

CLERK OF THE COURT

1 **OPPS**
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7 DISTRICT COURT
8 CLARK COUNTY, NEVADA
9

10 TED R. BURKE; MICHAEL R. and
LAURETTA L. KEHOE; JOHN BERTOLDO;
11 PAUL BARNARD; EDDY KRAVETZ;
JACKIE and FRED KRAVETZ; STEVE
12 FRANKS; PAULA MARIA BARNARD;
LEON GOLDEN; C.A. MURFF; GERDA
13 FERN BILLBE; BOB and ROBYN TRESKA;
MICHAEL RANDOLPH; and FREDERICK
14 WILLIS,

15 Plaintiffs,

16 vs.

17 LARRY H. HAHN, individually, and as
President and Treasurer of Kokoweef, Inc., and
18 former President and Treasurer of Explorations
Incorporated of Nevada; HAHN'S WORLD OF
19 SURPLUS, INC., a Nevada corporation;
PATRICK C. CLARY, an individual; DOES 1
20 through 100, inclusive;

21 Defendants,

22 and

23 KOKOWEEF, INC., a Nevada corporation;
EXPLORATIONS INCORPORATED OF
24 NEVADA, a dissolved corporation,

25 Nominal Defendants.
26

27 ///

28 ///

) CASE NO. A558629
) DEPT: XI

) **PLAINTIFFS' OPPOSITION TO**
) **DEFENDANTS' MOTION TO REOPEN**
) **DISCOVERY, EXTEND CERTAIN**
) **DEADLINES AND CONTINUE THE**
) **TRIAL AND MOTION FOR EX**
) **PARTE ORDER SHORTENING TIME**
) **FOR HEARING THEREON**

1 Plaintiffs Ted R. Burke; Michael R. And Laurretta L. Kehoe; John Bertoldo; Paul Barnard;
2 Eddy Kravetz; Jackie and Fred Kravetz; Steven Franks; Paula Maria Barnard; Leon Golden; C.A.
3 Murff; Gerda Fern Billbe; Bob and Robyn Treska; Michael Randolph and Frederick Willis
4 (hereinafter collectively referred to as "Plaintiffs"), by and through their undersigned counsel of
5 record, Robertson & Associates LLP, hereby file their Opposition to Defendants' Motion to
6 Reopen Discovery, Extend Certain Deadlines and Continue the Trial and Motion for ex Parte
7 Order Shortening Time for Hearing Thereon (the "Opposition").

8 This Opposition is based upon the points and authorities set forth herein, the pleadings
9 and papers on file herein, the exhibits attached hereto, and any oral argument requested of
10 counsel.

11 DATED this 22th day of February, 2011.

12
13 ROBERTSON & ASSOCIATES, LLP

14
15 By: 

ALEXANDER ROBERTSON, IV

Bar No. 8642

JENNIFER L. TAYLOR

Bar No. 5798

401 N. Buffalo Drive, Suite 202

Las Vegas, Nevada 89145

Attorneys for Plaintiffs

20
21 **MEMORANDUM OF POINTS AND AUTHORITIES:**

22 **I. INTRODUCTION:**

23 Defendants' Motion should simply solidify in this Court's mind the rank gamesmanship
24 that has accompanied Defendants' actions in this case. This Motion would not have been filed
25 had Plaintiffs' expert reports not set out nearly 1000 instances of securities violations and nearly
26 One-Million Dollars (\$1,000,000.00) in unsubstantiated business expenses by Kokoweef and
27 EIN.
28

1 Only two months ago, Defendants insisted that discovery be closed. Yet, in front of this
2 Court, they refused to acknowledge a prior solicitation to extend discovery sent out in November
3 2010. Now they seek a discovery extension. Only two months ago, Defendants insisted that
4 Plaintiffs' securities expert, Ed Apenbrink would not be permitted to produce a report or testify,.
5 They refused to set out the basis for that belief despite requests from Plaintiffs that they do so.
6 Instead, they, admittedly, chose to stand by this unsupported position and when the Court
7 disagreed with them, asserted surprise and requested additional unwarranted time so that they can
8 start from square one. Over numerous discovery motions where Plaintiffs have sought
9 production of business records from Kokoweef and EIN, Defendants have berated Plaintiffs,
10 Plaintiffs' counsel and Plaintiffs' experts because they had allegedly turned over every single
11 scrap of documentation on numerous occasions. Yet now, in the face of nearly One-Million
12 Dollars (\$1,000,000.00) in unsubstantiated business records, suddenly, countless other business
13 records have been discovered.

14 In addition to this rank evidence of gamesmanship, Defendants' Motion is riddled with
15 misstatements, inappropriate implied attacks on Plaintiffs and lacking in candor to the Court.
16 Even if this Court is disinclined to analyze Defendants' ongoing actions under the Nevada Rules
17 of Professional Conduct including NRPC 3.3 (Candor Toward Tribunal,), 3.4 (Fairness to
18 Opposing Party and Counsel, and 8.4 (Misconduct, specifically as to engaging in conduct that is
19 prejudicial to the administration of justice), Nevada Rule of Civil Procedure 37 and EDCR 7.60
20 provides this Court with ample methods to sanction Defendants for their continued discovery and
21 litigation abuses. The ongoing gamesmanship has "increasingly and vexatiously" cost Plaintiffs
22 fees that would not have been necessary had Defendants simply produced documents properly
23 and without the need for undue motion practice. See EDCR 7.6(b), which allows sanctions to be
24 imposed for certain conduct, including, but not limited to that which so "multiplies the
25 proceedings in a case as to increase costs unreasonable and vexatiously".

26 Defendants' Motion requests relief on the basis that "justice requires both sides be fully
27 prepared as each step goes forward." Opp. Clary Dec ¶ 6. However, this credo, apparently, only
28 applies to Defendants, as was made apparent when the Defendants solicited a discovery

1 extension on November 17, 2010, only to misrepresent that fact to this Court on December 9,
2 2010. Now Defendants are trying to secure “justice” for themselves at a continued detriment to
3 Plaintiffs.

4 While Plaintiffs are willing to a brief continuance of the dates for trial and discovery,
5 Plaintiffs, as set forth in their Status Report filed on February 2, 2011, and which is incorporated
6 into this Opposition as if fully set forth herein (hereafter referred to as “Plaintiff’s Status
7 Report”), are not amenable to the lengthy extensions requested by Defendants. They have had
8 Plaintiffs’ experts’ reports for more than one month, and have, therefore, already had thirty days
9 to commence preparation of rebuttal reports. Accordingly, to the extent this Court is inclined to
10 grant any extension, Plaintiffs request that it be no more than thirty (30) additional days.

11 12 I. MEMORANDUM OF POINTS AND AUTHORITIES

13 FACTUAL BACKGROUND

14 On February 2, 2011, Plaintiffs filed a Status Report to this Court in anticipation of the
15 hearing February 3, 2011. Plaintiffs hereby incorporate that Status Report into this Opposition as
16 fully set forth herein.

17 The request to continue a trial or discovery deadlines must be accompanied by a
18 demonstration that the “failure to act was the result of excusable neglect.” EDCR 2.25(a).
19 Defendants’ motion fails to meet this threshold, and should be denied. If the Court is inclined to
20 grant Defendants’ Motion, it should be to extend the dates no more than 30 days. The basis for
21 Plaintiffs’ request for denial or, at most, a limited extension is based upon Defendants utter
22 failure to demonstrate excusable neglect or a good faith basis for their Motion.

23 24 A. Defendants were well aware that Plaintiffs had two experts producing reports, and 25 their claim of “surprise” is unfounded, and fails to demonstrate excusable neglect.

26 In Paragraph 1 of their Motion, Defendants claim that they were “surprised” by the
27 contents of the Order signed by this Court in late January to memorialize the December 9, 2010
28 hearing. This “surprise” clearly has to do with the production of Ed Apenbrink’s reports.

1 However, the argument that this was a “surprise” is spurious, at best. Attached hereto as Ex. 1 is
2 email correspondence from October 6, 2010 with proposed Orders for the September 14, 2010
3 hearing. This proposed order clearly sets out **both** of Plaintiffs’ experts.

4 Additionally, attached as Exhibit 6 to Plaintiffs’ Status Report is email correspondence
5 from counsel for Defendant Hahn’s World of Surplus (“HWS”), addressing, in part, the Order to
6 memorialize the September 14, 2010 hearing, and noting that the only discrepancy was the date
7 for production, not how many experts would be producing reports, and clearly identifying Edwin
8 J. Apenbrink as one of those experts. Further, the issue of Plaintiffs’ securities expert, Ed
9 Apenbrink was discussed at the September 14, 2010 hearing. See Transcript of Sept. 14, 2010
10 hearing, p. 14-15, ll. 20-25, 1-16, and attached as Ex. 2 to Plaintiffs’ February 4, 2011 Status
11 Report.

12 Clearly, up until the December 2010 hearing, Defendants knew and acknowledged that
13 Ed Apenbrink would be producing a report. It was only after December 9, 2010 that this new
14 game commenced. Plaintiffs asked Defendants for the basis upon which they were asserting Mr.
15 Apenbrink was precluded from testifying. See Ex. 7 to Plaintiff’s Status Report. Defendants
16 refused to discuss the merits of their position and simply, as this Court is aware, submitted an
17 Order on the December 9, 2010 hearing which did not include Mr. Apenbrink as an expert
18 eligible to produce a report. They should have not have been surprised when Plaintiffs’
19 competing Order, including Edwin Apenbrink as an expert, was adopted. The Court, therefore,
20 should utterly disregard this claim of “surprise”.

21 **B. Defendants were well aware that Plaintiffs’ Expert Reports were due just two weeks**
22 **before the hearings on the Summary Judgment Motions, and have no basis to assert**
23 **Plaintiffs’ Oppositions were prohibited, and, thus, this argument fails to**
24 **demonstrate excusable neglect.**

25 Defendants’ Motion next tries to claim excusable neglect because Plaintiffs’
26 Supplemental Oppositions to their Motions for Summary Judgment were “not permitted”.
27 Defendants have failed to provide any basis for this claim. Instead, the Court will recall, that in
28 their zeal of presumed victory, Defendants insisted that their Motions for Summary Judgment be

1 set for February 3, 2011, while knowing that certain discovery, which could impact those
2 Motions, was still pending. In fact, in Defendants' Status Report to the Court, filed on December
3 8, 2010, the Defendants' acknowledged that Supplemental Briefing on the Motions for Summary
4 Judgment was anticipated, and should be scheduled. However, a schedule for supplemental
5 briefing was never proposed or adopted.

6 **C. Defendants have never provided good faith dates for extensions of hearings,**
7 **discovery or trial, upon which productive discussions could be held, and this**
8 **argument does not form the basis for excusable neglect.**

9 As far back as November, counsel for Plaintiffs has been seeking reasonable dates for
10 discussion of extensions. See, e.g., Ex. 6 to Plaintiffs' Status Report. However, it has been
11 impossible to engage in discussions, when extensions are requested and then retracted with no
12 notice, and when extensions are set out that only benefit Defendants. This tactic is ongoing.
13 Even in Defendants' Motion, they refuse to acknowledge that they have now had Plaintiffs'
14 expert reports for more than one month, a time during which they could have experts preparing
15 rebuttal reports.

16 **D. Defendants' Recordation of the EDCR 2.34 conference is inaccurate, and the**
17 **admission that newly discovered documents needed to be produced merely**
18 **demonstrates Defendants' discovery abuses, not excusable neglect.**

19 One of the fundamental problems with this case has been, and continues to be, the failure
20 and/or refusal of Defendants to produce requested documents. During the February 3, 2011
21 EDCR 2.34 conference, counsel for Hahn's World of Surplus indicated yet more Kokoweef
22 documents had not been scanned or provided. Specifically, these documents included 2007
23 documents January through November. Now, Defendants are claiming that these documents had
24 been "scanned", but not "saved", and therefore, not produced. Additionally, they now it appears
25 that there are no specific years associated with these newly discovered documents.

26 What is very troubling is that, again, these documents suddenly materialized after the
27 production of Plaintiffs' expert reports, just as documents mysteriously materialized after each
28 pleading to which Plaintiffs' accounting expert, Talon Stringham, attached an Affidavit or

1 Declaration, identifying missing documents. In fact, Mr. Stringham notes in his report, a copy of
2 which is attached hereto as Exhibit "2", that this issue of "new" documents has arisen after each
3 of his Affidavits or Declarations attached to pleadings, but that these "new" documents, are
4 simply duplicates of those documents previously produced as "complete records". See Ex. 2,
5 pp.3-4.

6 Further,. what should be particularly troubling to this Court is that counsel for Kokoweef
7 represented to the Court "in good faith" and was willing to take an "oath" that neither he, nor his
8 client were "holding anything back". See Transcript of May 27, 2010 hearing, p.6, ll. 1-15,
9 attached to Plaintiffs' Febraury 2, 2011 Status Report as Ex. 3.

10 Additionally, Defendants assert in their Motion that on February 3, 2011, they offered to
11 "promptly provide" these missing records. Mot. 5:11-12. However, to date, nearly three weeks
12 later, Defendants have not provided these "newly" discovered documents.

13 Further, counsel for HWS fails to tell this Court that during the EDCR 2.34 conference,
14 he admitted having extended a request for an extension of the Discovery Deadlines, and then
15 writing a Status report that requested discovery be closed without informing the court of that
16 prior solicitation.

17
18 **E. Defendants sudden discovery of documents is yet another in a long string of**
19 **discovery delays and abuses designed to prevent the efficient administration of**
20 **justice, and should not be deemed excusable neglect sufficient to extend the**
21 **discovery dates and deadlines.**

22
23 For **YEARS**, Plaintiffs have simply been asking for the business records of Kokoweef
24 and EIN. The Court has previously ordered that these documents be turned over. Defendants
25 have previously assured this Court that all documents have been turned over. See May 27, 2010
26 hearing transcript. However, now some undisclosed batch of documents have suddenly appeared
27 in response to Plaintiffs' expert reports. Plaintiffs' assert this continued failure to properly
28 respond to discovery violates the tenants of NRCP 37 and EDCR 7.6 and warrants, at a

1 minimum, sanctions. However, it should certainly not be the basis to provide Defendants
2 extended amounts of time to “discover” yet more documents in response to Plaintiffs’ expert
3 reports. Defendants’ have to, at some point, be held to their continued assertions that all the
4 documents have been provided to allow Plaintiffs’ experts to finalize their investigation.

5 During the EDCR 2.34 held on February 4, 2011, counsel for HWS stated that the
6 missing documents were those for the time period of January 2007 through November 2007 and
7 that the they had neither been provided nor scanned. However, now, Defendants are asserting
8 that a “box of receipts and related documentation that had been scanned during the production of
9 Kokoweef’s financial records ... had somehow not been saved.” This is the exact concern that
10 Plaintiffs have been expressing for years, i.e. documents appear piecemeal and suddenly, and
11 only in response to gaps identified by Plaintiffs’ experts. While Plaintiffs’ should be able to
12 review these documents and supplement their reports, this does not provide a basis to give
13 Defendants’ experts more than the three weeks permitted under the December 2010 rulings from
14 the bench.

15
16
17 **E. The Declaration of M. Nelson Segel includes misrepresentations and should be**
18 **disregarded as a basis for a finding of excusable neglect by Defendants.**

19 It remains challenging to respond to the continued mischaracterizations set out in the
20 Declaration of Mr. Segel, which proposes to support the request for a nearly six (6) month
21 continuance of all the existing deadlines. It is for this reason, and the history of communication
22 issues recognized by this Court, that Plaintiffs believe that the best method of communication for
23 clarity and the protection of both sides is through written means. Clearly, certain rules, such as
24 EDCR 2.34, mandate in person communications, and Plaintiffs have engaged in those mandated
25 conferences when required.

26 Plaintiffs’ are befuddled by Mr. Segel’s request that he be allowed to “propound
27 discovery requests upon Plaintiffs” to “allow Defendants’ experts sufficient time to review the
28 reports of Plaintiffs’ experts and the records of Defendants and to prepare rebuttal reports”.

1 Plaintiffs' reports are based on Defendants' documents and records. So, Plaintiffs fail to
2 understand why such a delay is necessary. The Kokoweef and EIN documents have never left the
3 Kokoweef offices, and these are the primary subject of Sage Forensics report, and all of Sage's
4 prior Affidavits. Further, any discovery Mr. Segel may have wanted to serve on Plaintiffs, could
5 have already been served.

6 Additionally, Mr. Segel perpetuates the specious assertion that "it was not until the Court
7 adopted the proposed order of Plaintiffs" that Defendants realized they needed a rebuttal
8 securities expert. As set out in detail, in Section A above, the record utterly belies this claim, and
9 Defendants' failure to advise his "securities expert" that she needed to prepare a rebuttal report is
10 a bed made solely by Defendants. Finally, Mr. Segel seeks to reopen discovery so that he can
11 send out discovery, in order to allow him to renote his dispositive motions, or to allow him to
12 file new motions. However, Plaintiffs assert that if discovery is going to be re-opened to the
13 extent requested by Mr. Segel, it needs to be reopened for all parties, including Plaintiffs.

14 Finally, Mr. Segel asserts that "all" of the parties to this matter were confused by the
15 Court's ruling in September 2010. Nothing could be further from the truth. The parties were not
16 confused, they simply couldn't agree on dates for production of expert reports, as demonstrated
17 in the exhibits attached hereto and to Plaintiffs' Status Report. Defendants failure to advise their
18 securities expert of a looming deadline was solely a tactical choice on their part based upon
19 Defendants' incorrect position adopted in the documents attached hereto and attached to
20 Plaintiffs' Status report. Defendants should not be rewarded for this inexcusable neglect by
21 receiving nearly half a year of additional time to produce reports.

22
23 **F. The Declaration of Patrick C. Clary demonstrates that this Motion is being filed for**
24 **an improper purpose and should not be granted.**

25 Mr. Clary's Declaration similarly fails to establish excusable neglect. First, Mr. Clary
26 claims, inexplicably, that the fact that Mr. Apenbrink's designation was not specifically raised at
27 the December 2010 hearing, that he would not be permitted to provide a report. This argument is
28 specious at best because, as Mr. Clary is well aware, he was seeking to have Plaintiffs' securities

1 expert, Mr. Edwin Apenbrink excluded at the time of the September 2010 hearing. This Court
2 disregarded his request. The fact that Mr. Apenbrink's exclusion was not raised again in
3 December should have demonstrated to Mr. Clary, as it did to this Court based upon the adoption
4 of Plaintiffs' Proposed Order, that Mr. Apenbrink had not been precluded. To now claim
5 surprise does not adequately demonstrate the excusable neglect necessary to warrant the
6 extensions requested by Defendants.

7 Further, Mr. Clary argues that he did not "see Plaintiffs' securities expert's" report in
8 Plaintiffs' Ninth Supplemental List of Witnesses and Documents. This is clearly not sufficient to
9 demonstrate excusable neglect.

10 Mr. Clary also argues that he has to conduct "factual and legal research" to "sort out"
11 Plaintiffs' securities expert's report. Needing to do research to rebut an expert report is, pretty
12 much, par for the course in litigation. This argument does not justify the months and months of
13 extensions Defendants are seeking.

14 Finally, Mr. Clary urges this Court, in "the interests of justice" to grant the Motion and
15 adopt Defendants' proposed schedule. "Justice", as defined by these Defendants, is simply that
16 which best benefits them to the detriment of Plaintiffs. What is clear, is that this schedule is
17 intended solely to benefit the Defendants, because the only discovery being requested is that
18 directed at Defendants' rebuttal of Plaintiffs' expert reports.

19 20 21 II.

22 CONCLUSION

23 Based upon the foregoing, Plaintiffs respectfully request that this Court deny Defendants'
24 Motion. To the extent the Court is inclined to extend the discovery deadlines or continue the

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1 trial, Plaintiffs request that such extension be for no more than thirty days from the current
2 deadlines set forth in this Court's previous Orders.

3
4 DATED this 22nd day of February, 2011.

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6
7 ROBERTSON & ASSOCIATES, LLP

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9
10
11 By: 

12 ALEXANDER ROBERTSON, IV

13 Bar No. 8642

JENNIFER L. TAYLOR

14 Bar No. 5798

401 N. Buffalo Drive, Suite 202

Las Vegas, Nevada 89145

15 1.

Attorneys for Plaintiffs

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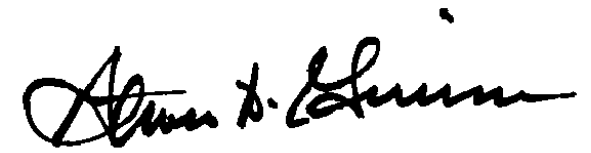
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A handwritten signature in black ink, appearing to read "Allen D. Shuman".

CLERK OF THE COURT

EXHIBIT “1”

Jennifer L. Taylor

From: M Nelson Segel [nelson@nelsonsegellaw.com]
Sent: Wednesday, October 06, 2010 3:51 PM
To: Jennifer L. Taylor
Cc: 'Patrick C. Clary'
Subject: RE: Order et al

Jennifer:

I have attached the revised order and the separate language which is still an issue until I verify that the 19 disks were only Hahn's Surplus records. We still have the issue of how to handle the deadline for expert reports.

I will speak to my clients regarding an inspection by Mr. Stringham in lieu of the PMK deposition. It is my understanding that you will call around 1:30 on Friday. If I am out of town, I will let you know.

While we can agree on the language of the Order, Mr. Clary is out of town and I am not certain when he is returning.

M Nelson Segel
624 South 9th Street
Las Vegas, Nevada 89101
(702)385-5266

This email message is a confidential communication that may contain information that is privileged, attorney work product and exempt from disclosure under the law. If the recipient of this message is not the party to whom it is addressed, please immediately notify the sender at (702)385-5266 (collect) and delete this e-mail message and any attachments from your workstation or network mail system.

From: Jennifer L. Taylor [mailto:jtaylor@RVCDLAW.COM]
Sent: Wednesday, October 06, 2010 2:05 PM
To: nelson@nelsonsegellaw.com
Cc: Patrick C. Clary
Subject: RE: Order et al

Nelson: this e-mail will be in two parts; the part where we get along and then a subsequent part. I'm sorry, I thought I could get a revision of your draft done, but I haven't been able to and now we're close to when you said you'd be able to call. Can we just walk through revisions on the phone in order to finalize the Order?

Here's the next part of my email.

Mr. Segel:

I am very upset. It is abundantly clear that your earlier emails regarding your concern that an order be in place prior to your turning over the US Bank discs to me were simply a ruse to allow your client to obtain a long enough delay to alter documents. I believe that what you represented to the Court and what Judge Gonzales expected you to do was to return the US Bank discs to me. You said you would do that as early as the Monday after the hearing. Any other option other than returning the discs to me, in their original form, is not acceptable. Okay, there is one other option noted below. Additionally, your clients have had these discs back since June 1,

2/22/2011

2010, and this is the first we've heard of this. Until last night, your only concern was that an order be in place prior to providing me with, as you promised Judge Gonzales, the US Bank documents.

If you'll recall, when the discs first came in from US Bank, the cover sheets did not indicate which accounts were on which discs. Therefore, I was forced to open the discs simply to determine which account went to which disc, i.e. whether it was a Kokoweef, EIN or HWS account. In order to know which discs to turn over to you (once a ruling was made, since we'd agreed I got to keep KOkoweef and EIN documents), I made a note on each of the letters from US Bank that went to each account. There were 19 discs that were turned over to you and my note on each of the letters from US Bank indicates that they were all HWS account documents. From who is it that you understand there were records related to the Hahns? Your clients? I do not, and cannot, trust that records created from the original US Bank discs will not have been altered, and therefore, I must insist that all the discs come back to me untampered with and untainted. If you want to tell me, in writing so that it can be attached to a motion, on which of the 19 original US bank discs there are allegedly Hahn's personal documents, we can respectfully request Judge Gonazles review them in camera and decide whether they are personal records or HWS records. But I am not able, given the history of this case to trust your clients' recreated documents. If you don't return the discs, in their original form, or provide me with the detail I am requesting, I will be forced to resubpoena them and I will ask Judge Gonzales for monetary relief for the cost of those new subpoenas.

I am available at your convenience to continue our discussion, both on issues where we can and cannot get along.

Sincerely,
Jennifer L. Taylor
Robertson & Vick , LLP
401 N. Buffalo Dr., Suite 202
Las Vegas, NV 89145

Office Phone (702) 247-4661
Direct E-mail address: jtaylor@rvcdlaw.com

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2/22/2011

ALEXANDER ROBERTSON, IV

JENNIFER L. TAYLOR

ROBERTSON & VICK, LLP

Las Vegas, Nevada 89145

Facsimile: (702) 247-6227

DISTRICT COURT

1 On September 14, 2010, the Court heard arguments on Plaintiffs' Objection to August 16, 2010
2 the Discovery Commissioner Report and Recommendation (hereafter the "Objection") and Plaintiffs'
3 Motion to Extend Expert Disclosure and Discovery Deadlines on an Order Shortening Time (Second
4 Request) (hereafter the "Motion"). Plaintiffs appeared by and through Jennifer L. Taylor, Esq. of
5 Robertson & Vick, LLP. Defendants Larry L. Hahn and Hahn's World of Surplus, Inc. appeared by and
6 through M Nelson Segel, Esq. of M Nelson Segel, Chartered. Defendants Clary and Kokoweef appeared
7 by and through Patrick C. Clary, Esq. of Patrick C. Clary, Chartered. The Court having considered the
8 Memorandum of Points and Authorities in support of the Objection and Motion, and the Opposition
9 thereto, and having also considered the argument of counsel, it is hereby

10 ORDERED that Plaintiffs' Objection is sustained in part and denied in part, and more
11 specifically; it is further

12 ORDERED that Hahn's World of Surplus produce to counsel for Plaintiffs records that are in
13 its possession of Hahn's World of Surplus from the entities who were subpoenaed by Plaintiffs, copies
14 of which are attached hereto as Exhibit "A" and were the subject of the Discovery Commissioner's
15 Report and Recommendation; and it is further

16 ORDERED that counsel for Hahn's World of Surplus produce to counsel for Plaintiff bank
17 records of Hahn's World of Surplus from U.S. Bank, as set forth in the Subpoena that was the subject
18 of the Discovery Commissioner's Report and Recommendation, that were previously produced to
19 counsel for Plaintiffs and subsequently turned over to counsel for Hahn's World of Surplus; and it is
20 further

21 ORDERED that the banking records of Hahn's World of Surplus may be reviewed only by
22 counsel for Plaintiffs and Plaintiffs' experts, Talon Stringham and Ed Apenbrink and individuals
23 regularly employed in their consulting business; and it is further

24 ORDERED that Plaintiffs' re-notice subpoenas to Hahn's World of Surplus' banks that were
25 the subject of the Discovery Commissioner's Report and Recommendations or before October 14, 2010;
26 and it is further

27 ORDERED that Plaintiffs' Motion to Extend Expert Disclosure Deadlines is granted; and more
28 specifically it is further

1 ORDERED that on or before the ____ day of _____, 2010, Plaintiffs shall produce their
2 expert reports; and it is further

3 ORDERED that Defendants shall have to, and including, the ____ day of _____, 20__ to
4 produce their expert reports; and it is further

5 ORDERED that should any discovery disputes arise in this matter, the Court will hear any such
6 motion.

7 DATED this ____ day of October, 2010.

8

9

DISTRICT JUDGE

10

11 Submitted by:

12 By _____

13 ALEXANDER ROBERTSON, IV
State Bar No. 8642
14 JENNIFER L. TAYLOR
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15 401 N. Buffalo Drive, Suite 202
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17

Attorneys for Plaintiffs

18

19 Approved By:

20 PATRICK C. CLARY, CHARTERED

M NELSON SEGEL, CHARTERED

21

22 By _____

23 Patrick C. Clary
Nevada Bar No. 53
7201 W. Lake Mead, Suite 410
24 Las Vegas, Nevada 89128
Attorneys for So-called Nominal
25 Defendant Kokoweef, Inc. and
Defendant Patrick C. Clary

26

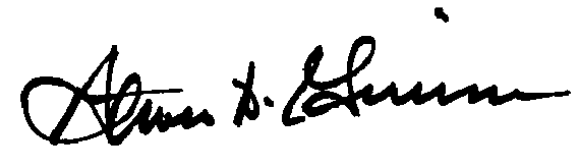
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By _____

M Nelson Segel
624 South 9th Street
Las Vegas, Nevada 89101
Attorneys for Defendants Larry
L. Hahn and Hahn's World of
Surplus, Inc.

ORDERED that Hahn's World of Surplus return to counsel for Plaintiffs, the 19 disks from U. S. Bank that were produced to Plaintiffs pursuant to the original subpoena and subsequently turned over to counsel of Hahn's World of Surplus.

A handwritten signature in black ink, appearing to read "Anna D. Quinn".

CLERK OF THE COURT

EXHIBIT “2”



January 19, 2011

Jennifer L. Taylor, Esq.
Robertson & Vick, LLP
401 N. Buffalo Dr., Suite 202
Las Vegas, Nevada 89145

Re: Ted R. Burke et al v. Larry L. Hahn

Dear Ms. Taylor:

Sage Forensic Accounting ("Sage") has been retained by Robertson & Associates, LLP ("Client") to analyze and perform investigative accounting procedures on the financial records of Explorations Incorporated of Nevada ("EIN") and Kokoweef, Inc. ("Kokoweef"). Specifically, I have been asked to review records of EIN and Kokoweef in search of fraud and/or misappropriation of the companies' assets by Defendants Larry Hahn or Hahn's World of Surplus. The following report outlines my analysis and my findings.

If additional information becomes available that may impact my analysis and conclusions, I reserve the right to modify my report accordingly. This report is not to be used for any other purpose.

DOCUMENTS REVIEWED

A list of documents, data, and information that I have considered during the preparation of this report and documents, data, and information that I am continuing to review is presented in Exhibit 2.

QUALIFICATIONS OF THE WITNESS AND BASIS OF COMPENSATION

I, Talon C. Stringham, have been engaged as an expert witness in this matter. Attached to this report as Exhibit 1, are my Curriculum Vitae and a summary of my testifying experience.

My firm is being compensated for my services on an hourly basis at my standard billing rate of \$200 per hour.

BACKGROUND

Explorations Incorporated of Nevada (hereafter "EIN") was incorporated on October 24, 1984 for the purpose of exploration and continuing the search for the underground caverns and Kokoweef River of Gold based upon a Native American legend.

UTAH OFFICE
136 E South Temple, Suite 2220
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Telephone 801.531.0400
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NEVADA OFFICE
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Las Vegas, Nevada 89169

Telephone 702.433.2092
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IDAHO OFFICE
801 West Main Street, Suite 100
Boise, Idaho 83702

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Facsimile 208.639.5227

On November 10, 2005, EIN and Kokoweef entered into an agreement and plan of reorganization, in which EIN agreed to sell all assets and liabilities, excluding liabilities of EIN stockholders to Kokoweef, in exchange for Kokoweef's common stock.

On August 31, 2006 the closing agreement, assignment and receipt was made between EIN and Kokoweef. On October 12, 2006 corporate counsel for both EIN and Kokoweef sent a letter advising stockholders of EIN to send their stock certificate to Kokoweef and it would be exchanged for a new Kokoweef stock certificate.

Larry L. Hahn was president and treasurer of either EIN and/or Kokoweef for twenty five years.

On March 7, 2008 Ted R. Burke, Michael R. and Laretta L. Kehoe, John Bertoldo, Paul Barnard, Eddy Kravetz, Jackie and Fred Kravetz, Steven Franks, Paula Maria Barnard, Peter T. and Lisa A. Freeman, Leon Golden, C.A. Murff, Gerda A. Fern Billbe, Bob and Robyn Treska, Michael Randolph, and Frederick Willis filed a derivative complaint against Larry L. Hahn, individually, and as President and Treasurer of Kokoweef, Inc., and former President and Treasurer of Explorations Incorporated of Nevada, and Hahn's World of Surplus, Inc., a Nevada corporation.

SAGE ANALYSIS

I have been asked to review the books and records of both EIN and Kokoweef, as well as the records of Hahn's World of Surplus, to determine if any fraudulent activity has occurred. Over the course of my investigation I have received documents from the Defendants in a piecemeal fashion. Accordingly, I have previously prepared a number of affidavits and/or declarations related to my findings and the additional documents needed to complete my assignment.

In May 2008, in preparation for an evidentiary hearing, I prepared an affidavit outlining my findings at that time. The documents used in my analysis were received from the Defendants. A summary of my findings at that time, are as follows:

1. There are virtually no internal controls at either Kokoweef or EIN.
2. There are expenditures that lack supporting documents at both companies.
3. There are self-dealing transactions at both companies, and with Larry Hahn.
4. Larry Hahn has control or a controlling influence over the day to day operation of Hahn's World of Surplus, Inc., Kokoweef and EIN, comprised of responsibilities for all three entities' control over cash disbursements, responsibilities for all three entities' approval of payments, and responsibilities for all three entities' signing and issuing checks.
5. Because of the unique relationship Mr. Hahn had with all three entities, and the lack of supporting documentation and internal controls, it was necessary to request additional documentation to complete the assignment.¹

The above mentioned lack of control and the possibility it raises for self-dealing transactions significantly raise the possibility that fraud could exist and are red flags indicators of fraud.

¹ May 15, 2008 Affidavit of Talon Stringham

In May 2008 Reta L. Van Da Walker, who I understand was the bookkeeper of EIN/Kokoweef, prepared an affidavit in which she stated:

In 2002, at the request of BURKE, I was retained by EIN to examine stockholder records. At that time, I verified stockholder ledgers against the receipts and made an accurate listing of all stock issued.

I had no contact with anyone in EIN from the time of completion of the stockholder ledgers until 2007.

In or about August 2007, I was contacted by Mr. Hahn ("HAHN") and asked if I would be available to do an examination of the records of KOKOWEEF and EIN. I was informed, and knew, that all of the companies' records were hand written. I was informed that a decision was made to put all records into QuickBooks.

Upon review of the records, I noticed that not all entries were made pursuant to generally accepted accounting principles. In my experience, it is not unusual for small businesses to make errors in the entries of their books. However, I did not find anything that suggested to me that improper conduct had taken place.

I reviewed various records of EIN and Kokoweef, including, but not limited to, canceled checks, deposit slips and receipts. From this review I made entries into QuickBooks.

Based upon my review of the books and records of EIN and KOKOWEEF, it is my opinion that, although they have been run as a small business, their records are exceptionally clean and complete. Although the records were available, they were not kept in a manner that I would have liked to have seen.²

In addition to the affidavit of Reta L. Van Da Walker, I received is a copy of the QuickBooks data for EIN and Kokoweef, and supporting binders of bank statements, and mine receipt files for 2003 -2007. Using the data provided, I prepared a second affidavit in July 2008. These documents were received from the Defendants. A summary of my findings at that time, are as follows:

1. I sampled a period of mine receipt documentation to test Ms. Van Da Walker's claim that the records she prepared for EIN/Kokoweef are accurate and found Ms. Van Da Walker did not account for all the QuickBooks transactions with supporting receipts and did not record all the receipt/bank statement transactions in QuickBooks for the period tested.
2. The sampling of the data contradicted Ms. Van Da Walker's opinions regarding the completeness and accuracy of the records.
3. I found discrepancies when comparing transactions recorded in the Company's QuickBooks for its US Bank Checking account with corresponding supporting documents the US Bank canceled checks. The discrepancy was that the payees' names in QuickBooks did not match the actual name on the canceled checks.
4. EIN had not provided supporting documentation for the stockholders In an attempt to verify the validity/legitimacy of the payments out of EIN/Kokoweef, I once again outlined further supporting documentation required from the entities involved in this closely-held/closely controlled relationship between Mr. Hahn and HWS, EIN and Kokoweef in order to trace the cash disbursement cycle.³

After the issuance of this affidavit, I received (and subsequently analyzed) additional mining receipts, many of which were duplicates of items previously produced. These documents were received from the Defendants. Once again I discovered the supporting transaction data was incomplete and the fraud indicators remained. I

² May 16, 2008 Affidavit of Reta L. Van Da Walker

³ July 21, 2008 Affidavit of Talon Stringham

prepared a third affidavit in December 2008, in which I once again outlined numerous indications of fraud which could not be resolved without additional supporting documentation.

In May 2009, I prepared my fourth affidavit presenting the evidence of commingling between EIN/Kokoweef and Hahn and his company Hahn's World Supply ("HWS"). A summary of my findings at that time, are as follows:

1. I found receipts for items purchased by or invoiced to HWS but payments were made by EIN/Kokoweef.
2. I found payments to Hahn and HWS without supporting documentation for the transaction.
3. I found a number of checks with payees, none of whom were HWS, wherein the checks were deposited into HWS's account.
4. In an attempt to verify the legitimacy and veracity of the payments out of EIN/Kokoweef, I once again outlined the required supporting documentation from the entities involved in this unique relationship between Mr. Hahn and HWS, EIN and Kokoweef in order to trace the transactions.⁴

Once again, the above mentioned lack of control and the possibility it raises for self-dealing transactions significantly raise the possibility that fraud could exist and are red flags indicators of fraud.

In May 2009, I also prepared a declaration in which I identified EIN/Kokoweef transactions which appeared personal or for which I was unable to ascertain any legitimate business reason related to EIN/Kokoweef. I was again provided with supplemental documentation from the Defendants. These documents were received from the Defendants. Again, most of the documents were duplicative of documents previously provided. Even though I have continued to receive bits of supporting documentation, to date I have been unable to verify that the payments made by EIN/Kokoweef were for the benefit of EIN/Kokoweef and not HWS or Mr. Hahn personally.

As previously mentioned, Mr. Hahn has a controlling influence in each of the entities, including the responsibility of cash disbursement for all three entities which consists of approving payments and signing and issuing checks. I understand that Mr. Hahn has total control over the cash disbursement process of EIN/Kokoweef.

In August 2010, I prepared a declaration in which I stated the need for access to the books and records of HWS:

1. In order to conduct a thorough investigation into the books and records I still need access to and/or copies of the documents, things, and information as previously outlined in my prior affidavits and declarations. More specifically as stated above I have only been able to trace the cash disbursement through half of the cycle for the majority of the transactions. I can verify that a check was written out of EIN/Kokoweef but I do not have the documents to support EIN/Kokoweef received the goods and services. In addition, the support which has been provided increases, rather than diminishes, concerns about Mr. Hahn manipulating EIN/Kokoweef, and fails to eliminate the overarching problems of the undocumented transactions.

⁴ May 27, 2009 Declaration of Talon Stringham

2. The key underlying factor is that because Mr. Hahn has total control of the cash disbursements, concerns about undocumented transactions are increased when one considers there are no known internal controls which would prevent Mr. Hahn from manipulating the system for his own benefit. Due to the large amount of unsupported transactions and the red flags mentioned above, it is my opinion that additional documentation is necessary. This includes the supporting documentation maintained by the HWS and Mr. Hahn's personal banking records in order to determine if the \$1,249,765.23 was used by Mr. Hahn for his own personal benefit and/or as the payment of a HWS expense.⁵

On October 27, 2010, I was allowed access to the books and records of HWS. I determined which records I needed and these records were copied and have been provided to me. In addition I also received subpoenaed bank statements.

Based on conversations with counsel, I understand that no more information will be forthcoming, unless I determine a need to seek additional documents based upon my review of the HWS bank and business records, and the court allows additional documentation to be sought and provided. Accordingly, this report sets forth the following:

1. My analysis of the books and records of HWS.
2. My analysis of the consolidation of vendors used by EIN, Kokoweef and HWS.
3. My analysis of those transactions that remain unsupported.
4. My analysis of funds related to shareholder investments.
5. My analysis of mismatched receivables and payables between the related parties.

At the end of this report, based on the analyses listed above, the number of unsupported transactions for which I could not ascertain a legitimate business purpose, and an assumption regarding the import of such unsupported transactions, I provide an opinion regarding amounts by which the shareholders of EIN and/or Kokoweef have been damaged.

ANALYSIS OF THE BOOKS AND RECORDS OF HWS

I was provided a copy of Hahn's World of Surplus QuickBooks file. The QuickBooks file has transactions covering the periods from 11/24/2001 through 04/20/2010. The QuickBooks file also contains information for five bank accounts.

1. A Nevada State Bank account that has transactions from 11/24/2001-04/20/10.
2. A petty cash account that has transactions from 01/03/2002-12/09/2003 Two Clark County Credit Union accounts, one runs from 10/28/2009-10/31/2009 and the other Clark County Credit Union runs from 12/31/2007-10/31/2009.
3. A U.S. Bank account that has transactions from 01/02/2003-03/31/2010.

I have received some information for the Nevada State Bank account and the U.S. Bank account. I was also provided some of the bank statements, cancelled checks, and deposit slips for some of the above mentioned

⁵ August 27, 2010 Declaration of Talon Stringham

HWS bank accounts. I have not been provided any bank information for the Clark County Credit Union transactions or the petty cash account transactions.

In addition to the bank account documentation and QuickBooks file, I have received the paid bill files of HWS. While the purpose of reviewing the books and records of HWS was not to perform the same types of analysis which I have done for EIN/Kokoweef, it should be noted that in comparing the two sets of books, the books and records of HWS appear to be more complete than the EIN and Kokoweef books. In comparing the HWS paid bill files to the transactions recorded in QuickBooks I found that most, if not all, expenses posted in QuickBooks were supported by a receipt or vendor invoice. In comparison, the majority of the transactions in the books and records of Kokoweef and EIN are unsupported.

ANALYSIS OF THE CONSOLIDATION OF VENDORS USED BY EIN, KOKOWEEF AND HWS

I am concerned about the lack of internal controls and separation of duties in EIN and Kokoweef, and my analysis indicates that this lack of control has resulted in unsupported transactions. Larry Hahn has control over the entire accounting cycle of EIN, Kokoweef and HWS. This situation can create an environment for fraud related activity.

One of the reasons that separation of duties is important because it creates an environment wherein it is more difficult to enter into self-dealing or self-serving transactions. In contrast, the environment in which HWS, EIN and Kokoweef operate is one which allows Mr. Hahn to make payments from any of these three companies EIN, Kokoweef and HWS.

I have created a list of all the vendors which payments were made from the following companies EIN, Kokoweef and HWS. Please refer to Schedule I.

A large number of the vendors used by EIN and Kokoweef are also used by Hahn's World of Surplus.

I have found that 71 of the 268 (26.49%) vendors used by EIN are also found in the QuickBooks vendors list in Hahn's World of Surplus.

I also found that 58 of the 201 (28.86%) vendors used by Kokoweef are also found in the QuickBooks vendors list in Hahn's World of Surplus.

Related companies using the same vendors creates the potential for Mr. Hahn to abuse his power and control of these entities. Without the supporting documentation for the transactions, it cannot be determined if the items purchased were in fact for Kokoweef or EIN or if they were purchased for the use of HWS or Larry Hahn.

UNSUPPORTED TRANSACTIONS

From an accounting perspective, the books and records of EIN and Kokoweef, which I understand Larry Hahn was entrusted to maintain, should completely account for the inflows and outflows of those funds. In my opinion, the books and records provided to date in this litigation are not complete. As outlined below, I have been unable to locate adequate supporting documentation for the EIN and Kokoweef transactions.

Unsupported EIN transactions

Of the 1,251 checks totaling \$528,239.98 written out of EIN, the defendant has attempted to support 161 checks totaling \$54,053.44. However, only 42 or \$8,239.54 of the 161 checks the defendant attempted to support were actually fully supported. The remaining 119 checks did not have proper support because the dates and amounts did not match the transaction which they claimed to support.

As noted in my previous in my August 2010 Declaration, much of the documentation provided purportedly supporting the transactions consisted of receipts/invoices which had dates after the date of the check, or amounts that did not match the amount of the checks or some other discrepancy.

To date, the defendant has not made any further attempts to support the remaining unsupported transactions, and it is reasonable to assume that if Defendants had documentation that would support these transactions, they would have produced it by now. In my review of the HWS books and records I investigated HWS paid bill file to determine if any of the EIN transactions were supported by documentation maintained by HWS. Although I found that EIN and HWS use many of the same vendors, I was unable to find evidence in the HWS records which supported the amounts EIN posted as expenses for the unsupported transactions.

It is my opinion that \$520,000.44 of EIN transactions have not been supported with an invoice or a receipt. Please refer to Schedule 2. Because of the above mentioned lack of control and related party transactions, the unsupported EIN transaction raise red flags as to a possible misappropriation of the funds.

Unsupported Kokoweef Transactions

Of the 790 checks totaling \$732,771.71 written out of the Kokoweef, the Defendant has attempted to support 29 checks totaling \$32,803.41. However, only 6 or \$2,878.87 of the 29 checks the defendant attempted to support were actually fully supported. The remaining 23 checks did not have proper support because the dates and amounts did not match the transaction which they claimed to support.

As noted previously in my August 2010 Declaration, much of the documentation provided purportedly supporting the transactions consisted of receipts/invoices which had dates after the date of the check, or amounts that did not match the amount of the checks or some other discrepancy.

To date, the defendant has not made any further attempts to support the remaining unsupported transactions and it is reasonable to assume that if Defendants had documentation that would support these transactions, they would have produced it by now. In my review of the HWS books and records I investigated HWS paid bill file to determine if any of the Kokoweef transactions were supported by documentation maintained by HWS. Although I found that Kokoweef and HWS use many of the same vendors, I was unable to find evidence in the HWS records which supported the amount Kokoweef posted as expenses for the unsupported transactions.

It is my opinion that \$729,892.84 of Kokoweef transactions have not been supported with an invoice or a receipt. Please refer to Schedule 3. Because of the above mentioned lack of control and related-party transactions, the unsupported Kokoweef transaction raise red flags as to a possible misappropriation of funds.

Inferred support due to the name of the vendor

There are some vendors which one might reasonably assume that EIN or Kokoweef would use in the normal course of business. While the defendants have not furnished adequate support for these transactions, I have reviewed the vendors used by EIN and Kokoweef and have reduced the amount of unsupported transactions based on these assumptions.

1. Payments to a Mining/Drilling Supplier relating to EIN and Kokoweef primary business.
2. State licensing payments and tax payments relating to EIN and Kokoweef primary business.
3. Payments to vendors which are more likely than not related to EIN and Kokoweef primary business.

While I cannot be certain that EIN or Kokoweef did indeed receive the goods and services for which payment was made to vendors, I have arrived at this amount based on the assumption that they did. Please refer to schedule 2 and 3.

After assuming support exists based upon the above-mentioned assumptions, the following amounts remain unsupported and without known legitimate business purposes related specifically to Kokoweef and EIN : \$386,307.49 of EIN transactions (please refer to Schedule 2) and \$567,895.41 of Kokoweef transactions (please refer to Schedule 3).

ANALYSIS OF FUNDS RELATED TO SHAREHOLDER INVESTMENTS

I have investigated the records for possible diversion of shareholder investments. I have previously presented a list of shareholder investments which could not be located in the books of EIN/Kokoweef in my August 2010 Declaration. After receiving the bank account information for HWS I have analyzed the bank deposits for the diverted shareholder investment.

Schedule 7 shows shareholder investment transactions totaling \$30,830 for which I have been unable find a corresponding deposit into the EIN or Kokoweef bank accounts.

One of the difficulties of tracking these investments is that these investments were commonly made in cash. Many of the people who invested in these companies invest in \$600 increments.

Despite the inability to know the ultimate disposition of the cash, it should be noted that there are a number of instances where there is a \$600 cash deposit into a HWS account at approximately the time of the missing shareholder investment.

For example in July 2006 a number of individuals invested \$600. Deposits shown in the bank records of HWS indicate that on July 19, 2006 HWS deposited a total of \$1,551.77, \$600 of which was in cash.

Another example is a \$300 investment by John & Sandra Arnold on June 19, 2006. On June 27, 2006 HWS deposited a total of \$4,959.80 of which \$300 was in cash.

On June 7, 2004 Mary White and Michael Pochop each invested \$300 for a total of \$600. On June 9, 2004 HWS deposited a total of \$1,367.47 deposit, of which \$600 was in cash.

Jan Baker invested \$600 in January of 2007 and HWS deposited a total of \$1,188.95 of which \$600 was in cash.

Since the transactions were done with cash, there is no way of knowing the ultimate disposition of the funds. However, there is some evidence that may suggest that \$30,830.00 in investor deposits was diverted to HWS

ANALYSIS OF MISMATCHED RECEIVABLES AND PAYABLES BETWEEN THE RELATED PARTIES

HWS has an asset account labeled Explorations Inc. of Nevada and EIN has a corresponding liability account labeled N/P Hahn's Surplus. However, the transactions and account balances do not match.

If transactions were recorded properly, one would expect the amounts to match. However, as an example, the EIN asset account recorded in the HWS QuickBooks file shows a balance of \$14,698.29 on 12/31/2002, but the HWS liability account in the EIN QuickBooks file shows a balance of \$19,586.38 on 12/31/2002.

It is possible there is a timing difference related to the recording of the transactions exists that would be overcome after a period of time. However, this did not occur. In fact, in the five years these accounts existed, the amounts in these accounts never matched. There were times when both sides of a transaction properly appeared in QuickBooks, but generally speaking, many of the transactions only existed in the records of one company. As of 07/31/2006, the difference between these accounts approached more than \$15,000. As of the date of the QuickBooks files I have copies of, EIN shows a liability to Hahn's totaling \$32,438.19, however, HWS's QuickBooks shows EIN owes only \$15,836.05.

This inconsistency between the intercompany accounts exists between Kokoweef and HWS as well. The Kokoweef asset account that exists in HWS's books, shows a balance of \$7,687.74 on 06/22/2009. However, the Kokoweef QuickBooks shows a balance owed to Hahn's World of Surplus of \$47,604.42 on the same day. Throughout the existence of these accounts, a difference of about \$40,000 exists between these accounts.

I also reviewed the transactions which were recorded in these accounts and I was not able to find all of the supporting documentation for them. Many of the transactions in HWS's books show that they are a payment on behalf of EIN or Kokoweef to some vendor, for example Sam's Club. I found some receipts from Sam's Club in HWS's vendor receipts, but most of these were for a small amount or illegible, for example \$10.00, while the transaction shows that Hahn's paid several hundred dollars to Sam's Club for EIN or Kokoweef. I understand that this large amount could be for the sum of several payments from Hahn's to Sam's Club on behalf of EIN or Kokoweef. However, I was not able to find all of these receipts that would add up to these large amounts or the ones that would add up to the proper reimbursement amount were illegible.

CONCLUSION AND SUMMARY OF OPINIONS

Based upon the piecemeal production of documents by Kokoweef, EIN and HWS, and the ongoing assurances that all documentation supporting these transactions exist and have been provided, the continued lack of supporting documentation for numerous transactions, the lack of controls and the existence of related party transactions, one might make the assumption that the undocumented transactions were not for legitimate business purposes.

Using the assumption that amounts that have been unsupported by the accounting records represent a diversion of corporate funds, it is my opinion that the shareholders of EIN and Kokoweef have been damaged by the following amounts:

Description	Unsupported Amounts	Adjusted Unsupported Amounts
EIN Unsupported Transactions	\$520,000.44	\$386,307.49
Kokoweef Unsupported Transactions	\$729,892.84	\$567,895.41
Diversion of Shareholder Investment	\$30,830.00	\$30,830.00
TOTAL Damages	\$1,280,723.28	\$985,032.90

Under the assumptions outlined above, it is my opinion that damages range from \$1,280,723.28 to \$985,032.90

RESERVATION OF RIGHT TO SUPPLEMENT, REVISE, UPDATE AND/OR AMEND REPORT

If additional information becomes available that I deem relevant to the scope of this engagement, I reserve the right to modify this report accordingly. To the extent Defendants can show that transactions previously considered unsupported are in fact supported by documentation on the record, I will consider such information and adjust my report accordingly. As this case proceeds toward trial, the passage of time, and the issuance of any rebuttal reports, may require that my report be updated. As this matter proceeds toward trial, I may prepare various exhibits that illustrate and provide examples of the failures I have opined to.

Sincerely,
Sage Forensic Accounting, Inc.



By: Talon C. Stringham, CPA, CFF, CITP, ABV, CFE, CCE, ASA