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16 UNITED STATES BANKRUPTCY COURT
17 DISTRICT OF ARIZONA

18 In re:
19 AMERICAN NATIONAL MORTGAGE
20 PARTNERS, LLC,
21 Debtor.

In Proceedings Under
Chapter 11

Case Nos: 03-03803 PHX RJH
03-03799 PHX RJH

22 In re:
23 ANMP 74TH ST., LLC,
24 Debtor.

**PROPOSED FINDINGS OF FACT AND
CONCLUSIONS OF LAW-
EQUITABLE SUBORDINATION**

25 Debtors submit the following proposed Findings of Fact and Conclusions of Law,
26 following this Court's Trial on Debtors' subordination and classification of the Claims of
27 Gregory Harrington, Multivest, LLC and Vector Partners, LLC (the "Harrington Objectants") as
28 Class 4 Claims under the Plan of Reorganization:

FINDINGS OF FACT:

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).
2. Prior to the commencement of these Bankruptcy Cases, the Debtors, and the Receivership Entities (collectively, "ANMP") were comprised of 112 interrelated entities.

- 1 3. There were 16 management entities.
- 2 4. The remaining 96 entities were investor trusts and limited liability companies that
3 were organized, managed and controlled by one or more of the management entities.
- 4 5. The management entities shared common control and operational attributes.
- 5 6. ANMP solicited Investors and represented to the Investors that their money would
6 be loaned to borrowers and secured by either Deeds of Trust or Illinois Land Trusts.
- 7 7. Most of the Investors were retirement age individuals on fixed incomes, investing
8 their retirement funds.
- 9 8. ANMP arranged a series of 23 overlapping investor-financed loans for Castle
10 Megastores, Inc., (the “Castle Loans”). The cumulative total face amount of the loans was
11 \$20,099,447. The amount raised from investors was \$14,097,723.
- 12 9. Castle began defaulting on its outstanding loans in June 2001.
- 13 10. ANMP continued to make the scheduled interest payments to the investors through
14 September 10, 2002, and continued to represent to its creditors and investors that such loans were
15 actually performing. ANMP made these payments from money from new investors.
- 16 11. The Castle defaults brought down the ANMP house of cards.
- 17 12. ANMP’s Management perverted ANMP into a vehicle for an elaborate Ponzi
18 scheme to take money from their creditors and investors.
- 19 13. ANMP established Secura Fund Arizona, LLC to launch an Intrastate Public
20 Offering for \$15,000,000.
- 21 14. Although Secura’s preliminary prospectus was dated June 17, 2002, the offering
22 never took place, because ANMP was not able to satisfy the financial and organizational issues
23 raised by the Arizona Securities Division.
- 24 15. In July 2002, ANMP made three loans to General Media Inc., (“GMI”) the holding
25 company for Penthouse Magazine and Penthouse, in an attempt to generate more funds for
26 ANMP (the “Penthouse Loans”).
- 27 16. ANMP was insolvent.
- 28 17. ANMP was a Ponzi scheme.

1 18. Greg Harrington either through Multinvest, LLC, Vector Partners, LLC and/or on
2 his own, acted on behalf of the “Penthouse” borrowers while at the same time purporting to
3 represent the interests of ANMP.

4 19. Harrington was an active participant in the ANMP scheme to defraud their
5 Investors and Creditors.

6 20. Harrington, during various relevant periods, acted in varying capacities - with
7 either the actual or apparent authority - as an employee, agent, officer, director, member and
8 controlling person of ANMP.

9 21. During such times, Harrington, Vector and Multinvest engaged in inequitable
10 conduct towards the Debtors.

11 22. The inequitable conduct of Harrington, Vector and Multinvest included, *inter alia*:

12 i) Making misrepresentations to investors to induce them to invest in ANMP, in
13 violation of the securities laws, as an unlicensed and unlicensable salesman;

14 ii) Making misrepresentations as to his own status as an investor in ANMP;

15 iii) Making material misrepresentations regarding the alleged “security” underlying
16 various transactions including the Penthouse loans;

17 iv) Authoring false and misleading documents;

18 v) Representing interests adverse to ANMP while purportedly acting on behalf of
19 ANMP, its investors and creditors;

20 vi) Acting through Vector Partners, LLC to aid ANMP in materially misstating the
21 assets of collateral underlying various of its loan portfolios; and

22 vii) Pledging the same Multinvest, LLC debentures, multiple times, to overstate the
23 capitalization of Secura;

24 23. At the same time, Harrington also met with, and solicited, ANMP investors to put
25 their money into the Penthouse loans.

26 24. Harrington represented that the Penthouse loans were secure.

27 25. Specifically, but not by way of limitation, Harrington met with and solicited
28 investor Gerry Zwack (“Zwack”), as follows:

1 (a) Zwack met with Harrington on October 7, 2002, when Zwack visited the
2 ANMP offices at 15021 N. 74th Street, Scottsdale, Arizona to obtain further information about
3 the Penthouse Loans, to be guaranteed by Robert Guccione (“Guccione”). Zwack was concerned
4 that the money would be used in connection with pornography – and testified that had he known
5 it was to be used in connection with pornography, that he would not have invested. Zwack was
6 particularly concerned about whether the loans would be properly secured. Mr. and Mrs. Zwack
7 wanted a safe, secure, low risk investment. Harrington assured Zwack that the monies were not
8 being used in connection with Penthouse’s “porn business”, but instead, were to be used to
9 restructure Guccione’s personal business affairs.

10 (b) The funds were actually used to aid Penthouse in its operations.

11 (c) Zwack made clear to Harrington that he wanted only a safe, secure, low
12 risk investment. Mr. Zwack specifically asked Harrington about the nature and type of collateral.
13 They discussed the specific items of collateral that would secure the loans. Harrington
14 specifically represented to Zwack that the Penthouse Loans would be secured by Mr. Guccione’s
15 personal art collection and by Mr. Guccione’s personal residence in New York City and another
16 piece of real estate.

17 (d) Zwack was not provided with any prospectus or loan package prior to his
18 investment.

19 (e) Harrington was so convincing, and came across as such an authority, that
20 Mr. Zwack relied on his representations and invested not only his own money, but also the money
21 of his mother, Evelyn Zwack.

22 (f) On October 7, 2002, the same day Zwack met with Harrington, Zwack
23 invested \$10,000.00 of his own money, and \$6,000.00 his mother’s money.

24 (g) Harrington’s representations to Mr. Zwack were material, in that but for
25 such representations, Mr. Zwack would not have invested his and his wife’s money, and his
26 mother’s money.

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COPY of the foregoing mailed
this 29th day of September, 2006.

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/s/Janet Forster

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