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



BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

SECURITIES DIVISION  
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Lois

**ARIZONA CORPORATION COMMISSION**

**MEMORANDUM**

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

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

**DATE:** June 25, 2007

**RE:** ACI Holdings, Inc. S-20482A-06-0631

**CC:** Brian C. McNeil, Executive Director

Arizona Corporation Commission  
**DOCKETED**

JUN 25 2007

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Attached hereto is an Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same pertaining to ACI, Holdings, Inc. (the "Order"). ACI, Holdings, Inc. ("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"). The PPM indicated that that sale of stock was to be made only to accredited investors. In fact, the offering was made to certain non-accredited investors. Further, certain information regarding the then outstanding common shares were not disclosed in the PPM.

Without admitting or denying the findings and fact and conclusions of law contained in the Order, ACI is agreeing the Commission has jurisdiction to enter an order to cease and desist order, order restitution be paid to common stock investors of \$974,763 and pay a fine in the amount of \$50,000. The \$50,000 fine will be reduced to \$25,000 at such time as \$355,934 of the ordered restitution has been paid. 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 ACI will be available to answer Commissioner's questions at the next open meeting.

Originator: LeRoy Johnson

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**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. 25<sup>th</sup> 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: ACI HOLDINGS, INC.**

Respondent ACI Holdings, Inc, ("ACI") elects 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"). Respondent ACI admits the jurisdiction

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

4 **I.**

5 **FINDINGS OF FACT**

6 1. ACI is a corporation which was registered with the Nevada Secretary of State on  
7 August 21, 2003 and whose last known address is 17650 N. 25<sup>th</sup> Avenue, Phoenix, Arizona 85023.

8 2. Beginning in or about August 2003 ACI began offering and selling securities in the  
9 form of common stock to investors, within or from Arizona. A Confidential Private Offering  
10 Memorandum (“PPM”), dated August 25, 2003, was created for distribution to investors in the  
11 common stock of ACI. The PPM indicated that the offering was to be made to “accredited  
12 investors” only. The PPM indicated that ACI was to attempt to raise \$2,000,000 by selling  
13 2,500,000 shares of common stock at \$.80 a share (the “Common Stock Offering”).

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

17 4. The Common Stock Offering raised a net amount of at least \$974,763.00 from  
18 investors.

19 5. While the PPM contained certain risk disclosures, not all investors in the Common  
20 Stock Offering were given a PPM. Further, some of the investors in the Common Stock Offering  
21 were not in fact accredited investors as called for in the PPM.

22 6. The PPM indicated that ACI had 70,000,000 shares of common stock authorized, of  
23 which no shares were issued and outstanding. The PPM further indicated that affiliates, officers,  
24 directors and employees of ACI had the right to purchase shares of common stock on “the same  
25 basis as other Investors . . . .” The information contained in the PPM was false and misleading in  
26 that by November 2003, 40,000,000 shares of common stock had been issued to Red Cloud, Inc.,

1 and entity controlled by Respondents James Keaton, and Nakami Chi Group Ministries  
2 International, (a/k/a NCGMI), and thereby significantly diluting the Common Stock Offering  
3 shares, without disclosure of that fact to offerees or investors.

4 7. The Common Stock Offering was not registered pursuant to article 6 or 7 of the  
5 Securities Act nor was the securities exempt from registration.

6 8. ACI was not registered as dealer or salesman under article 9 of the Securities Act.

7 **II.**

8 **CONCLUSIONS OF LAW**

9 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
10 Arizona Constitution and the Securities Act.

11 2. Respondent ACI offered or sold securities within or from Arizona, within the  
12 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

13 3. Respondent ACI violated A.R.S. § 44-1841 by offering or selling securities that  
14 were neither registered nor exempt from registration.

15 4. Respondent ACI violated A.R.S. § 44-1842 by offering or selling securities while  
16 neither registered as a dealer or salesman nor exempt from registration.

17 5. Respondent ACI violated A.R.S. § 44-1991 by (a) employing a device, scheme or  
18 artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c)  
19 engaging in transactions, practices or courses of business which operate or would operate as a  
20 fraud or deceit.

21 6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. §  
22 44-2032.

23 7. Respondent's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
24 2032.

25 8. Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-  
26 2036.

**III.****ORDER**

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

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

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

15       IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent ACI shall be  
16 jointly and severally liable to pay restitution to the Commission in the amount of \$974,763.00  
17 together with Respondents James and Jennifer Keaton, who have entered into an order of  
18 restitution in the amount of \$355,934, as well as any other Respondents named in this proceeding  
19 with whom the Commission enters a settlement, or against whom a final judgment is obtained  
20 pertaining to the sale of ACI stock. Any amount outstanding shall accrue interest at the rate of  
21 10% per annum from the date of this Order until paid in full. Payment shall be made to the "State  
22 of Arizona" to be placed in an interest-bearing account maintained and controlled by the  
23 Commission. The Commission shall disburse the funds on a pro rata basis to investors shown on  
24 the records of the Commission. Any restitution funds that the Commission cannot disburse  
25 because an investor refuses to accept such payment shall be disbursed on a pro-rata basis to the  
26 remaining investors shown on the records of the Commission. Any funds that the Commission

1 determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the  
2 state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondent ACI shall,  
4 pay an administrative penalty in the amount of \$50,000 which will be reduced to \$25,000 at such  
5 time as \$355,934 of the restitution called for in the preceding paragraph has been paid to the  
6 Commission. Any amount outstanding shall accrue interest at the rate of 10% per annum from the  
7 date of this Order until paid in full. The payment obligations for these administrative penalties  
8 shall be subordinate to any restitution obligations ordered herein and shall become immediately  
9 due and payable only after restitution payments have been paid in full or upon Respondent's  
10 default with respect of Respondent's restitution obligations. Payments made under this provision  
11 of the Order shall be made payable to the "State of Arizona."

12 For purposes of this Order, a bankruptcy filing by Respondent ACI shall be an act of  
13 default. If Respondent does not comply with this Order, any outstanding balance may be deemed  
14 in default and shall be immediately due and payable.

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

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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](mailto:lhogan@azcc.gov).

(LHJ)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondent ACI admits the jurisdiction of the Commission over the subject matter  
3 of this proceeding. Respondent ACI acknowledges that it has been fully advised of its right to a  
4 hearing to present evidence and call witnesses and Respondent ACI knowingly and voluntarily  
5 waives any and all rights to a hearing before the Commission and all other rights otherwise  
6 available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code.  
7 Respondent ACI acknowledges that this Order to Cease and Desist, Order of Restitution, Order of  
8 Administrative Penalties and Consent to Same (“Order”) constitutes a valid final order of the  
9 Commission.

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

13           3.       Respondent ACI acknowledges and agrees that this Order is entered into freely and  
14 voluntarily and that no promise was made or coercion used to induce such entry.

15           4.       Respondent ACI acknowledges that it has been represented by an attorney in this  
16 matter, it has reviewed this Order with its attorney, Ashley Adams-Feldman, and understands all  
17 terms it contains.

18           5.       Respondent ACI neither admits nor denies the Findings of Fact and Conclusions of  
19 Law contained in this Order. Respondent ACI agrees that it shall not contest the validity of the  
20 Findings of Fact and Conclusions of Law contained in this Order in any present or future  
21 administrative proceeding before the Commission or any other state agency concerning the denial  
22 or issuance of any license or registration required by the State to engage in the practice of any  
23 business or profession.

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

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

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

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

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

13 10. Respondent ACI agrees that it will not apply to the state of Arizona for registration  
14 as a securities dealer or salesman or for licensure as an investment adviser or investment adviser  
15 representative at any time in the future.

16 11. Respondent ACI agrees that it will not exercise any control over any entity that  
17 offers or sells securities or provides investment advisory services within or from Arizona at any  
18 time in the future.

19 12. Respondent ACI agrees that it will not sell any securities in or from Arizona  
20 without being properly registered in Arizona as a dealer or salesman, or exempt from such  
21 registration; it will not sell any securities in or from Arizona unless the securities are registered in  
22 Arizona or exempt from registration; and it will not transact business in Arizona as an investment  
23 adviser or an investment adviser representative unless properly licensed in Arizona or exempt from  
24 licensure.

25 13. James Keaton on behalf of Respondent ACI agrees that he will continue to  
26 cooperate with the Securities Division including, but not limited to, providing complete and

1 accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any  
2 related investigation or any other matters arising from the activities described in this Order.

3 14. Respondent ACI consents to the entry of this Order and agrees to be fully bound by  
4 its terms and conditions.

5 15. Respondent ACI acknowledges and understands that if it fails to comply with the  
6 provisions of the order and this consent, the Commission may bring further legal proceedings  
7 against it, including application to the superior court for an order of contempt.

8 16. Respondent ACI understands that default shall render it liable to the Commission  
9 for its costs of collection and interest at the maximum legal rate.

10 17. James W. Keaton represents that he is President and majority shareholder of ACI  
11 and has been authorized by ACI to enter into this Order for and on behalf of it.

12  
13 ACI Holdings, Inc., a Nevada corporation

14  
15 By [Signature]  
16 Its President

17 STATE OF ARIZONA )  
18 County of Maricopa ) ss

19 SUBSCRIBED AND SWORN TO BEFORE me this 22<sup>nd</sup> day of June, 2007

20  
21 [Signature: Tara Demarco]  
22 NOTARY PUBLIC

23 My Commission Expires:  
24 1/31/2011

