

**ORIGINAL**



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1 DONALD J. NEWMAN, #003090  
2 KELLER, KELLER & NEWMAN, P.L.L.C.  
3 7330 N. 16<sup>th</sup> Street  
4 Suite C-117  
5 Phoenix, Arizona 85020  
6 (602) 258-2614  
7 djn@kknlegal.com

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5 Attorneys for Respondents

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

9 In the Matter of:

) Docket No. S-20719A-09-0583

10 **MORGAN FINANCIAL, L.L.C., an**  
11 **Arizona limited liability company,**

12 and

**ANSWER**

13 **JIMMY HARTGRAVES JR. and LAURIE**  
14 **HARTGRAVES, husband and wife,**

15 **Respondents.**

16 Respondents, MORGAN FINANCIAL, L.L.C., JIMMY HARTGRAVES, JR., and  
17 LAURIE HARTGRAVES, through their counsel undersigned, submit their Answer to  
18 the Notice of Opportunity for Hearing in this matter dated December 30, 2009.

19 1. Initially, Respondents deny that they have engaged in any acts,  
20 practices, and transactions that constitute violations of the Securities Act of Arizona,  
21 A.R.S. §44-1801, et seq. ("Securities Act").

22 2. Admit the allegations contained in paragraphs 1, 2, and 3.

23 3. Answering paragraph 4, admit that Jimmy Hartgraves, Jr. is the  
24 managing member and controlling person of Morgan Financial, L.L.C., but deny that  
25 he conducted business individually. Allege that all business was conducted by Morgan  
26 Financial, L.L.C.

27 4. Admit the allegations contained in paragraphs 5, 6 and 7.

KELLER, KELLER & NEWMAN, PLLC  
ATTORNEYS AT LAW  
7330 N. 16<sup>TH</sup> STREET, SUITE C-117  
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- 1           5.     Admit the allegations contained in paragraphs 8 and 9.
- 2           6.     Answering paragraph 10, admit the factual allegations but deny that the  
3 payees on the Notes were “investors”, state the use of the term “investors” constitutes  
4 a legal conclusion, and therefore object to the use of that term.
- 5           7.     Answering paragraph 11, admit that some payees were made aware of  
6 the opportunity to loan money to Morgan Financial, L.L.C., by persons who had  
7 previously loaned money to Morgan Financial, L.L.C. and deny the remaining  
8 allegations.
- 9           8.     Answering paragraph 12, admit that Morgan Financial, L.L.C. is identified  
10 as the Maker on the Notes, and the payee is identified as the Holder, and that each  
11 Note evidences Morgan Financial, L.L.C.’s obligation to repay monies loaned to it by  
12 each Holder. Deny the remaining allegations.
- 13          9.     Admit the allegations contained in paragraph 13.
- 14          10.    Answering paragraph 14, admit that each Note provides that it is a  
15 demand note payable within 90 or 180 days following notice from Holder to Maker.
- 16          11.    Admit the allegations contained in paragraph 15.
- 17          12.    Answering paragraph 16, admit that Morgan Financial, L.L.C. originated  
18 residential mortgage loans in Arizona and that monies borrowed from payees on the  
19 Notes were used to fund such loans as well as to provide operating capital. Deny the  
20 remaining allegations.
- 21          13.    Answering paragraph 17, admit that Morgan Financial, L.L.C. made  
22 loans to third parties which were secured by real property. Deny the remaining  
23 allegations.
- 24          14.    Answering paragraphs 18 and 19, admit that Morgan Financial, L.L.C.  
25 would receive requests for mortgage loans from third parties, and after conducting an  
26  
27

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1 underwriting analysis, determine whether or not to fund a particular loan request, and  
2 that such loans were evidenced by Promissory Notes payable to Morgan Financial,  
3 L.L.C. and secured by Deeds of Trust naming Morgan Financial, L.L.C. as Beneficiary,  
4 and that Holders' funds were used by it. Deny the remaining allegations in said  
5 paragraphs.

6 15. Answering paragraph 20, admit that payees were not listed or named on  
7 loans made by Morgan Financial, L.L.C. to third parties and that the Notes made  
8 payable to the Holders reflected that they were subordinated to Morgan Financial,  
9 L.L.C.'s senior lender. Deny the remaining allegations.

10 16. Admit the allegations in paragraphs 21 and 22.

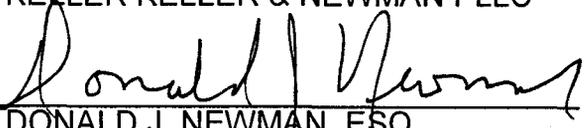
11 17. Deny the allegations contained in paragraphs 23 through 27.

12 18. Affirmatively allege that Notes complained of are exempt under the  
13 provisions of A.R.S. §44-1843(A)(8).

14 WHEREFORE, having fully answered the Notice of Opportunity for Hearing,  
15 Respondents pray that the relief requested therein be denied.

16 DATED this 16 day of February, 2010.

17 KELLER KELLER & NEWMAN PLLC

18 By: 

19 DONALD J. NEWMAN, ESQ.  
20 Attorney for Respondents

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24 ORIGINAL delivered on this 16<sup>th</sup>  
25 day of February, 2010, to:

26 Docket Control  
27 Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

1 AND COPIES mailed this 16<sup>th</sup>  
2 day of February, 2010, to:

3 Marc E. Stern  
4 Administrative Law Judge  
5 Arizona Reporting Service, Inc.  
6 2200 N. Central Avenue, Suite 502  
7 Phoenix, Arizona 85004

8 Lyn Farmer  
9 Arizona Corporation Commission  
10 1200 W. Washington  
11 Phoenix, Arizona 85007

12 Phong (Paul) Huynh  
13 Securities Division  
14 Arizona Corporation Commission  
15 1300 W. Washington, 3<sup>rd</sup> Floor  
16 Phoenix, Arizona 85007

17  
18 By:   
19 F. Kathleen Wingfield  
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KELLER, KELLER & NEWMAN, PLLC  
ATTORNEYS AT LAW  
7330 N. 16<sup>TH</sup> STREET, SUITE C-117  
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