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BEFORE THE ARIZONA CORPORATIC

IN THE MATTER OF:

CATHARON SOFTWARE CORPORATION,
a Delaware corporation,

BETSY A. FEINBERG and MICHAEL
A. FEINBERG, husband and wife.

Respondents.

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) DOCKET NO.
) S-20905A-14-0061
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) STATUS CONFERENCE
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Arizona Corporation Commission

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard
3 telephonically before the Arizona Corporation
4 Commission, 1200 West Washington Street, Phoenix,
5 Arizona, commencing at 2:02 p.m. on the 26th day of
6 June.

7

8 BEFORE: MARK PRENY, Administrative Law Judge

9

10 APPEARANCES:

11 For the Arizona Corporation Commission Securities
12 Division:

12

13 Mr. James D. Burgess
14 Enforcement Attorney, Securities Division
15 1300 West Washington Street
16 Third Floor
Phoenix, Arizona 85007
(602) 542-0171
(Appearing via teleconference)

16

17 For the Respondents:

18 HEURLIN SHERLOCK
19 By Mr. Bruce R. Heurlin
20 1636 North Swan Road
21 Suite 200
Tucson, Arizona 85712
(520) 319-1200
(Appearing via teleconference)

21

22

23

24 LILIA MONARREZ, RPR
25 Certified Reporter
Certificate No. 50699
(Appearing via teleconference)

25

1 ALJ PRENY: We'll go on the record.

2 We've scheduled a quick-set procedural
3 conference this afternoon in the matter of Catharon
4 Software Corporation, Betsy A. Feinberg, and Michael A.
5 Feinberg. This is Docket Number S-20905A-14-0061. My
6 name is Mark Preny. I'll be the administrative law
7 judge presiding over this matter.

8 Let's go ahead and take appearances for the
9 record. We'll begin with counsel for the Securities
10 Division.

11 MR. BURGESS: Thank you, Your Honor. James
12 Burgess for the Securities Division.

13 ALJ PRENY: Thank you, Mr. Burgess.
14 And for the respondents?

15 MR. HEURLIN: Bruce Heurlin on behalf of
16 Catharon and the Feinbergs.

17 ALJ PRENY: Thank you.

18 I've scheduled this quick-set conference
19 and I do appreciate everybody being able to attend on
20 such extremely short notice.

21 As you know, we had issued a procedural
22 order on Monday scheduling a status conference in light
23 of the Security Division's motion. Subsequent to that,
24 I received Mr. Heurlin's response, and I wanted to
25 address the request for a telephonic appearance today.

1 First off, Mr. Burgess, have you seen the
2 response from Mr. Heurlin?

3 MR. BURGESS: I believe I have, Your Honor.

4 ALJ PRENY: Okay.

5 MR. HEURLIN: Your Honor, could I interrupt
6 for just a second? I requested that the Feinbergs
7 appear telephonically, but today I told them to appear
8 personally.

9 And if they appear personally, does that
10 resolve the issue that required this conference?

11 ALJ PRENY: Essentially. I understand that
12 you and your clients will be coming from Tucson. I
13 wanted to give you every opportunity to avoid to have
14 any undue burden placed upon you for this status
15 conference. I know it was somewhat quickly set. If
16 the need to appear telephonically no longer exists,
17 then I suppose that would resolve our matter this
18 afternoon.

19 MR. HEURLIN: Well, I will certainly attend
20 in person and, like I said, I had my legal assistant
21 today contact the Feinbergs to tell them that I wanted
22 them to personally appear also, but I have not heard
23 back yet whether, you know, they're in town, out of
24 town, they're going to appear or not; but my intent
25 right now is to have them appear in person.

1 ALJ PRENY: Okay. Then that actually
2 somewhat resolves a question I had because I wasn't
3 sure, Mr. Heurlin, if you were planning on attending in
4 person or if you were planning on being with the
5 Feinbergs and appearing telephonically as a group.

6 MR. HEURLIN: Okay. No. As I said, I'll
7 be there and hopefully the Feinbergs will personally be
8 there, but if the Feinbergs cannot personally be there
9 can they participate by telephone?

10 ALJ PRENY: Well, I guess, Mr. Burgess, let
11 me ask you.

12 Do you have any objection to that?

13 MR. BURGESS: I have no objection to that.

14 ALJ PRENY: Okay. I'm not sure how -- I
15 assume this is going to be a fairly easy process if you
16 let the Hearing Division know, Mr. Heurlin, as soon as
17 you're aware of what number the Feinbergs will be
18 reached at, assuming they won't be coming in in person.
19 I don't envision that being a problem.

20 MR. HEURLIN: Okay. And I don't -- if
21 they're going to appear personally, then I will just
22 have them appear personally without contacting anybody.

23 Is that okay?

24 ALJ PRENY: That would be fine.

25 MR. HEURLIN: Okay.

1 MR. BURGESS: Okay.

2 ALJ PRENY: That resolved my concern. I
3 guess we'll be back on Monday.

4 Mr. Heurlin, was there anything else that
5 you wanted to bring up while we're here today?

6 MR. HEURLIN: Yes. As I stated in my
7 response to the Securities Division's motion to this
8 conference on Monday, I would like to have you as the
9 ALJ officially open up the hearing because this matter
10 involves documents that the Securities Division intends
11 to use at the hearing and have a formal discussion
12 about that and then close the hearing and reset it
13 until November to start up again.

14 Are you okay with doing that?

15 ALJ PRENY: Well, I'm not sure how I feel
16 on that subject and before I make a response, I'd like
17 to hear from Mr. Burgess on what's the Division's stand
18 on that point.

19 MR. BURGESS: Thank you, Your Honor.

20 The Division opposes the very unorthodox
21 process that Mr. Heurlin is describing. Mr. Heurlin
22 and I discussed and Mr. Heurlin proposed -- when we
23 were in court in front of Judge Cunanan a week ago,
24 Mr. Heurlin proposed that the subpoena enforcement --
25 well, the action be sent back entirely to you, which

1 the statute doesn't call for, and he further proposed
2 that you open the hearing.

3 He -- Mr. Heurlin and his clients would
4 stipulate to admit the 13,000-plus pages of documents
5 that Mr. Heurlin's office and his predecessor counsel
6 have produced and they be admitted into evidence
7 without any authentication or foundation and then you
8 can close the hearing and that way Mr. Heurlin thinks
9 that the issue before Judge Cunanan would be resolved,
10 which is -- you know, concerns these documents.

11 That process is unacceptable to the
12 Division because we have brought this -- we have
13 brought the subpoena enforcement action pursuant to
14 A.R.S. 44-1825(A) which specifies the process when the
15 Commission believes that a party to whom the subpoena
16 has been served is refusing to obey and comply with the
17 subpoena. We are not interested in -- and for the
18 reasons laid out in our motion of last Friday for the
19 status conference, you know, we are not interested in,
20 you know, getting unusable evidence that Mr. Heurlin
21 and his clients, nonetheless, you know, will agree to
22 be -- you know, that can be used in this hearing and
23 this hearing only.

24 We are not -- we are not inclined nor will
25 we be inclined to compromise the subpoena power that

1 the legislature has provided by statute to this Agency.
2 And so, you know, if Mr. Heurlin and his clients, you
3 know, seek to open and close the hearing as referenced
4 in their response for purposes of, you know, trying to
5 get these unauthenticated documents into evidence so
6 that he can argue to the Superior Court that the issue
7 has been resolved or the issue is now moot, that's
8 completely unacceptable to us.

9 ALJ PRENY: Okay.

10 MR. HEURLIN: Can I respond to that?

11 ALJ PRENY: Well, briefly, but I want to --
12 I do want to point out we are still meeting on Monday
13 and we're kind of -- it sounds like we're kind of
14 getting into the substance of what we're going to be
15 doing on Monday.

16 So, Mr. Heurlin, I'll allow you to make a
17 brief response, but I'm certainly not planning on
18 making any kind of decision today.

19 MR. HEURLIN: And I agree with that. This
20 matter can be taken up on Monday, and I would finally
21 add that the Superior Court action is entirely distinct
22 and separate from what's pending with the ACC. So
23 they're two different things and I'm not talking about
24 the Superior Court action. I'm talking about the ACC
25 matter and that only and dealing with that only, and we

1 can deal with all of this on Monday.

2 ALJ PRENY: Okay. Mr. Heurlin, anything
3 else that you want to bring up today?

4 MR. HEURLIN: No.

5 ALJ PRENY: Okay. Mr. Burgess, does the
6 Division have anything that they want to bring up?

7 MR. BURGESS: No, Your Honor.

8 ALJ PRENY: Okay, then, very well. I guess
9 I will be seeing everyone on Monday morning and,
10 Mr. Heurlin, please let us -- let the Hearing Division
11 know as soon as possible if you have a phone number
12 where we'll need to get the Feinbergs for the status
13 conference.

14 MR. HEURLIN: Okay. What I'll do is, once
15 I find out whether they're able to make it personally
16 or not, one way or the other I'll contact the Hearing
17 Division on this.

18 ALJ PRENY: Okay. Thank you. That will
19 probably be the easiest way for us to proceed, then, so
20 we'll know what's going on.

21 All right. Anything further from either of
22 the parties?

23 MR. HEURLIN: No, Your Honor.

24 MR. BURGESS: No, Your Honor.

25 ALJ PRENY: Okay. Thank you once again for

1 appearing on such short notice.

2 There being nothing further, we are
3 adjourned for now and we'll meet up again for the
4 status conference Monday morning.

5 Thank you very much.

6 (Whereupon, the proceedings concluded at
7 2:12 p.m.)

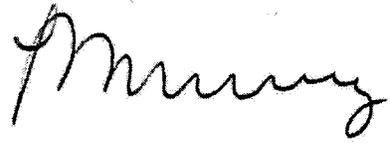
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1 STATE OF ARIZONA)
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I, LILIA MONARREZ, Certified Reporter No. 50699 for the State of Arizona, do hereby certify that the foregoing printed pages constitute a full, true and accurate transcript of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

WITNESS my hand this 7th day of July, 2014.



LILIA MONARREZ
Certified Reporter
Certificate No. 50658