

1 The Investors' Committee Motion seeks "formal intervention as a matter of right." The
2 Investors' Committee is not able to intervene in a governmental, regulatory action as a matter of
3 right nor do they have a permissive right to intervene in this matter for the reasons outlined below.
4 The Investors' Committee Response should be denied.

5 **I. Introduction.**

6 This is a regulatory enforcement action brought by a governmental agency, the
7 Commission, for violations of the Arizona Securities Act. The purpose of requesting the
8 appointment of a Receiver was to maintain the status quo, determine the sources and uses of funds
9 and protect the assets during the pendency of this case. Further, the Conservator is to pursue all
10 avenues to recover possession of assets or funds traceable to investors' monies. In addition, the
11 Conservator is to prevent inequitable distribution of assets and protect the interests of persons with
12 an interest or claim against the Conservatorship Assets. *See Stipulation Regarding Order*
13 *Appointing Conservator ("Stipulation")* attached as Exhibit A hereto and by this reference
14 incorporated herein.

15 One of the remedies that Commission has as part of its Enforcement action is to seek
16 restitution on behalf of investors. To that end, the Commission has the ability to seek the
17 appointment of a receiver or conservator to preserve those assets until a restitution order is issued.
18 It is only then that the claim to funds being held by the Conservator maybe made by investors.

19 The Investors' Committee was created at the request of the Conservator to assist the
20 Conservator in the investigation of Defendants assets, liabilities and other financial information, to
21 work with the Conservator to disseminate information to the investors and to assist the Conservator
22 to maximize the distribution to investors. *See Order Granting Joint Motion to Recognize the*
23 *Proposed Official Investors'/Creditors' Committee and to Authorize the Employment of Quarles &*
24 *Brady Streich Lang LLP* attached as Exhibit B hereto and by this reference incorporated herein.

25 The Investors' Committee does not represent the interests of all investors. There are at least
26 four other attorneys that have indicated to this Court they represent investors. The Commission has

1 reviewed an email and attended the investors' meeting whereby they observed strong opposition to
2 the recommendations of the Investors' Committee. If this Court allows the Investors' Committee to
3 intervene, all investors or other interested parties will seek to intervene which would cause chaos
4 and interfere with this case proceeding to trial. The interests of all investors are being adequately
5 protected by the Conservator through the duties set forth in the Stipulation. Investors' interests are
6 not impaired. There is just a difference of opinion on how best to maximize the assets.

7 The Investors' Committee Motion to intervene should be denied.

8 **II. Background**

9 On April 1, 2005, the Commission filed this regulatory action against a number of
10 individuals and entities for violations of the Arizona Securities Act. The Commission sought the
11 appointment of a Receiver pursuant to Article 15 of the Arizona Securities Act.

12 On April 5, 2005, this Court issued its Order appointing James C. Sell as Receiver over the
13 Defendant Entities. On April 14, 2005, the Court issued the Order Appointing Conservator, in
14 which the Receiver's title was changed to "Conservator." Despite the change in title, the rights and
15 obligations of the Conservator are identical to those of the Receiver delineated in the original order
16 of appointment. The Conservator was to have complete and exclusive control over the
17 Conservatorship Assets. *See* Exhibit A. The Conservator is an agent of the Court and accountable
18 directly to this Court.

19 On May 25, 2005, this Court issued an Order allowing an Investors Committee to be
20 organized and authorized the Committee to hire counsel. *See* Exhibit B. The Committee Order
21 outlines the only activities authorized by this Court. The Committee was empowered to act in six
22 areas. *See* Committee Order. Those areas include "(iv) *assist and advise the Conservator* in the
23 investigation of Defendants' assets, liabilities and other financial information; (v) *work with the*
24 *Conservator* and his counsel to organize and disseminate information to the body of investors in
25 this case, and (vi) take other steps as necessary and prudent *to assist the Conservator* to maximize
26 the distribution to investors." *See* Exhibit B. In sum, the purpose of the Investors' Committee was

1 to provide the Conservator with a means in which to obtain information from a multitude of
2 sources possessing substantially the same claim to the assets of, and pertinent to his investigation
3 into the affairs of, the Defendant Entities, and to provide an efficient means to disseminate
4 information to the investors. This order does not convey any type of standing or intervention by
5 right.

6 The Commission filed this action against the Defendants for violations of the Arizona
7 Securities Act. One of the remedies the Commission seeks in its Complaint is to obtain restitution
8 for investors. In furtherance of this remedy, the Arizona Securities Act allows, upon request by the
9 Commission and a finding of violations of the Securities Act by this Court, the Conservator to
10 reorganize the affairs of, or a receiver to wind up the affairs of, the Defendant. *See* A.R.S. §44-
11 2016.A. Accordingly, if successful at trial, there would be funds available through the
12 Conservatorship for, "***distribution to those persons or entities legally entitled thereto.***" *Id.*
13 (emphasis added). The investigation by the Conservator into the affairs of the Defendant Entities
14 may reveal the identity persons or entities who are not members the Investors' Committee or who
15 may have claims in direct opposition to those represented by the Investors' Committee. In such
16 instance, this Court must also adjudicate such competing claims in order to determine what portion
17 of the assets, if any, of the Defendant Entities are available for restitution to investors.

18 **III. Investors Are Not Entitled To Intervention By Right.**

19 The Arizona Rules of Civil Procedure address the issues of intervention as a matter of right.
20 *See* Rule 24(a). Rule 24(a) indicates that upon timely applications, anyone shall be permitted to
21 intervene (1) when a statute confers an unconditional right or (2) when the applicant claims an
22 interest relating to the property or transaction which is the subject of the action and the applicant
23 will be by a disposition of the action will impede or impair the applicant's ability to protect that
24 interest, ***unless the applicant's interest is adequately represented by existing parties.*** (emphasis
25 added).

26

1 In the case at hand, the Commission is seeking restitution as one of the remedies it is
2 entitled under the Arizona Securities Act. If successful in its action, the Commission will
3 distribute restitution funds to all of the investors. In addition, by seeking to place a receiver or
4 conservator over the Defendants' assets, the Commission sought to protect the assets to pay any
5 restitution order that may be entered against the Defendants. Pursuant to the Stipulation, the
6 Conservator is to maximize assets and prevent inequitable distribution to the investors. The
7 investors' interests are protected. The Court in *Weaver v. Synthes, Ltd.* 784 P.2d 268, 162 Ariz.
8 442 (1989), restated the established position in Arizona of intervention by right:

9 The interest which an intervenor must have is a direct and
10 immediate interest in the case, so that the judgment to be
11 rendered would have a direct and legal effect upon his
12 rights, and **not merely a possible and contingent**
13 **equitable effect.** (emphasis added).

14 The Investors' Committee is seeking to maximize assets of the Conservatorship and seek to
15 place the Defendant Entities into Bankruptcy. The Conservator is preserving the assets,
16 maximizing the value of those assets and is seeking to place the Defendant Entities under the
17 protection of the U.S. Bankruptcy Code. The Investors' Committee's interests are being
18 adequately represented by the parties. Therefore, the Investors' Committee does not meet the
19 requirements of Rule 24(2) for intervention as a right.

20 The Investors' Committee only cite to their Motion for Bankruptcy Authority as the
21 grounds for intervention as a right. Looking just at this issue, the Investors' Committee does not
22 meet the requirements for intervention as a right. Under the Stipulation, the Conservator has the
23 right, with Court permission, to file for protection under the U.S. Bankruptcy Code on behalf of the
24 Defendant Entities. The Conservator has requested this Court for the very thing that the Investors'
25 Committee is seeking. The interests of the Investors' Committee are not impaired because what
26 they are seeking is in process. Once any of the bankruptcies are filed, each investor has the ability
to file a proof of claim and be heard in the bankruptcy case. No rights are being denied to the
investors at this time.

1 Although the case law in Arizona supports the Commissions' position, the Court may look
2 to similar securities cases as brought by the Securities and Exchange Commission ("SEC"). In
3 *Securities and Exchange Commission v. TLC Investments and Trade Co. et al.*, 147 F.Supp.2d
4 1031 (2001), the SEC alleged the Defendants operated a Ponzi-type scheme and had defrauded
5 approximately 2000 individuals. The Court entered a preliminary injunction and appointed a
6 receiver to manage the companies. The Court also approved a plan of liquidation. Approximately
7 700 investors sought to participate in the liquidation plan. The Court addressed the issue of
8 intervention as a right. The Court, citing *Northwest Forest Res. Council v. Glickman*, 82 F.3d 825
9 (9th Cir. 1996), indicated that there are four requirements for intervention as of right: (1) timeliness
10 (2) an interest relating to property or transaction that is the subject of the action, (3) disposition of
11 the action may impair or impede the applicant's ability to protect the interest and (4) the applicant's
12 interest is not adequately represented by existing parties. Further citing *Northwest Forest Res.*
13 *Council*, the Court then went on to consider if the appointed Receiver adequately represents the
14 interest of the investors. To determine if a Receiver adequately represents the interests of the
15 investors the Court must consider: (1) whether the receiver's interests are such that he will
16 undoubtedly make all the investors' arguments (2) whether the Receiver is capable of and willing
17 to make such arguments; and (3) whether the investors would offer any necessary elements to the
18 proceedings that the Receiver would otherwise neglect. See *Northwest Forest Res. Council* at 838.

19 The Investors' Committee in their Response to Motion to Strike state their only basis for
20 intervention is their Motion for Bankruptcy Authority and that the Committees' rights are affected
21 because the Investors' Committee wants to put forth a "pre-packaged" Chapter 11 case. The issue
22 of whether the Defendant Entities should file for protection under the Bankruptcy Code is already
23 being considered by this Court and is what the Conservator has requested permission to do. The
24 investors have private causes of action that will not be affected by proceeding with the
25 Conservatorship. There are no grounds for intervention as a matter of right.

26 ...

1 **IV. Investors Are Not Entitled To Permissive Intervention.**

2 Rule 24(b) of the Arizona Rules of Civil Procedure addresses the issues involving
3 permissive intervention. Permissive intervention is allowed upon a timely application and if there
4 is statutory authority or when the applicant's claim or defense have a question of law of fact in
5 common.

6 Intervention should be liberally construed with the view of assisting parties in obtaining
7 justice and protecting their rights. When determining whether permissive intervention should be
8 granted, the trial court must first decide whether the statutory conditions promulgated in Rule 24
9 (b)(1) or 24(b)(2) have been satisfied. *See Bechtel v. Arizona Dep't of Economic Security*, 150
10 Ariz. 62, 722 P.2d 236 (1986). If satisfied, the court may consider other factors in making its
11 decision. The other factors include the nature and extent of the intervenors' interest, their standing
12 to raise relevant legal issues, the legal position they seek to advance and its probably relation to the
13 merits of the case. *Id at 72*. The Court may also look to whether the intervenors interests are
14 adequately represented by other parties, whether parties seeking intervention will significantly
15 contribute to full development of the underlying factual issues in the case and to the just and
16 equitable adjudication of the legal questions presented. *Id at 72 quoting Spangler v. Pasadena City*
17 *Bd. Of Education*, 552 F.2d 1326, 1329 (9th Cir. 1974).

18 In the case at hand, the Investors' Committee's interests are being adequately represented
19 by the Conservator. The Investors' Committee is seeking to place the Defendant Entities under the
20 protection of the Bankruptcy Code as is the Conservator. The legal issues involved in this case are
21 enforcement by a governmental regulatory agency for violations of the Arizona Securities Act.
22 Although investors may have a right of action under the Securities Act, they are not able to enforce
23 the Securities Act against violators. Nor, are the investors able to seek restitution for all investors.

24 An intervenor is not able to enlarge the scope of the proceedings or raise new issues which
25 would happen if the Investors' Committee is permitted to intervene in the Commission's action.
26 *See Arizona Real Estate Dep't V. Arizona Land Title And Trust Company*, 9 Ariz. App. 54, 449

1 P.2d 71 (Ct. App. 1968). The investors' interests are being protected. One of the remedies the
2 Commission is seeking is to obtain restitution and to that end requested that the Court appoint a
3 receiver/conservator. The Conservator is pursuing all assets and claims and is preventing
4 inequitable distribution.

5 The Investors' Committee is not able to intervene by permission.

6 **V. To Seek Intervention under the Arizona Rules of Civil Procedure Must Be Followed.**

7 Rule 24(c) of the Arizona Rules of Civil Procedure sets forth the proper procedure to seek
8 intervention in a matter. The person seeking to intervene must serve a motion to intervene on the
9 parties. That motion must set forth the grounds for the intervention and include a pleading
10 outlining the claim or defense for which intervention is sought. The Investors' Committee did not
11 follow the Rules of Civil Procedure.

12 The Court in *Lebrecht v. O'Hagan*, 96 Ariz. 288, 394 P.2d 216 (1964), found that a motion
13 to intervene was denied because it was not accompanied by the requisite pleading. The Investors'
14 Committee has not filed the appropriate motion or pleadings and therefore any attempt to intervene
15 in this action should be denied.

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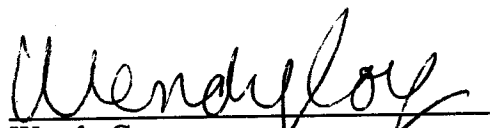
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VI. Conclusion

This is a regulatory enforcement action by a governmental agency seeking to enforce the Arizona Securities Act. Pursuant to the Arizona Securities Act, the Commission has the authority to request that a Receiver/Conservator be put into place to reorganize or wind up the affairs of the violator. The Conservator is under the authority of the Court and reports solely to the Court. The Investors' Committee interests are being adequately represented by the parties. The Investors' Committee's Motion should be denied.

Dated this 11th day of October, 2005.

ARIZONA CORPORATION COMMISSION

By 
Wendy Coy
Rachel Strachan
Attorneys for the Arizona Corporation
Commission

1 Original filed and copy of the foregoing
hand delivered this 11th October, 2005 to:

2 Honorable Barry C. Schneider
3 Maricopa County Superior Court
125 W. Washington, OCB 101
4 Phoenix, AZ 85003

5 Copy of the foregoing mailed this 11th day of October, 2005 to:

6 Keith Beauchamp, Esq. 7 Robert G. Schaffer, Esq. 8 Amy M. Wilkins, Esq. 9 Thomas Gilson, Esq. 10 Lewis and Roca LLP 40 North Central Avenue Phoenix, Arizona 85004-4429 Attorneys for Defendants Duane and Jennifer Slade and Guy and Lisa Williams kbeauchamp@lrlaw.com	J. Grant Woods, Esq. Grant Woods PC 1726 North Seventh Street Phoenix, Arizona 85006-2200 Attorney for Defendants Duane and Jennifer Slade and Guy and Lisa Williams gw@grantwoodspc.net
11 Lawrence E. Wilk, Esq. 12 Jaburg and Wilk, PC Suite 2000 3200 North Central Avenue Phoenix, Arizona 85012 13 Attorney for Conservator James C. Sell lew@jaburgwilk.com	A. Melvin McDonald, Esq. Jones, Skelton & Hochuli, PLC Suite 800 2901 North Central Avenue Phoenix, Arizona 85012 Attorney for Ross Farnsworth, Jr., and Farnsworth Holdings mcdonaldm@aol.com dweeks@jshfirm.com
15 Gerald L. Shelley, Esq. 16 Quarles & Brady Streich Lane Two N. Central Avenue Phoenix, Arizona 85004-2391 17 Attorney for Investors' Committee gls@quarles.com	Merwin D. Grant, Esq. Grant & Vaughn, PC 6225 N. 24th Street, Suite 125 Phoenix, Arizona 85016 Attorney for Dr. Glauser, Larry Pew, Rich Stewart grant@phxlaw.com
19 Robert A. Shull, Esq. 20 Mariscal, Weeks, McIntyre & Friedlander, PA 2901 N. Central Avenue, Suite 200 Phoenix, Arizona 85012 21 Attorney for Scott Johnson and Ross Farnsworth, Jr. rob.shull@mwmf.com	Steven C. Mahaffy Beus Gilbert, PLLC 4800 N. Scottsdale Road, Suite 6000 Scottsdale, Arizona 85251-7630 Attorney for Wealth Partners smahaffy@beusgilbert.com
23 Keith A. Call 24 Snow, Christensen & Martineau, P.C. 10 Exchange Place, Eleventh Floor Post Office Box 45000 Salt Lake City, UT 84145 25 Attorney for Dr. Robert Berry kcall@scmlaw.com	

EXHIBIT A

1 ARIZONA CORPORATION COMMISSION
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 Fax: (602) 594-7418

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R. SNEDDON
DEPUTY CLERK

STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION) No. CV 2005-005484
9 Plaintiff)
10 v.) **STIPULATION REGARDING ORDER**
11 MATHON MANAGEMENT COMPANY,) **APPOINTING CONSERVATOR**
12 L.L.C., fka an Arizona limited liability company)
13 now dba a Delaware limited liability company,)
14 SLADE WILLIAMS AND ASSOCIATES,)
15 L.L.C., an Arizona limited liability company,)
16 MATHON FUND I, L.L.C., an Arizona limited)
17 liability company, MATHON FUND, L.L.C., fka)
18 an Arizona limited liability company now dba a)
19 Delaware limited liability company, INTEGRITY)
20 101, L.L.C., an Arizona limited liability company,)
21 INTEGRITY 201, L.L.C., an Arizona limited)
22 liability company, INTEGRITY 301, L.L.C., an)
23 Arizona limited liability company, INTEGRITY)
24 401, L.L.C., an Arizona limited liability company,)
25 INTEGRITY 501, L.L.C., an Arizona limited)
26 liability company, INTEGRITY 601, L.L.C., an)
Arizona limited liability company, INTEGRITY)
701, L.L.C., an Arizona limited liability company,)
INTEGRITY 801, L.L.C., an Arizona limited)
liability company, INTEGRITY 901, L.L.C., an)
Arizona limited liability company, ROUND)
VALLEY CAPITAL, L.L.C., an Arizona limited)
liability company, W.S.F. – WORLD SPORTS)
FANS L.L.C., an Arizona limited liability)
company, MILL CREEK L.L.C., an Arizona)
limited liability company, BELLEVUE)
HOLDINGS, L.L.C., an Arizona limited liability)

1 company, OAK HARBOR FINANCIAL, L.L.C.,)
 an Arizona limited liability company, SW)
 2 STRATEGIC WEALTH ADVISORS, L.L.C., an)
 Arizona limited liability company, EVERETT)
 3 CAPITAL, L.L.C., an Arizona limited liability)
 company, CRE CAPITAL, L.L.C., an Arizona)
 4 limited liability company, MEZZANINE)
 MANAGEMENT, L.L.C., an Arizona limited)
 5 liability company, MEZZANINE FUND I,)
 L.L.C., an Arizona limited liability company,)
 6 JONAS FUND I, L.L.C., an Arizona limited)
 liability company, TEMPLAR FUND, L.L.C., fka)
 7 an Arizona limited liability company now dba a)
 Delaware limited liability company, MERCER)
 8 ISLAND, L.L.C., an Arizona limited liability)
 company, CONNECTICUT PROPERTIES,)
 9 L.L.C., an Arizona limited liability company,)
 10 FIRST ATLANTA INVESTMENTS, L.L.C., a)
 Georgia limited liability company, MM)
 11 COLONIAL FUND, L.L.C., a Delaware limited)
 liability company, SLADE CONSTRUCTION,)
 12 L.L.C., an Arizona limited liability company,)
 13 DUANE SLADE and JENNIFER SLADE,)
 14 husband and wife, GUY ANDREW WILLIAMS)
 and LISA WILLIAMS, husband and wife,)
 15)
 16 Defendants.

17 The Parties stipulate and agree as follows:

18 1. The parties acknowledge and agree the conservator shall have all the rights, powers
 19 and privileges of a receiver and is subject to the obligations, penalties and orders of the Court to
 20 which receivers are subject, pursuant to A.R.S. §44-2015(A), and Rule 66 of Arizona Rules of
 21 Civil Procedure.

22 2. This Court hereby takes exclusive jurisdiction and possession of the assets, monies,
 23 securities, choses in action, and properties, real and personal, tangible and intangible, of whatever
 24 kind and description, wherever situated, of the Conservatorship Defendants, (hereinafter,
 25 "Conservatorship Assets").
 26

1 3. James C. Sell located at 2222 E. Camelback Road, Suite 110, Phoenix, Arizona
2 85016-3426, with the phone number of 602.265.3519, facsimile number 602.265.3622, is
3 appointed Conservator for the Conservatorship Assets. The Conservator shall file with the Clerk of
4 this Court a bond in the sum of \$100,000, without need for sureties approved by the Court, to
5 assure his conscientious performance of the duties and responsibilities imposed by this Order. The
6 Conservator is hereby authorized to take and have possession and control of the Conservatorship
7 Assets. Until further order of this Court, the Conservator shall have complete and exclusive
8 control, possession, and custody of all Conservatorship Assets. The Conservator shall be the agent
9 of the court and shall be accountable directly to this Court.

10 4. All persons, including, but not limited to, Defendants and their officers, agents,
11 servants, employees, attorneys, and all persons in active concert or participation with them who
12 receive actual notice of this Order by personal service or otherwise, and specifically including any
13 bank or other financial or depository institution holding accounts for or on behalf of the
14 Conservatorship Defendants, shall promptly deliver to the Conservator all Conservatorship Assets
15 in the possession or under the control of any one or more of them and shall promptly surrender all
16 books and records of any kind pertaining or belonging to the Conservatorship Defendants.

17 5. The Defendants shall fully cooperate with and assist the Conservator, which shall
18 include, but not be limited to, providing information to the Conservator that the Conservator deems
19 necessary to exercising the authority and discharging the responsibilities of the Conservator under
20 this Order; providing any password required to access any computer, electronic file, or telephonic
21 data in any medium; advising all persons who owe money to the Conservatorship Defendants that
22 all debts should be paid directly to the Conservator; and provide to the Conservator all keys and
23 codes necessary to gain or to secure access to any Conservatorship Assets or Conservatorship
24 Records.

25 6. All persons, including, but not limited to, Defendants and their officers, agents,
26 servants, employees, attorneys, and all persons in active concert or participation with them, who

1 receive actual notice of this Order by personal service or otherwise, are enjoined from in any way
2 interfering with the operation of the Conservatorship or in any way disturbing the Conservatorship
3 Assets and from filing or prosecuting any actions or proceedings which involve the Conservator or
4 which affect the Conservatorship Assets, specifically including any proceeding initiated pursuant to
5 the United States Bankruptcy Code, except with the prior permission of this Court. Any actions so
6 authorized to determine disputes relating to Conservatorship Assets shall be filed in this Court.

7 7. All Defendants are hereby restrained and enjoined from directly or indirectly
8 destroying, secreting, defacing, transferring or otherwise altering or disposing of any documents of
9 the Defendants, including, but not limited to, books, records, accounts, writings, drawings, graphs,
10 charts, photographs, audio and video recordings, computer records and other data compilations,
11 electronically stored records, or any other papers of any kind or nature. Defendants are also
12 restrained and enjoined from excusing debts owed to the Defendants or transferring, receiving,
13 altering selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets
14 owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by,
15 the Conservatorship Defendants, or the Conservator.

16 8. All banks, broker-dealers, savings and loans, escrow agents, title companies,
17 commodity trading companies, or other financial institutions shall cooperate with all reasonable
18 requests of the Conservator relating to implementation of this Order, including transferring funds at
19 his direction and producing records related to the assets of the Conservatorship Defendants.

20 9. The Conservator is hereby authorized to make appropriate notification to the United
21 States Postal Service to forward delivery of any mail addressed to the Conservatorship Defendants,
22 any company or entity under the direction or control of any of the Conservatorship Defendants, to
23 any Post Office box or other mail depository, to himself. Further, the Conservator is hereby
24 authorized to open and inspect all such mail, to determine the location or identity of assets or the
25 existence and amount of claims.

26

1 10. The Conservator is hereby authorized to open one or more bank accounts with
2 financial institutions insured by an agency of the United States. The Conservator shall Deposit all
3 Conservatorship Assets in such designated accounts and shall make all payments and
4 disbursements from the Conservatorship Assets from such accounts. The Conservator shall be
5 responsible, to the best of his ability, to collect and allocate the loan proceeds, both principal and
6 interest, and to make land payments to the lenders.

7 11. The Conservator is hereby authorized to make such ordinary and necessary
8 payments, distributions, and disbursements as he deems advisable or proper for the marshaling,
9 maintenance or preservation of the Conservatorship Assets. The Conservator shall have the
10 authority to contact and negotiate with any creditors of the Conservatorship Defendants, for the
11 purpose of compromising or settling any claim. To this purpose, in those instances in which
12 Conservatorship Assets serve as collateral to secured creditors, the Conservator may surrender such
13 assets to secured creditors, and shall have the authority to make such surrender conditional upon
14 the waiver of any deficiency of collateral. Furthermore, the Conservator is authorized to renew,
15 cancel, terminate, or otherwise adjust any pending lease agreements to which the Conservatorship
16 Defendants are a party.

17 12. The Conservator is hereby directed to prevent the inequitable distribution of assets
18 and determine, adjust, and protect the interests of persons with an interest in or claim against the
19 Conservatorship Assets.

20 13. The Conservator is hereby directed to file with this Court and serve upon the parties,
21 a preliminary report setting out the identity, location and value of the Conservatorship Assets, and
22 any liabilities pertaining thereto. The Conservator shall issue the preliminary report within 45 days
23 of entry of this Order. Further, at the time the Conservator makes such report, he shall recommend
24 to the Court whether, in his opinion, based on his initial investigation, claims against Defendants,
25 should be adjudged in the Bankruptcy Court. After providing the parties an opportunity to be
26

1 heard, this Court will determine whether to accept the Conservator's recommendation and, if
2 appropriate, issue an order authorizing the Conservator to commence a bankruptcy proceeding.

3 14. Except by leave of this Court, during pendency of the Conservatorship ordered
4 herein, the Defendants, and all other persons and entities be and hereby are stayed from taking any
5 action to establish or enforce any claim, right, or interest for, against, on behalf of, in, or in the
6 name of, any of the Conservatorship Defendants, any of their subsidiaries, affiliates, partnerships,
7 assets, documents, or the Conservator or the Conservator's duly authorized agents acting in their
8 capacities as such, including, but not limited to, the following actions:

- 9 a. Commencing, prosecuting, continuing, entering, or enforcing any suit or
10 proceeding, except that such actions may be filed to toll any applicable statute of
11 limitations;
- 12 b. Accelerating the due date of any obligation or claimed obligation; filing or
13 enforcing any lien; taking or attempting to take possession, custody, or control of
14 any asset; attempting to foreclose, forfeit, alter, or terminate any interest in any
15 asset, whether such acts are part of a judicial proceeding, are acts of self-help, or
16 otherwise;
- 17 c. Executing, issuing, serving, or causing the execution, issuance or service of, any
18 legal process, including, but not limited to, attachments, garnishments, subpoenas,
19 writs of replevin, writs of execution, or any other form of process whether specified
20 in this Order or not; or
- 21 d. Doing any act or thing whatsoever to interfere with the Conservator taking custody,
22 control, possession, or management of the assets or documents subject to this
23 Conservatorship, or to harass or interfere with the Conservator in any way, or to
24 interfere in any manner with the exclusive jurisdiction of this Court over the assets
25 or documents of the Conservatorship Defendants.
- 26

1 15. Except as otherwise provided in this Order, all persons and entities in need of
2 documentation from the Conservator shall in all instances first attempt to secure such information
3 by submitting a formal written request to the Conservator, and, if such request has not been
4 responded to within fifteen (15) days of receipt by the Conservator, any such person or entity may
5 thereafter seek an Order of this Court with regard to the relief requested.

6 16. The Conservatorship Defendants will have access to the business records, including
7 copies of computer records, of the Conservatorship Defendants upon twenty-four (24) hour notice
8 to the Conservator and under the Conservators' supervision. The Conservatorship Defendants will
9 not remove the business records from the Conservator.

10 17. The Conservator is hereby authorized to employ such employees, accountants, and
11 attorneys as are necessary and proper for the collection, preservation and maintenance of the
12 Conservatorship Assets.

13 18. The Conservator is hereby authorized and directed to receive and collect any and all
14 sums of money due or owing to the Conservatorship Defendants, whether the same are now due or
15 shall hereafter become due and payable, and is authorized to incur such reasonable expenses and
16 make such disbursements as are necessary and proper for the collection, preservation, maintenance
17 and operation of the Conservatorship Assets. The Conservator shall be authorized to compromise
18 or adjust obligations which may be owed to the Conservatorship Estate. The Conservator shall seek
19 and obtain the approval of the Court for any proposed compromise or settlement. Court approval
20 may be sought on an expedited basis.

21 19. The Conservator is authorized to liquidate Conservatorship Assets, as may in his
22 discretion be advisable. The Conservator shall first seek and obtain the approval of this Court for
23 the proposed sale. Court approval may be sought on an expedited basis.

24 20. The Conservator is hereby authorized to institute, defend, compromise or adjust
25 such actions or proceedings in state or federal courts now pending and hereafter instituted, as may
26 in his discretion be advisable or proper for the protection of the Conservatorship Assets or proceeds

1 therefrom, and to institute, prosecute, compromise or adjust such actions or proceedings in state or
2 federal court as may in his judgment be necessary or proper for the collection, preservation and
3 maintenance of the Conservatorship Assets.

4 21. The Conservator is hereby authorized to institute such actions or proceedings to
5 impose a constructive trust, obtain possession and/or recover judgment with respect to persons or
6 entities who received assets or funds traceable to investor monies. All such actions shall be filed in
7 this Court.

8 22. The Conservator shall be authorized, after notice and hearing, to seek Court
9 approval for the amendment of the Conservatorship Order to include additional parties to the
10 pending litigation.

11 23. Upon the request of the Conservator, any peace officer of this State is authorized
12 and directed to assist the Conservator in carrying out his duties to take possession, custody or
13 control of, or identify the location of, any Conservatorship Assets. The Conservator is authorized to
14 remove any person from any premises or real estate constituting a Conservatorship Asset that
15 attempts to interfere with the Conservator, his attorneys or agents in the performance of their
16 duties. The Conservator is further authorized to change any locks or other security mechanisms
17 with respect to any premises or other assets that constitute Conservatorship Assets.

18 24. The Conservator shall keep the ACC and the Conservatorship Defendants apprised
19 at reasonable intervals of developments concerning the operation of the Conservatorship, and shall
20 provide to the ACC upon request any documents under the control of the Conservator.

21 25. The Conservator shall seek and obtain the approval of this Court prior to
22 disbursement of professional fees and expenses to himself or counsel, by presentation of a written
23 application therefor and after consultation with the ACC or in accordance with further order of the
24 Court. All costs incurred by the Conservator shall be paid from the Conservatorship Assets.

25 26. If it appears to the Court that the affairs of the Defendants are incapable of
26 reorganization or that reorganization is not advisable, the Court shall make a finding to that effect

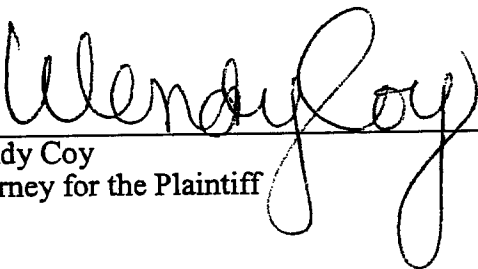
1 and the conservator shall proceed as a receiver for the purpose of winding up the affairs of the
2 Defendant pursuant to A.R.S. 44-2016(B).


3 27. The Court shall retain jurisdiction of this action for all purposes. The Conservator is
4 hereby authorized, empowered and directed to apply to this Court, with notice to the ACC and
5 Defendants, for issuance of such other orders as may be necessary and appropriate in order to carry
6 out the mandate of this Court.

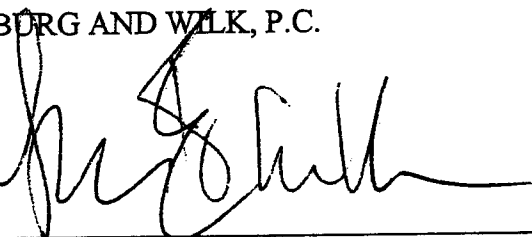
7 28. This Order will remain in effect until modified by further order of this Court or
8 upon agreement of the parties.

9 RESPECTFULLY SUBMITTED this 14th day of April, 2005.

10 ARIZONA CORPORATION COMMISSION LEWIS AND ROCA LLP

11
12
13 By 
14 Wendy Coy
15 Attorney for the Plaintiff

16
17 By 
18 Keith Beauchamp
19 Amy M. Wilkins
20 Attorneys for Defendants Duane Slade and
21 Guy Williams

22 JABURG AND WILK, P.C.
23
24 By 
25 Lawrence E. Wilk
26 Attorney for Conservator James C. Sell

27 Original filed and copy of the foregoing
28 hand-delivered this 14th day of April, 2005, to:

29 Honorable Barry C. Schneider
30 MARICOPA COUNTY SUPERIOR COURT
31 101-201 West Jefferson, CCB-13A
32 Phoenix, Arizona 85003

1 COPIES of the foregoing mailed
this 14th day of April, 2005

2 Wendy Coy, Esq.
ARIZONA CORPORATION COMMISSION
3 1300 W. Washington, 3rd Floor
Phoenix, Arizona 85007
4 Attorney for the Plaintiff

5 Keith Beauchamp, Esq.
Amy M. Wilkins, Esq.
6 LEWIS AND ROCA LLP
40 North Central Avenue
7 Phoenix, Arizona 85004-4429
Attorneys for Defendants Duane and Jennifer Slade
8 and Guy and Lisa Williams

9 J. Grant Woods
GRANT WOODS PC
10 1726 N. Seventh Street
Phoenix, Arizona 85006-2200
11 Attorney for Defendants Duane and Jennifer Slade
and Guy and Lisa Williams
12

13 Lawrence E. Wilk, Esq.
JABURG AND WILK P.C.
14 3200 North Central Avenue, Suite 2000
Phoenix, Arizona 85012
15 Attorneys for Conservator James C. Sell

16 A. Melvin McDonald, Esq.
JONES, SKELTON & HOCHULI, P.L.C.
17 2901 North Central Avenue, Suite 800
Phoenix, Arizona 85012
18 Attorney for Ross Farnsworth, Jr. and Farnsworth Holdings
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EXHIBIT "A"

1. MATHON MANAGEMENT COMPANY, L.L.C., fka an Arizona limited liability company dba a Delaware limited liability company
2. SLADE WILLIAMS AND ASSOCIATES, L.L.C., an Arizona limited liability company
3. MATHON FUND I, L.L.C., an Arizona limited liability company
4. MATHON FUND, L.L.C., fka an Arizona limited liability company dba a Delaware limited liability company
5. INTEGRITY 101, L.L.C., an Arizona limited liability company
6. INTEGRITY 201, L.L.C., an Arizona limited liability company
7. INTEGRITY 301, L.L.C., an Arizona limited liability company
8. INTEGRITY 401, L.L.C., an Arizona limited liability company
9. INTEGRITY 501, L.L.C., an Arizona limited liability company
10. INTEGRITY 601, L.L.C., an Arizona limited liability company
11. INTEGRITY 701, L.L.C., an Arizona limited liability company
12. INTEGRITY 801, L.L.C., an Arizona limited liability company
13. INTEGRITY 901, L.L.C., an Arizona limited liability company
14. ROUND VALLEY CAPITAL, L.L.C., an Arizona limited liability company
15. W.S.F. – WORLD SPORTS FANS, L.L.C., an Arizona limited liability company

- 1 16. MILL CREEK L.L.C., an Arizona limited liability company
- 2 17. BELLEVUE HOLDINGS, L.L.C., an Arizona limited liability company
- 3
- 4 18. OAK HARBOR FINANCIAL, L.L.C., an Arizona limited liability company
- 5 19. SW STRATEGIC WEALTH ADVISORS, L.L.C., an Arizona limited liability
- 6 company
- 7 20. EVERETT CAPITAL, L.L.C., an Arizona limited liability company
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- 9 21. CRE CAPITAL, L.L.C., an Arizona limited liability company
- 10 22. MEZZANINE MANAGEMENT, L.L.C., an Arizona limited liability company
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- 12 23. MEZZANINE FUND I, L.L.C., an Arizona limited liability company
- 13 24. JONAS FUND I, L.L.C., an Arizona limited liability company
- 14 25. TEMPLAR FUND, L.L.C., fka an Arizona limited liability company now dba a
- 15 Delaware limited liability company
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- 17 26. MERCER ISLAND, L.L.C., an Arizona limited liability company
- 18 27. CONNECTICUT PROPERTIES, L.L.C., an Arizona limited liability company
- 19
- 20 28. FIRST ATLANTA INVESTMENTS, L.L.C., a Georgia limited liability company
- 21 29. MM COLONIAL FUND, L.L.C., a Delaware limited liability company
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- 23 30. SLADE CONSTRUCTION, L.L.C., an Arizona limited liability company
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EXHIBIT B

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IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF MARICOPA

ARIZONA CORPORATION
COMMISSION,

Plaintiff,

vs.

MATHON MANAGEMENT COMPANY,
L.L.C., fka an Arizona limited liability
company now dba a Delaware limited
liability company, et al.,

Defendants.

NO. CV 2005-005484

Assigned to the
Honorable Barry C. Schneider

**ORDER GRANTING JOINT
MOTION TO RECOGNIZE THE
PROPOSED OFFICIAL
INVESTORS'/CREDITORS'
COMMITTEE AND TO
AUTHORIZE THE EMPLOYMENT
OF QUARLES & BRADY STREICH
LANG LLP AS COMMITTEE
COUNSEL**

Conservator JAMES C. SELL ("Sell" or the "Conservator") and THE
(PROPOSED) OFFICIAL INVESTORS'/CREDITORS' COMMITTEE (the
"Committee") having filed a Joint Motion asking the Court to enter an Order recognizing
the Committee as the official committee representing investors and creditors in this case
and authorizing the Committee to employ the law firm of Quarles & Brady Streich Lang
LLP as its counsel, the Court finds, based upon the paper submitted that the
conservatorship, and the investors will be well served by having an official committee.

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IT IS THEREFORE ORDERED:

1. Recognizing the committee as organized consisting of members ROBERT LLOYD, who at the April 20, 2005 meeting of the committee was elected to serve as chair of the committee, and DAVID GIBB, KURT TAYLOR, BENJAMIN FUNK, RANDALL SKIDMORE, and BRENT BOYSE as other committee members.” Hereafter the committee shall be known and recognized as the Official Mathon Investors’ Committee (the”Committee”). It is empowered to (i) prepare and adopt bylaws, (ii) expand the Committee as prudent and necessary, (iii) employ counsel to assist, advise, and represent the Committee in relation to the administration the case; (iv) assist and advise the Conservator in the investigation of Defendants’ assets, liabilities and other financial information; (v) work with the Conservator and his counsel to organize and disseminate information to the body of investors in this case, and (vi) take other steps as necessary and prudent to assist the Conservator to maximize the distribution to investors.

2. Authorizing the Conservator to compensate QBSL from available Mathon funds subject to entry of further Court order approving fees and costs sought.

DATED this 25 day of July, 2005.

BARRY C. SCHNEIDER
JUDGE OF THE SUPERIOR COURT

Honorable Barry C. Schneider
Judge of the Superior Court