

OPEN MEETING ITEM

7/12/07

ORIGINAL



0000074237

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. McNEIL
EXECUTIVE DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdiv@azcc.gov

615

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Mike Gleason, Chairman
William A. Mundell
Jeff Hatch-Miller
Kristin K. Mayes
Gary Pierce

Arizona Corporation Commission
DOCKETED

JUN 25 2007

FROM: Matthew J. Neubert *mjn*
Director of Securities

DOCKETED BY *nr*

DATE: June 25, 2007

RE: James W. Keaton, Jr. S-20482A-06-0631

CC: Brian C. McNeil, Executive Director

RECEIVED
2007 JUN 25 P 2:44
AZ CORP COMMISSION
DOCKET CONTROL

Attached hereto is an Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same pertaining to James W. Keaton, Jr. ("Keaton") and Jennifer Keaton. (the "Order"). Keaton is the current president and majority shareholder of ACI, Holdings, Inc. ("ACI"). ACI is a holding company whose primary operating company is Avanti Circuits, Inc. ("Avanti"). Avanti was founded in Phoenix in 1981 and designs and manufactures printed circuit boards for various electronic products. ACI and Avanti have approximately forty-five employees.

Beginning in or about August 2003 ACI began offering and selling common stock to investors through the use of a private placement memorandum ("PPM"). At the time of PPM Keaton was not listed as an officer or director of ACI but was reflected as the president of Avanti. Keaton was also the majority shareholder of ACI at the time of the PPM.

Without admitting or denying the findings and fact and conclusions of law contained in the Order, Keaton and Jennifer Keaton (for community property purposes) are agreeing the Commission has jurisdiction to enter an order to cease and desist order, order restitution be paid to common stock investors of \$355,934 and pay a fine in the amount of \$25,000. The restitution obligation is joint and several with ACI. Once \$355,934 has been paid by either ACI or the Keatons or any other respondents in the currently pending administrative case, the Keatons will have no further restitution obligation under the Order. The \$355,934 amount represents the

amount the Securities Division could document was sold to non-accredited investors through the purported private placement.

The Securities Division believes the proposed Order is in the public interest. Staff and counsel representing the Keatons will be available to answer Commissioner's questions at the next open meeting.

Originator: LeRoy Johnson

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

In the matter of)
EDWARD A. PURVIS and MAUREEN H.)
PURVIS, husband and wife)
2131 W. Shannon)
Chandler, Arizona 85224)
GREGG L. WOLFE and ALLISON A.)
WOLFE, husband and wife)
2092 W. Dublin Lane)
Chandler, Arizona 85224)
NAKAMI CHI GROUP MINISTRIES)
INTERNATIONAL, (a/k/a NCGMI), a)
Nevada corporation sole)
4400 N. Scottsdale Road, Suite 9-231)
Scottsdale, Arizona 85251)
JAMES W. KEATON, Jr. and JENNIFER)
KEATON, husband and wife)
11398 E. Whitehorn Drive, Apt. D)
Scottsdale, Arizona 85255)
ACI HOLDINGS, INC., a Nevada)
corporation)
17650 N. 25th Avenue)
Phoenix, Arizona 85023)
Respondents.)

DOCKET NO. S-20482A-06-0631

DECISION NO. _____

**ORDER TO CEASE AND DESIST, ORDER
OF RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: JAMES W. KEATON, JR. AND
JENNIFER KEATON**

Respondents James W. Keaton, Jr. ("Keaton") and Jennifer Keaton elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order of Restitution, Order of Administrative Penalties and Consent to Same ("Order"). Respondents admit

1 the jurisdiction of the Arizona Corporation Commission (“Commission”); neither admit nor deny
2 the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of
3 this Order by the Commission.

4 **I.**

5 **FINDINGS OF FACT**

6 1. Keaton is a married person whose last known residence is 11398 E. Whitehorn
7 Drive, Apartment D, Scottsdale, Arizona 85225.

8 2. Jennifer Keaton (“J. Keaton”) was at all relevant times the spouse of Keaton and is
9 joined in this Order solely for purposes of establishing liability of the marital community. At all
10 relevant times, Keaton was acting for his own benefit and the benefit or in furtherance of the
11 marital community.

12 3. ACI is a corporation which was registered with the Nevada Secretary of State on
13 August 21, 2003 and whose last known address is 17650 N. 25th Avenue, Phoenix, Arizona 85023.

14 4. Keaton at all relevant times has been the President, Treasurer, Director, and/or the
15 majority shareholder of ACI. Keaton owns approximately 60% of the issued and outstanding stock
16 of ACI.

17 5. Beginning in or about August 2003 ACI began offering and selling securities in the
18 form of common stock to investors, within or from Arizona. A Confidential Private Offering
19 Memorandum (“PPM”), dated August 25, 2003, was created for distribution to investors in the
20 common stock of ACI. The PPM indicated that the offering was to be made to “accredited
21 investors” only. The PPM indicated that ACI was to attempt to raise \$2,000,000 by selling
22 2,500,000 shares of common stock at \$.80 a share (the “Common Stock Offering”). Keaton
23 participated in the Common Stock Offering.

24 6. Most of the investors in the Common Stock Offering were brought to ACI through
25 Respondents Edward Purvis (“Purvis”) and Gregg Wolfe. Purvis was listed as an original director
26 of ACI and acted as such until February 15, 2005 when he formally resigned.

III.**ORDER**

1
2
3 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents
4 Keaton and J. Keaton's consent to the entry of this Order, attached and incorporated by reference,
5 the Commission finds that the following relief is appropriate, in the public interest, and necessary
6 for the protection of investors:

7 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Keaton, and any of his
8 agents, employees, successors and assigns, permanently cease and desist from violating the
9 Securities Act. Respondent Keaton shall not sell any securities in or from Arizona without being
10 registered in Arizona as a dealer or salesman, or exempt from such registration. Respondent
11 Keaton shall not sell securities in or from Arizona unless the securities are registered in Arizona or
12 exempt from registration.

13 IT IS FURTHER ORDERED that Respondent Keaton comply with the attached Consent to
14 Entry of Order.

15 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Keaton and
16 J. Keaton shall jointly and severally with Respondent ACI Holdings, Inc., a Nevada corporation,
17 and any other Respondents named in Docket No. 20482A-06-063, with whom the Commission
18 enters a settlement, or against whom a judgment is obtained pertaining to sale of ACI Holdings,
19 Inc. stock, to pay restitution to the Commission in the amount of \$355,934. Once \$355,934 has
20 been received by the Commission from ACI Holdings, Inc., Keaton and J. Keaton, or any other
21 Respondents who pay restitution under this provision, the Keatons will have no further restitution
22 obligation under this Order. Any amount outstanding shall accrue interest at the rate of 10% per
23 annum from the date of this Order until paid in full. Payment shall be made to the "State of
24 Arizona" to be placed in an interest-bearing account maintained and controlled by the
25 Commission. The Commission shall disburse the funds on a pro rata basis to investors shown on
26 the records of the Commission. Any restitution funds that the Commission cannot disburse

1 because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the
2 remaining investors shown on the records of the Commission. Any funds that the Commission
3 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the
4 state of Arizona.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondents Keaton and
6 J. Keaton shall jointly and severally with Respondent ACI Holdings, a Nevada corporation, under
7 Docket No. S-20482A-06-0631 pay an administrative penalty in the amount of \$25,000. Payment
8 shall be made in full on the date of this Order to the "State of Arizona." Any amount outstanding
9 shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full.
10 The payment obligations for these administrative penalties shall be subordinate to any restitution
11 obligations ordered herein and shall become immediately due and payable only after restitution
12 payments have been paid in full or upon Respondent's default with respect of Respondent's
13 restitution obligations.

14 For purposes of this Order, a bankruptcy filing by Respondent Keaton or J. Keaton shall be
15 an act of default. If Respondents do not comply with this Order, any outstanding balance may be
16 deemed in default and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
18 Commission may bring further legal proceedings against that Respondent, including application to
19 the superior court for an order of contempt.

20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Director of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this _____ day of
_____, 20__.

BRIAN C. McNEIL
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant
to the Executive Director, voice phone number 602-542-3931, E-mail lhogan@azcc.gov.

(LHJ)

CONSENT TO ENTRY OF ORDER

1
2 1. Respondents Keaton and J. Keaton admit the jurisdiction of the Commission over
3 the subject matter of this proceeding. Respondents acknowledges that they have has been fully
4 advised of their right to a hearing to present evidence and call witnesses and Respondents Keaton
5 and J. Keaton knowingly and voluntarily waive any and all rights to a hearing before the
6 Commission and all other rights otherwise available under Article 11 of the Securities Act and
7 Title 14 of the Arizona Administrative Code. Respondents Keaton and J. Keaton acknowledge
8 that this Order to Cease and Desist, Order of Restitution, Order of Administrative Penalties and
9 Consent to Same ("Order") constitutes a valid final order of the Commission.

10 2. Respondents Keaton and J. Keaton knowingly and voluntarily waive any right
11 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
12 extraordinary relief resulting from the entry of this Order.

13 3. Respondents Keaton and J. Keaton acknowledge and agree that this Order is entered
14 into freely and voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondents Keaton and J. Keaton acknowledge that they have been represented by
16 an attorney in this matter, they have reviewed this Order with their attorney, Ashley Adams-
17 Feldman, and they understand all terms it contains.

18 5. Respondents Keaton and J. Keaton neither admit nor deny the Findings of Fact and
19 Conclusions of Law contained in this Order. Respondents agree that they shall not contest the
20 validity of the Findings of Fact and Conclusions of Law contained in this Order in any present or
21 future administrative proceeding before the Commission or any other state agency concerning the
22 denial or issuance of any license or registration required by the State to engage in the practice of
23 any business or profession.

24 6. By consenting to the entry of this Order, Respondents Keaton and J. Keaton agree
25 not to take any action or to make, or permit to be made, any public statement denying, directly or
26 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that

1 this Order is without factual basis. Respondent Keaton will undertake steps necessary to assure
2 that all of his agents and employees understand and comply with this agreement.

3 7. While this Order settles this administrative matter between Respondent Keaton and
4 J. Keaton and the Commission, Respondents understand that this Order does not preclude the
5 Commission from instituting other administrative or civil proceedings based on violations that are
6 not addressed by this Order.

7 8. Respondents Keaton and J. Keaton understand that this Order does not preclude the
8 Commission from referring this matter to any governmental agency for administrative, civil, or
9 criminal proceedings that may be related to the matters addressed by this Order.

10 9. Respondents Keaton and J. Keaton understand that this Order does not preclude any
11 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,
12 civil, or criminal proceedings that may be related to matters addressed by this Order.

13 10. Respondents Keaton and J. Keaton agree that he will not apply to the state of
14 Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser
15 or investment adviser representative until restitution and penalty obligations under the Order have
16 been paid in full.

17 11. Respondents Keaton and J. Keaton agree that they will not exercise any control
18 over any entity that offers or sells securities or provides investment advisory services within or
19 from Arizona until restitution and penalty obligations under the Order have been paid in full.

20 12. Respondents Keaton and J. Keaton agree that they will not sell any securities in or
21 from Arizona without being properly registered in Arizona as a dealer or salesman, or exempt from
22 such registration; he will not sell any securities in or from Arizona unless the securities are
23 registered in Arizona or exempt from registration; and he will not transact business in Arizona as
24 an investment adviser or an investment adviser representative unless properly licensed in Arizona
25 or exempt from licensure.

26

