

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of
THE 12 PERCENT FUND I, L.L.C.,
COYOTE GROWTH MANAGEMENT, L.L.C., and
MICHAEL J. HANNAN, II,

PETITION FOR ORDER

Respondents.

File No. S-08057(EX)

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities (hereinafter "the Division"), has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. The 12 Percent Fund I, L.L.C. (hereinafter "the 12 Percent Fund") is an Arizona limited liability company with a last known business address of 13714 Nightstar Court, Marana, Arizona 85653;
2. Coyote Growth Management, L.L.C. (hereinafter "Coyote Growth") is an Arizona limited liability company with a last known business address of 13714 Nightstar Court, Marana, Arizona 85653;
3. At all times material hereto, Coyote Growth was the investment adviser and manager of the 12 Percent Fund;
4. Michael J. Hannan, II (hereinafter "Hannan") is an individual who at all times material hereto was a principal, owner, officer and/or controlling person of the 12 Percent Fund and Coyote Growth, with a last known business address of 13714 Nightstar Court, Marana, Arizona 85653;
5. During the period of 2003 and 2004, the 12 Percent Fund, Coyote Growth, and Hannan, (hereinafter "the Respondents") offered and sold to at least one person in Wisconsin interests in the 12 Percent Fund;
6. At all times material hereto, the Respondents represented that in exchange for a minimum investment, an investor would own a limited liability company membership interest in the 12 Percent Fund;
7. Upon information and belief, the website of the 12 Percent Fund from at least December 2003 to July 2006, the Respondents represented that, "Because of our mode of operation we (our management company – Coyote Growth Management, LLC) can guarantee a 12% return. There is no guesswork as what your return is going to be.";
8. Upon information and belief, investors can play a passive role in the venture with no duties and responsibilities;
9. Upon information and belief, each investor will not be involved in the day-to-day management of the 12 Percent Fund, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties;

10. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the limited liability company membership interests in the 12 Percent Fund offered and sold by the Respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.;

11. The 12 Percent Fund investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.;

12. The Respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities to a person in Wisconsin;

13. On September 29, 1986, Hannan pled guilty to three counts of securities fraud and three counts of wire fraud in federal court, in connection with the illegal stock trading and market manipulation he conducted;

14. On or about October 22, 1986, Hannan and others consented to the entry of a final judgment in an SEC civil action that, among other things, enjoined Hannan and his companies from violating the antifraud provisions of the federal securities laws;

15. On February 2, 1987, Hannan was sentenced to one year and one day in federal prison for three counts of wire fraud to which he pled guilty;

16. In connection with the offer and sale of the securities described in Paragraph 5 above, the Respondents omitted to disclose the conviction and imprisonment of Hannan, and the judgment in the SEC Civil Action described in Paragraphs 13 through 15 above; and

17. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

18. Therefore, the staff of the Bureau of Registration & Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Mark E. Dorman 6-30-08

Mark E. Dorman Date
Examiner

Leslie Van Buskirk 6/30/08

Leslie Van Buskirk Date
Staff Attorney