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6 IN THE SUPERIOR COURT FOR THE STATE OF ARIZONA

7 IN AND FOR THE COUNTY OF MARICOPA

8 ARIZONA CORPORATION
COMMISSION,

9 Plaintiff,

11 v.

12 TREND MANAGEMENT GROUP,
INC.; TREND CAPITAL, L.L.C.,

14 Defendants.

Cause No. CV 2006-016822

PETITION NO. 22

PETITION FOR APPROVAL TO
INITIATE LAWSUIT AGAINST JON
JEFFREY HARRIS AND SOUND BITES
RESTAURANT L.L.C.

(Assigned to Judge A. Craig Blakey, II)

15 Peter S. Davis, the court-appointed receiver, petitions the Court for authority to
16 institute a lawsuit against Jon Jeffrey Harris ("Harris") and Sound Bites Restaurant L.L.C.
17 ("Sound Bites") to recover Receivership Assets transferred to Harris and Sound Bites and
18 respectfully submits the following:

19 1. Through the *Order Appointing Receiver*, this Court "takes exclusive jurisdiction
20 and possession of assets, monies, securities, chooses in action, and properties, real and
21 personal, tangible and intangible, of whatever kind and description, wherever situated, of

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1 Trend Management Group, Inc... and Trend Capital, L.L.C... (hereinafter, 'Receivership
2 Assets')."¹

3 2. Also through the *Order Appointing Receiver*, this Court appointed Peter S.
4 Davis receiver,² ordered him to "take and have possession and control of the Receivership
5 Assets,"³ and authorized him to "institute... actions or proceedings... as may in his discretion
6 be advisable or proper... for the collection, preservation and maintenance of the Receivership
7 Assets."⁴

8 3. One of the purposes of this receivership is to identify and recover all property
9 traceable to, or derived from, the fraudulent conduct alleged in the causes of action
10 consolidated in the above-styled lawsuit for the ultimate benefit of the victim investors who
11 invested money in connection with the investment scheme operated through the Receivership
12 Defendants ("Trend Investors").

13 4. Through the Receiver's investigation, the Receiver determined that
14 \$207,686.00 in Receivership Assets were loaned or fraudulently transferred to Harris between
15 September 2004 and July 2005.

16 5. Ryan Herndon ("Herndon"), a principle of Trend Capital entered into an
17 agreement with Harris to loan \$65,000.00 to Harris. In exchange for these loans, Harris
18 executed a promissory note and a security agreement which granted a security interest in

19
20 ¹ *Order Appointing Receiver*, ¶ 1. The Receiver requests the Court take judicial notice of the
pleadings on file in this action.

21 ² *Order Appointing Receiver*, ¶ 2.

³ *Order Appointing Receiver*, ¶ 2.

⁴ *Order Appointing Receiver*, ¶ 21.

1 equipment Defendant Harris in his recording studio. In addition to the \$65,000.00 discussed
2 above, Herndon loaned to Harris, an additional \$142,686.00. Each loan Herndon made to
3 Harris was made with a Trend Capital check and the memo line of each check details it was a
4 "loan".

5 6. The Receiver seeks to recover these funds from Harris under legal theories of
6 breach of contract, fraudulent transfer and equity. The purpose of this proposed litigation is
7 to recover these loans for the ultimate benefit of the Trend Investors, whose funds were used
8 to make such transfers to Harris.

9 7. The Receiver made demand on Harris to turnover to the Receiver all
10 Receivership Assets in his possession or control.⁵ To date, however, he has failed and
11 refused to turnover to the Receiver any such assets.⁶

12 8. Through the Receiver's investigation, the Receiver has also determined that an
13 additional \$46,500.00 of Receivership Assets were loaned or fraudulently transferred to
14 Sound Bites Restaurant L.L.C. between April 2005 and August 2005⁷. Sound Bites is a
15 Arizona Corporation. Harris is a member and operates Sound Bites.

16 9. To date, Sound Bites has not repaid any of the loans that Herndon made to it,
17 even though the Receiver, through his agent, has demanded repayment based on the
18
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21 ⁵ Davis Declaration, ¶ 7 attached as Exhibit "A".

⁶ Davis Declaration, ¶ 8 attached as Exhibit "A".

⁷ Davis Declaration, ¶ 10 attached as Exhibit "A".

1 Amended Receivership Order, which authorizes the Receiver to collect funds belonging to
2 the Receivership Estate⁸.

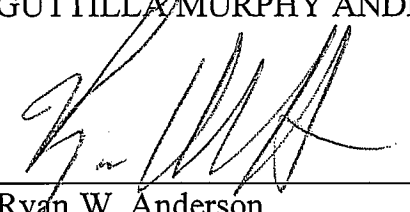
3 10. Accordingly, the Receiver proposes to institute a lawsuit to seek to recover
4 Receivership Assets transferred to Harris and Sound Bites. A copy of the *Original Complaint*
5 similar to the complaint the Receiver intends to file against them is attached hereto as Exhibit
6 B and is incorporated herein by reference.

7 11. The Receiver believes that instituting a lawsuit against Harris and Sound Bites
8 to recover Receivership Assets furthers the interest of the Receivership Estate.⁹

9 WHEREFORE, the Receiver respectfully requests that the Court enter an order (a)
10 authorizing the Receiver to institute a lawsuit against Harris and Sound Bites; (b) directing
11 that such lawsuit be assigned to this Court; and (c) granting the Receiver such other relief to
12 which he may be entitled.

13 Respectfully submitted this 7th day of February, 2008.

14 GUTTILLA MURPHY ANDERSON, P.C.

15 
16 _____
17 Ryan W. Anderson
18 Attorneys for the Receiver

19 1027-001(70045)

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21 ⁸ *Davis Declaration*, ¶¶ 12 and 13

⁹ *Davis Declaration*, ¶ 9.

DECLARATION OF PETER S. DAVIS

I, Peter S. Davis, make the following declaration:

1. I have personal knowledge of the matters set forth herein, except for those matters stated on information and belief, and as to those matters I believe them to be true and could and would testify thereto under oath if called upon as a witness.
2. Pursuant to the *Order Appointing Receiver* signed by the Superior Court of Arizona, in and for Maricopa County, in Case No. CV 2006-16822, styled *Arizona Corporation Commission v. Trend Management Group, Inc., et al.* on November 14, 2006 placing Trend Management, Inc. and Trend Capital, LLC in receivership, and the *Amended Order Appointing Receiver* ("Receivership Order") signed by the Receivership Court on May 17, 2007 placing Trend Group, Inc. in receivership, I was appointed as receiver for Trend Management, Inc., Trend Capital, LLC and Trend Group, Inc. ("Receivership Entities").
3. Under the Receivership Order I am responsible for marshalling the assets of the foregoing receivership entities ("Receivership Assets") and authorized to execute this declaration on behalf of the Receivership Entities.
4. I submit this Declaration in support of the *Receiver's Petition No. 22- Ex Parte Petition for Approval to Initiate Lawsuit against Jon Jeffrey Harris and Sound Bites Restaurant, LLC.*
5. Through my investigation, including the review of books and records of the Trend Entities and related parties, I have determined that at least \$207,686.00 in

Exhibit "A"

Receivership Assets were fraudulently transferred, loaned or paid to Jon Jeffrey Harris or for his benefit.

6. I seek to recover these funds under a breach of contract theory or set aside and recover these funds as fraudulent transfers. The recovery of these funds will be for the Receivership Entities and for the ultimate benefit of the Trend Investors, whose funds were used to make such transfers to Mr. Harris.

7. I have made demand on Mr. Harris to turnover to the Receiver all Receivership Assets in their possession or control.

8. To date, however, Mr. Harris has failed and refused to turnover to the Receiver any such assets.

9. I have concluded that instituting a lawsuit against Mr. Harris to recover Receivership Assets furthers the interest of the Receivership Estate.

10. Through my investigation, including the review of books and records of the Trend Entities and related parties, I have determined that at least \$46,500.00 of Receivership Assets were fraudulently transferred, loan or paid to Sound Bites Restaurant L.L.C.

11. I seek to recover these funds under a breach of contract theory or set aside and recover these funds as fraudulent transfers. The recovery of these funds will be for the Receivership Entities and for the ultimate benefit of the Trend Investors, whose funds were used to make such transfers to Sound Bites Restaurant L.L.C.

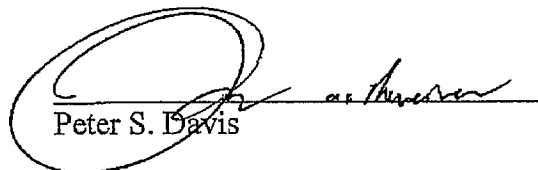
12. I have made demand on Sound Bites Restaurant L.L.C., through Mr. Harris, to turnover to the Receiver all Receivership Assets in their possession or control.

13. To date, however, Sound Bites Restaurant L.L.C has failed and refused to turnover to the Receiver any such assets.

14. I have concluded that instituting a lawsuit against Sound Bites Restaurant L.L.C to recover Receivership Assets furthers the interest of the Receivership Estate

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 7 day of February, 2008


Peter S. Davis