

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

MAR 17 2008

COMMISSIONERS

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

DOCKETED BY *nr*

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
Respondents.

DOCKET NO. S-20482A-06-0631

POST HEARING MEMORANDUM

RECEIVED
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AZ CORP COMMISSION
DOCKET CONTROL

Respondents Edward Purvis ("Purvis"), Maureen Purvis ("M. Purvis"), Gregg Wolfe ("Wolfe") and Allison Wolfe ("A. Wolfe") sold unregistered securities, in the form of investment contracts, promissory notes and company stock, within and from Arizona. Respondents Purvis and Wolfe personally offered and sold offerees and investors securities, in the form of investment contracts in Nakami Chi Group Ministries International, Inc. ("NCGMI"), promissory notes in Abundant Blessings Investments, LLC; Homes for Southwest Living, Inc.; Corporate Architects, Inc. and CSI Technologies, Inc. as well as company stock in ACI Holdings, Inc. ("ACI Holdings")

1 and CSI Technologies, Inc. ("CSI Technologies"). Each of the investors told Respondent Purvis
2 and Respondent Wolfe that the money they invested with them was either their retirement or life
3 savings, yet Respondent Purvis promised investors high returns and misled them into believing
4 their investments were guaranteed from loss with his personal assets.

5 During the administrative hearing, the Securities Division (the "Division") of the Arizona
6 Corporation Commission ("Commission") proved by a preponderance of the evidence that
7 Respondents Purvis, M. Purvis, Wolfe and A. Wolfe violated the Arizona Securities Act
8 ("Securities Act") through the offer and sale of unregistered securities; the offer and sale of
9 securities by an unregistered salesman and the use of fraud in the offer and sale of securities.
10 Respondents Purvis, M. Purvis, Wolfe and A. Wolfe's offers and sales of securities were not
11 exempt from registration. The Division proved during the administrative hearing, at least, 10
12 securities violations for the offer and sale of unregistered securities; at least, 10 securities
13 violations for the offer and sale of securities by an unregistered salesman; and, at least, 5 instances
14 in which Respondents Purvis, M. Purvis, Wolfe and A. Wolfe used fraud in the offer and sale of
15 securities.

16 Respondents Purvis and Wolfe misrepresented to investors that their investment in the
17 promissory notes or with NCGMI was secured with Respondent Purvis' millions of dollars in
18 personal assets; would earn 2% per month; earnings were guaranteed; low risk; investors would be
19 repaid from repayment of the promissory notes; and funds would be used to fund loans to
20 financially distressed companies. In regards to ACI Holdings, Respondent Purvis promised
21 investors the stock value in ACI Holdings would increase three to five times its purchase price
22 after the stock became publicly traded. Respondent Purvis failed to inform investors that they
23 would use the funds to pay their personal expenses, including the purchase of a new home, a new
24 truck, jewelry, medical and legal bills. A reasonable investor would have preferred this information
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1 be disclosed prior to investing. Yet, Respondents Purvis and Wolfe either made misrepresentations
2 or failed to disclose material information to investors.

3 Based upon the evidence admitted at the hearing, Respondent Purvis and Respondent
4 Wolfe' actions in the offer and sale of securities clearly violated the Securities Act, A.R.S. §44-
5 1801 et seq,

7 I.

8 Preliminary Issues

9 A. Parties and Procedural History

10 On October 3, 2006, the Division filed a Notice of Opportunity for Hearing Regarding
11 Proposed Order to Cease and Desist, Order for Restitution, For Administrative Penalties and For
12 Other Affirmative Action ("Notice"). The Notice alleged that Respondents Purvis, M. Purvis,
13 Wolfe, A. Wolfe and other Respondents violated the Act. Respondent Purvis' spouse, M. Purvis,
14 Respondent Wolfe's spouse, A. Wolfe, and other Respondent spouses were joined in this matter
15 for the purpose of determining the liability of the marital community.

16 On November 3, 2007, Respondent Purvis filed an Answer in which he admitted M. Purvis
17 is his spouse. (*See Respondents Edward A. and Maureen H. Purvis' Answer Re: Proposed Order*
18 *to Cease and Desist, Order For Restitution, For Administrative Penalties and For Other*
19 *Affirmative Action* ("Purvis Respondents' Answer") filed on November 3, 2006 at ¶ 3). To date,
20 Wolfe and A. Wolfe have not filed an Answer to the Notice.

21 On June 22, 2007, Respondents Keaton, J. Keaton and ACI Holdings entered into Consent
22 Orders with the Commission and, admitted to violating the Securities Act. The Commission
23 ratified the Orders on July 18, 2007.

24 The administrative hearing began on November 13, 2007 and concluded on January 30,
25 2008.

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1 **B. Personal Jurisdiction**

2 The Purvis Respondents admitted in their Answer to residing in Arizona. (*See Purvis*
3 *Respondents' Answer* filed on November 3, 2006 at ¶ 2). Respondent Purvis also admitted in a
4 residential loan application to residing in Arizona since 1996 and to conducting business in
5 Arizona since 2002. (*See Exhibit S-142 @ ACC02919 and ACC02921*). In regards to the Wolfe
6 Respondents, since they did not file an Answer to the Division's Notice, the Division intends to
7 file a motion to default them and will note in its motion that this forum has personal jurisdiction
8 over both Respondents.

9 NCGMI's entity formation documents show that NCGMI is located in and does business
10 from Arizona. NCGMI's Articles of Incorporation list an Arizona address for the entity. (*See*
11 *Exhibit S-90 @ ACC025304. See also Exhibit S-91*). NCGMI's address is 4400 N. Scottsdale
12 Road, Suite #9231 Scottsdale, Arizona 85251. Respondents Purvis and Wolfe used this same
13 address for the entity's bank account applications at two different banks (*See Exhibit S-149 @*
14 *ACC002007 and Exhibit S-150*); for NCGMI monthly account statements mailed to investors (*See*
15 *Exhibit S-311 and Exhibit S-326 @ ACC043523*) and correspondence sent to investors. (*See*
16 *Exhibit S-317 and Exhibit S-320*).

17
18 NCGM has been in existence and conducted business in Arizona since 2002. (*See Exhibit*
19 *S-90 @ ACC025302 and ACC025303. See also Exhibit S-346 @ ACC043361, Exhibit S-236 @*
20 *ACC031516 and Exhibit S-130*) but the entity did not register with the Nevada Secretary of State
21 until 2004 (*See Exhibit S-90 @ ACC025304 and ACC025305 and Exhibit S-91*). In fact,
22 Respondent Purvis conducted business on behalf of NCGMI as early as 2002. (*See Exhibit S-346*)
23 However, Respondents Purvis and Wolfe did not conduct business together on behalf of NCGMI
24 until 2003. (*See Exhibit S-130*). Since NCGMI did not file an Answer to the Division's Notice, the
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1 Division intends to file a default motion in which it will note that this forum has personal
2 jurisdiction over the entity.

3 The Keaton Respondents admitted in their response to these proceedings that they reside in
4 Arizona. (*See Answer of James W. Keaton, Jennifer Keaton and ACI Holdings, Inc. ("Answer of*
5 *Keaton Respondents"*) at ¶ 8.) Respondent Keaton has been an officer or President of ACI
6 Holdings since its formation in 2003. (*See Exhibit S-108 @ ACC007190*). According to corporate
7 documents admitted during the administrative hearing and Respondent Keaton's own testimony,
8 Keaton has been the President of ACI Holdings' predecessor, CSI Technologies. (*See Exhibit S-*
9 *221 @ ACC031418 and ACC031419; Exhibit S-242 @ ACC030917 and Exhibit S-244 @*
10 *ACC030999. See also Exhibit S-208 through Exhibit S-211; Exhibit S-219 through S-233 and S-*
11 *272*). CSI Technologies was the holding company for Circuit Technologies, Inc.; Design Solutions,
12 Inc.; and Avanti Circuits, Inc. (*See Transcript of the proceeding Vol. VIII @ 1423:22 to 1423:23*).

13
14 ACI Holdings admitted in its Answer that it is a holding company with subsidiaries in
15 Arizona. Although ACI Holdings is not registered to do business in Arizona, the company's
16 subsidiaries, Avanti Circuits, Inc and Precision Power Labs, Inc. are registered to do business in
17 Arizona. (*See Answer of Keaton Respondents at ¶ 13.*) Since its inception, ACI Holdings' business
18 address has been in Phoenix, Arizona. (*See Exhibit S-272*) However, ACI Holdings is incorporated
19 in Nevada. (*See Answer of Keaton Respondents at ¶ 13.*) The company's offering documents,
20 specifically its private offering memorandum and subscription agreement, reflect that the company
21 is located in and does business from Arizona. (*See Exhibit S-118 @ ACC007365, ACC*
22 *ACC007366 and ACC007388; See also Exhibits S-20, S-79, S-186, S-194, S-195, S-201 and S-*
23 *262*).

1 The Purvis Respondents, the Keaton Respondents and ACI Holdings filed answers to the
2 Notice and none of them contested personal jurisdiction. The filing of an Answer is indisputable
3 evidence of the parties' intention to submit to the jurisdiction of this tribunal.

4 **C. Subject Matter Jurisdiction**

5 The Arizona Securities Act (the "Act") A.R.S. § 44-1801 *et seq.*, prohibits: 1) the sale or
6 offer for sale of unregistered securities, A.R.S. § 44-1841; 2) committing fraud in the purchase or
7 sale of securities, A.R.S. § 44-1991; and 3) acting as an unregistered dealer or salesman of
8 securities, A.R.S. § 44-1842. All of these activities are prohibited "within or from" Arizona. Thus,
9 as an initial matter the activities must be shown to be "within or from" Arizona for there to be
10 subject matter jurisdiction.

11 The Division's forensic accountant, Ricardo Gonzales, offered testimony that investor
12 payments were deposited into several accounts located at Bank of America and Wells Fargo banks.
13 (*See* Exhibit S-308 and Transcript of the proceeding Vol. VII @ 1169:10 to 1169:22). Also, investors
14 Anthony Senarighi, ("Senarighi"), Michael Bukta ("Bukta"), JoAnne Brundege ("Brundege"),
15 Russell and Fern Montgomery (the "Montgomerys"), Catherine Barnowsky ("Barnowsky"), Eric
16 Gregoire ("Gregoire") and Bernard Gregoire ("B. Gregoire") testified that they purchased company
17 stock, entered promissory notes and/or entered into investment contracts with Respondent Purvis
18 and/or Respondent Wolfe while in or from Arizona. Senarighi, Bukta, Gregoire and B. Gregoire
19 testified that they entered into their respective investment transactions with Respondent Purvis
20 while in Arizona. However, Brundege and the Montgomerys were offered and sold stock their
21 investments by telephone from Arizona. In contrast, Respondent Purvis *offered* Barnowsky the
22 opportunity to invest while she visited her daughter in Arizona but Barnowsky did not actually
23 *purchase* the investment until she returned to her home in Wisconsin. Respondent Purvis instructed
24 Brundege and Barnowsky to sign and return all documents back to him in Arizona, relating to their
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1 investments. (See Exhibit S-17). Clearly, the evidence demonstrates that Respondent Purvis and
2 Respondent Wolfe's activities were conducted, within or from Arizona.

3 II.

4 SECURITIES & UNREGISTERED ACTIVITIES

5 The evidence presented during the administrative hearing showed from 2001 until 2006
6 Respondent Purvis and Respondent Wolfe offered and sold securities. The securities sold included
7 company stock in ACI Holdings and CSI Technologies, investment contracts in NCGMI's bridge
8 loan program (See Exhibit S-121; Exhibit S-219 through S-233; Exhibit S-242; Exhibit S-244 and
9 Exhibit S-346 @ ACC043361 and ACC043368. See also Exhibit S-1, Exhibit S-237, Exhibit S-
10 315, Exhibit S-316 and Transcript of the proceeding Vol. XIII @ 2258:7 to 2258:17) and
11 promissory notes with Homes for Southwest Living, Inc. ("Homes for Southwest Living");
12 Abundant Blessings Investments, LLC ("Abundant Blessings"); Corporate Architects, Inc.
13 ("Corporate Architects") and CSI Technologies. (See Exhibit S-33 through Exhibit S-37; Exhibit
14 S-204 through Exhibit S-212; Exhibit S-313 and Exhibit S-346 @ ACC043395). Respondent
15 Purvis made the majority of the offers and sales of securities. During this time, Respondents Purvis
16 and Wolfe raised approximately \$11,044,912 from investors. (See Exhibit S-308 and Exhibit S-
17 309).

18 Respondent Purvis, Respondent Wolfe and NCGMI sold unregistered securities in violation
19 of A.R.S. §44-1841; and were not registered as securities dealers or salesmen when they offered
20 and sold the previously mentioned securities, in violation of A.R.S. §44-1842. (See Exhibit S-264,
21 Exhibit S-265 and Exhibit S-263).

22 A. ACI Holdings and CSI Technologies Shares Are Securities.

23
24 A.R.S. §44-1801(26) provides, in part, that a "security" is defined to include any "stock"
25 to fall within regulation under the Act. The Division contends that Respondent Purvis and
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1 Respondent Wolfe's offers of ACI Holdings and CSI Technologies company stock to investors
2 are securities transactions.

3 **B. NCGMI's Bridge Loan Program is An Investment Contract.**

4 The definition of "security" in A.R.S. §44-1801(23) includes investment contracts.
5 NCGMI's investment program meets the definition of an investment contract as set forth in *S.E.C.*
6 *v. W.J. Howey Co.*, 328 U.S. 293, 66 S.Ct. 1100, 90 L.Ed. 1244 (1946). According to *Howey*, a
7 transaction is an investment contract when the transaction involves: a) an investment of money; b)
8 in a common enterprise; and c) with the expectation of profits solely from the efforts of others.¹
9 NCGMI's investment program meets these elements.

10 In regards to the first prong, an investment in NCGMI's bridge loan program is an investment
11 contract between investors and Respondents Purvis and Wolfe who manage the program's
12 investments. Investors placed their money in NCGMI with the expectation to earn profits from the
13 efforts of Respondent Purvis and Respondent Wolfe. "Two tests have been developed to determine
14 the existence of a common enterprise in order to satisfy the second prong of the *Howey* test: (1) the
15 horizontal commonality test and (2) the vertical commonality test." *Daggert v. Jackie Fine Arts,*
16 *Inc.*, 152 Ariz. 559, 565, 733 P.2d 1142 (App. 1986). Arizona courts have held that commonality
17 will be satisfied if *either* horizontal or vertical commonality can be shown. *Id.* at 566. For vertical
18 commonality to be established, only a positive correlation between the potential profits of the
19 investor and the potential profits of the promoter need to be demonstrated. *Id.* at 566. Horizontal
20 commonality requires a pooling of investor funds collectively managed by a promoter or third
21 party. *Id.* at 565. In the instant matter, investor funds were pooled in the NCGMI bridge loan
22 program. Respondent Purvis and Respondent Wolfe promised investors a 2% return on their
23 investment in exchange for the use of their money purportedly to fund various bridge loans.
24 Therefore, the second prong of the *Howey* analysis is satisfied because horizontal commonality

25 _____
26 ¹ The *Howey* case originally used the phrase "solely from the efforts of others;" however, this language was later
modified to "substantially" in *SEC v. Glenn W. Turner Ent.*, 474 F.2d 476, 482 (9th Cir. 1973).

1 exists since investors' funds were pooled together and managed by Respondent Purvis and
2 Respondent Wolfe.

3
4 For the final prong of *Howey*, in Arizona one must only establish that the efforts made by
5 persons other than the investors were undeniably significant, and those essential managerial efforts
6 affected the failure or success of the enterprise. *Nutek Information Systems, Inc. v. Arizona*
7 *Corporation Commission*, 194 Ariz. 104, 108, 977 P.2d 826 (App. 1998). In the present matter,
8 the evidence clearly shows that the investors did not have any role in the success of the business.
9 The success of the investment relied primarily on the efforts of Respondent Purvis. Respondent
10 Purvis primarily performed these tasks due to his proclaimed experience and skill with
11 investments. (See Transcript of the proceeding Vol. I @ 53:8 to 53:9. See also Transcript of the
12 proceeding Vol. I @ 53:21 to 54:2; 54:5 to 54:7; and 54:16 to 54:18). Respondent Purvis was
13 responsible for making critical decisions regarding the loans, such as locating borrowers and
14 selecting the bridge loans in which to invest investor funds. Thus, the final prong of the *Howey* test
15 is satisfied and NCGMI's bridge loan program is a security, in the form of an investment contract.

16 **C. Promissory Notes for HSWL, Corporate Architects and CSI Technologies are Securities.**

17 A promissory note is a common example of "evidence of indebtedness" which is defined
18 as a "security" under A.R.S. § 44-1801(26). This tribunal heard testimony during the administrative
19 hearing from several investors that Respondent Purvis and Respondent Wolfe offered and sold
20 investors the opportunity to invest in promissory notes for HSWL, Abundant Blessings, Corporate
21 Architects and CSI Technologies. The investors' funds were subsequently used to fund short-term,
22 high-interest "bridge loans" to financially distressed borrowers. The promissory notes reviewed
23 and admitted during the administrative hearing listed the borrower and the note holder, and
24 promised repayment of the principal plus interest. (See Exhibit S-33 through S-37; Exhibit S-313;
25 Exhibit S-331; Exhibit S-204; Exhibit S-208 through Exhibit S-210 and Exhibit S-222 through
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1 Exhibit S-233) In most instances, NCGMI was not a party to the promissory note. However, on a
2 few occasions, NCGMI received a finder's fee for facilitating the loan. (See Exhibit S-33 through
3 Exhibit S-37).

4 Although the loan was between the investor and the borrower, Respondent Purvis
5 and Respondent Wolfe located the borrower; introduced the borrower to the note holder(s);
6 received the funds from the investor; issued the loans; paid the borrower and repaid the note
7 holder(s). The investors clearly relied upon Respondent Purvis and Respondent Wolfe's efforts to
8 generate a return on their investment.

9
10 **D. Respondent Purvis, Respondent Wolfe and NCGMI Are Not Registered to Sell Securities.**

11 Neither Respondent Purvis, Respondent Wolfe nor NCGMI is a registered security dealer or
12 salesman. Therefore, their offers and sales of securities in Arizona is prohibited by law, whether
13 the securities sold were registered or not. A.R.S. § 44-1842.

14 **III.**

15 **OFFERS OR SALES OF UNREGISTERED SECURITIES &**

16 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

17 A.R.S. § 44-1801(15) defines sale or sell as "a sale or any other disposition of a security or
18 interest in a security for value, and includes a contract to make such sale or disposition." "Offer to
19 sell" and "offer for sale" are defined in A.R.S. § 44-1801(15) as including "an attempt or offer to
20 dispose of, or solicitation of an order or offer to buy, a security or interest in a security for value."
21 These definitions apply where the transactions involve securities, as discussed above. A "security"
22 includes company stock, investment contracts and evidence of indebtedness such as promissory
23 notes. A.R.S. § 44-1801(26).

1 Fraud in connection with an "offer to sell or buy" or the "sale of purchase of securities"
2 violates A.R.S. § 44-1991. This includes untrue statement of material fact and omissions. *Id.* The
3 standard for determining whether the omitted fact is material, one must consider whether a reasonable
4 investor would have wanted to know the omitted fact prior to investing. *Rose v. Dobras*, 128 Ariz.
5 209, 214, 624 P.2d 887, 892 (1981). According to testimony from investors during the administrative
6 hearing, Respondent Purvis and Respondent Wolfe made untrue statements of material fact or omitted
7 facts in the offer and sale of securities. In the instant matter, there is undisputable evidence that
8 Respondent Purvis and Respondent Wolfe offered and sold securities to investors and used fraud to
9 facilitate the transactions or lull investors.

10 **A. Offers & Sale to Anthony Senarighi**

11 **1. Offer and Sale of Security to Senarighi**

12 Respondent Purvis offered Senarighi the opportunity to invest in NCGMI's bridge loan
13 program and purchase stock in ACI Holdings. Senarighi initially met Respondent Purvis in April
14 2002 at a church picnic for Chandler Christian Church in Chandler, Arizona. (*See* Transcript of the
15 proceeding Vol. I @ 34:19 to 34:20). Senarighi had been a member of the church for several years.
16 (*See* Transcript of the proceeding Vol. I @ 29: 23 to 30:1) Respondent Purvis also attended the
17 church. (*See* Transcript of the proceeding Vol. XIII @ 2327:10 to 2327:15). During the picnic,
18 Senarighi listened to Respondent Purvis discuss with other individuals, including his son-in-law,
19 Bukta, various investment opportunities. During the discussion Respondent Purvis promised these
20 potential investors a 2% return per month for a minimum investment of \$100,000. (*See* Transcript
21 of the proceeding Vol. I @ 43:16 to 43:18. *See also* Transcript of the proceeding Vol. I @ 34:19 to
22 35:10).

23 A few months later, Senarighi contacted Respondent Purvis for additional information about
24 the investment programs he discussed at the picnic. As a result, Senarighi and Respondent Purvis met
25 in the summer of 2002. (*See* Transcript of the proceeding Vol. I @ 37:15). Respondent Wolfe was
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1 present for this meeting. (See Transcript of the proceeding Vol. I @ 37:7). During the meeting,
2 Respondent Purvis told Senarighi that the NCGMI investment program involved bridge loans. (See
3 Transcript of the proceeding Vol. I @ 38:5 to 38:8). Respondent Purvis explained to Senarighi that he
4 solicited borrowers to ensure there were always investment opportunities for investors. (See
5 Transcript of the proceeding Vol. I @ 43:1 to 43:3).

6 Respondent Purvis guaranteed Senarighi 2% per month on his investment and promised there
7 was not any risk with his investment. (See Transcript of the proceeding Vol. I @ 43: 5 to 43:7 and
8 43:16 to 43:18). Senarighi explained to Respondent Purvis that he did not want to invest \$100,000
9 and was under the impression that he did not qualify for the NCGMI bridge loan program because it
10 was limited to individuals who are in full-time ministry. (See Transcript of the proceeding Vol. I @
11 44:22 to 45:1. See also Transcript of the proceeding Vol. I @ 58:16 to 58:22 and 58:25 to 59:2).

12 In March or April of 2003, Respondent Purvis and Senarighi meet for a third time. During
13 this meeting, Respondent Purvis told Senarighi about an investment in ACI Holdings, a Phoenix,
14 Arizona company in the business of manufacturing energy saving products for individual and
15 commercial use. (See Transcript of the proceeding Vol. I @ 59:8 to 59:9). Respondent Purvis told
16 Senarighi that ACI Holdings was raising money to expand its operations to Japan and China. (See
17 Transcript of the proceeding Vol. I @ 48:19 to 48:24; 49:2 and 52:9 to 52:13). Respondent Purvis
18 also offered to take Senarighi on a tour of the company.

19 Respondent Purvis informed Senarighi that the stock presently sold for \$.80 per share but its
20 value would increase to \$3 to \$4 per share after the company's stock became publicly traded in
21 August 2005 or early 2006. (See Transcript of the proceeding Vol. I @ 45:10 to 45:17. See also
22 Transcript of the proceeding Vol. I @ 62:3 to 62:4; 44:8 to 44:10 and 44:13). However, Respondent
23 Wolfe disagreed with Respondent Purvis' estimate and told Senarighi that the value of the company's
24 stock would likely be as much as \$5 to \$6 per share. (See Transcript of the proceeding Vol. I @ 47:13
25 to 47:20).

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1 In the late summer of 2003, Respondent Purvis and Respondent Wolfe took Senarighi on a
2 brief visit one of ACI Holdings' warehouses in Chandler. (See Transcript of the proceeding Vol. I @
3 45:23 to 49:24; 49:4 to 49:5; 50:2 to 50:3 and 50:4 to 50:6. See also Transcript of the proceeding Vol.
4 I @ 49:17 to 49:22 and 52:14 to 52:16). During the visit to the ACI Holdings facility, Respondent
5 Purvis introduced Senarighi to Keaton, the President of ACI Holdings. (See Transcript of the
6 proceeding Vol. I @ 41:7 to 41:12). Respondent Purvis told Senarighi and other investors that ACI
7 Holdings was his company and Keaton worked for him. (See Transcript of the proceeding Vol. I @
8 41:22 to 41:24. See also Transcript of the proceeding Vol. II @ 299:12 to 299:15).

9 A few months after his visit to ACI Holdings, on September 27, 2003, Senarighi invested
10 \$50,000 in ACI Holdings and received 62,500 shares of its stock. (See Exhibit S-79 and Exhibit S-77.
11 See also Transcript of the proceeding Vol. I @ 56:10 to 56:11; 60:14 to 60:15; 60:23 to 61:6 and
12 Transcript of the proceeding Vol. II @ 307:8 to 307:13). Senarighi invested funds from his IRA
13 account. (See Transcript of the proceeding Vol. I @ 60:16 to 60:19 and 60:21 to 60:22). At the time
14 of his investment, Senarighi was required to sign a Subscription Agreement (See Exhibit S-79), an
15 Investor Direction and Certification (See Exhibit S-81) and a letter to Sterling Trust Company
16 ("Sterling Trust") stating that Respondent Purvis did not advise or influence his decision to invest in
17 ACI Holdings (See Exhibit S-82). Senarighi testified during the administrative hearing that he signed
18 the letter to Sterling Trust even though Respondent Purvis advised him to invest and influenced his
19 decision to invest in ACI Holdings because Respondent Purvis dismissed the letter as a "formality".
20 (See Transcript of the proceeding Vol. I @ 72:2 to 72:10).

21 After several months, Senarighi asked Respondent Purvis when the ACI Holdings stock was
22 expected to be publicly traded. This was important to Senarighi because he planned to sell his stock
23 as soon as the company went public. (See Transcript of the proceeding Vol. I @ 84:21 to 85:4). In
24 response to Senarighi's inquiry, Respondent Purvis told him that the ACI Holdings stock would not
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1 be publicly offered for an additional 12 to 18 months because it was "not a good time". *See*
2 Transcript of the proceeding Vol. I @ 92:20 to 93:7).

3 Shortly thereafter, Senarighi spoke to his son-in-law, Mitch Behm ("Behm") about his
4 investment in ACI Holdings. (*See* Transcript of the proceeding Vol. II @ 275:6 to 275:7). Behm is a
5 licensed financial advisor and an investor with Respondent Purvis. (*See* Transcript of the proceeding
6 Vol. II @ 276:11 to 276:13; 277:13 to 277: 25 and 276:11 to 276:15. *See also* Transcript of the
7 proceeding Vol. II @ 277:7 to 277:8). Behm had already spoken to Bukta, another investor with
8 Respondent Purvis. During their discussion, Bukta provided Behm with details of his investments
9 with Respondent Purvis. (*See* Transcript of the proceeding Vol. II @ 277:13 to 277: 25).

10 Behm requested Bukta to provide him with a copy of the offering documents for the
11 investments but Bukta said that he did not receive any documents. Behm found this unusual for a
12 securities transaction and became concerned. (*See* Transcript of the proceeding Vol. II @ 283:25 to
13 284:8. *See also* Transcript of the proceeding Vol. II @ 284:19 to 283:23). After discussing with
14 Senarighi and Bukta their investments, Behm began investigating Respondent Purvis, Respondent
15 Wolfe, NCGMI and ACI Holdings. (*See* Transcript of the proceeding Vol. II @ 285:3 to 285:4).
16 Almost immediately, Behm discovered a fraud warning regarding corporation soles issued by the
17 Internal Revenue Service. (*See* Exhibit S-87. *See also* Transcript of the proceeding Vol. II @ 283:10
18 to 283:19). Behm also discovered that Respondents Purvis and Wolfe were not licensed to sell
19 securities and the stock in ACI Holdings and the other investments were not registered. (*See* Exhibit
20 S-264 and Exhibit S-265. *See also* Transcript of the proceeding Vol. II @ 290:13 to 290:18 and 309:2
21 to 309:5).

22 The more Behm investigated the more he realized that Respondent Purvis and Respondent
23 Wolfe had used fraud to induce Senarighi and Bukta to invest with them. (*See* Exhibit S-70 and
24 Exhibit S-71. *See also* Transcript of the proceeding Vol. II @ 293:19 to 293:21; 296:17 to 296:23;
25 312:15 to 312:17 and 327:1 to 327:10). As the evidence mounted, Behm told Senaighi and Bukta to
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1 request a return of their investments. Both Senarighi and Bukta asked Respondent Purvis for their
2 investments to be returned. (See Transcript of the proceeding Vol. II @ 298:2 to 298:4; 305:19 to
3 305:20; 316:4 to 316:11 and 327:12 to 327:14. See also Exhibit S-80). After Senarighi and Bukta's
4 requests were stalled, Behm contacted Respondent Purvis to discuss Senarighi and Bukta's
5 investments. (See Transcript of the proceeding Vol. II @ 285:8 to 285:19). Soon after, Senarighi and
6 Bukta's investments were returned (See Exhibit S-80. See also Transcript of the proceeding Vol. II @
7 333:16 to 333:19 and Exhibit S-109).

8 Respondents Purvis and Wolfe offered and sold Senarighi and Bukta securities, in the form of
9 investment contracts and company stock, in violation of the Securities Act. (See Exhibit S-237 and
10 Exhibit S-76)

11 2. Fraud in connection with Offers and Sale to Senarighi

12 The administrative hearing record provides several instances of fraud by Respondents
13 Purvis and Wolfe in connection with the offer and sale of securities to Senarighi. First, Respondent
14 Purvis told Senarighi that his investment in the bridge loan program guaranteed a monthly return of
15 2% per month (See Transcript of the proceeding Vol. I @ 43:1 to 43:3 and 43:16 to 43:18) which
16 was personally guaranteed by Respondent Purvis. (See Transcript of the proceeding Vol. II @ 290:11
17 to 290:12 and 298:25 to 299:2). Although Respondent Purvis made claims of great wealth (See
18 Transcript of the proceeding Vol. I @ 54:5 to 54:7 and 54:16 to 54:18. See also Transcript of the
19 proceeding Vol. II @ 367:7 to 367:9 and 368:18 to 368:30), he could not personally guarantee
20 Senarighi's investment because he did not possess the wealth to secure Senarighi's \$50,000
21 investment. (See Transcript of the proceeding Vol. XIII @ 2301:8 to 2301:18).

22 Also, Respondent Purvis told Senarighi that the value of ACI Holdings stock would increase
23 to \$3 to \$4 per share after the stock was publicly offered. (See Transcript of the proceeding Vol. I @
24 45:10 to 45:17; 62:3 to 62:4 and S-76. See also Transcript of the proceeding Vol. I @ 44:8 to 44:10
25 and 44:13). Senarighi was initially told the IPO date would be 12 to 18 months from the date he
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1 purchased ACI Holdings stock. Senarighi relied upon this because he planned to sell the stock for
2 more than he paid for it one it was publicly offered. Senarighi's sale of the stock would be postponed
3 with the offering date, another 12 to 18 months. (See Transcript of the proceeding Vol. I @ 93:4 to
4 93:7). This would delay Senarighi's ability to profit from his investment. (See Transcript of the
5 proceeding Vol. I @ 84:21 to 85:4).

6 Senarighi relied upon Respondent Purvis and Respondents Wolfe's representations about
7 Respondent Purvis' wealth in making their decision to invest believing that if their investment failed
8 their investment was secured, as he promised. (See Transcript of the proceeding Vol. XIII @ 2301:20
9 to 2302:9. See also Transcript of the proceeding Vol. XIII @ 2302:12 to 2302:14).

10 Lastly, Respondent Purvis failed to disclose to Senarighi that NCGMI, the company he
11 operated, held ten million shares of ACI Holdings stock Any reasonable investor would have wanted
12 to know prior to investing that Respondent Purvis' could detrimentally impact Senarighi and other
13 investor's financial interest, in the event of a public offering, because of the large number of company
14 shares Respondent Purvis controlled.

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16 Respondent Purvis also misrepresented to investors and potential investors that he owned ACI
17 Holdings. (See Exhibit S-169, Exhibit S-121 and Exhibit S-170) Respondent Purvis claimed that
18 ACI Holdings was his company and Keaton was his employee. (See Transcript of the proceeding Vol.
19 I @ 41:22 to 41:24. See also Transcript of the proceeding Vol. II @ 299:12 to 299:15). Such a
20 misrepresentation may lead a potential investor to believe that Respondent Purvis had intimate
21 knowledge about the company and its potential for success. Although Respondent Purvis managed
22 NCGMI which was one of ACI Holdings' largest shareholders, there is not any evidence that
23 Respondent Purvis had a personal ownership interest in the company. (See Exhibit S-112 and Exhibit
24 S-113).

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1 Based on Respondent Purvis and Respondent Wolfe's misrepresentations they clearly used
2 fraud in the offer and sale of securities to Senarighi, in violation of the Securities Act.

3 **B. Michael Bukta**

4 **1. Offer and Sale of Securities**

5 As previously discussed Bukta, the son-in-law of Senarighi, also invested with Respondent
6 Purvis and Respondent Wolfe. Bukta and his wife, Danell ("D. Bukta"), are members of Chandler
7 Christian Church, just as Respondent Purvis. (See Transcript of the proceeding Vol. II @ 358:4 to
8 358:5). Bukta and D. Bukta are full-time missionaries in Peru and their work is sponsored by their
9 church. (See Transcript of the proceeding Vol. II @ 357:10 to 357:11; 357:14 to 357:16 and 358:1 to
10 358:5). Although Bukta had a brief encounter with Purvis prior to 2002, it was not until their
11 meeting in April 2002 at their church's annual picnic that Respondent Purvis discussed
12 investments. (See Transcript of the proceeding Vol. II @ 358:18 to 358:20).

13 During their discussion, Respondent Purvis told Bukta that he knew they were missionaries
14 and wanted to "help" them since they were preparing to leave for the mission field in Peru. (See
15 Transcript of the proceeding Vol. II @ 361:2 to 361:4). Respondent Purvis asked Bukta how much
16 money his family needed to meet their expenses and Bukta responded that they needed \$2000 per
17 month. (See Transcript of the proceeding Vol. II @ 361:10 to 361:11). Respondent Purvis suggested
18 to Bukta that they "charge off" their home mortgage debt and no longer pay their mortgage but own
19 their home "free and clear". (See Transcript of the proceeding Vol. II @ 361:12 to 361:14. See also
20 Transcript of the proceeding Vol. II @ 363:20 to 363:25; 372:1 to 372:2 and 365:11 to 365:15).

21 After their meeting, Bukta contacted Respondent Purvis for more information about charging
22 off his home loan and the other investments Respondent Purvis offered. Bukta convinced himself that
23 if it was illegal Respondent Purvis would not have suggested it. Respondent Purvis directed Bukta to
24 contact Respondent Wolfe for more information. (See Transcript of the proceeding Vol. II @ 369:13
25 to 369:14) Respondent Wolfe told Bukta that the minimum investment was \$100,000 (See Transcript

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1 of the proceeding Vol. II @ 374:7 to 374:11) and that Respondent Purvis would personally guarantee
2 his investment. (See Transcript of the proceeding Vol. II @ 376:25 to 377:2 and 378:22 to 378:25).

3 Since they were moving to Peru, the Buktas planned to sell their home. (See Transcript of the
4 proceeding Vol. II @ 372:12 to 372:14). Respondent Wolfe told Bukta that after they sold their home
5 he and Respondent Purvis would invest the proceeds from the sale in the bridge loan investment
6 program. (See Transcript of the proceeding Vol. II @ 372:15 to 372:17 and 374:1 to 374:3. See also
7 Transcript of the proceeding Vol. II @.376:2 to 376:4; 376:19 to 376:22 and Exhibit S-237 @
8 ACC00290). As far as investing in ACI Holdings, Respondent Purvis and Respondent Wolfe told
9 Bukta that if he purchased stock in the company its value would increase three to four times its
10 original price after the company's stock became publicly traded within 18 months. (See Transcript of
11 the proceeding Vol. II @ 377:11 to 377:13 and 377:16 to 377:17. See also Exhibit S-237 @
12 ACC000292).

13 Subsequently, Bukta spoke to several individuals at Chandler Christian Church, including his
14 father-in-law, Senarighi, asking about their respective experiences with Respondent Purvis. Each of
15 the individuals he spoke to believed Respondent Purvis was wealthy and worth millions and were
16 pleased with their investments. (See Transcript of the proceeding Vol. II @ 367:7 to 367:9 and
17 368:23 to 368:24). Based on these responses Bukta decided to invest with Respondent Purvis. (See
18 Transcript of the proceeding Vol. II @ 369:5 to 369:7).

19 In September 2004, after he sold his home, Bukta invested \$100,000 with Respondent Purvis
20 and Respondent Wolfe in the bridge loan program. Bukta also invested \$15,000 in ACI Holdings'
21 stock. (See Transcript of the proceeding Vol. II @ 375:2 to 375:4; 376:11 to 376:15; 380:8 to 380:10
22 and 380:14 to 380:15. See also Exhibit S-237@ ACC000289 and 000291). Bukta's payment for the
23 bridge loan program was made payable to NCGMI which Bukta believed was Respondent Purvis'
24 company. (See Transcript of the proceeding Vol. II @ 380:17 to 380:19 and 380:22 to 380:25. See
25 also Transcript of the proceeding Vol. II @ 379:25 to 380:3; 379:10 to 379:12; 379:16 to 379:20 and
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1 379:21 to 379:24). Bukta's investment in NCGMI's bridge loan program was wired transferred
2 directly to American Church Trust, as Respondent Purvis directed.

3 Respondent Wolfe advised Bukta to form a corporation sole so he would not have to pay
4 taxes on the 2% he earned each month on his NCGMI investment. (See Transcript of the proceeding
5 Vol. II @ 374:14 to 374:16). Instead, if the money was being used for ministry purposes, Bukta
6 would not have to pay taxes on the money he earned from his investment if it were paid to his
7 corporation sole. (See Transcript of the proceeding Vol. II @ 374:24 to 374:25 and 389:21 to 389:23).
8 Bukta had not heard of a corporation sole prior to meeting Respondents Purvis and Wolfe and relied
9 on the information they gave him. (See Transcript of the proceeding Vol. II @ 390:9 to 390:11).

10 In October 2004, Bukta spent \$5000 for the formation of a corporation sole. (See Transcript
11 of the proceeding Vol. II @ 365:14 to 365:15 and 374:16 and 380:13). As a result, Bukta's
12 corporation sole, New Hope International Ministries, was formed. (See Exhibit S-73 through Exhibit
13 S-75). Bukta received payment for his NCGMI investment from Respondent Purvis and Respondent
14 Wolfe in the name of his corporation sole. (See Exhibit S-72 and Transcript of the proceeding Vol. II
15 @ 388:23). Bukta received \$6,000 in payments for his investment in NCGMI. (See Exhibit S-237 @
16 ACC000292 and Transcript of the proceeding Vol. II @ 388:24 to 389:4).

17 When Bukta told his brother-in-law, Behm, about his investment with Respondents Purvis
18 and Wolfe and the creation of a corporation sole, Behm became alarmed. (See Transcript of the
19 proceeding Vol. II @ 383:11 to 383:15; 383:17 to 383:19). Behm told Bukta that he would
20 investigate the individuals and entities involved. Behm wanted Bukta to immediately ask for his
21 investment to be returned because he suspected Bukta had invested in a Ponzi scheme. (See
22 Transcript of the proceeding Vol. II @ 386:24 to 397:7. See also Transcript of the proceeding Vol. II
23 @ 383:23 to 383:25).

24 Respondent Purvis attempted to delay the return of Bukta's investment. (See Transcript of the
25 proceeding Vol. II @ 384:14 to 384:16; 385:3 to 385:4 and 385:8 to 385:9). In particular, when Bukta
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1 asked Respondent Purvis for the return of his investment, Respondent Purvis told Bukta to first
2 “pray” about his request. (*See* Transcript of the proceeding Vol. II @ 385:10 to 385:13). Finally, in
3 January 2005, Respondent Purvis returned Bukta’s investment. (*See* Transcript of the proceeding Vol.
4 II @ 386:8 to 386:10 and 387:19 to 387:21).

5 The hearing record provides overwhelming evidence that Respondents Purvis and Wolfe
6 offered and sold securities to Bukta, in violation of the Securities Act.

7 **2. Fraud in connection with Offers and Sale to Bukta**

8 There are several instances in which Respondents Purvis and Wolfe used fraud in the offer
9 and sale of securities to Bukta. First, Respondents Purvis and Wolfe told Bukta that Respondent
10 Purvis personally guaranteed Bukta’s investment in NCGMI’s bridge loan program (*See* Exhibit S-
11 237 @ ACC000290. *See also* Transcript of the proceeding Vol. II @ 376:25 to 376:2 and 377:5 to
12 377:7). Based on the testimony at the hearing, Respondent Purvis failed to inform his investors that
13 he had made the same promise to other investors which may interfere with their ability to obtain
14 repayment in the event of a problem with their investment. Also there is not any evidence that
15 Respondent Purvis had personal assets to guarantee all of the investments he “personally guaranteed”.

16 Secondly, Respondents Purvis and Wolfe told Bukta that his investment in NCGMI’s bridge
17 loan program would be used to help financially distressed companies. (*See* Transcript of the
18 proceeding Vol. II @ 378:6 to 378:11). However, there is no evidence that Bukta’s investment in
19 September 2004 was actually loaned to a company in financial crisis before it was returned to him in
20 January 2005. (*See* Exhibit S-237 @ ACC000289).

21 Also, Respondents Purvis and Wolfe suggested to Bukta that he could avoid paying taxes on
22 the interest payments he received for his investments by forming a corporation sole. (*See* Transcript
23 of the proceeding Vol. II @ 374:22 to 374:25) Respondent Purvis also represented to Bukta that if
24 Bukta had a corporation sole then anyone who gave either he or his wife money the donor could
25 receive a tax deduction just as if they had a 501(c)(3), non-profit entity. (*See* Transcript of the
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1 proceeding Vol. II @ 391:18 to 391:24). Bukta relied upon Respondent Purvis and Wolfe's
2 representations about the operation and benefits of a corporation sole. In fact, Respondent Wolfe
3 assisted him in completing the documents to get it started. (See Transcript of the proceeding Vol. II
4 @ 392:2 to 392:4). It appears that Respondent Wolfe misrepresented to Bukta the purpose of a
5 corporation of sole and the applicable tax laws.

6 Next, although Bukta purchased \$15,000 worth of ACI Holdings company stock from
7 Respondents Purvis and Wolfe, (See Transcript of the proceeding Vol. II @ 376:8 to 376:15; 377:8 to
8 377:11 and 380:15) Bukta's name does not appear on the company's list of shareholders. (See Exhibit
9 S-121).

10 In spite of Bukta's name not appearing on the ACI Holdings' shareholder list, Respondent
11 Purvis told Bukta that he could sell his ACI Holdings stock for three to four times its purchase price
12 after the stock became publicly offered. (See Transcript of the proceeding Vol. II @ 377:11 to
13 377:13). However, there is not any evidence that the company had completed the steps necessary to
14 become publicly traded. If so, such information would have been readily available to Respondent
15 Purvis as a director of ACI Holdings from 2003 until 2005. And lastly, Respondent Purvis failed to
16 inform Bukta that NCGMI, which is managed by Respondent Purvis and Respondent Wolfe, owned
17 ten million shares of stock in ACI Holdings. (See Exhibit S-169). Bukta deserved to have such
18 information disclosed prior to his purchase of the stock since, NCGMI's ownership of so many shares
19 could affected the price Bukta could sell his stock, in the event of a public offering.

20 Based on the foregoing, Respondents Purvis and Wolfe clearly committed fraud in the offer
21 and sale of securities to Bukta, in violation of the Securities Act.

22 **C. JoAnn Brundege**

23 **1. Offer and Sale of Securities**

24 Brundege made a few different investments with Respondents Purvis and Wolfe. In
25 October 2002, Brundege invested \$61,645.95 with Respondents Purvis and Wolfe which was her
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1 entire retirement savings. (See Transcript of the proceeding Vol. IV @ 600:12 to 600:15; 641:4 to
2 641:5 and S-332 @ ACC043761 and ACC043882. See also Exhibit S-16 and Exhibit S-332 @
3 ACC043708, ACC043892, ACC043890 and ACC043894; and Transcript of the proceeding Vol. IV
4 @618:15 to 618:18 and 621:2 to 621:11). Brundege was introduced to Respondent Purvis in 2000
5 by her nephew, Respondent Wolfe. At the time, Brundege had retired as a bookkeeper and
6 Respondents Purvis and Wolfe approached her to invest her retirement savings she maintained in a
7 401(k) savings account. Respondent Wolfe told her that investing with him and Respondent Purvis
8 was a great investment and limited to a select group of investors. (See Transcript of the proceeding
9 Vol. IV @ 589:7 to 589:11). Both Respondents Purvis and Wolfe assured Brundege that that the risk
10 was minimal and she would never lose her principal investment. (See Transcript of the proceeding
11 Vol. IV @ 601:4 to 601:5. See also Transcript of the proceeding Vol. IV @ 667:11 to 667:18 and
12 667:19 to 667:20).

13 Brundege trusted her nephew and believed she could trust Respondent Purvis also, so she
14 decided to invest even though she had not been provided any information about the investments.
15 (See Transcript of the proceeding Vol. IV @ 598: 16 to 18. See also Transcript of the proceeding Vol.
16 IV @ 598:19 to 598:20). Respondent Purvis promised Brundege a 24% return on her investment.
17 (See Transcript of the proceeding Vol. IV @ 599:9 to 599:12; 601:4 to 601:5 and 601:13). Brundege
18 spoke mostly with Respondent Purvis she believed he seemed to be more knowledgeable than
19 Respondent Wolfe. (See Exhibit S-318 and Transcript of the proceeding Vol. IV @ 602:19 to 602:23
20 and 623:14 to 623:17. See also Transcript of the proceeding Vol. IV @ 670:1 to 670:4).

21 Later, Respondents Purvis and Wolfe told Brundege that her \$60,000 investment would
22 increase to \$180,000 if she "let it ride" for three years. (See Transcript of the proceeding Vol. IV @
23 667:24 to 668:3. See also S-314). Respondents Purvis and Wolfe assured Brundege that their
24 investments had performed well in the past and she relied on these representations.

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1 Soon after, Respondent Purvis directed Brundege to open a self-directed IRA account with
2 American Church Trust in which Brundege deposited her retirement savings. (See Transcript of the
3 proceeding Vol. IV @ 600:22 to 600:23 and 603:5 to 603:9). Respondent Purvis told Brundege to
4 list him as the “authorized agent” for her American Church Trust account. This permitted Respondent
5 Purvis to receive copies of Brundege’s quarterly statements and a copy of correspondence from
6 American Church Trust to Brundege. (See Exhibit S-332 @ ACC043708 and Transcript of the
7 proceeding Vol. IV @ 640:8 to 640:9. See also Exhibit S-312 and Exhibit S-332 @ ACC0043888,
8 ACC0043892, ACC043890, ACC043896 and ACC043897). Shortly thereafter, Respondent Purvis
9 provided Brundege with two trading authorizations for her to sign so he could execute investments on
10 her behalf. (See Transcript of the proceeding Vol. IV @ 607:22 to 607:24 and 612:7. See also Exhibit
11 S-312 and Exhibit S-340). Brundeges testified during the administrative hearing that initially she was
12 comfortable investing with Respondent Purvis and giving him authority to execute investments for
13 her because she trusted him and believed his promise to “take care of her”. (See Exhibit S-317 and
14 Transcript of the proceeding Vol. IV @ 607:25 to 608:1 and 609:14 to 609:20).

15 Respondent Purvis and Wolfe used Brundege’s entire investment of \$61,645.95 to fund a
16 note between her and Corporate Architects. (See Transcript of the proceeding Vol. IV @ 644:2 to
17 644:5. See also Exhibit S-332 @ ACC043892). Respondent Purvis used funds from Brundege and
18 several other investors to fund a loan to the company for \$263,660.49. (See Exhibit S-331 and
19 Exhibit S-313. See also Transcript of the proceeding Vol. IV @ 612:25 to 613:2 and 625:13 to
20 625:17). Respondent Purvis never told Brundege that her entire retirement savings would be used to
21 fund a loan to one company. See Transcript of the proceeding Vol. IV @ 643:18 to 644:1). Brundege
22 was not familiar with Corporate Architects (See Transcript of the proceeding Vol. IV @ 611:4 to
23 611:5) and was not given the opportunity by Respondent Purvis to review the promissory note before
24 it was signed and the loan funded using her investment. (See Transcript of the proceeding Vol. IV @
25 613:19 to 613:22. See also Exhibit S-313). If Brundege had reviewed the loan, she would have
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1 immediately noticed that the note was not collateralized, as she was promised. The collateral was a
2 personal guarantee from the President of Corporate Architects. (See Transcript of the proceeding Vol.
3 IV @ 614:3 to 614:6). Brundege expected more security on her investment than Respondent Purvis
4 and Respondent Wolfe gave her.

5 From the time of her investment, Brundege received quarterly statements from American
6 Church Trust regarding her investment. According to the statements Brundege was receiving monthly
7 credit for interest on her note with Corporate Architects. (See Transcript of the proceeding Vol. IV @
8 630:10 to 630:14 and 687:3 to 687:8. See also S-332 @ ACC043892). However, Brundege did not
9 know that the note had not been repaid.

10 Subsequently, Brundege noticed that the earnings made on the Corporate Architects note had
11 been moved to Sterling Trust. (See Transcript of the proceeding Vol. IV @ 687:3 to 687:8). Brundege
12 later learned that in November 2003, as her earnings grew, Respondent Purvis transferred \$10,591.40
13 from her American Church Trust account to Sterling Trust. (See Exhibit S-16 and Exhibit S-336 and
14 Exhibit S-269. See also Exhibit S-336 @ ACC043777 and ACC043780. See also Transcript of the
15 proceeding Vol. IV @ 604:15 to 604:19)

16 In December 2003, Respondent Purvis used the \$10,591.40 he deposited into Brundege's
17 Sterling Trust account to purchase 13,235 shares of ACI Holdings stock. (See Exhibit S-199 and
18 Transcript of the proceeding Vol. IV @ 604:15 to 604:19 and 648:10 to 649:4. See also Exhibit S-
19 339 @ ACC04377 and Exhibit S-33). Respondent Purvis was able to execute this purchase without
20 Brundege's knowledge because she had authorized him as her account representative. (See Exhibit S-
21 335 @ ACC043788 and Transcript of the proceeding Vol. IV @ 660:18 to 660:20).

22 At one time, Respondent Purvis and Respondent Wolfe mentioned to Brundege about
23 purchasing ACI Holdings stock and the increase in the stocks' value after the company became
24 publicly traded but Brundege was not interested in investing in the company. In fact, both Respondent
25 Purvis and Respondent Wolfe knew that Brundege had very minimal investment experience and was
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1 not accredited, as required by the subscription agreement and private offering memorandum. (See
2 Transcript of the proceeding Vol. IV @ 666:22 to 667:4 and 666:19 to 666:21. See also Transcript of
3 the proceeding Vol. IV @ 677:3 to 677:4).

4 Eventually, Brundege began seeking independent information about her investments with
5 Respondents Purvis and Wolfe. She started by sending e-mails to Respondent Purvis inquiring into
6 her investments. (See Exhibit S-325. See also Transcript of the proceeding Vol. IV @ 627:11 to
7 627:16; 627:15 and 629:5 to 629:10). However, Respondent Purvis's answers to Brundege's
8 questions were not satisfactory. (See Transcript of the proceeding Vol. IV @ 627:11 to 627:24. See
9 also Transcript of the proceeding Vol. IV @ 633:2 to 633:6 and 632:8 to 632:10). In fact, at times,
10 when she spoke to Respondent Purvis he was demeaning. (See Transcript of the proceeding Vol. IV
11 @ 627:11 to 627:25. See also Transcript of the proceeding Vol. IV @ 623:21 to 623:23 and Exhibit
12 S-17). So, Brundege decided to do her own research about her investments. She began by contacting
13 American Church Trust to obtain information about her note with Corporate Architects. (See Exhibit
14 S-330 and Transcript of the proceeding Vol. IV @ 628:23 to 629:4; 654:19 to 654:25; 629:1 to 629:4;
15 629:11 to 629:14 and 632:6 to 632:17. See also Exhibit S-316). However, American Church Trust
16 told Brundege to contact Respondent Purvis, her account representative for more information about
17 her investment. (See Transcript of the proceeding Vol. IV @ 633:2 to 633:6 and Exhibit S-316).

18 In addition to the Corporate Architects' note and ACI Holdings stock, Brundege invested
19 \$8,200 in NCGMI in April 2004. Brundege obtained the proceeds for this investment from the sale of
20 her motor home. (See Transcript of the proceeding Vol. IV @ 605:22 to 605:24).

21 Each month Brundege and her parents received account statements from NCGMI which
22 provided: a) a description of their investment(s); b) the date(s) of the investment(s); c) the rate of
23 return on their investment(s); and d) current balance of the account(s). (See Exhibit S-315 and
24 Exhibit S-334). For instance, Brundege's January 2005 statement shows she invested \$8,200 in
25 "ACI" which is ACI Holdings. (See Exhibit S-315) The next month Brundege's statement reflected
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1 an investment in the same amount with "VPM", which is Vanuatu Project Management ("VPM").
2 (*See* Exhibit S-315 and Transcript of the proceeding Vol. XIV @ 2482:21 to 2482:24). VPM
3 manages a project of an offshore mining operation and resort development in Vanuatu which is
4 located in the South Pacific. (*See* Transcript of the proceeding Vol. XIV @ 2480:10 to 2481:13).
5 The Vanuatu project was created by Respondent Purvis and a few others. (*See* Transcript of the
6 proceeding Vol. XIII @ 2280:10 to 2280:13). Brundege was puzzled by the movement of her
7 investment from one company to another.

8 Then, in 2005, Brundege was required to withdraw a minimum amount of money from her
9 American Church Trust and Sterling Trust investments because she had reached the required age.
10 Brundege was upset about how difficult it was for her to withdraw her funds to pay the required
11 minimum distribution. In 2005, Brundege was required to withdraw \$2726.55 from her American
12 Church Trust account (*See* Exhibit S-323 @ ACC043655. *See also* Exhibit S-320) and another
13 \$2327.00 from her Sterling Trust account. (*See* Exhibit S-324 @ ACC043684. *See also* Exhibit S-
14 321). Brundege told Respondent Purvis about her need to withdraw funds from her American
15 Church Trust account. So, Respondent Purvis arranged for NCGMI to purchase a limited amount of
16 Brundege's interest in her note with Corporate Architects. Brundege would be paid \$2,727.00 in this
17 transaction. (*See* Transcript of the proceeding Vol. IV @ 745:3 to 745:4 and Exhibit S-327. *See also*
18 Exhibit S-323).

19 Respondent Purvis suggested a similar arrangement for Brundege's Sterling Trust account. In
20 this agreement, Respondent Purvis and NCGMI would purchase 3,750 shares of Brundege's ACI
21 Holdings stock at the price of \$.80 per share for a total of \$3,000 (*See* Exhibit S-203 and Exhibit S-
22 323. *See also* Exhibit S-200, Exhibit S-322 and Exhibit S-21). Respondent Purvis signed the stock
23 purchase agreement on behalf of NCGMI as the company's executive director. (*See* Exhibit S-203,
24 Exhibit S-169, Exhibit S-320 and Transcript of the proceeding Vol. VIII @ 1495:5 to 1495:24. *See*
25 *also* Transcript of the proceeding Vol. IV @ 715:15 to 715:24). This was consistent with Brundege's
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1 belief that NCGMI was Respondent Purvis' private company. (See Transcript of the proceeding Vol.
2 IV @ 670:3 to 670:4 and 605:8 to 605:11 and 670:1 to 670:6) because some of the correspondence
3 she received from Respondent Purvis was on NCGMI's letterhead. (See S-317 and Exhibit S-17)
4 Nonetheless, Brundege agreed to both of these transactions in order to obtain the funds she needed
5 to take the minimum distributions from her American Church Trust and Sterling Trust accounts.
6 (See Exhibit S-323@ ACC043655).

7 Although Brundege had received the funds she needed to make her required distribution,
8 she was disappointed that the process was so arduous. Brundege was also surprised by Respondent
9 Purvis' lack of knowledge regarding required minimum distributions for investments. (See Exhibit
10 S-323 and Transcript of the proceeding Vol. IV @ 724: 23 to 725:4. See also Transcript of the
11 proceeding Vol. IV @ at 708:23 to 709:5 and 710:3 to 710:11). Based on this experience, Brundege
12 decided she no longer wanted to invest with Respondents Purvis and Wolfe and requested
13 Respondent Purvis to return her investments. Respondent Purvis told Brundege that in order to
14 refund her money, she needed to sign a release agreement. Respondent Purvis sent Brundege and
15 her attorney a draft of a release agreement. The agreement would allow Respondent Purvis to
16 purchase Brundege's entire interest in the Corporate Architects note for a payment to Brundege for
17 \$58,918.95. (See S-328 and Transcript of the proceeding Vol. IV @ 745:3 to 745:4 and 744:23).
18 Brundege and her attorney attempted to negotiate the details of the agreement but were
19 unsuccessful. (See Transcript of the proceeding Vol. IV @ 746:11 to 746:25). Moreover, Respondent
20 Purvis told Brundege that he would only negotiate with her if she did not cooperate with the
21 Division's inquiry into her investments with Respondent Wolfe and himself. (See Transcript of the
22 proceeding Vol. IV @ 757:25 to 758:11). Since Brundege chose to cooperate with the Division's
23 investigation, an agreement was not reached and her investments, to date, have not been returned.
24 (See Transcript of the proceeding Vol. IV @ 746:24 to 746:25. See also Transcript of the proceeding
25 Vol. IV @ 747:23 to 747:25. See also Exhibit S-16). As a result, in 2006 Brundege notified
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1 American Church Trust to revoke Respondent Purvis' authority to transact business on her
2 account. (See Exhibit S-26).

3 The hearing record provides convincing evidence that Respondent Purvis and Respondent
4 Wolfe offered and sold securities to Brundege, in violation of the Securities Act.

5 **2. Fraud in connection with Offers and Sale to Brundege**

6 There were several instances of Respondents Purvis and Wolfe using fraud to induce
7 Brundege to purchase of securities. First, Respondent Purvis failed to tell Brundege that her
8 investment would be used to fund a loan to Corporate Architect. Brundege should have been told
9 and because reasonable investor would have wanted to know the investment they would be placed,
10 prior to investing.

11 Secondly, Respondent Purvis misrepresented to Brundege that her risk in the Corporate
12 Architects' loan was minimal, when in fact there was significant risk if the borrower did not repay
13 the note. Next, Respondent Purvis misrepresented to Brundege by reporting misleading
14 information to American Church Trust which suggested that interest payments were being paid to
15 Brundege's American Church Trust account, when in fact payments were not being made

16 Also, Respondents Purvis and Wolfe promised Brundege a return of 300% on her
17 investment in the Corporate Architects loan within three years if she let the principal and interest
18 remain in the account, but her account statement did not reflect the likelihood of such an
19 extraordinary return. Brundege's account statements merely reflected a return of 2% per month.

20 In addition, Respondents Purvis and Wolfe told Brundege that her investment was secured
21 with a personal guarantee by Respondent Purvis, as well as a UCC-1 financing statement, a
22 personal guarantee from the company president and another note are not adequate security,
23 especially since Brundege used her retirement savings. Despite Respondent Purvis' claims that he
24 is worth millions of dollars, he did not then, nor does he now, possess sufficient assets to repay
25 Brundege in the event Corporate Architect defaulted on its note with Brundege.

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1 In regards to the NCGMI investment, Respondent Purvis misled Brundege into believing
2 that she would receive returns of 2% per month. However, Respondent Purvis failed to disclose to
3 Brundege that the entity relied solely on funds from new investors to repay previous investors.
4 Also, Respondent Purvis failed to inform Brundege that the funds she and other investors placed
5 with NCGMI were used by Respondent Purvis to pay his personal expenses. (See Exhibit S-251,
6 Exhibit S-286, Exhibit S-279, Exhibit S-280, Exhibit S-132, Exhibit S-133).

7 As far as the ACI Holdings investment, Respondent Purvis told Brundege that the value of
8 her stock would increase three to four times its original purchase price after the company became
9 publicly traded. However, the company did not take the steps to become publicly traded.

10 In addition, Respondents Purvis and Wolfe directed Brundege to sign several documents in
11 order to establish investment accounts with American Church Trust and Sterling Trust. (See
12 Exhibit S-17). In particular, a Sterling Trust letter stated that Respondent Purvis did not advise or
13 influence Brundege's decision to invest in ACI Holdings. (See Exhibit S-18). Although Brundege
14 knew the information contained in the letter was false, Respondents Purvis and Wolfe told
15 Brundege that if she did not sign the letter she would not be permitted to invest. (See Transcript of
16 the proceeding Vol. IV @ 689:2 to 689:4. See also Exhibit S-317, Exhibit S-319 and Transcript of
17 the proceeding Vol. IV @ 662:10 to 662:13). As a result, Brundege signed the letter. During her
18 testimony at the hearing Brundege stated that Respondent Purvis had, in fact, influenced her decision
19 to invest with ACI Holdings and advised her to do so. (See Transcript of the proceeding Vol. IV @
20 665:8 to 665:16). This is reminiscent of when Respondent Purvis told Brundege to sign the ACI
21 Holdings Subscription Agreement stating she was an accredited investor even though she was not.
22 (See Exhibit S-201 and Transcript of the proceeding Vol. IV @ 666:1 to 666:21).

23 Unfortunately, Brundege became a victim of Respondent Purvis and Respondent Wolfe's
24 scheme. Possibly because she was preoccupied as the primary caregiver for both of her elderly ailing
25 parents, at the time she invested. (See Transcript of the proceeding Vol. IV 656:2 to 656:5 and 656:16
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1 to 656:20). Nonetheless, all of these are explicit examples of Respondent Purvis and Wolfe using
2 fraud in the offer and sale of securities to Brundege.

3 **D. Russell and Fern Montgomery**

4 **1. Offer and Sale of Securities**

5 Brundege's parents and Respondent Wolfe's grandparents, Russell and Fern Montgomery
6 (the "Montgomerys"), also invested in the company. (See Exhibit S-329 and S-334) The
7 Montgomerys invested \$59,500 in NCGMI. (See Exhibit S-334). The Montgomerys monthly
8 NCGMI account statement shows that until August 2004, their investment was used to purchase
9 ACI Holdings stock. Then their NCGMI statements reflected that in June 2005 their funds were
10 invested with "VPM". In July 2005 the Montgomerys invested in "ACI" which is ACI Holdings.
11 As of June 2005, their account statements reflect that they were invested in "VPM" which is the
12 Vanuatu project. Finally, in July 2005 the Montgomerys' investment description changed again to
13 an investment in a "loan". (See Exhibit S-334) In spite of the inconsistency in their investment, the
14 Montgomerys' account statements showed earnings of 2% per month and they received interest
15 payments from NCGMI. (See Exhibit S-334 and @ ACC043546 and ACC043541. See also
16 Transcript of the proceeding Vol. IV @ 729:14 to 729:19).

17 **2. Fraud in the offer and sale of securities to Russell and Fern Montgomery**

18 Respondent Purvis used fraud in the offer and sale of securities to Russell and Fern
19 Montgomery. Prior to passing, the Montgomerys were elderly investors who wanted to invest
20 their retirement savings. At one time, their NCGMI account statement showed the Montgomery's
21 invested in ACI holdings. However, their names do not appear on the ACI shareholder list. (See
22 Exhibit S-121 and Exhibit S-121A). In spite of this, the Montgomerys received payments on their
23 investments. (See Exhibit S-334 @ ACC043537 and ACC043544).

24 Also, the Montgomerys' NCGMI statements showed their investment changing from ACI
25 Holdings to Vanuatu Project Management. According to testimony from Division Special
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1 Investigator, Ronald Baran, the Vanuatu Project Management is a company developing the
2 Vanuatu Project. (See Transcript of the proceeding Vol. XIV @ 2482:21 to 2483:2). The Vanuatu
3 Project is a 5 to 10 year development project of a South Pacific island. (See Transcript of the
4 proceeding Vol. XIV @ 2480:10 to 2481:13 and 2481:14 to 2483:9). The project encompasses four
5 different phases of development, ranging from development of infrastructure to construction of a
6 marina and resort. The project was estimated to cost \$147 million dollars. Nonetheless, the
7 Montgomerys received payments on their NCGMI investment. (See Exhibit S-334 @
8 ACC043537 and ACC043544). This is odd since the Montgomerys were invested in VPM which
9 is the company that oversees the development of the Vanuatu project. In fact, Respondent Purvis
10 wrote checks to VPM from NCGMI. These payments are not likely investments since the Vanuatu
11 project is still in its infancy. (See Transcript of the proceeding Vol. XIV @ 2506:1 to 2506:16. See
12 also Exhibit S-334 @ ACC043536 and ACC043537).

13 Moreover, Respondent Purvis appeared to be funding the Vanuatu project with NCGMI
14 funds. Respondent Purvis wired money from NCGMI's bank account to Germain Resources a
15 business hired by Respondent Purvis to chemically process the manganese obtained from
16 Vanuatu. (See Transcript of the proceeding Vol. XIV @ 2492:18 to 2493:30) Also, Respondent
17 Purvis transferred large amounts of money from NCGMI to International Project Management. (See
18 Transcript of the proceeding Vol. XIV @ 2506:17 to 2508:3 and 2509:18 2510:5). NCGMI funds
19 were also transferred to Ocean Recreation which was owned by Robert Rae ("Rae"). (See Transcript
20 of the proceeding Vol. XIV @ 2516:2 to 2516:20). Rae is one of five people listed on VPM and IPM
21 documents as an "important person" to the project. (See Transcript of the proceeding Vol. XIV @
22 2515:11 to 2515:22).

23 In addition to Respondent Purvis using NCGMI monies to fund the Vanuatu project, the
24 hearing record provides evidence that Respondent Purvis used investors' funds in NCGMI to pay his
25 personal expenses such as, a down payment for a new home worth \$1 million (See Transcript of the
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1 proceeding Vol. XIII @ 2342:6 to 2345:15; Exhibit S-156 and Exhibit S-251. *See also* Transcript of
2 the proceeding Vol. XIII @ 2348:11 to 2348:14); a down payment on a home for Sounye Gonzalez-
3 Beall and James Beall (*See* Transcript of the proceeding Vol. XIII @ 2522:1 to 2522:13 and Exhibit
4 S-43, Exhibit S-42 and Exhibit S-41); jewelry (*See* Exhibit S-132 and Exhibit S-133); a new truck
5 (*See* Transcript of the proceeding Vol. XIII @ 2436:20 to 2327 and Exhibit S-135); his lawyer's
6 retainer (*See* Transcript of the proceeding Vol. XIII @ 2363:21 to 2364:17 and Exhibit S-154);
7 medical expenses for Respondent M. Purvis (*See* Transcript of the proceeding Vol. XIII @ 2364:20
8 to 2365:16 and Exhibit S-153); and payments to Respondent Purvis' credit union account (*See*
9 Transcript of the proceeding Vol. XIII @ 2435:1 to 2435:23; Exhibit S-151, Exhibit S-152 and
10 Exhibit S-157). The home and truck were to be titled in the names of Respondent Purvis and/or
11 Respondent M. Purvis, not any one else or NCGMI.

12 Given the fact that the Montgomerys were elderly and in frail health, at the time of their
13 investment, it is unlikely that they would have approved their investment being used to pay
14 Respondent Purvis' personal expenses. Based upon the evidence presented in the hearing record,
15 Respondent Purvis used fraud in the offer and sale of securities to the Montgomerys, in violation of
16 the Securities Act.

17 **E. Catherine and Michael Barnowsky**

18 **1. Offer and Sale of Securities**

19 Respondent Purvis offered and sold Barnowsky securities in ACI Holdings and NCGMI. In
20 2003, Respondent Purvis met Barnowsky through her daughter, Dawn Grieco ("Grieco") during a
21 visit to Arizona from Wyoming. (*See* Transcript of the proceeding Vol. X @ 1735:3 to 1735:5 and
22 1735:13 to 1736:16). Barnowsky had semi-retired in 2001 from teaching. (*See* Transcript of the
23 proceeding Vol. X @ 1732:7 and 1733:6). Since that time Barnowsky has made and sold pottery
24 (*See* Transcript of the proceeding Vol. X @ 1732:9 to 1732:13) while her husband works part-time as
25 a logger. (*See* Transcript of the proceeding Vol. X @ 1741:4 to 1741:5).

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1 During that 2003 visit to Arizona, Grieco revealed to her mother that she and her husband had
2 invested with Respondent Purvis and were receiving monthly payments. This captured Barnowsky's
3 interest because Barnowsky and her husband had been looking for a way to earn monthly income
4 from their investments. (*See* Transcript of the proceeding Vol. X @ 1736:23 to 1737:4). Grieco told
5 Barnowsky that Respondent Purvis could personalize an investment plan for her parents that would
6 give them the return they desired on their investments. (*See* Transcript of the proceeding Vol. X @
7 1737:7 to 1737:13). Grieco and her husband Scott had been long-time friends and investors of
8 Respondent Purvis and Respondent M. Purvis. (*See* Transcript of the proceeding Vol. X @ 1735:6
9 to 1735:9).

10 Barnowsky explained to Respondent Purvis that she planned to invest the retirement savings
11 she had accumulated for many years. (*See* Transcript of the proceeding Vol. X @ 1741:21 to 1742:2.
12 *See also* Transcript of the proceeding Vol. X @ 1742:10 to 1742:14) Respondent Purvis told
13 Barnowsky he was a Christian person who wanted to help her. (*See* Transcript of the proceeding Vol.
14 X @ 1743:3 to 1743:4).

15 In March 2004, the Barnowskys returned to Phoenix to meet Respondent Purvis to discuss the
16 possibility of investing with him. (*See* Transcript of the proceeding Vol. X @ 1737:15 to 1737:18
17 and 1738:12 to 1738:13). The Barnowskys stated that they were looking for a monthly income on
18 their investment. The Barnowskys needed the income to meet their monthly expenses, including the
19 mortgage for their new home. (*See* Transcript of the proceeding Vol. X @ 1741:4 to 1741:8 and
20 1742:19 to 1742:20). Barnowsky explained to Respondent Purvis that they would not be able to make
21 their monthly expenses without a monthly income. (*See* Transcript of the proceeding Vol. X @
22 1778:17 to 1778:19). Respondent Purvis told the Barnowskys that he had an investment which would
23 give them a monthly income. (*See* Transcript of the proceeding Vol. X @ 1739:2 to 1739:5).

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1 The first investment Respondent Purvis discussed with the Barnowskys was in NCGMI.
2 Barnowsky did not know initially what NCGMI was but later learned that it is a “Christian”
3 investment company. (See Transcript of the proceeding Vol. X @ 1740:13 to 1740:16). Respondent
4 Purvis told Barnowsky that an investment with NCGMI would offer them a return of 2% per month.
5 (See Transcript of the proceeding Vol. X @ 1739:7 to 1739:11). Respondent Purvis told Barnowsky
6 that his payments on her investments would be “gifts” and not taxable. (See Transcript of the
7 proceeding Vol. X @ 1758:14 to 1758:18). Respondent Purvis also offered the Barnowskys an
8 investment of half of their investment in ACI Holdings stock and the other half of their investment in
9 NCGMI. The NCGMI investment would give them the monthly income the sought, plus the benefit
10 of company stock which could be later sold. (See Transcript of the proceeding Vol. X @ 1739:16 to
11 1739:19 and 1767:14 to 1767:17). Respondent Purvis represented to the Barnowskys that the
12 company stock would be worth double or triple its purchase price when the stock became publicly
13 traded in 2006. Respondent Purvis also told the Barnowskys they would receive monthly interest on
14 the other half of their investment. (See Transcript of the proceeding Vol. X @ 1757: 18 to 1757:20
15 and 1773: 24 to 1774:23. See also Transcript of the proceeding Vol. X @ 1773:17). Respondent
16 Purvis told Barnowsky that she could “become a millionaire” with this investment (See Transcript of
17 the proceeding Vol. X @ 1772:11 to 1772:14) but Barnowsky merely wanted a monthly income and
18 be comfortable during their retirement. (See Transcript of the proceeding Vol. X @ 1772:10 to
19 1772:14).

20 Barnowsky wrote notes during her discussions with Respondent Purvis so she could refer
21 back to them when she had questions regarding her investment. (See Exhibit S-310A and Transcript
22 of the proceeding Vol. X @ 1746:12 to 1746:15). Respondent Purvis also told the Barnowskys that
23 he personally guaranteed their investment. Barnowsky stated the following during the administrative
24 hearing under oath, “...if there is any problems at all...he would pay it back to us with his personal
25 funds.” (See Transcript of the proceeding Vol. X @ 1743:10 to 1743: 21 and 1777:22 to 1777:23).

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1 Respondent Purvis told the Barnowskys that their investment with them was guaranteed, regardless
2 of market conditions because his employees knew how to invest to get them 2% monthly on their
3 investment. (See Transcript of the proceeding Vol. X @ 1740:2 to 1740:8 and 1756:19 to 1756:22.
4 See also Transcript of the proceeding Vol. X @ 1762: 18 to 1762:19). Respondent Purvis told
5 Barnowsky that their investment was secured with gold bouillon, magnesium and other minerals.
6 (See Transcript of the proceeding Vol. X @d 1744:13 to 1744:16). The Barnowskys relied upon
7 Respondent Purvis' claim that their investment was guaranteed and would earn 2% per month
8 because they had previously lost half of their retirement in the stock market, and was looking for a
9 "safe" investment which would help them regain some of their retirement funds previously lost. (See
10 Transcript of the proceeding Vol. X @ 1740:20 to 1740:25. See also Transcript of the proceeding
11 Vol. X @1741:1 to 1741:3).

12 Respondent Purvis mailed Barnowsky the documents which needed to be completed if they
13 decided to invest. (See Transcript of the proceeding Vol. X @ 1743: 22 to 1743:25; 1760:18 to
14 1760:23; 1764:19 to 1765:1 and Exhibit S-260). The documents from Respondent Purvis received
15 had been completed for Barnowsky and only required her signature. Barnowsky testified that she
16 believed Respondent Purvis completed the documents because he was "the only personal she ever
17 dealt with". (See Transcript of the proceeding Vol. X @ 1787:7 to 1787:16).

18 Included in the documents from Respondent Purvis was a corporate guarantee. (See S-13) The
19 corporate guarantee purported to secure the Barnowskys' \$114,000 investment with all of the assets
20 in CSI Technologies and Sutherland Global, Inc. (See Exhibit S-13). The guarantee appeared to have
21 been signed by Respondent Purvis, on behalf of Sutherland Global, and James Keaton, for CSI
22 Technologies, Inc. (See Exhibit S-13). The corporate guarantee stated that in the event the
23 Barnowskys' investment defaulted, both Sutherland Global, Inc. and CSI Technologies, Inc. would
24 repay the Barnowskys' investment. (See Transcript of the proceeding Vol. X @ 1763:23 to 1764:3).

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1 The package of documents also included a letter addressed to Sterling Trust which stated that
2 Respondent Purvis did not advise or influence Barnowsky's decision to invest in ACI Holdings.
3 Although this was untrue Barnowsky signed the letter in order to invest and receive monthly income.
4 (See Exhibit S-259 and Transcript of the proceeding Vol. X @ 1794:5 to 1794:9 and 1794:24 to
5 1794:5).

6 Before making a final decision to invest, Barnowsky sought advice from her attorney and her
7 financial planner. Barnowsky's attorney was not available so she met with another attorney who told
8 her that the corporate guarantee looked "legal" and the investment appeared legitimate. Barnowsky
9 cannot recall which one the lawyer was referring to but she concluded from her visit that the
10 investment with Respondent Purvis was legitimate. (See Transcript of the proceeding Vol. X @
11 1769:1 to 1769:12). After meeting with the attorney, Barnowsky spoke to her financial planner about
12 the proposed investment with Respondent Purvis. Her financial planner was "skeptical" of the
13 investment and called Respondent Purvis for more information. Barnowsky's financial planner
14 wanted more information about the financial stability of the companies guaranteeing the investments.
15 (See Transcript of the proceeding Vol. X @ 1769:13 to 1769:19). Respondent Purvis told
16 Barnowsky's financial planner that he could give him the requested documents so he suggested to
17 Barnowsky that she not invest. (See Transcript of the proceeding Vol. X @ 1770:2 to 1770:9).
18 However, the Barnowskys decided to invest because their daughter trusted Respondents Purvis and
19 Ms. Purvis enough to invest with them and she had been receiving regular payments on her
20 investment.. (See Transcript of the proceeding Vol. X @ 1743:8 to 1743:10 and 1770:10 to 1770:22.
21 See also Transcript of the proceeding Vol. X @ 1770:7 to 1770:9 and 1771:17 to 1771:22).

22 Shortly after Barnowsky's meeting with an attorney and her financial panner, theBarnowskys
23 withdrew \$114,000 from their A.G. Edwards retirement account. (See Transcript of the proceeding
24 Vol. X @ 1750:14 to 1750:15). The Barnowskys had depended on their financial advisor at A.G.
25 Edwards to suggest investments for them. (See Transcript of the proceeding Vol. X @ 1751:3 to
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1 1751:5 and 1751:10 to 1751:12). So, Barnowsky expected the same from Respondent Purvis and so
2 Barnowsky did not find it unusual when Respondent Purvis directed her to designate him the
3 "director" of her Sterling Trust investment account with Sterling Trust after she transferred a
4 \$114,322.61 investment to the company in April 2004. (See Exhibit S-259 and Transcript of the
5 proceeding Vol. X @ 1751: 18 to 1751:20; 1751:17 to 1751:22; 1753:3 to 1753:5; and 1936:22 to
6 1936:25. See also Transcript of the proceeding Vol. X @ 1752:24 to 1753:2 and 1797:8 to 1797:15).

7 Respondent Purvis invested the Barnowskys' \$114,000 investment in ACI Holdings for
8 142,500 shares of company stock. (See Exhibit S-261, Exhibit S-121, Exhibit S-1 and Transcript of
9 the proceeding Vol. X @ 1753:16 to 1753:22). The Barnowskys received statements from ACI
10 Holdings (See Exhibit S-270) and NCGMI. (See Exhibit S-311). The Barnowskys' ACI Holdings
11 account reflected that she had \$114,000 investment in stock. (See Exhibit S-270 @ ACC016188).
12 However, her NCGMI statements show an investment of \$57,000 but the Barnowskys did not
13 make any other investment with Respondent Purvis besides the one for \$114,000. Also, their
14 NCGMI statements varied from one month to the next. From July 2004 statement, the
15 Barnowskys' NCGMI statement shows a \$57,000 investment in "ACI" which was consistent with
16 what she discussed with Respondent Purvis. However, in February 2005 the Barnowskys'
17 statement reflects an investment in "VPM" which is Vanuatu Project Management (See Exhibit S-
18 311 @ ACC042193). Then, in March 2005, the Barnowskys' NCGMI account statement described
19 an investment in a "loan". (See Exhibit S-311 @ ACC042200, ACC042193 and ACC042192). In
20 April 2005, the rate of "return" on the investment is changed to rate of return on "donation". (See
21 Exhibit S-311 @ACC042191).

22 The Barnowskys received payments on their investment and maintained a log of them. (See
23 Exhibit S-310). Barnowsky was repaid \$34,200. (See Transcript of the proceeding Vol. X @
24 1813:7). Many of the payments were checks written on a NCGMI bank account. Barnowsky was
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1 repaid with checks written on the bank account for NCGMI and signed by Respondent Purvis. (See
2 Exhibit S-2 through Exhibit S-10).

3 Based upon the foregoing, Respondent Purvis unequivocally offered and sold securities, in
4 the form of ACI Holdings stock and investment contracts in NCGMI to the Barnowskys, in
5 violation of the Securities Act.

6 **2. Fraud in the offer and sale of securities to Barnowsky**

7 Respondent Purvis used fraud in the offer and sale of securities to the Barnowskys. First,
8 Barnowsky invested \$114,000 in Sterling Trust which was used to purchase stock in ACI Holdings,
9 according to their Sterling account statements. Also, the ACI Holdings shareholder list confirms that
10 Barnowsky is a shareholder of 142,500 shares. However, the Barnowskys' received NCGMI
11 statements that showed a \$57,000 investment but Sterling Trust records do not show the Barnowskys'
12 investment transferred from Sterling Trust to NCGMI. Barnowsky testified that she made only one
13 investment with Respondent Purvis to purchase ACI Holdings stock and make monthly interest
14 payments. She did not intend to invest any portion of her \$114,000 investment in NCGMI. (See
15 Transcript of the proceeding Vol. X @ 1954:14 to 1954:23).

16 Moreover, the Barnowskys received monthly interest payments drawn on an NCGMI bank
17 account but none of her funds were placed with NCGMI if her entire \$114,000 investment was used
18 to purchase stock in ACI Holdings. (See S-121). Based upon this evidence, the Barnowskys were not
19 entitled to any payments from NCGMI since they were invested entirely in ACI Holdings. (See
20 Exhibit S-270, Exhibit S-311, Exhibit S-310, Exhibit S-11 and Exhibit S-2 through Exhibit S-10).

21 Secondly, Respondent Purvis gave the Barnowskys with a corporate guarantee as evidence
22 that their loan was secured. The corporate guarantee is misleading. First, the guarantee claims to
23 secure the Barnowskys' investment with the assets of Sutherland Global and CSI Technologies and,
24 in the event of a default, both companies would pay Barnowsky her principal investment. However,
25 neither company could secure the Barnowskys investment. CSI Technologies was defunct at the time

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1 the guarantee was signed and its assets transferred to ACI Holdings in August 2003. (See Transcript
2 of the proceeding Vol. VIII @ 1428:11). In addition, the Division did not locate any assets for
3 Sutherland Global. (See Transcript of the proceeding Vol. XIII @ 2335:15 to 2335:17). Thus,
4 without the Barnowskys knowledge neither company had assets to secure their investment.

5 Also, the written guarantee appears to have Respondent Purvis and Keaton's signatures but
6 Keaton denies signing the document. (See Transcript of the proceeding Vol. IX @ 1577:18 to
7 1577:21). During his testimony, Keaton recalled an incident when Respondent Purvis asked him to
8 sign a similar document and Keaton refused. (See Transcript of the proceeding Vol. IX @ 1573:25 to
9 1574:25. See also Transcript of the proceeding Vol. IX @ 1576:14 to 1576:19 and 1577:20 to
10 1578:15). Therefore, Keaton did not sign the corporate guarantee on behalf of CSI Technologies and
11 pledge the company's assets to secure the Barnowskys' investment. (See Exhibit S-13).

12 Next, the Barnowskys' NCGMI statements described their investment as "ACI", later it
13 changed to "VPM", then a "loan", and eventually, a "donation". (See Exhibit S-311). The
14 Barnowskys \$114,000 was invested in ACI Holdings according to the company's list of shareholders.
15 (See S-121). Their investment was not in VPM, not a loan (See Transcript of the proceeding Vol. X
16 @ 1959:6 to 1959:13) or a donation.

17 In addition, Respondent Purvis' representation to Barnowsky that he was wealthy and had the
18 assets to personally guarantee her investment was false and misleading. (See Transcript of the
19 proceeding Vol. X @ 1947:23 to 1947:25). In the Division's investigation of Respondent Purvis, it
20 was unable to sufficient assets for Respondent Purvis to guarantee the Barnowskys' investment and
21 the investments of other investors.

22 Based upon the evidence presented in the hearing record, Respondent Purvis used fraud in the
23 offer and sale of securities to the Barnowskys, in violation of the Securities Act.

24 **F. Eric Gregoire**

25 **1. Offer and Sale of Securities**

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1 Respondent Purvis offered and sold securities in the form of investment contracts and
2 company stock to Gregoire on several different occasions, in violation of the Arizona Securities Act.
3 Gregoire met Respondent Purvis in 2001 at a mutual friend's wedding. After the wedding they
4 remained in contact and developed a friendship. (See Transcript of the proceeding Vol. XII @ 2070:6
5 to 2070:15). Gregoire was invested in his company's IRA but transferred these funds to American
6 Church Trust at Respondent Purvis' direction and later be invested in International Currency Limited
7 ("ICL"), foreign currency exchange. (See Transcript of the proceeding Vol. XII @ 2073:10 to
8 2073:14 and 2080:13 and Exhibit S-347) Respondent Purvis told Gregoire about investments in both
9 ICL and Midland Euro which are affiliated. (See Exhibit S-347 and Transcript of the proceeding Vol.
10 XII @ 2081:12 to 2081:17 and 2082:20). On one occasion, Gregoire traveled to California with
11 Respondent Purvis to learn more about foreign currency investments in Midland Euro and ICL. (See
12 Transcript of the proceeding Vol. XII @ 2084:1 to 2084:5 and 2084:16 to 2084:18).

13
14 **ICL**

15 In November 2001, Gregoire invested with Respondent Purvis \$31,820 in ICL. (See
16 Transcript of the proceeding Vol. XII @ 2073:8 to 2073:11 and 2073:14 to 2073:15). Gregoire signed
17 a trading authorization, power of attorney and investment direction which permitted Respondent
18 Purvis to make investments for Gregoire on his American Church Trust account. (See Exhibit S-65,
19 Exhibit S-64 and Exhibit S-59). Gregoire signed the trading authorization while Respondent Purvis
20 signed the power of attorney, as Gregoire's authorized agent. (See Exhibit S-64 and Exhibit S-59).
21 Gregoire received statements from American Church trust which listed Respondent Purvis as his
22 "independent investment provider or advisor" (See Exhibit S-346 and Transcript of the proceeding
23 Vol. XII @ 2106:8 to 2106:10).

24 Shortly thereafter, on November 14, 2001, Gregoire received a welcome letter from ICL. (See
25 Exhibit S-347@ ACC019745). From November 2001 until June 2002, Gregoire earned interest on
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1 his investment in ICL. (See Exhibit S-347 @ ACC019746, ACC019748 and ACC019754). Then, on
2 June 15, 2002 Gregoire received a letter from ICL stating that his account would be “deactivated” and
3 “liquidated”. (See Exhibit S-347 @ ACC019747). Gregoire’s ICL account statements show that his
4 account was liquidated on July 5, 2002. (See Exhibit S-347 @ ACC 019746) Less than a month later,
5 Respondent Purvis sent Gregoire a letter informing him that ICL would no longer be handling his
6 account and that Sutherland Global, Inc. (“Sutherland Global”) had consulted with another company
7 to manage the account. The letter seemed to suggest that Gregoire’s investment in ICL was facilitated
8 by Respondent Purvis through Sutherland Global (See Exhibit S-347 @ ACC019755) which is
9 consistent with Gregoire’s testimony that Respondent Purvis told him that Sutherland Global was his
10 company. (See Transcript of the proceeding Vol. XII @ 2095:5 to 2095:8).

11 By July 2002, Gregoire earned a total of \$4,044 on his ICL investment. (See Transcript of the
12 proceeding Vol. XII @ 2075:2) and ICL had returned Gregoire’s investment to American Church
13 Trust. (See Transcript of the proceeding Vol. XII @ 2075:21 to 2075:22 and Exhibit S-63).

14
15 **OmniCorp**

16 Next, Gregoire made a separate investment in OmniCorp, Inc. (“OmniCorp”). He did not use
17 the funds from his American Church Trust account for this investment but used funds from his
18 emergency savings account. Respondent Purvis told Gregoire he would make a 50% return on this
19 investment. (See Transcript of the proceeding Vol. XII @ 2091:2 to 2091:5). In March 2002,
20 Gregoire invested \$12,000 (See Transcript of the proceeding Vol. XII @ 2091:2 to 2091:5 and
21 Exhibit S-346). Gregoire tendered a check to Respondent Purvis for his investment. Gregoire made
22 the check payable to NCGMI which Gregoire believed was Respondent Purvis’ investment company.
23 (See Exhibit S-346 and Transcript of the proceeding Vol. XII @ 2093:10 to 2093:12). Gregoire
24 received account statements from Sutherland Global which reflected his \$12,000 in OmniCorp.

1 During this period, Gregoire continued to receive account statement from American Church Trust
2 showing his investment of \$35,000. (See Exhibit S-346).

3 Gregoire earned \$6,000 on his investment in OmniCorp. (See Transcript of the
4 proceeding Vol. XII @ 2096:5 to 2096:6). Gregoire's principal of \$12,000 plus \$6,000 of interest was
5 returned to him in the form of two checks in the amount of \$9,000 each issued to Gregoire and his
6 wife, Lisa. (See Transcript of the proceeding Vol. XII @ 2096:5 to 2096:6). Respondent Purvis told
7 Gregoire that he returned his investment in two payments so it would be treated as a "gift" rather than
8 income for income reporting purposes. (See Transcript of the proceeding Vol. XII @ 2096:7 to
9 2096:10 and Exhibit S-69).

10 **CSI**

11 Later, in July 2002 Gregoire used the funds in his American Church Trust account to invest in
12 a promissory note for Circuit Source International, Inc. ("CSI"), which is one of the subsidiaries of
13 CSI Technologies. (See Exhibit S-226 and Transcript of the proceeding Vol. XII @ 2184:7 to 2184:8
14 and 2184:15 to 2184:17. See also Exhibit S-346@ ACC043379 and ACC043380; Exhibit S-62 and
15 Transcript of the proceeding Vol. XII @ 2103:23 to 2104:10). Gregoire entered a promissory note
16 with CSI for a loan of \$33,690. (See Exhibit S-62). The note charged CSI interest of 2% per month
17 and was due in six months. (See Exhibit S-62). Keaton entered note on behalf of CSI secured and
18 used his personal assets to guarantee the note. (See Exhibit S-62 @ ACC016460 and ACC016463).
19 Gregoire's note was one of several notes in which CSI entered to borrow a total of \$1,026,700.00.
20 (See Exhibit S-226. See also Exhibit 62 and Exhibit S-61). The other investors who funded the total
21 loan are: Wally Gutzmer, Mewon Nethken, LeRoy Purvis who is related to Respondent Purvis and
22 Bernard Gregoire ("B. Gregoire). (See Exhibit S-62). B. Gregoire is Gregoire's father and has also
23 invested with Respondent Purvis (See Transcript of the proceeding Vol. XII @ 2113:8 to 2113:9;
24 2113:15 to 2113:18 and 2114:7 to 2114:10)

1 While invested in CSI, Respondent Purvis met with Gregoire and offered several options
2 relating to his investment with CSI. Respondent Purvis told Gregoire that he could 1) remain invested
3 in CSI; 2) pull his money out of CSI; or 3) "roll" his investment from CSI into ACI stock. (*See*
4 Transcript of the proceeding Vol. XII @ 2135:15 to 2135:19). Thus, appearing that Gregoire's
5 investment in the CSI note had been converted to company stock. Gregoire asked Respondent Purvis
6 what he should do and Respondent Purvis told him that he stock in CSI was "good" and the company
7 was going public. (*See* Transcript of the proceeding Vol. XII @ 2135:15 to 2135:16 and 2135:21 to
8 2135:23). Respondent Purvis convinced Gregoire that he could not lose any money because the stock
9 in CSI was guaranteed at \$.80 per share. (*See* Transcript of the proceeding Vol. XII @ 2136:1 to
10 2136:2). In the event, Gregoire changed his mind and decided to transfer his stock to ACI Holdings,
11 Respondent Purvis provided Gregoire with an unsigned agreement which would permit Gregoire to
12 convert his CSI stock to ACI stock. (*See* Transcript of the proceeding Vol. XII @ 2141:16 to 2141:17
13 and Exhibit S-346 @ ACC0443363). Since their meeting, Gregoire has believed he is invested in CSI
14 based on his conversations with Respondent Purvis. However, his name does not appear on the CSI
15 or ACI shareholders' lists.

16 Once Gregoire realized that his name did not appear on the CSI shareholder list he brought it
17 to Respondent Purvis' attention. (*See* Exhibit S-214, S-121 and S-121A. *See also* Transcript of the
18 proceeding Vol. XIII @ 2331:11 to 2332:16). Respondent Purvis response was that Gregoire's
19 interest in the CSI promissory note was "better than the ACI" stock. (*See* Transcript of the proceeding
20 Vol. XII @ 2144:20 to 2146:1 and Exhibit S-214). Gregoire did not become alarmed because
21 Respondent Purvis had promised him that he had sufficient personal wealth to secure Gregoire's
22 investments if any of his investments failed. (*See* Transcript of the proceeding Vol. XII @ 2148:17 to
23 2148:19 and 2149:16). And also considering that Respondent Purvis had claimed to be a successful
24 businessman and investor who had experience investing in short-term bridge loans an occasionally
25 trading in the stock market. (*See* Transcript of the proceeding Vol. XII @ 2149:21 to 2149:24 and
26

1 2149:24 to 2150:5). Gregoire relied upon Respondent Purvis' representations because they provided
2 Gregoire security in the event of a loss of any of his investments. (See Transcript of the proceeding
3 Vol. XII @ 2148:20 to 2148:25) Although Gregoire receives monthly statements regarding his CSI
4 note, he questions whether he will ever be repaid for his investment in CSI.

5 According to Keaton, the CSI promissory notes were not directly repaid to investors but
6 were, instead, paid to Respondent Purvis through an agreement to give NCMI ten million shares of
7 ACI Holdings stock in exchange for extinguishing CSI Technologies' debt with the American
8 Church Trust investors. (See Transcript of the proceeding Vol. VIII @ 1477:15:1478:9). Keaton
9 agreed to issue stock to NCGMI with the understanding that Respondent Purvis would repay the
10 investors. (See Transcript of the proceeding Vol. VIII @ 1477:15 to 1478:9).

11 HSWL

12 Gregoire also made another investment with Respondent Purvis in HSWL in 2003. In this
13 investment, Gregoire entered a promissory note with HSWL and Eden Estates, LLC ("Eden Estates")
14 for \$2158. Gregoire was told that he would earn 2% per month. HSWL/Eden Estates were in need of
15 a loan for a brief time until they received permanent financing to pay for the remaining construction
16 on their building projects. The HSWL/Eden Estate notes was due less than two months after it was
17 entered and the interest charged was 2% per month. (See Exhibit S-37). The HSWL/Eden Estates
18 note was secured with a UCC-1 financial statement, a personal guarantee from the borrower, Daniel
19 Clayton ("Clayton") and his wife, in addition to outstanding shares of HSWL and membership
20 interests in Eden Estates. (See Exhibit S-37). The note also gave NCGMI a "finder's fee" of 5% of
21 the value of the note for "facilitating the transaction". (See Exhibit S-37 @ ACC016469) Clayton
22 entered the note as the President of HSWL and Eden Estates.

23 Gregoire knew Clayton and introduced him to Respondent Purvis because Clayton's
24 companies were in need of a temporary loan. Clayton also attended Chandler Christian Church, along
25 with Gregoire, and served as a church elder. (See Transcript of the proceeding Vol. XII @ 2126:11 to
26

1 2126:23). Gregoire believed that Respondent Purvis could help Clayton because Respondent Purvis
2 told Gregoire he was in the business of making loans to businesses. (*See* Transcript of the proceeding
3 Vol. XII @ 2127:1 to 2127:7).

4 After the due date of the note, Gregoire and Respondent Purvis discussed Gregoire's note
5 with HSWL/Eden Estates. The note had not been repaid and Gregoire wanted to know what
6 information Respondent Purvis had about repayment of the loan. Also, Gregoire already knew that
7 Clayton was having financial trouble, so it was not a surprise to him that the loan had not been repaid.
8 (*See* Transcript of the proceeding Vol. XII @ 2128:3 to 2128:6; 2128:13 to 2128:17 and 2128:21 to
9 2128:22 and Exhibit S-67). So, Respondent Purvis offered to buy Gregoire's interest in the note for
10 \$3,409.64 so he would not have to wait any longer for the note to be repaid and his return on the
11 promissory note. (*See* Transcript of the proceeding Vol. XII @ 2129:1 to 2129:4). Gregoire and
12 Respondent Purvis entered into an agreement in June 2005 by which NCGMI would purchase
13 Gregoire's interest in the HSWL promissory note. (*See* Exhibit S-67). Respondent Purvis signed the
14 agreement as the Executive Director of NCGMI to purchase Gregoire's interest in the note. (*See*
15 Exhibit S-67 @ ACC016477). The check Gregoire received for the purchase of his interest was
16 drawn on an NCGMI bank account and signed by Respondent Purvis. (*See* Exhibit S-67 @ ACC
17 016482).

18 **2. Fraud in the offer and sale of securities to Gregoire**

19
20 Respondent Purvis used fraud in the offer and sale of securities to Gregoire. First, Respondent
21 Purvis misled Gregoire to believe he received returns on his investment in ICL because of successful
22 foreign currency investments. However, Gregoire's earnings on his investment were from the funds
23 of new investors, not any legitimate business activity. (*See* Transcript of the proceeding Vol. VII @
24 1172: 14 to 1172:15). Also, Respondent Purvis told Gregoire that his investment was guaranteed
25 through Respondent Purvis' wealth and that if there was a problem Respondent Purvis would "take
26

1 care of everything". (See Transcript of the proceeding Vol. XII @ 2189:17 to 2190:1; 2148:17 to
2 2148:19 and 2149:16). However, the Division was unable to locate assets belonging to Respondent
3 Purvis which would have allowed him to secure Gregoire's investments.

4 Also, Gregoire was one of several investors who entered into promissory notes with CSI
5 Technologies. According to Keaton, the company's president, the company defaulted on the loan.
6 (See Transcript of the proceeding Vol. VIII @ 1429:10 to 1429:18). In exchange for NCGMI
7 receiving 10 million shares of ACI Holdings, Respondent Purvis agreed to pay off the CSI
8 Technologies note holders. (See Transcript of the proceeding Vol. VIII @ 1430:1 to 1430:2). ACI
9 Holdings was formed around August 2003. (See Transcript of the proceeding Vol. VII @ 1428:11).
10 However, Respondent Purvis told Gregoire he was invested in CSI stock. Gregoire could not locate
11 his name on the CSI shareholder list (See S-214) because he was not invested in the company. Keaton
12 gave Respondent Purvis \$10 million shares of ACI Holdings stock, in the name of NCGMI, in
13 exchange for Respondent Purvis paying off the CSI Technologies' note holders. (See Transcript of
14 the proceeding Vol. VIII @ 1429:5 to 1430:10). Since Gregoire was a CSI Technologies' note holder,
15 Respondent Purvis would have been responsible for paying off the loan CSI Technologies received
16 from Gregoire. However, Respondent Purvis did not disclose this arrangement to Gregoire. Instead,
17 Respondent Purvis continued to misrepresent to Gregoire that he was invested in CSI Technologies, a
18 company that had not been in existence since 2003, and that it was a better investment for him to
19 remain with that company than to request stock in the new entity, ACI Holdings. (See Transcript of
20 the proceeding Vol. VIII @ 1428:11).

21 Moreover, Respondent Purvis was aware that the information he was providing Gregoire was
22 untrue. Respondent Purvis had been a director of both CSI Technologies and ACI Holdings. (See
23 Exhibit S-120, Exhibit S-119, and Exhibit S-113). As a director of these entities, Respondent Purvis
24 was aware of the dissolution of CSI Technologies and the subsequent formation of ACI Holdings.
25 Respondent Purvis failed to tell Gregoire that CSI Technologies was no longer in business, had
26

1 defaulted on its promissory notes with investors and the agreement he entered with Keaton to repay
2 CSI Technologies' note holders. In spite of the fact, that Respondent Purvis had this information as a
3 director of ACI Holdings. (*See* S-116)

4 The hearing record provides overwhelming evidence that Respondent Purvis used fraud in the
5 offer and sale of securities to Gregoire, in violation of the Securities Act.

6 **G. Bernard Gregoire**

7 **1. Offer and Sale of Securities**

8 Gregoire's father, B. Gregoire, also invested with Respondent Purvis. Gregoire has seen his
9 father's account statements and (*See* Transcript of the proceeding Vol. XII @ 2152:9 and 2152:22 to
10 2152:25) believes he has his entire retirement savings of about \$270,000 invested with Respondent
11 Purvis. (*See* Transcript of the proceeding Vol. XII @ 2153:3 and 2153:16). Gregoire testified during
12 the administrative hearing that, in addition to investing his life savings his father obtained a second
13 mortgage on his house in order to raise additional funds to invest with Respondent Purvis. (*See*
14 Transcript of the proceeding Vol. XII @ 2153:18 to 2153:19). Respondent Purvis and B. Gregoire
15 became friends due to Respondent Purvis' close relationship with Gregoire. Through that friendship,
16 Purvis gained B. Gregoire's trust.

17 Respondent Purvis told B. Gregoire that his investment was secured and a return guaranteed.
18 At one time, B. Gregoire received payments on his investments. (*See* Transcript of the proceeding
19 Vol. XII @ 2154:3) However, the payments have since stopped and B. Gregoire, currently in his 70s,
20 faces the loss of his home and serious financial hardship. (*See* Transcript of the proceeding Vol. XII
21 @ 2154:22 to 2154:24 and 2155:1 to 2155:3).

22 **2. Fraud in the offer and sale of securities to B. Gregoire**

23
24 Respondent Purvis used fraud in the offer and sale of securities to B. Gregoire. Respondent
25 Purvis misrepresented to B. Gregoire his financial ability to guarantee B. Gregoire's investments, as
26

1 well as the source of the repayments B. Gregoire received. (See Transcript of the proceeding Vol. VII
2 @ 1172:14 to 1172:15). Respondent Purvis misrepresented to B. Gregoire that the payments were the
3 result of savvy investing.

4 Secondly, B. Gregoire held a promissory note with CSI Technologies. (See S-225). B.
5 Gregoire's note was in the amount of \$150,646. Respondent Purvis told B. Gregoire that he would
6 receive 2% per month for his investment. (See Transcript of the proceeding Vol. VII @ 1305:1 to
7 1306:10 and Exhibit S-225). According to the loan it was to be repaid in 6 months but it was not and
8 CSI Technologies defaulted on the loan in 2003. However, Respondent Purvis has misrepresented to
9 B. Gregoire the current status of the promissory note and has failed to tell B. Gregoire and other
10 investors about his agreement with Keaton to repay the CSI Technologies' notes. Respondent Purvis
11 has continued to mislead B. Gregoire and others into believing their investment will be returned soon
12 even though, neither NCGMI nor Respondent Purvis has the financial ability to repay the CSI
13 Technologies' notes. And, B. Gregoire just like many of the other investors invested his entire life
14 savings and faces the loss of his home, if his investment is not repaid.

15 IV.

16 CONCLUSION

17 The evidence produced at hearing includes the following:

- 18 A. At least, ten offers and sales of unregistered securities within Arizona to investors;
- 19 B. At least, five offers and sales of unregistered securities from Arizona to investors;
- 20 C. At least, ten offers and sales by an unregistered salesman, Respondent Purvis;
- 21 D. At least, three offers and sales by an unregistered salesman, Respondent Wolfe;
- 22 E. At least, five offers and sales in unregistered securities by an unregistered salesman,
23 NCGMI;
- 24 F. At least five offers and sales by Respondent Purvis of unregistered securities in HSWL,
25 Abundant Blessings, Corporate Architects and CSI Technologies via a promissory
26

1 well as the source of the repayments B. Gregoire received. (*See* Transcript of the proceeding Vol. VII
2 @ 1172:14 to 1172:15). Respondent Purvis misrepresented to B. Gregoire that the payments were the
3 result of savvy investing.

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6 receive 2% per month for his investment. (*See* Transcript of the proceeding Vol. VII @ 1305:1 to
7 1306:10 and Exhibit S-225). According to the loan it was to be repaid in 6 months but it was not and
8 CSI Technologies defaulted on the loan in 2003. However, Respondent Purvis has misrepresented to
9 B. Gregoire the current status of the promissory note and has failed to tell B. Gregoire and other
10 investors about his agreement with Keaton to repay the CSI Technologies' notes. Respondent Purvis
11 has continued to mislead B. Gregoire and others into believing their investment will be returned soon
12 even though, neither NCGMI nor Respondent Purvis had the financial ability to repay the CSI
13 Technologies' notes. And, B. Gregoire just like many of the other investors invested his entire life
14 savings and faces the loss of his home, if his investment is not repaid.

15 IV.

16 CONCLUSION

17 The evidence produced at hearing includes the following:

- 18 A. At least, ten offers and sales of unregistered securities within Arizona to investors;
- 19 B. At least, five offers and sales of unregistered securities from Arizona to investors;
- 20 C. At least, ten offers and sales by an unregistered salesman, Respondent Purvis in ACI
21 Holdings and NCGMI;
- 22 D. At least, three offers and sales by an unregistered salesman, Respondent Wolfe in ACI
23 Holdings and NCGMI;
- 24 E. At least, five offers and sales in unregistered securities by an unregistered salesman,
25 NCGMI;

26

1 F. At least five offers and sales by Respondent Purvis of unregistered securities in
2 promissory notes with HSWL, Abundant Blessings, Corporate Architects and/or CSI
3 Technologies;

4 G. At least three offers and sales by Respondent Wolfe of unregistered securities in
5 promissory notes with HSWL, Abundant Blessings, Corporate Architects and CSI
6 Technologies;

7 H. Various instances of fraud in connection with the offer and sale of securities by
8 Respondent Purvis; and

9 I. Various instances of fraud in connection with the offer and sale of securities by
10 Respondent Wolfe;

11 Based upon the evidence admitted during the administrative hearing, the Division
12 respectfully requests this tribunal:

13 1. Order Respondents Purvis and NCGMI to pay restitution pursuant to A.R.S. § 44-
14 2032(1), in the amount of \$150,000.00;

15 2. Order all the Respondents to pay an administrative penalty of not more than five
16 thousand dollars (\$5,000) for each violation of the Act, as the Court deems just and proper,
17 pursuant to A.R.S. § 44-2036(A); The Division recommends a conservative penalty of no less than
18 \$150,000 for Respondent Purvis, Respondent Wolfe, and NCGMI jointly and severally.

19 3. Order Respondents cease and desist from further violations of the Act pursuant to
20 A.R.S. § 44-2032.

21 4. Order any other relief this tribunal deems appropriate or just.

22 Dated this 17th day of March, 2008.

23 

24 By Rachel F. Strachan, Esq.
25 Attorney for the Securities Division
26

1 ORIGINAL AND THIRTEEN (13) COPIES of the foregoing
2 filed this 17th day of March, 2008, with

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

7 COPY of the foregoing hand-delivered this
8 17th day of March, 2008, to:

9 ALJ Marc Stern
10 Hearing Officer
11 Arizona Corporation Commission/Hearing Division
12 1200 West Washington
13 Phoenix, AZ 85007

14 COPY of the foregoing mailed
15 this 17th day of March, 2008 to:

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24
25
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