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BEFORE THE ARIZONA CORPORATION COMMISSION
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2015 FEB 10 A 11: 47

AZ CORP COMMISSION
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Arizona Corporation Commission
DOCKETED

FEB 10 2015

DOCKETED BY *[Signature]*

ORIGINAL

In the matter of:

DOCKET NO. S-20897A-13-0391

KENT MAERKI and NORMA JEAN COFFIN aka
NORMA JEAN MAERKI, aka NORMA JEAN
MAULE, husband and wife,

DENTAL SUPPORT PLUS FRANCHISE, LLC, an
Arizona limited liability company,

Respondents.

TWELFTH
PROCEDURAL ORDER
(Continues Hearing
and
Schedules a Procedural Conference)

BY THE COMMISSION:

On November 18, 2013, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Kent Maerki and Norma Jean Coffin aka Norma Jean Maerki, aka Norma Jean Maule, husband and wife, and Dental Support Plus Franchise, LLC ("Dental Support") (collectively "Respondents"), in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of investment contracts.

Respondents were duly served with a copy of the Notice.

On December 10, 2013, Respondents filed requests for hearing in response to the Notice in this matter pursuant to A.R.S §44-1972 and A.A.C. R14-4-306.

On December 11, 2013, by Procedural Order, a pre-hearing conference was scheduled on December 23, 2013.

On December 19, 2013, Respondent, Kent Maerki, filed a Motion for a Continuance stating that he would be unavailable due to previously scheduled business travel arrangements.

The Division indicated that it did not object to a brief continuance.

On December 20, 2013, by Procedural Order, a continuance to January 16, 2014 was granted.

1 On January 16, 2014, at the pre-hearing conference, the Division appeared through counsel
2 and Respondents appeared on their own behalf. Counsel for the Division requested that a hearing be
3 scheduled and estimated that the proceeding would require approximately two weeks of hearing to
4 complete. Respondents did not object to this request, but indicated they may retain an out of state
5 attorney who will comply with Arizona law to appear *pro hac vice*.

6 On January 17, 2014, by Procedural Order, a hearing was scheduled to commence on June 2,
7 2014, with additional days of hearing scheduled during the following weeks.

8 On May 9, 2014, the Division filed a Motion to Allow Telephonic Testimony stating five of
9 its prospective witnesses would be unduly burdened if they were required to appear in Phoenix for
10 the proceeding. There were no objections to the Division's request.

11 Respondent, Kent Maerki, on May 9, 2014, filed a Motion for a Continuance due to several
12 conflicts that had arisen for him with the presently scheduled proceeding. The conflicts in two of
13 three instances involved court proceedings in separate venues, the United States Bankruptcy Court
14 for the District of Arizona on June 4, 2014 and the Maricopa County Superior Court on June 12,
15 2014.¹ The third conflict is purportedly based on a November 2013 invoice and involves an
16 "unmovable business trip" which was to begin on June 2, 2014, but Mr. Maerki failed to raise this
17 issue when the Commission's proceeding was scheduled in January.

18 On May 12, 2014, the Division filed its response to Respondent Maerki's request for a
19 continuance of the proceeding. With respect to the June 4, 2014, proceeding in the United States
20 Bankruptcy Court, the Division stated that Mr. Maerki's request for a continuance did not specify
21 how this matter conflicted with this proceeding since the Petition in the bankruptcy proceeding lists
22 Janus Spectrum, LLC as the debtor and named an unknown third party as the president or managing
23 director of Janus Spectrum, LLC. The Division further noted that the Superior Court proceeding on
24 June 12, 2014 was only scheduled for a status conference limited to 30 minutes and was to begin at
25 9:45 a.m. so that the Commission's proceeding on that date could be scheduled to begin in the early
26 afternoon on that date. Lastly, the Division argued that the copy of the invoice was dated May 6,
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¹ According to Mr. Maerki's Motion, these proceedings were scheduled only recently during the first week in May.

1 2014, and did not bear any reference to a business meeting that would conflict with the Commission's
2 proceeding that had been scheduled to commence on June 2, 2014.

3 On May 15, 2014, by Procedural Order, good cause for a continuance of the proceeding was
4 not found, but Mr. Maerki was afforded an opportunity to explain the merits of his motion further at a
5 procedural conference scheduled on May 22, 2014. The Division's request to authorize telephonic
6 testimony was also approved.

7 On May 22, 2014, at the procedural conference, the Division appeared with counsel and Mr.
8 Maerki appeared on his own behalf. Mrs. Maerki did not appear and an appearance was not entered
9 on behalf of Dental Support. At the outset, a brief discussion took place concerning Mr. Maerki's
10 request for a continuance followed by Mr. Maerki's revelation that he had retained counsel, the Mirch
11 Law Firm, LLP, from San Diego, California. Mr. Maerki provided a copy of a letter that was
12 addressed to the presiding Administrative Law Judge from Attorney Marie Mirch which confirmed
13 the firm's retention by the Respondents. Attorney Marie Mirch's letter indicated she was in the
14 process of applying for *pro hac vice* status in Arizona and that a motion to associate counsel *pro hac*
15 *vice* would be filed in the near future by local counsel. Additionally, Attorney Mirch indicated that
16 she was unavailable for any hearing in June at the Commission due to other previously scheduled
17 proceedings in California. A further discussion took place concerning a continuance and it was
18 determined that the proceeding should be continued and a status conference should be scheduled in
19 its place on July 9, 2014.

20 On May 27, 2014, by Procedural Order, the hearing scheduled to commence on June 2, 2014,
21 was continued, and a status conference was scheduled on July 9, 2014. The Division was further
22 granted authorization to utilize telephonic testimony during the presentation of its evidence.

23 On July 9, 2014, at the status conference, the Division appeared with counsel. Respondents
24 were present with local counsel.² The Division requested that a hearing be scheduled and estimated
25 that the proceeding would require approximately three weeks of hearing. After discussions with
26 counsel, it was agreed that the matter would be scheduled to commence in late September and
27

28 ² Attorney Mirch joined in the proceeding telephonically from California and indicated that her application to appear *pro hac vice* was pending with the State Bar of Arizona.

1 continue into October, 2014. It was also noted that the Division was planning to utilize
2 approximately 13 witnesses and that the Respondents would possibly utilize six witnesses.

3 On July 10, 2014, by Procedural Order, a hearing was scheduled to commence on September
4 9, 2014.

5 On July 30, 2014, Respondents filed a Motion to Associate Counsel *Pro Hac Vice* pursuant to
6 Arizona Law and the Rules of the Arizona Supreme Court.

7 On August 1, 2014, the Division filed a response stating that it had no objections to the
8 Motion to Associate Counsel *Pro Hac Vice* filed by Respondents.

9 On August 5, 2014, by Procedural Order, Respondents' Motion to Associate Counsel *Pro Hac*
10 *Vice* was granted.

11 On September 22, 2014, Respondents filed an Emergency Application to Continue Hearing
12 ("Emergency Application") because Respondent, Kent Maerki, had suffered a stroke on August 27,
13 2014, and was hospitalized for two days. Respondent Maerki's counsel requested a continuance of at
14 least eight weeks to permit him time to recover from his stroke. Attached to the Emergency
15 Application as Exhibit 1 was a note from Mr. Maerki's cardiologist who recommended a delay in any
16 legal proceedings for at least eight weeks because it was important that Mr. Maerki maintained a low
17 stress level, after which he would be reevaluated by his physician.

18 On September 23, 2014, the Division filed a response to the Emergency Application and
19 argued that it should be denied. In support of its response counsel for the Division argued that the
20 medical evidence in support of the Emergency Application was not entirely clear and even after eight
21 weeks whether Mr. Maerki would be able to participate in the proceeding. Additionally, the Division
22 stated that it appeared that Respondent Maerki did not plan to attend the proceeding the week of
23 September 29th because its investigator had learned that Respondent Maerki had a reservation at a
24 hotel in Las Vegas, Nevada beginning on September 30, 2014, to attend the third week of a three part
25 seminar that he had been participating in earlier in the year.

26 On September 24, 2014, by Procedural Order, Respondents were directed to reply to the
27 Division's response which had been filed in this proceeding before a ruling would be made. Due to
28 the short time available, a telephonic procedural conference was scheduled on September 26, 2014, to

1 address the issues raised by the Emergency Application.

2 On September 24th and 25th, 2014, the Division filed two supplemental responses in
3 opposition to the Emergency Application.

4 On September 26, 2014, the Respondents filed an additional pleading purporting to be an
5 affidavit in support of the Emergency Application. However, the document was not notarized.

6 Subsequently, on September 26, 2014, at the procedural conference, the Division and the
7 Respondents appeared telephonically and argued the issues raised by the filing of the Emergency
8 Application.

9 On September 26, 2014, by Procedural Order, it was found that good cause was established to
10 continue the proceeding, and a procedural conference was scheduled on November 13, 2014, to
11 determine the rescheduling of the hearing to avoid conflicts with the schedules of counsel and to
12 allow for further medical evaluation of Respondent Maerki. Additionally, Respondent Maerki was
13 ordered to provide the Division with the necessary medical releases so that the appropriate physicians
14 could be contacted to discuss the Respondent's medical condition and his ability to participate in a
15 three to four week long legal proceeding.

16 On November 13, 2014, at the procedural conference, the Division and Respondents appeared
17 through counsel. A discussion of Mr. Maerki's present state of health was had and it was further
18 discussed when his treating physician would provide an indication of whether Respondent Maerki
19 would be able to participate in a legal proceeding lasting several weeks. At that time, it was believed
20 that Mr. Maerki would see his cardiologist in mid-December and if a problem developed with the
21 hearing that was to be scheduled, then the issue would be addressed upon the filing of the appropriate
22 documentation.

23 On December 10, 2014, by Procedural Order, the hearing was scheduled to commence on
24 February 9, 2015.

25 On January 14, 2015, Respondents filed a Motion to Continue Hearing for two reasons. First,
26 Respondents included a copy of an affidavit from Respondent Kent Maerki's cardiologist, Dr. Jack
27 Wolfson, who examined Mr. Maerki on January 7, 2015, and cited numerous heart related problems
28 which in his opinion "can lead to life-threatening consequences." Dr. Wolfson further stated that Mr.

1 Maerki's "participation or appearance in any legal matter could have a very serious negative impact
2 on his health." Additionally, he stated that he had advised Mr. Maerki not to participate in any
3 "stressful events, in particular any legal proceedings." However, Dr. Wolfson failed to state, in his
4 opinion, when Mr. Maerki would be physically able to appear at the Commission to address the
5 allegations against him contained in the Notice. Second, Respondents stated that local counsel, Mark
6 Chester, would not be available "on the dates set for hearing" due to a trial scheduled in the United
7 States District Court for the Southern District of California. This trial was scheduled by a Scheduling
8 Order dated September 22, 2014, that was also filed as an exhibit. However, no mention was made
9 of this matter by an attorney from Mr. Chester's office who was present at the procedural conference
10 on November 13, 2014, in order to avoid any possible conflicts with the scheduling of this hearing.

11 On January 20, 2015, the Division filed its response to the Motion to Continue Hearing filed
12 by Respondents. The Division stated that it objected to any further continuances of the hearing in
13 this matter. The Division pointed out that Mr. Maerki's medical records reflect a lengthy history of
14 medical problems, but they had not prevented him from being involved in multiple businesses.
15 Additionally, the Division related that a medical report of a neuropsychologist who examined Mr.
16 Maerki on October 9, 2014, stated that Respondent functioned well under self-induced stress when
17 starting a new business, but was stressed by his legal problems. Another report from Scottsdale
18 Healthcare Outpatient Therapy stated that Mr. Maerki worked 70 hours per week running his
19 businesses. The Division, based on these reports, concluded that Mr. Maerki "should be able to assist
20 in his defense." However, the Division failed to address Dr. Wolfson's opinion made in his affidavit.

21 The Division, with respect to Respondents' local counsel's conflict with his earlier scheduled
22 hearing in the United States District Court, stated that when scheduling this hearing no mention was
23 made of the federal court hearing. The Division cited the Arizona Rules of the Supreme Court Rule
24 38(a)(2) and argued that there was no specific requirement for Mr. Chester to personally appear with
25 Ms. Mirch who is appearing for the Respondents *Pro Hac Vice* in the proceeding and who, from all
26 appearances, is acting as lead counsel.

27 On January 22, 2015, in the Eleventh Procedural Order, it was determined that before a ruling
28 would be made on Respondents' Motion to Continue that supplemental filings would have to be

1 made by the Respondents and the Division. The Respondents would have to file a clarification from
2 Dr. Wolfson of when, in his opinion, Mr. Maerki would be able to physically appear at the hearing on
3 this matter if he chose to do so. The continuance requested by Mr. Chester due to his scheduling
4 conflict would be addressed concurrently with the request due to Mr. Maerki's medical problem. The
5 Eleventh Procedural Order ordered that Respondent's Motion for Continuance of Hearing was taken
6 under advisement, and that Respondents were ordered to file by January 29, 2015, additional
7 documentation from Dr. Jack Wolfson as to his opinion on a date certain that Respondent Maerki
8 would be physically able to appear at the hearing if he wished to do so.

9 It was further ordered that the Division should file its response to the initial filing which
10 contained Dr. Wolfson's opinion on January 14, 2015, and to any supplemental filing which
11 contained clarification by Dr. Wolfson by February 5, 2015.

12 On January 29, 2015, Respondents filed a supplement to their Motion to Continue Hearing
13 stating that Dr. Wolfson's affidavit would be forthcoming, but had not yet been received by
14 Respondents' counsel. Additional reasons were also stated in support of the need of local counsel's
15 presence at the hearing. Lastly, Ms. Mirch who is appearing *Pro Hac Vice* further stated that she had
16 another reason for continuing the hearing due to the fact that her elderly mother who lives in Dallas,
17 Texas has "become very ill" and that she would be flying to Dallas to be with her for as long as
18 necessary.

19 On January 30, 2015, the second affidavit by Dr. Wolfson was filed wherein he stated that
20 "Mr. Maerki should not participate in this hearing." Further, Dr. Wolfson opined "that Mr. Maerki's
21 participation or appearance in any legal matter could have a very serious negative impact on his
22 health. Therefore, I have advised Mr. Maerki that he is not to participate in any stressful events, in
23 particular any legal proceedings."

24 On February 3, 2015, the Division responded that "Respondent Maerki should not be granted
25 immunity due to his health issues." The Division argued that Mr. Maerki had freely selected his own
26 counsel who "is able to adequately protect" the rights of Mr. Maerki at a hearing, and that
27 Respondent Maerki's rights would be protected.

28 With respect to Mr. Maerki's *Pro Hac Vice* attorney's argument for the presence of local

1 counsel during the hearing on this matter, the Division represented that there is no specific
2 requirement under the Arizona Rules of the Supreme Court for local counsel to personally appear and
3 participate in the hearing, and that local counsel's scheduling conflict had not been disclosed earlier.
4 In light of the illness of Ms. Mirch's mother, the Division objected to the lack of information
5 provided by Ms. Mirch as to the nature of her mother's illness or how much of a delay would be
6 required.

7 On February 5, 2015, Respondents' counsel, Ms. Mirch, filed an affidavit to further
8 supplement and support the Motion to Continue filed on January 14, 2015, setting forth more fully
9 the facts surrounding her 89 years old mother's medical condition and the fact that she would have to
10 be in Dallas for at least the first week or more of the hearing.

11 On February 6, 2015, a teleconference took place with Ms. Mirch for the Respondents, and
12 counsel for the Division present. The issues raised by the Motion to Continue and the Division's
13 objection to the Motion to Continue were argued by counsel. When the arguments were concluded,
14 the presiding Administrative Law Judge ("ALJ") advised counsel for the parties that the proceeding
15 would be continued and a procedural conference scheduled to reschedule the hearing.

16 On February 5, 2015, the Division filed its Second Motion for Telephonic Testimony which
17 named two additional witnesses that the Division wished to call as witnesses telephonically because
18 they reside outside of Arizona and that it would be unduly burdensome for them to appear in Phoenix
19 for the hearing.

20 Under the circumstances, the Respondents' Motion to Continue and the Division's Second
21 Motion to Allow Telephonic Testimony should be granted.

22 IT IS THEREFORE ORDERED that the Respondents' Motion to Continue the hearing is
23 hereby granted

24 IT IS FURTHER ORDERED that the **hearing scheduled to commence on February 9,**
25 **2015, is hereby continued.**

26 IT IS FURTHER ORDERED that a **procedural conference** shall be held on **February 26,**
27 **2015, at 10:00 a.m.,** in Hearing Room No. 2, at the offices of the Commission, 1200 West
28 Washington Street, Phoenix, Arizona, unless otherwise ordered.

1 IT IS FURTHER ORDERED that the Division's Second Motion to Allow Telephonic
2 Testimony is hereby granted.

3 IT IS FURTHER ORDERED that all telephonic testimony shall be conducted over landlines.

4 IT IS FURTHER ORDERED **that if the parties reach a resolution of the issues raised in**
5 **the Notice prior to the hearing, the Division shall file a Motion to Vacate the proceeding.**

6 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113-Unauthorized
7 Communications) is in effect and shall remain in effect until the Commission's Decision in this
8 matter is final and non-appealable.

9 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
10 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission
11 *pro hac vice*.

12 IT IS FURTHER ORDERED that withdrawal or representation must be made in compliance
13 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
14 Rules of the Arizona Supreme Court). Representation before the Commission includes appearances
15 at all hearings and procedural conferences, as well as all Open Meetings for which the matter is
16 scheduled for discussion, unless counsel has previously been granted permission to withdraw by the
17 Administrative Law Judge or the Commission.

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1 IT IS FURTHER ORDERED that the Presiding Administrative Law Judge may rescind, alter,
2 amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by
3 ruling at hearing.

4 DATED this 10TH day of February, 2015.



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6
7 MARC E. STERN
ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered
9 and e-mailed this 10th day of February, 2015 to:

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