 into the stipulation of facts entered in by all parties.
14 If -- however you'd like to handle that Judge is fine.
15 And then I guess I can move over to the exhibits when
16 you're ready there.

17 ALJ STERN: All right, just give me a minute to
18 take a look at these.

19 Let's go off the record and I will take a few
20 minutes to read through these. And, like I say, we
21 still have to address the issue, since in your notice
22 it's alleged that the marital community benefited, I
23 assume, since that is an issue to Mr. Mangold, he may
24 have some evidence on it, whether it's today or it's
25 tomorrow or whenever, and then -- but before we get to

1 that, I want to look at this, your stipulations of the
2 facts. Because there is at least one key fact, the
3 issue on the risk. I imagine you have some other facts
4 in there that meet the other requirements of your
5 complaint or your notice of opportunity for hearing, I
6 assume, right?

7 MR. HUYNH: Yes, Judge. There are quote,
8 unquote, other 1991 allegations we had made. That's why
9 the Division is fine with that provision or that
10 redaction, because we will either present evidence, or
11 other further evidence, of additional ones to allow you
12 to make a decision.

13 ALJ STERN: All right, we'll recess, take until
14 about 10:35 and I'll be back.

15 (Recess taken from 10:24 a.m. to 10:39 a.m.)

16 ALJ STERN: Going back on the record, I just
17 want to make sure I understand some things here.

18 Mr. Huynh, now, this document, I guess there
19 were a couple of offerings here. There were some notes
20 apparently and/or some investments where there were
21 investment contracts, right?

22 MR. HUYNH: Yes, Judge.

23 ALJ STERN: And if I understand, I mean, I
24 noticed that in a number of places there were dollars
25 and cents amounts, and I didn't add or subtract

1 anything, I'm assuming that at the very end where -- for
2 instance, there's \$500,000 stipulated to at the very
3 beginning, under OSMI profit sharing agreement; and then
4 I come along and I see another, SEI membership interests
5 in an LLC, there is 2.1 million plus; and then, I guess,
6 not going into each varying amount, but at the very end,
7 the amount of restitution, according to the document,
8 says \$6,224,453.

9 MR. HUYNH: Yes, Judge. That's a calculation of
10 restitution and interest currently.

11 ALJ STERN: All right.

12 MR. HUYNH: And so that's -- the principal
13 amounts as listed in the notice, I think is just under
14 \$5 million, but with all the interest charges at the
15 rate assessed under statute of ten percent, it comes to
16 roughly 6.2.

17 Mr. Mangold has agreed to stipulate on that
18 amount at this point in time. However, in regards to
19 restitution, as we discussed, we're willing to agree and
20 submit, if the court wants, some language in which we
21 will agree to offset in terms of restitution payments
22 made. And if there is actual title to the properties,
23 that he's willing to get independent appraisals for to
24 provide to the investors who agree to accept that in
25 lieu of cash payment within a certain time frame, we're

1 in -- we're not going to oppose that recommendation if
2 you agree to it.

3 ALJ STERN: Okay, I understand that.

4 Well, usually in most cases -- and, Mr. Mangold,
5 let me just get you here. You signed off on this
6 agreement, at least as of January 22nd, that the total
7 amount of restitution would be 6,224,453, right?

8 MR. MANGOLD: Correct.

9 ALJ STERN: Okay. I don't have a problem with
10 the offsets, and normally speaking, in the Commission
11 orders and under the Commission's -- I don't know
12 whether it's under the rules of restitution, rescission,
13 but I know in the past the standard language we always
14 have used has been subject to offsets.

15 Now, if you want to make an additional finding
16 of fact or you want to have some specific conclusion of
17 law, that's between you two, but I'd ask to you get it
18 filed reasonably soon. The -- once the Commission makes
19 it's order, and it is subject to offsets, I assume, you
20 know -- I don't know how that's worked out between the
21 respondents, the Division, and the Attorney General's
22 Office, who handles these things for you, because we are
23 not involved in the mechanics.

24 MR. HUYNH: Yeah, and this is somewhat of a
25 unique situation, Your Honor, so that's why we presented

1 to you just a stipulation on findings of facts, since we
2 do have to hold to some extent an abbreviated hearing,
3 and you'll be encompassing whatever you find in regards
4 to the evidence and incorporate that into a recommended
5 order. And I guess it's in that stage where, prior to
6 your recommended order, if you are going to go forward
7 with the restitution amount here, that we would be
8 willing to, you know, submit, for your review,
9 additional language as it pertains to that restitution
10 offset, to allow quote, unquote investors to take title
11 to properties if there are titles with independent
12 appraisals provided by Mr. Mangold.

13 ALJ STERN: What I might suggest is that, you
14 know, this is going to sort of be an ongoing thing,
15 because I don't know how many investors there are in
16 total.

17 Is there a total number, Mr. Mangold?

18 MR. MANGOLD: There is, but I don't have the
19 exact number, I'd say in the range of 50.

20 ALJ STERN: Okay, you know, it's sort of like, I
21 think there should be an additional stipulation or
22 something, either as an exhibit or whatever, what will
23 constitute the so-called offset where an investor agrees
24 in lieu of or in addition to, or however you all work it
25 out, that they agree to accept, let's say, I guess it's

1 a piece of property or an interest in a property, I
2 don't know how these things work, but I would say that
3 if the Division and/or Mr. Mangold agrees to that, it
4 could be used as, as a stipulated fact if the Division
5 agrees to it, Mr. Mangold agrees to it, that as
6 stipulated, you know, whatever your, your restitution
7 resolution is in that way in a set off.

8 If the mechanics of it haven't been worked out
9 yet, both of you would, I suggest, have to sign off on
10 it. I mean, if it's -- well, like you say, Mr. Huynh,
11 it's a little bit unusual, but I understand in certain
12 circumstances some investors are willing to gamble on
13 the prospects from earning more from the investment than
14 taking whatever amounts, possibly pennies on the dollar
15 in a settlement or something; is that right?

16 MR. HUYNH: Correct, Judge.

17 ALJ STERN: I don't have a problem with it, and
18 I don't know how long it will take you to work out those
19 terms, but, you know, 90 days, 120 days, how long are we
20 talking?

21 MR. HUYNH: I, guess from a procedural aspect,
22 we are a little uncertain in terms of -- because it's a
23 restitution amount that's entered in as a result of the
24 conclusions of law and requested relief by the
25 Commission, and also incorporated into your recommended

1 order prior to it going to the Commission, we weren't
2 sure how to best present it to you, and if you feel that
3 it's appropriate to include in your recommended order
4 prior to presenting it at open meeting to the
5 Commission.

6 ALJ STERN: All right. Well, when we actually
7 get into whatever the findings of fact portion of this
8 proceeding will be, I guess my suggestion is that you
9 reduce it to writing that we can refer to as possibly an
10 exhibit to the recommended opinion and order to the
11 Commission, and let them make a decision.

12 And as I say, I mean, typically in, I know the
13 consent orders and/or a contested matter, that setoffs
14 do play a part in -- there has to be a figure for what
15 the restitution should be, but the setoff amount is
16 determined by however, whatever formula you elect to
17 use. And if there is a methodology acceptable between
18 the parties, that's fine. I don't think the Commission
19 would contest that, and/or also the people who invested.
20 If they decide they don't want any part of whatever the
21 dollar figure is that they would get, and they would
22 just as soon take their piece of the pie that apparently
23 was going to, may have happened in the future, that's
24 something, you know, you'll have to decide. What
25 evidence you want Mr. Mangold to give you with respect

1 to each investor, et cetera, plus the total list of
2 investors that you know of, correct?

3 MR. HUYNH: Yes, Judge.

4 ALJ STERN: Okay. And what I think we would
5 want to do is, you know, give you some sort of a time
6 frame, and I don't know how long it will take you to
7 effectuate this, because I think, like I say, I think we
8 probably have to attach it to any recommended opinion
9 and order, and you all would have to finalize the names
10 of investors with Mr. Mangold and send out, I guess,
11 some sort of a form letter in terms of, look this is
12 what you can do or you can go this way, and then have
13 each investor, or whatever entity represents the
14 investor, sign off on it. And I think that would be a
15 way to proceed.

16 MR. HUYNH: And I think as we currently have it,
17 or as we had it, we were going to give Mr. Mangold, at
18 the entry of the Commission's decision and order,
19 90 days to effectuate and begin the process of obtaining
20 that -- we do have some language that we could provide
21 to you currently today for you to review, so that when
22 you make a determination and a recommended order, if
23 you'd like to incorporate that specific language, we do
24 have that, and it's been reviewed by the parties.

25 We just didn't make it as part of a stipulation

1 per se, because we, as part of the stipulation, unless
2 and until you enter into a recommended order based on
3 the findings of fact and conclusions of law, we couldn't
4 get to that restitution aspect of it yet.

5 ALJ STERN: All right. Well, let's see what
6 happens with it. Don't forget it before we leave here.

7 MR. HUYNH: Okay.

8 ALJ STERN: All right. I have a couple other
9 questions. Okay, so I have resolved the big dollar
10 figure. At points I see referred to in the stipulation,
11 you refer to a Schedule A, I assume -- or I think at one
12 point I saw a Schedule B and an Exhibit A, these are
13 documents I assume that are, when you refer to them
14 within these findings in the stipulation, they were
15 exhibits or schedules to the original agreements and/or
16 investment contracts or whatever they were?

17 MR. HUYNH: Yes, Judge, they will be.

18 ALJ STERN: Okay. So they have nothing to do
19 with these, these stipulated facts, per se, there is no
20 exhibit, no Schedule A, no Schedule B, or Exhibit B?

21 MR. HUYNH: Correct.

22 ALJ STERN: Okay. All right, now, with respect
23 to, you refer to an REO as being a real estate asset. I
24 just had a question. Why didn't you call it an REA?

25 MR. HUYNH: I think I just tried to keep it

1 consistent with what Mr. Mangold had on his websites and
2 consistent with what we saw on a lot of Internet
3 conversations, and so forth, within the, within the
4 area. So I was just trying to keep it consistent with
5 those facts.

6 ALJ STERN: I can accept it. I was just
7 wondering why it wasn't REA.

8 MR. MANGOLD: Within the industry, that is what
9 they are called.

10 ALJ STERN: REO?

11 MR. MANGOLD: If you did REA, nobody would know
12 what you're talking about.

13 ALJ STERN: Oh, okay. What's the O?

14 MR. MANGOLD: Real estate owned.

15 ALJ STERN: Real estate --

16 MR. MANGOLD: Owned by a bank.

17 ALJ STERN: Oh, I see. So it's an REO.

18 MR. MANGOLD: There are REO divisions of real
19 estate owned by the bank.

20 ALJ STERN: Even though it's an REA?

21 MR. MANGOLD: Even though, yes.

22 ALJ STERN: Okay. In any event, I think I can
23 go with that now. I'll just take off my little yellow
24 tabs here.

25 Now, with respect to the stipulated findings of

1 fact, let me see, or the stipulations, I'm looking for
2 volume one.

3 Now, there -- I know you originally filed that
4 telephonic testimony. That's not an issue at this
5 point, I guess.

6 I don't have a list of exhibits, I don't think.
7 Unless you -- did you file it in the docket, or do you
8 have a list of exhibits?

9 MR. HUYNH: It should be as part of -- in one of
10 the exhibits, there is an Exhibit A with --

11 ALJ STERN: Let me just take a look here.

12 MR. HUYNH: If not, I'll make sure to get you a
13 copy, Judge.

14 ALJ STERN: There's three volumes of exhibits,
15 correct?

16 MR. HUYNH: Yes.

17 ALJ STERN: All right.

18 MR. HUYNH: It might be attached to the back of
19 our Division's proposed list of witnesses and exhibits;
20 it was in the binder too.

21 ALJ STERN: It was in the binder?

22 MR. HUYNH: It should have been.

23 ALJ STERN: Just a minute. I -- see, I have
24 volume one, and -- do you have a set with you? I can
25 get them photocopied, a spare set.

1 MR. HUYNH: I can go run and make a quick
2 photocopy or --

3 ALJ STERN: Here, let me, I can get it done
4 probably faster than you can, unless you want to do it.
5 All right, you go ahead and do it.

6 Well, until I get it, I can't do anything with
7 your exhibits, that's the thing.

8 MR. HUYNH: Sure, I understand that.

9 ALJ STERN: While we're waiting on the exhibits,
10 and before we go to any evidence, Mr. Mangold, you
11 were -- Mr. Huynh implied earlier you were thinking of
12 requesting some sort of continuance; is that correct?

13 MR. MANGOLD: Correct.

14 ALJ STERN: What's the nature of the continuance
15 request?

16 MR. MANGOLD: It really is related to the
17 marital community, for my wife to testify. And she
18 probably will have her own attorney. She,
19 unfortunately, had to start nursing school today, and if
20 you miss the first day, you're dropped, so. . .

21 ALJ STERN: I understand. When would be
22 convenient, if that's going to be your situation with
23 your wife and an attorney, do you know what --

24 MR. MANGOLD: I do not, because they are working
25 on that separately, but I, at this point, you know, I

1 need to get a continuance, if we want -- because we
2 reserved through, I guess Thursday?

3 ALJ STERN: I'm, you know, I can -- I might be
4 able to do that Thursday afternoon. I know I have a
5 bunch of things scheduled Thursday morning, I believe.
6 I think Thursday morning, I'd have to go look and see
7 what the timing is.

8 All right, I will note on the record that the
9 assistant to Mr. Huynh has handed me a list of the
10 Divisions exhibits.

11 Now, this is captioned Exhibit A. Is this, is
12 this -- and it contains S-1 through S-53, and you didn't
13 want to make this Exhibit A to the --

14 MR. HUYNH: No.

15 ALJ STERN: -- stipulated facts or anything, did
16 you?

17 MR. HUYNH: No, Judge.

18 ALJ STERN: All right. So we are now talking
19 about the various exhibits that, Mr. Mangold, that you,
20 in representing yourself here today and I guess on
21 behalf of your companies, I guess, you're representing
22 S-1 -- how does it work here?

23 MR. HUYNH: Maybe the easiest way, Your Honor,
24 is I can tell you what is not stipulated to. That's a
25 shorter list than --

1 ALJ STERN: Okay, what's not stipulated?

2 MR. HUYNH: S-10c, everything in S-10c would be
3 agreeable except for one particular page, and that is
4 the page with the Bates label ACC002118.

5 ALJ STERN: Wait. S-10c, Bates label, what?

6 MR. HUYNH: ACC002118.

7 ALJ STERN: Okay. So that one page out of this
8 whole exhibit?

9 MR. HUYNH: Yeah, Mr. Mangold does not want to
10 stipulate to that document, which is fine.

11 ALJ STERN: Oh, the Division doesn't mind?

12 MR. HUYNH: Yeah, I'll, we'll provide testimony
13 if needed.

14 ALJ STERN: Well, Mr. Mangold, what's, what is
15 your problem with that particular page, since this is a,
16 this is a company agreement of Blue -- wait, that's --
17 is it --

18 MR. MANGOLD: It was a letter from the investor
19 to Mr. Phillips that I had not seen.

20 ALJ STERN: Maybe I'm on the wrong page. I'm
21 entirely on the wrong page. Wait a minute.

22 MR. HUYNH: Yeah, there's an S-10a, b, and c in
23 that.

24 ALJ STERN: I better find the right -- I see
25 10b, then I have to get to 10c somewhere.

1 Okay, what's that Bates number, 00 --

2 MR. HUYNH: 2118.

3 ALJ STERN: All right. The thing is captioned
4 Exhibit "B" Bill of Sale?

5 MR. HUYNH: Yes, Judge.

6 ALJ STERN: And this is a letter, Mr. Mangold,
7 this exhibit, this bill of sale --

8 MR. MANGOLD: I'm sorry, I was thinking of the
9 wrong one. I just can't verify -- that wasn't my copy
10 of those, and without looking at that record -- it has
11 the wrong name in there. It looks like the dollar
12 amount is right for Mr. Dundas, but the wrong name on
13 the bill of sale.

14 ALJ STERN: Russell Palmer?

15 MR. MANGOLD: So it appears there is an error in
16 the paperwork, but I didn't provide that paperwork so I
17 can't verify that without looking at mine and find out
18 if there is actually a copy, or an error on my copy.

19 ALJ STERN: Oh, so it should have been someone
20 else's --

21 MR. MANGOLD: It should have, yeah.

22 ALJ STERN: But the amount is right?

23 MR. MANGOLD: For Mr. Dundas, yes.

24 ALJ STERN: Okay. So, yeah, when I look at
25 Exhibit 10c and the Bates number ACC002117, the page

1 before it, it refers to \$258,610, and it appears that --

2 MR. MANGOLD: Yes, it appears to be, and it
3 probably is just fine, but I didn't want to stipulate
4 because it's not my copy, and without checking -- it's
5 probably fine.

6 ALJ STERN: So it appears to be a technical
7 issue, but, all right.

8 Mr. Huynh, I mean, I, you know, I assume that
9 the number amount is verified previously. It looks
10 pretty much like the same thing. If you have anything
11 specific that would show it as anything different, I'd
12 only suggest that you make a late filing into the
13 record, otherwise it looks like --

14 MR. MANGOLD: It's, like I said, it's probably
15 fine. But without actually verifying -- it looks like
16 we just made an error in the name.

17 ALJ STERN: Does that appear to be your
18 signature on November 19th, 2006 on that one?

19 MR. MANGOLD: Could I come up and look at it
20 real quick?

21 ALJ STERN: Go look at his.

22 MR. MANGOLD: Yes.

23 ALJ STERN: Okay. So apparently, it's a
24 typographical error and someone else's name should have
25 been there. So I don't really have a problem with that

1 exhibit, per se.

2 What else are we talking about?

3 MR. HUYNH: The next exhibit that we couldn't
4 stipulate to is --

5 ALJ STERN: I'm going to overrule your objection
6 to that one. I mean, because it seems like it's valid.

7 Okay, go ahead.

8 MR. HUYNH: S-13b.

9 ALJ STERN: S-13b. How many of these are there
10 that you're, that are an issue?

11 MR. HUYNH: There is just a total of four.

12 ALJ STERN: Okay. All right, S-13b, what am I
13 looking for?

14 MR. HUYNH: Yeah, the entire S-13b we couldn't
15 agree to, so --

16 ALJ STERN: You mean the website?

17 MR. HUYNH: Yes. So I guess, you know, I'll
18 present to Mr. Mangold to make any objections he has
19 regarding it.

20 ALJ STERN: Mr. Mangold, you're objecting to
21 this document?

22 MR. MANGOLD: Yes. It just simply wasn't
23 submitted by me. It was submitted by someone else, and
24 to verify that all the information in there hasn't been
25 changed in anyway, was my objection, so. . .

1 ALJ STERN: Okay. But you don't, for purposes
2 of just establishing that you maintain -- I guess --
3 what is the Division's purpose in this? Is it just this
4 as a website?

5 MR. HUYNH: Yes, Judge, just a website and some
6 background information, that's all it was.

7 ALJ STERN: Hearing what Mr. Huynh has said
8 about this document, sir, do you have any particular
9 problems, other than just establishing that you had a
10 website? It appears to be your website.

11 MR. MANGOLD: No, I did have the websites, both
12 under those domain names, and most of the information
13 looks good, but I just didn't verify that -- because I
14 didn't provide that information, I just didn't verify
15 that nothing was changed or altered in there.

16 ALJ STERN: Okay. All right, again, I don't, I
17 don't think -- based on what your stipulation of facts
18 are, I don't -- I can take knowledge of the fact that
19 you had a website, but, you know --

20 MR. MANGOLD: We did these after we did the
21 stipulation, so --

22 ALJ STERN: Okay.

23 MR. MANGOLD: So just if I see something that
24 didn't, wasn't familiar, I didn't provide them, I didn't
25 stipulate to it, that's all.

1 ALJ STERN: Okay.

2 MR. HUYNH: And my only position on it, Judge,
3 is that I'm just pointing out what we did not stipulate
4 to. In terms of whether or not, ultimately, the
5 Division decides to enter it in, we'll definitely make
6 that determination based on the fact that -- your
7 acceptance of the stipulation of facts and the context
8 in which any additional elements we would need to
9 approve of.

10 ALJ STERN: Well, I will accept it for the fact
11 that it's a website, and it appears to be Mr. Mangold in
12 the picture there, and as I said, you all, Mr. Mangold,
13 have signed off on a stipulation of facts, I don't know
14 if there is any particular fact related to what you
15 stipulated to that even refers to this website.

16 MR. MANGOLD: Right.

17 ALJ STERN: And if it's not an issue, it really
18 has no bearing on it. But, I mean, other that. . .

19 MR. MANGOLD: Okay.

20 ALJ STERN: Okay. I'll overrule the objection
21 for purposes of just establishing the fact that
22 Mr. Mangold maintained a website; he acknowledged here
23 that there were two websites such as this. As to this,
24 the accuracy of the facts that are related, I'm not
25 going to really put much importance in that because of

1 the stipulation of facts in general.

2 Do you have anything else?

3 MR. HUYNH: No, Your Honor, that's it.

4 ALJ STERN: Just this --

5 MR. HUYNH: Oh, I'm sorry, yes. In regards to
6 that exhibit, no. We just have two final exhibits to
7 briefly touch on.

8 The next one that we could not come to an
9 agreement on is S-28c.

10 ALJ STERN: Wayne County land records. Okay,
11 28c, let me find it. Should I be looking for a
12 particular Bates number?

13 MR. HUYNH: This one does not have a Bates
14 number, Your Honor. It appears to be just a website
15 printout of Wayne County land records.

16 ALJ STERN: I don't know if I can find that.

17 MR. HUYNH: It should be right near the back of
18 Exhibit 28. It's the last four pages, S-28c there.

19 ALJ STERN: Last four pages of, before S-29?

20 MR. HUYNH: Yes, Judge.

21 ALJ STERN: Well, considering page -- one says
22 page two of two and there is nothing on it. And then it
23 says page one of two, and S-28c itself I think is just
24 four pages long, right?

25 MR. HUYNH: Correct.

1 ALJ STERN: I honestly -- and, Mr. Mangold,
2 you're objecting to this particular document on what
3 basis?

4 MR. MANGOLD: Along the same lines, it's not
5 information I provided. I have no idea if it's accurate
6 or where it was obtained from or of the accuracy of that
7 website.

8 ALJ STERN: Mr. Huynh, I don't know whether it's
9 relevant to the particular stipulations. Again, we have
10 a stipulated set of facts --

11 MR. HUYNH: Yes, correct.

12 ALJ STERN: -- exhibits, per se, as to the, as
13 to the relevance -- I assume, Mr. Mangold, you signed
14 off on the stipulation of facts and the facts that are
15 presented, I don't know whether there is a -- is there
16 any specific finding related to Wayne County?

17 MR. HUYNH: No, Your Honor, and based on the
18 fact of your acceptance of those stipulation of facts
19 between the parties, I won't be looking to enter that in
20 at this point.

21 ALJ STERN: All right. We will just cross it
22 off. It's withdrawn. All right, any -- what's the
23 other, last exhibit?

24 MR. HUYNH: The last exhibit was S-33c.

25 ALJ STERN: Okay S-33c. Somehow, someday, the

1 Division, in doing their exhibits, maybe if we are going
2 to have multipage exhibits which sometimes have quite a
3 few pages, if we are going to have exhibits within
4 exhibits, perhaps some sub-tabs might help.

5 MR. HUYNH: I agree. I apologize.

6 ALJ STERN: That's okay, just a suggestion.

7 Okay, Mr. Mangold, your objection to Exhibit
8 S-33c?

9 MR. MANGOLD: It's a letter from an attorney to
10 the department that, again, I didn't provide and can't
11 verify any of the accuracy of the statements or comments
12 in it.

13 ALJ STERN: Let me ask you this, you're
14 objecting to the cover letter?

15 MR. MANGOLD: Correct.

16 ALJ STERN: Not necessarily the documents which
17 accompany it; is that correct?

18 MR. MANGOLD: Correct, correct.

19 ALJ STERN: Okay. Mr. Huynh, I don't think the
20 cover letter is particularly relevant. The document,
21 which is a promissory note from Strategic Equity
22 Investments signed by Mr. Mangold apparently, and some
23 other supporting documents he doesn't object to, so. . .

24 MR. HUYNH: I agree, Judge. I was under the
25 understanding he was objecting to the entire -- but if

1 that's the case, I'm perfectly fine with revising it to
2 exclude the cover letter and include the rest of the
3 documents.

4 ALJ STERN: All right, we can do that. All
5 right, well, Exhibit S-33c is okay except for the cover
6 letter. So we can eliminate that, okay, Mr. Mangold?

7 MR. MANGOLD: Yes.

8 ALJ STERN: Okay. All right, Mr. Huynh, where
9 are we at on these exhibits then?

10 MR. HUYNH: That's the only one. Other than
11 that, everything else has been agreed to be stipulated
12 to by Mr. Mangold.

13 ALJ STERN: All right, Mr. Mangold, you've
14 stipulated to Exhibits S-1 through S-10c, with the
15 exception, I guess, of -- well, no, actually, I
16 overruled your objections on S-10c. I think that one we
17 decided it was just a typo because the numbers matched
18 up. S -- on the first page of the Division's exhibits
19 -- I'll rephrase this.

20 S-1 through S-24 will be admitted. With respect
21 to the second page of the Division's exhibits, S-25
22 through S-28b, S-29 through S-33b, S-33c, the cover
23 letter is excluded, not admitted, the documentation and
24 notes, and/or documents with that cover letter are
25 admitted but not the cover letter from the attorney.

1 S-34 through S-47 are admitted. And let's see, we have
2 admitted S-1 through S-24, S-25, 47, S-48 through S-53,
3 no objections noted, they are admitted, S-48 through
4 S-53.

5 Okay, any questions from the court reporter on
6 those?

7 THE REPORTER: No.

8 ALJ STERN: Nope? All right, we're covered
9 there.

10 The only remaining issue is what evidence you're
11 going to present today, and if this is -- what would it
12 be with respect to? Is it the marital community
13 evidence?

14 MR. HUYNH: Yes, Judge, that would be the only
15 outstanding issue, is the liability of the marital
16 community, and on that ground and basis, I guess it
17 would be contingent upon your ruling on Mr. and
18 Mrs. Mangold, or Mr. Mangold's request to continue this
19 matter briefly.

20 ALJ STERN: All right. I'll tell you what, it
21 would be -- it doesn't make a lot of sense to go forward
22 if in fact Mrs. Mangold wishes to be present and to go
23 on the record. I don't know or -- Mr. Mangold, do you
24 know if she's retained an attorney in respect to this
25 matter?

1 MR. MANGOLD: Yes, she has.

2 ALJ STERN: Okay. And she is contesting the
3 liability of the marital community?

4 MR. MANGOLD: Correct.

5 ALJ STERN: Correct, okay. You'll return
6 yourself for that proceeding, I assume?

7 MR. MANGOLD: Yes.

8 ALJ STERN: Okay. Are you going to be
9 represented or not?

10 MR. MANGOLD: No.

11 ALJ STERN: Okay. Not to -- I don't know -- do
12 you know with certainty that she and her attorney might
13 be available on Thursday or not? Because as I say, we
14 can reschedule this by agreement today, but if -- I
15 mean, she may have class problems on Thursday.

16 MR. MANGOLD: I cannot say with a hundred
17 percent certainty that --

18 ALJ STERN: Right. All right, why don't we do
19 this. The main issue, that is the issue of the marital
20 community -- do you know the name of her attorney, sir?

21 MR. MANGOLD: I do not.

22 ALJ STERN: Okay. Mr. Huynh, you don't know the
23 name of her attorney, do you?

24 MR. HUYNH: I do not, Judge. I just want to
25 again, state for the record that she was duly served

1 with the notice. She should be aware of the actual
2 hearing today. She didn't technically file a request
3 for a hearing. Mr. Mangold filed a request for a
4 hearing and included her in the entities, which is
5 giving her the benefit of the doubt as a request --

6 ALJ STERN: Well, I think in order to ensure
7 that -- there is a question here of due process, and in
8 order to allow for Mrs. Mangold to have an opportunity,
9 if she so desires, to proceed with the issue of the
10 marital community, we'll have -- I don't see any need to
11 go forward with any evidence on that issue.

12 I might also ask you, I don't know whether I
13 have asked the Division previously, to prepare a brief
14 on this issue; you may want to. I probably will ask you
15 for a brief, ultimately, at the conclusion of the issue,
16 because the Commissioners may want to review that issue
17 regarding marital community and the status of the assets
18 during the course of a marriage, whether the party's an
19 active participant or not, and the way Arizona law with
20 community property regards activities of two spouses.

21 So when -- are you, are you and your wife
22 speaking with each other, Mr. Mangold?

23 MR. MANGOLD: Yes, oh, yes.

24 ALJ STERN: Oh, okay. When might you be able to
25 advise us of the availability of her and her counsel, if

1 in fact she's retained counsel?

2 MR. MANGOLD: This afternoon, tomorrow morning.

3 ALJ STERN: All right, I'll tell you what --
4 here, I'm going to give you a phone number, it's
5 (602) 542-4250.

6 More likely than not, one of our secretaries in
7 the Hearing Division will take the phone call. You can
8 advise us of your availability and your wife's
9 availability, the attorney, the attorney's name and
10 phone number, because we will want to be sure and
11 schedule things accordingly.

12 Right now I'm going to take a brief recess and
13 go and see what our scheduling is for Thursday afternoon
14 and what my schedule is for Thursday morning, if it's
15 possible to go forward.

16 MR. MANGOLD: Okay.

17 ALJ STERN: As I say, there is nothing else to
18 deal with here at this point, is there Mr. Huynh?

19 MR. HUYNH: No, Judge.

20 ALJ STERN: Other than that issue with the
21 setoffs and how that's going to be affected. But I
22 think your suggestion that we proceed with the
23 restitution amounts, since that's not an issue the
24 matter can go forward, and then subject to Mr. Mangold,
25 within a certain time frame which you all agree upon --

1 I think you suggested 90 days after a Commission
2 decision to submit all agreements of settlement with
3 respect to setoffs if any investors wish to proceed that
4 way, you know, their election. It's almost like an
5 offer of rescission.

6 MR. HUYNH: To -- almost to a degree, your
7 right.

8 ALJ STERN: To some degree.

9 All right, let's just take another brief recess
10 and let me check our schedule.

11 (Recess taken from 11:16 a.m. to 11:21 a.m.)

12 ALJ STERN: Okay returning to the record.

13 We have had a brief off-the-record discussion
14 today, that we have a bit of a quandary as to how to
15 schedule this matter. The hearing was scheduled for
16 four days this week, through Thursday. And I have
17 discussed, I have a hearing at, a little prehearing at
18 9:30 in another matter. This proceeding is scheduled
19 for Thursday at 10:00 in the morning, which is workable
20 if Mr. Mangold's wife, who hasn't requested a hearing,
21 but who Mr. Mangold represents to us has retained
22 counsel or is, may retain -- has she definitely hired an
23 attorney?

24 MR. MANGOLD: I know she's met with, I don't
25 know if she's hired.

1 ALJ STERN: Okay. So we may have some more
2 conflict here with the additional parties, but in order
3 to ensure due process is done, if she is going to have
4 an attorney, maybe make a note, he should enter an
5 appearance.

6 MR. MANGOLD: Yes.

7 ALJ STERN: And our present time of hearing is
8 10:00 o'clock Thursday morning, but call us tomorrow,
9 Mr. Mangold, and let us know, if there is an attorney,
10 his name and phone number and if it's agreeable for your
11 wife and the attorney to be present at 10:00 o'clock on
12 Thursday. We could do it at like 2:00 o'clock on
13 Thursday afternoon if need be, or 1:30 possibly. It
14 looks like the schedule is open a bit on Thursday.

15 If not, then when you call and let my
16 secretaries know, naturally they will let me know what's
17 happening. If it's not going to happen, at that point
18 -- and you can also call Mr. Huynh, I assume, you know
19 how to reach him, and we'll also verify with him of
20 course. But if it's going to involve multiparties, then
21 we may just have to schedule it out two weeks,
22 three weeks, four weeks, I don't know how our schedule
23 is, in the event, if we'll be able to get a hearing room
24 in order to conclude this matter.

25 And then in the interim, Mr. Huynh, have you

1 spoken with Mr. Mangold, how you're going to work that
2 stipulation matter out, on the offsets?

3 MR. HUYNH: Yes. We briefly spoke, and that
4 we'll come up with something to present to you in the,
5 hopefully, shortly here.

6 ALJ STERN: Okay.

7 MR. HUYNH: In regards to stipulation, Judge,
8 how do you want to handle the stipulation of facts?
9 Would you like that entered in as an exhibit or would
10 you like us to docket that?

11 ALJ STERN: I would suggest docketing it, okay?
12 And that way everybody has a copy. Because that's
13 essentially the facts in this case that the Commission
14 will see. And reading those facts, then they will make
15 their conclusions of law based on the applicable law in
16 the area and then order restitution and/or subject --
17 like I say, in any of our orders that we've done,
18 wherever there is restitution ordered, it's always
19 subject to setoffs.

20 If there's an agreement between the Division and
21 the respondent as to what constitutes setoffs, we have
22 usually not even specified it, it just worked out
23 between the Division and the respondents; that party,
24 you know, investor A or number one, has agreed to accept
25 this amount of money. And if the Division verifies and

1 is satisfied with it -- I guess that's what you do, I
2 don't know. We are not involved in that.

3 So really, if I, if I can think of -- let's just
4 see -- I can suggest a possible recent decision, even to
5 look at the language. And I think it normally has
6 language there that the restitution award of X number of
7 dollars, subject to setoffs, et cetera, et cetera.

8 So, however I think you two work it out, if it's
9 agreeable to you, I mean, you two being the Division and
10 Mr. Mangold, that's, that's okay.

11 MR. HUYNH: Sure, okay.

12 ALJ STERN: All right, so with that, we're sort
13 of open, we are scheduled for 10:00 o'clock Thursday.
14 If it's not going work, Mr. Mangold, let us know
15 tomorrow and let Mr. Huynh know and then we'll have to
16 see what we can do. We might have to do a conference
17 call, especially if there is another attorney involved,
18 or something.

19 Okay, anything else?

20 MR. HUYNH: No, not at this time from the
21 Division, Judge.

22 ALJ STERN: All right. I'll tell you what,
23 before we proceed, we have admitted all the exhibits.
24 You will docket the stipulated facts. Let's just, since
25 you did go to the trouble, we will mark the stipulation

1 of facts as -- what's your last exhibit, S-53, we'll
2 mark the stipulated facts S-54.

3 And do you have any objections to them being
4 admitted into evidence as they sit presently,
5 Mr. Mangold?

6 MR. MANGOLD: Which stipulations?

7 ALJ STERN: The ones that --

8 MR. MANGOLD: Oh, no.

9 ALJ STERN: S-54, the stipulation of facts by
10 Robert W. Mangold, One Source Mortgage & Investments,
11 Incorporated, and Strategic Equity Investments, LLC, is
12 hereby admitted into evidence.

13 Okay. With that, we'll recess pending
14 notification from Mr. Mangold of when we can secure the
15 attendance of Mrs. Mangold and/or her attorney.

16 And thank you, that concludes the proceeding for
17 today. It will be rescheduled no matter what, for the
18 marital community issue, for your evidence, I guess,
19 Mr. Huynh.

20 MR. HUYNH: For, hopefully for Thursday?

21 ALJ STERN: Yes. Okay. That's it.

22 (The hearing recessed at 11:27 a.m.)

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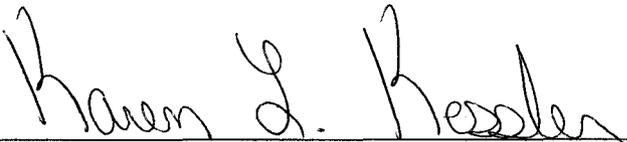
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1 STATE OF ARIZONA)
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 2 COUNTY OF MARICOPA)

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I, KAREN L. KESSLER, RPR, Certified Reporter
 No. 50821 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 4th day of February,
 2010.



 KAREN L. KESSLER, RPR
 Certified Reporter
 Certificate No. 50821