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1 THE PHOENIX LAW GROUP of  
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 4 Scottsdale, Arizona 85260 AZ CORP COMMISSION  
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 7 Ashley Adams-Feldman (#013732)  
 8 Attorney for Defendant James W. Keaton,  
 9 Jennifer Keaton and ACI Holdings Inc

**BEFORE THE ARIZONA CORPORATION COMMISSION**

9 **JEFF HATCH-MILLER**  
 10 **Chairman**  
 11 **WILLIAM A. MUNDELL**  
 12 **Commissioner**  
 13 **MARK SPITZER**  
 14 **Commissioner**  
 15 **MIKE GLEASON**  
 16 **Commissioner**  
 17 **KRISTIN K. MAYES**  
 18 **Commissioner**  
 19 **BARRY WONG**  
 20 **Commissioner**

Arizona Corporation Commission

**DOCKETED**

NOV -7 2006

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16 In the matter of:  
 17 EDWARD A. PURVIS and MAUREEN H.  
 18 PURVIS, husband and wife  
 19 2131 W. Shannon  
 20 Chandler, Arizona 85224  
 21 GREGG L. WOLFE and ALLICSON A.  
 22 WOLFE, husband and wife  
 23 2092 W. Dublin Lane  
 24 Chandler, Arizona 85224  
 25 NAKAMI CHI GROUP MINISTRIES  
 26 INTERNATIONAL, (a/k/a NCGMI), a  
 Nevada corporation sole  
 4400 N. Scottsdale Road, Suite 9-231  
 Scottsdale, Arizona 85251

Docket No. S-20482A-06-0631

**ANSWER OF JAMES W. KEATON,  
JENNIFER KEATON, AND ACI  
HOLDINGS, INC.**

JAMES W. KEATON and JENNIFER  
 KEATON, husband and wife  
 11398 E. Whitehorn Drive, Apt. D

1 Scottsdale, Arizona 85255

2 ACI HOLDINGS, INC., a Nevada  
3 corporation  
4 17650 N. 25<sup>th</sup> Avenue  
Phoenix, Arizona 85023

5 Respondents.

6  
7 Respondents James W. Keaton (hereinafter "Keaton"), Jennifer Keaton, and ACI  
8 Holdings, Inc. (hereinafter "ACI") (collectively referred to as "Respondents,") by and  
9 through undersigned counsel, hereby submit their Answer to the Arizona Corporation  
10 Commission's Notice of Opportunity for Hearing Regarding Proposed Order to Cease  
11 and Desist, Order For Restitution, Order for Administrative Penalties, and for Other  
12 Affirmative Action and admit, deny, and affirmatively allege as follows:

13 **I. JURISDICTION**

14 1. Respondents admit the allegations set forth in Paragraph 1.

15 **II. RESPONDENTS**

16 2. Respondents are without sufficient information to either admit or deny the  
17 allegations set forth in Paragraph 2.

18 3. Respondents are without sufficient information to either admit or deny the  
19 allegations set forth in Paragraph 3.

20 4. Respondents are without sufficient information to either admit or deny the  
21 allegations set forth in Paragraph 4.

22 5. Respondents are without sufficient information to either admit or deny the  
23 allegations set forth in Paragraph 5.

24 6. Respondents are without sufficient information to either admit or deny the  
25 allegations set forth in Paragraph 6.

26 7. Respondents are without sufficient information to either admit or deny the

1 allegations set forth in Paragraph 7.

2 8. In answering the allegations set forth in Paragraph 8, Respondents admit  
3 that Respondent James W. Keaton is married but affirmatively alleges that his correct  
4 address is 11398 W. Whitethorn Drive, Scottsdale, Arizona 85262.

5 9. In answering the allegations set forth in Paragraph 9, Respondents admit the  
6 Jennifer Keaton is the spouse of James W. Keaton, but deny the remaining allegations  
7 therein.

8 10. In answering the allegations set forth in Paragraph 10, Respondents admit  
9 the Jennifer Keaton is the spouse of James W. Keaton, but deny the remaining allegations  
10 therein.

11 11. Respondents are without sufficient information to either admit or deny the  
12 allegations set forth in Paragraph 11. Respondents affirmatively allege that the Nevada  
13 Secretary of State records speak for themselves.

14 12. Respondents are without sufficient information to either admit or deny the  
15 allegations set forth in Paragraph 12. Respondents affirmatively allege that the Nevada  
16 Secretary of State records speak for themselves.

17 13. In answering the allegations set forth in Paragraph 13, Respondents  
18 affirmatively allege that the Nevada Secretary of State records speak for themselves.  
19 Respondents admit that ACI is not registered to do business in Arizona. Respondents  
20 affirmatively allege, however, that ACI is a holding company, and that its subsidiaries,  
21 Avanti Circuits, Inc., and Precision Power Labs, Inc., are registered to do business in  
22 Arizona.

23 14. In answering the allegations set forth in Paragraph 14, Respondents  
24 affirmatively allege that the Nevada Secretary of State records speak for themselves.  
25 Respondents admit that Respondent Edward A. Purvis served as a director of ACI  
26

1 Holdings. Respondents also affirmatively allege that Respondent Keaton did not become  
2 a director of ACI Holdings until April of 2004.

3 15. Paragraph 15 does not contain any affirmative allegations and thus  
4 Respondents neither admit nor deny the allegations set forth therein.

5 **III.**

6 **FACTS.**

7 **COMPANY STOCK AND BRIDGE LOAN INVESTMENTS.**

8 16. Respondents are without sufficient information to either admit or deny the  
9 allegations set forth in Paragraph 16.

10 17. In answering the allegations set forth in Paragraph 17, Respondents admit  
11 that through Respondent Purvis, it offered an investment to a limited number of investors  
12 but denies the remaining allegations set forth therein. Respondents affirmatively allege  
13 that Purvis represented that he had prior financial relationships with all such investors.  
14 Respondents had no knowledge of any solicitation of investors on behalf of Wolfe. Purvis  
15 was authorized to raise capital due to his position as director of ACI. Respondents also  
16 affirmatively allege that the offering was exempt from registration within the meaning of  
17 the Arizona Securities Act.

18 18. Respondents are without sufficient information to either admit or deny the  
19 allegations set forth in Paragraph 18.

20 19. Respondents are without sufficient information to either admit or deny the  
21 allegations set forth in Paragraph 19.

22 20. Respondents are without sufficient information to either admit or deny the  
23 allegations set forth in Paragraph 20.

24 21. Respondents are without sufficient information to either admit or deny the  
25 allegations set forth in Paragraph 21.

26



1 allegations set forth in Paragraph 34.

2 **ACI HOLDINGS' STOCK**

3 35. In answering the allegations set forth in Paragraph 35, Respondents admit  
4 that Respondent Purvis represented and committed that NCGMI would make a substantial  
5 investment in ACI. However, thereafter NCGMI was not able to fully meet its obligation  
6 and Purvis represented that he had prior financial relationships with other investors who  
7 could contribute capital to ACI. Respondents are without sufficient information to either  
8 admit or deny the remaining allegations set forth therein.

9 36. In answering the allegations set forth in Paragraph 36, Respondents admit  
10 that certain investors bought stock in ACI, and that such investors learned about the  
11 investment in ACI through Purvis. Respondents admit that Keaton had knowledge that  
12 Purvis offered and sold stock in ACI to certain investors with whom Purvis had prior  
13 financial relationships. Respondents deny the remaining allegations set forth therein.

14 37. Respondents are without sufficient information to either admit or deny the  
15 allegations set forth in Paragraph 37 which relate to representations allegedly made to  
16 investors by Purvis. Respondents affirmatively allege that the Nevada of Secretary of  
17 State records speak for themselves, and that Keaton did not become a director of ACI until  
18 April of 2004. Respondents admit Purvis served as a director for ACI until February of  
19 2005, when he was asked to resign by Keaton.

20 38. Respondents are without sufficient information to either admit or deny the  
21 allegations set forth in Paragraph 38 which relate to representations allegedly made to  
22 investors by Purvis and Wolfe. Respondents admit that investors received information  
23 regarding ACI, including a private placement memorandum. Respondents deny that  
24 Keaton approved the selling price of the stock or the offering documents for ACI, as he  
25 was not a director of ACI at that time the subject stock was sold. Respondents admit that

26

1 Keaton reviewed the offering documents but deny the remaining allegations set forth  
2 therein

3 39. Respondents are without sufficient information to either admit or deny the  
4 allegations set forth in Paragraph 39.

5 40. Respondents are without sufficient information to either admit or deny the  
6 allegations set forth in Paragraph 40.

7 41. Respondents are without sufficient information to either admit or deny the  
8 allegations set forth in Paragraph 41 as they relate to Purvis. Respondents deny the  
9 remaining allegations set forth therein.

10 **IV. VIOLATION OF A.R.S. § 44-1841**

11 **(Offer or Sale of Unregistered Securities)**

12 42. Respondents are without sufficient information to either admit or deny the  
13 allegations set forth in Paragraph 42.

14 43. In answering the allegations set forth in Paragraph 43-45 as they relate to  
15 Respondents, Respondents admit that certain investors purchased ACI stock. Respondents  
16 affirmatively allege that such sales were exempt from registration within the meaning of  
17 the Arizona Securities Act. Respondents deny the remaining allegations set forth therein.

18 **V. VIOLATION OF A.R.S. § 44-1842**

19 **(Transactions by Unregistered Dealers or Salesman)**

20 44. Respondents are without sufficient information to either admit or deny the  
21 allegation set forth in Paragraph 46.

22 45. In answering the allegations set forth in Paragraph 46-48 as they relate to  
23 Respondents, Respondents admit that certain investors purchased ACI stock. Respondents  
24 affirmatively allege that such sales were exempt from registration within the meaning of  
25 the Arizona Securities Act. Respondents deny the remaining allegations set forth therein.  
26



1 Arizona Securities Act.

2 8. These answering Respondents further allege that other affirmative defenses  
3 presently available to, but unknown by Respondents apply to this action including accord  
4 and satisfaction, arbitration and award, discharge in bankruptcy, duress, estoppel,  
5 equitable estoppel, failure of consideration, fraud, illegality, laches, license, payment,  
6 statute of frauds, release, res judicata, waiver, insufficiency of process, multiplicity of  
7 suits, pendency of another action, abatement, set-off, novation, statutory exemption,  
8 failure to exhaust administrative remedies, failure to comply with conditions precedent,  
9 unclean hands, pari-delicto, issue preclusion, good faith settlement or any other matter  
10 constituting an avoidance or affirmative defense.

11 RESPECTFULLY SUBMITTED this 7<sup>th</sup> day of November, 2006.

13 THE PHOENIX LAW GROUP of  
14 Feldman Brown Wala Hall & Avena, PLC.

15  
16 By 

Ashley Adams-Feldman, Esq  
8765 East Bell Road, Suite 110  
Scottsdale, Arizona 85260

17 Attorneys for Respondent  
18 James W. Keaton and Jennifer Keaton  
19 ACI Holdings, Inc.  
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1 **ORIGINAL** and thirteen copies of the foregoing  
2 filed this 17th day of November, 2006 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, AZ 85007

7 **COPY** of the foregoing hand-delivered  
8 this 17th day of November, 2006 to:

9 Matthew J. Neubert  
10 Director of Securities  
11 Securities Division  
12 Arizona Corporation Commission  
13 1300 W. Washington Street  
14 Phoenix, AZ 85007

15 Hearing Officer  
16 Hearing Division  
17 Arizona Corporation Commission  
18 1200 W. Washington Street  
19 Phoenix, AZ 85007

20 **COPY** of the foregoing mailed  
21 this 17th day of November, 2006 to:

22 Rachel F. Strachan  
23 Securities Division  
24 Arizona Corporation Commission  
25 1300 W. Washington, 3<sup>rd</sup> Floor  
26 Phoenix, AZ 85007

James W. Keaton  
c/o ACI Holdings, Inc.  
17650 N. 25<sup>th</sup> Avenue  
Phoenix, AZ 85023

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Dana DeMarco