

ORIGINAL

OPEN MEETING ITEM



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



ARIZONA CORPORATION COMMISSION

RECEIVED
BRIAN C. McNEIL
Executive Director

2008 DEC -3 P 3:47

AZ CORP COMMISSION
DOCKET CONTROL

DATE: DECEMBER 3, 2008

DOCKET NO: S-20482A-06-0631

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

EDWARD A. PURVIS; MAUREEN H. PURVIS; GREGG L. WOLFE; ALLISON A. WOLFE; NAKAMI CHI GROUP MINISTRIES INTERNATIONAL; JAMES W. KEATON JR.; JENNIFER KEATON; and ACI HOLDINGS, INC.
(NOTICE OF OPPORTUNITY)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

DECEMBER 12, 2008

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

TO BE DETERMINED

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
DOCKETED

DEC - 3 2008

DOCKETED BY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON - Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF:

DOCKET NO. S-20482A-06-0631

9 EDWARD A. PURVIS and MAUREEN H. PURVIS,
10 husband and wife
11 1231 West Shannon
12 Chandler, Arizona 85224

13 GREGG L. WOLFE and ALLISON A. WOLFE,
14 husband and wife
15 2092 West Dublin Lane
16 Chandler, Arizona 85224

DECISION NO. _____

17 NAKAMI CHI GROUP MINISTRIES
18 INTERNATIONAL, (a/k/a NCGMI), a Nevada
19 corporation sole
20 4400 North Scottsdale Road, Suite 9-231
21 Scottsdale, Arizona 85251

22 JAMES W. KEATON, Jr. and JENNIFER
23 KEATON, husband and wife
24 11398 East Whitehorn Drive, Apt. D
25 Scottsdale, Arizona 85255

26 ACI HOLDINGS, INC., a Nevada corporation
27 17650 North 25th Avenue
28 Phoenix, Arizona 85023

Respondents.

OPINION AND ORDER

29 DATES OF PRE-HEARING
30 CONFERENCES:

November 11, 2006; February 7, June 6, August 2 and
August 29, 2007

31 DATES OF HEARING:

November 13, 14, 15, 25, 26 and 29; December 3, 4, 5,
and 6, 2007; January 22, 23, 28, 29 and 30, 2008

32 PLACE OF HEARING:

Phoenix, Arizona

33 ADMINISTRATIVE LAW JUDGE:

Marc E. Stern

34 APPEARANCES:

Mr. John Maston O'Neal, QUARLES & BRADY,

1 L.L.P., on behalf of Respondents Edward A. Purvis and
Maureen H. Purvis; and

2 Ms. Rachel Strachan and Ms. Shoshana Epstein, Staff
3 Attorneys, Securities Division, on behalf of the Arizona
Corporation Commission.

4 **BY THE COMMISSION:**

5 On October 3, 2006, the Securities Division ("Division") of the Arizona Corporation
6 Commission ("Commission") filed a Notice of Opportunity of Hearing ("Notice") against Edward A.
7 and Maureen H. Purvis, husband and wife, Gregg L. and Allison A. Wolfe, husband and wife,
8 Nakami Chi Group Ministries International aka NCGMI ("NCGMI"), James W. Keaton, Jr. and
9 Jennifer Keaton, husband and wife, and ACI Holdings, Inc. ("ACI"), (collectively "Respondents"), in
10 which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection
11 with the offer and sale of stock and investment contracts.

12 Respondents were duly served with copies of the Notice.

13 On October 11, 2006, Edward A. and Maureen H. Purvis filed a request for a hearing.

14 On October 16, 2006, James W. Keaton, Jr., Jennifer Keaton and ACI filed a request for a
15 hearing.

16 No requests for hearing were filed on behalf of either Gregg and Allison Wolfe or NCGMI.

17 On October 25, 2006, by Procedural Order, a pre-hearing conference was scheduled for
18 November 16, 2006.

19 On November 16, 2006, counsel for the Division, counsel for Mr. and Mrs. Purvis and
20 counsel for Mr. and Mrs. Keaton and ACI appeared to discuss their relative positions in the
21 proceeding and whether a hearing should be scheduled. Counsel for the parties indicated that they
22 would prefer that a status conference be scheduled after certain matters were discussed with the
23 Division.

24 On November 17, 2006, by Procedural Order, a status conference was scheduled for February
25 6, 2007.

26 On January 19, 2007, the Purvis Respondents filed a Notice of Videotaped Deposition.

27 On January 31, 2007, the Division filed a Motion to Quash the Purvis Respondents' Notice of
28 Videotaped Deposition.

1 On February 6, 2007, at the status conference, counsel for the Division, Mr. and Mrs. Purvis,
2 Mr. and Mrs. Keaton and ACI appeared to discuss the status of the proceeding and pending motions.
3 Mr. and Mrs. Wolfe and NCGMI did not file a response to the Notice and the Division indicated that
4 it would be filing a Default Order as to those Respondents. While the parties had been attempting to
5 resolve the matter without a hearing, they agreed upon setting a hearing date in mid-May 2007.

6 On February 7, 2007, by Procedural Order, a hearing was scheduled on May 14, 2007.

7 On March 16, 2007, the Division filed a Motion to Continue Hearing ("Motion") which stated
8 that one of the Division's witnesses would be unavailable and out of the country during the hearing
9 scheduled to begin on May 14, 2007.

10 On April 3, 2007, by Procedural Order, the hearing was continued to June 11, 2007.

11 On May 16, 2007, the Division filed a Motion to Allow Telephonic Testimony. There were
12 no objections filed to the Motion.

13 On May 18, 2007, the Purvis Respondents filed a Motion for 90-Day Extension ("Purvis
14 Motion") which stated that Mr. Purvis had recently been indicted on charges related to this
15 proceeding and as a result *"has been unable to meet with counsel and effectively communicate with
16 him with respect to the preparation of the defense."* The Purvis Motion alluded to a possible conflict
17 issue with respect to the Commission's counsel if called as a witness in the criminal proceeding and
18 also argued that the Commission's grant of a continuance to the Division entitled the Purvis
19 Respondents to similar treatment as a matter of equity.

20 On May 22, 2007, the Division filed its Response to the Purvis Motion pointing out that the
21 criminal charges against Mr. Purvis did not relate to any of the securities violations alleged by the
22 Division in this proceeding. The Division further related that the 90-day continuance sought by the
23 Purvis Motion could ultimately cause an additional problem if a speedy trial was requested in the
24 criminal case, because the continuance could result in delaying an order of restitution in the
25 Commission's administrative proceeding. Concluding its arguments, the Division argued that the
26 Purvis Motion amounted to a delaying tactic.

27 On May 30, 2007, by Procedural Order, the proceeding was continued to July 30, 2007, due to
28 a scheduling conflict with a Commission Open Meeting.

1 On June 11, 2007, the Division filed a Request for a Scheduling Conference (“Request”) due
2 to scheduling conflicts of many prospective witnesses in the proceeding scheduled to commence on
3 July 30, 2007.

4 On June 18, 2007, a scheduling teleconference was held with counsel for the Division, Mr.
5 and Mrs. Purvis, Mr. and Mrs. Keaton and ACI in attendance. The respective counsel agreed that the
6 proceeding should commence on September 4, 2007.

7 On June 19, 2007, by Procedural Order, the hearing was rescheduled to commence on
8 September 4, 2007. The parties were further ordered to reserve September 5, 6, 7, 10, 11, 12,
9 November 13, 14, 15 and December 3, 4, 5, and 6, 2007 for additional days of hearing, if necessary.

10 On July 18, 2007, the Commission issued Decision Nos. 69701 and 69702 approving Consent
11 Orders for ACI Holdings, Inc. and the Keaton Respondents, respectively.

12 On July 24, 2007, by Procedural Order, the Division’s Motion to Allow Telephonic
13 Testimony was granted.

14 On July 25, 2007, the Division filed a request for a telephonic scheduling conference.

15 On August 2, 2007, a telephonic scheduling conference was held with counsel for the
16 Division and counsel for the Purvis Respondents. They agreed to amend the hearing schedule to add
17 October 1, 2 and 3, 2007 for additional hearing dates and to delete the dates of December 3, 4, 5 and
18 6, 2007.

19 On August 6, 2007, by Procedural Order, the scheduled dates of hearing were amended as
20 agreed between the parties.

21 On August 16, 2007, the Purvis Respondents filed a “Request for Scheduling Conference and
22 Motion for Rescheduling Certain Days of Hearing” (“Request/Motion”) which took issue with delays
23 encountered in securing documents pursuant to subpoena, certain other discovery issues and a
24 personal scheduling conflict which had arisen for Respondents’ counsel. As a result, a teleconference
25 was scheduled on August 21, 2007.

26 On August 21, 2007, shortly before the teleconference, a fax was received from Respondents’
27 counsel which consisted of a copy of a letter from the Utah Army National Guard (“National Guard”)
28 directing Mr. Purvis, an officer in the National Guard, to appear on September 8 and 9, 2007 for an

1 "Annual Muster Assembly" in Riverton, Utah. Subsequently, during the teleconference, it was
2 indicated that the issues raised in the Request/Motion had mostly been resolved except the new issue
3 with the National Guard commitment for Mr. Purvis and counsel's personal conflict. The proceeding
4 was recessed to allow the Division to investigate the possible conflict with Mr. Purvis' National
5 Guard obligation and was scheduled to resume on August 22, 2007.

6 On August 22, 2007, shortly before the teleconference was to resume, the Division's counsel
7 forwarded an E-mail from the commander of Mr. Purvis' National Guard unit which appeared to
8 indicate that his commanding officer had excused him from his September 8 and 9, 2007 obligation
9 and rescheduled him to appear on October 13 and 14, 2007, which would not conflict with the
10 pending proceeding before the Commission. After arguing the issues, the proceeding was adjourned.

11 On August 23, 2007, a Procedural Order was issued finding that Respondents'
12 Request/Motion failed to establish good cause for a further continuance of this proceeding, and
13 scheduled the hearing to commence on September 4, 2007.

14 On August 27, 2007, the Purvis Respondents filed a Motion to Continue Hearing for 30 Days.
15 The Purvis Respondents argued they had encountered delays in securing certain documents needed to
16 defend themselves against the allegations raised in the Notice.

17 On August 28, 2007, counsel for the Division and the Purvis Respondents were contacted to
18 arrange a teleconference on the Purvis Respondents' Motion for August 29, 2007.

19 On August 29, 2007, prior to the teleconference, the Division E-mailed a response to counsel
20 for the Purvis Respondents and the presiding Administrative Law Judge. Subsequently, a
21 teleconference took place between counsel for the Division and the Purvis Respondents with the
22 presiding Administrative Law Judge during which time the parties argued their positions concerning
23 the requested continuance. Subsequently, by Procedural Order, in order to ensure that the
24 Respondents were afforded due process, a brief continuance of 30 days was granted and additional
25 dates of hearing were scheduled. Further, a scheduling teleconference was scheduled on September
26 4, 2007.

27 On September 4, 2007, the Division and the Purvis Respondents, through counsel,
28 participated in a scheduling teleconference with the presiding Administrative Law Judge. The parties

1 stipulated that the dates of the hearing presently scheduled on October 1, 2, and 3, 2007 should be
2 vacated. They further stipulated to the hearing commencing on November 13, 2007, and that the
3 following dates also be reserved for dates of hearing: November 14, 15, 26, 27, 28 (afternoon only),
4 29, December 3, 4, 5, and 6, 2007; and January 22, 23, 28, 29, 30 and 31, 2008.

5 On September 5, 2007, by Procedural Order, the hearing dates of October 1, 2 and 3, 2007
6 were vacated, and the hearing was scheduled to commence on November 13, 2007.

7 On October 5, 2007, the Purvis Respondents filed a Motion to Compel Production of
8 Keaton's ACI/CIS Documents Pursuant to Subpoena and Unredacted Documents from Securities
9 Division ("Motion to Compel") with respect to documents which they had subpoenaed on or about
10 September 5, 2007, from the Keaton Respondents and ACI.

11 On October 11, 2007, ACI and the Keaton Respondents, whose consent Agreements were
12 previously approved by the Commission in Decision Nos. 69701 and 69702, respectively, filed their
13 Response to the Purvis' Motion to Compel stating that the information contained in the subpoenaed
14 records are not at issue in the Division's allegations concerning the Purvis Respondents and that they
15 are confidential and not relevant.

16 On October 12, 2007, the Division filed its Response to the Purvis' Motion to Compel. In its
17 detailed Response, the Division stated that it voluntarily gave access to redacted copies of the Keaton
18 entities' documents and could, therefore, not be compelled to provide any documents "...let alone un-
19 redacted copies of documents," and there was no legal reason to do so. Additionally, as pointed out
20 by the Division, the Purvis Respondents neither attempted to review the documents nor had them
21 copied. The Division further represented that it did not intend to use the financial records of the
22 Keatons or ACI that were being sought by the Purvis Respondents in the proceeding.

23 On October 16, 2007, by Procedural Order, the Purvis' Motion to Compel was denied.

24 On November 6, 2007, by Procedural Order, the location of the hearing was changed due to
25 exigent circumstances.

26 On November 13, 2007, a full public hearing was commenced before a duly authorized
27 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Division and
28 the Purvis Respondents appeared with counsel. Following the conclusion of the hearing, the matter

1 was taken under advisement pending submission of a Recommended Opinion and Order to the
 2 Commission.

3 * * * * *

4 Having considered the entire record herein and being fully advised in the premises, the
 5 Commission finds, concludes, and orders that:

6 **FINDINGS OF FACT**

7 1. Edward A. Purvis is an individual whose last known address is 2131 West Shannon,
 8 Chandler, Arizona 85224.

9 2. Maureen H. Purvis is an individual and the spouse of Edward A. Purvis whose last
 10 known address is 2131 W. Shannon, Chandler, Arizona 85224.

11 3. On October 3, 2006, the Division issued a notice against Respondents in which the
 12 Division alleged multiple violations of the Act in connection with the offer and sale of securities in
 13 the form of stock, investment contracts, and notes within or from Arizona to numerous investors who
 14 invested in excess of \$8,000,000.

15 4. Based on the record, on approximately January 2, 2002, Mr. Purvis in association with
 16 another Respondent, Gregg L. Wolfe, began to seek investors in conjunction with the operation of
 17 NCGMI, a Nevada corporation sole,¹ which was not registered to do business in Arizona.

18 5. The investment programs offered and sold by Respondent Purvis involved a stock
 19 offering by ACI and short-term bridge loans to various companies selected by Mr. Purvis. Investors
 20 were enticed with promises of stock that was selling for \$.80 a share. Mr. Purvis represented to
 21 investors that the stock would increase in value to \$3.00 to \$4.00 per share when the company's stock
 22 became publicly traded in 2005 or early 2006. The bridge loan program promoted by Mr. Purvis
 23 involved a pooling of investor funds in various self-directed IRA accounts at two trust companies.
 24 The account holders authorized Mr. Purvis to act as their authorized representative or agent on the
 25 accounts. Mr. Purvis represented to investors they would earn a monthly return of two percent (2
 26 percent) on their investment or 24 percent annually. Mr. Purvis then made loans to various

27 ¹ According to Nevada Revised Statutes Section 84.010, a "corporation sole" is a corporate entity used for the
 28 purpose of "...acquiring, holding, or disposing of church or religious society property, for the benefit of religion. . .charity
 and . . .public worship. . ."

1 companies in need of capital.

2 6. Mr. Purvis offered these investment programs to investors both in Arizona and outside
3 Arizona.

4 7. In support of the allegations raised in the Notice, the Division called a number of
5 witnesses as follows: Anthony Senarighi, a retired management consultant from Prescott, Arizona;
6 Mitchell Behm, a licensed financial advisor from Denver, Colorado; Michael Bukta, Mr. Senarighi's
7 son-in-law, and currently a full-time missionary in Peru; Eric Gregoire, a social acquaintance of Mr.
8 Purvis; Jo Ann Brundege-Davis, a retired bookkeeper from Oregon; Catherine Barnowsky, a semi-
9 retired former art teacher; James Keaton, Jr., the President, Treasurer, and/or majority shareholder of
10 ACI; Daniel Clayton, the President of Homes for Southwest Living, ("HSWL") and Eden Estates
11 ("Eden"), recipients of some of the proceeds from the loan bridge loan program; Ricardo Gonzales, a
12 certified public accountant employed by the Division; and Robert Eckert and Ronald Baran,
13 investigators employed by the Division.

14 8. At all times herein, neither the stock, investment contracts nor notes offered by Mr.
15 Purvis were registered as securities pursuant to Article VI or VII of the Act and Mr. Purvis who
16 offered these securities within or from Arizona, was not registered as either a dealer or a salesman
17 pursuant to Article IX of the Act.

18 **Anthony Senarighi**

19 9. Anthony Senarighi, a retiree, was a member of the Chandler Christian Church in
20 Chandler, Arizona where he met Mr. Purvis at a church picnic in April 2002.

21 10. While at the picnic, Mr. Senarighi heard Mr. Purvis describing investment
22 opportunities to Mr. Bukta and other individuals. Mr. Purvis told them that he could get investors a
23 guaranteed 2 percent return per month with a minimum \$100,000 investment.

24 11. After several months, Mr. Senarighi made contact with Mr. Purvis to get more
25 information about the investment opportunities he had heard about at the picnic.

26 12. Subsequently, Mr. Senarighi met with Mr. Purvis to learn about the bridge loan
27 program in which NCGMI was involved. Mr. Purvis explained that he sought borrowers in order to
28 provide opportunities for investors to make what was termed a guaranteed 2 percent per month on

1 their investments without risks. However, Mr. Senarighi did not wish to invest \$100,000 in the
2 bridge loan program. He also thought he would have to be involved as a full-time minister to
3 participate in the program.

4 13. At a subsequent luncheon meeting in March or April 2003, Mr. Senarighi was told
5 about another investment opportunity by Mr. Purvis. Mr. Purvis told him that he was raising money
6 for a company called ACI² which Mr. Senarighi thought was engaged in the business of
7 manufacturing energy saving devices.

8 14. Mr. Purvis told Mr. Senarighi that ACI needed money to expand and that ACI was
9 going to go public with the sale of its stock.

10 15. In approximately late July 2003, Mr. Senarighi and Mr. Purvis accompanied by Mr.
11 Wolfe and several other individuals, visited ACI's warehouse in Chandler, Arizona. While at the
12 warehouse, Mr. Senarighi was introduced to Mr. Keaton and was led to believe that Mr. Keaton
13 worked for Mr. Purvis.

14 16. On or about September 26, 2003, Mr. Senarighi paid \$.80 a share for 62,500 shares of
15 ACI stock for a total of \$50,000. Mr. Senarighi transferred funds from his existing IRA account to
16 Sterling Trust Company ("Sterling") of Waco, Texas, where he opened a new self-directed IRA
17 account as directed by Mr. Purvis, who he authorized as his representative. Mr. Senarighi also signed
18 a Subscription Agreement for the ACI stock and a letter to Sterling which stated that Mr. Purvis did
19 not advise or direct him to invest in ACI. Mr. Purvis told Mr. Senarighi that the letter for Sterling
20 was merely a formality.

21 17. Mr. Senarighi planned to sell his stock when it became publicly traded and he could
22 reap the benefit of the increased value projected by Mr. Purvis. Subsequently, Mr. Senarighi inquired
23 when the stock would be publicly traded. Mr. Purvis advised him several months later that the public
24 offering in ACI would not occur for another 12 to 18 months.

25 18. During Mr. Senarighi's transactions with Mr. Purvis, Mr. Purvis misrepresented the
26 period of time it would take for the ACI stock to be sold publicly.

27 ² On July 18, 2007, the Commission issued Decision Nos. 69701 and 69702, which ordered ACI and James
28 Keaton to cease and desist, pay restitution, and pay administrative penalties as part of Consent Orders related to this proceeding.

1 19. Mr. Purvis also failed to disclose that NCGMI held 10 million shares of ACI's stock
2 which could impact and lower the value of Mr. Senarighi's and other investors' stock in the event of
3 a public offering.³

4 20. Mr. Purvis made representations to Mr. Senarighi concerning his relationship with Mr.
5 Keaton that would lead a prospective investor to believe that Mr. Purvis had inside knowledge about
6 the company. Such representations served to assure a prospective investor that the projected profits
7 would be realized when the stock began trading publicly.

8 21. Mr. Mitchell Behm, Mr. Senarighi's son-in-law and a Denver financial advisor,
9 interceded with Mr. Purvis on Mr. Senarighi's behalf. Ultimately, with Mr. Behm's assistance, Mr.
10 Senarighi requested and received the return of his investment from Mr. Purvis.⁴

11 22. There is no evidence that the ACI stock offered and sold by Mr. Purvis was exempt
12 from registration in Arizona.

13 **Michael Bukta**

14 23. Michal Bukta, also a son-in-law to Mr. Senarighi, traveled to Phoenix from Trujillo,
15 Peru to testify at the hearing. Mr. Bukta and his wife, Danelle, are working as missionaries in Peru
16 and are members of the Chandler Christian Church.

17 24. Although Mr. Bukta briefly met Mr. Purvis in 2001, he also spent some time with him
18 in April 2002 at the church's annual picnic. When Mr. Purvis inquired how much money Mr. Bukta
19 and his family would need for monthly expenses in Peru, Mr. Bukta told him about \$2,000 per
20 month. In response, Mr. Purvis mentioned that Mr. Bukta could "charge off" his house in some
21 fashion to relieve the Buktas of their mortgage debt.

22 25. About a month later, Mr. Bukta contacted Mr. Purvis for more information about
23 charging off his home loan, but because he was busy, Mr. Purvis told Mr. Bukta to contact his
24 associate, Respondent Gregg Wolfe.

25 26. Mr. Bukta contacted and had a meeting with Mr. Wolfe, who described a confusing
26 scenario to "charge off" his home. Mr. Bukta was told that the transactions would take

27 ³ Mr. Purvis opened bank accounts for NCGMI and signed bank documents as its Executive Director.

28 ⁴ Mitchell Behm is also the brother-in-law of Mr. Butka as he is married to another one of Mr. Senarighi's daughters.

1 approximately nine months to complete and involved an individual in California.

2 27. After Mr. Bukta's meeting with Mr. Wolfe, he met with several members of the
3 church who knew Mr. Purvis, including his church's minister, Joe Coquillard. This was to reassure
4 himself that he could trust Mr. Purvis if he chose to invest with him.

5 28. Mr. Bukta's inquiries led him to believe that Mr. Purvis was wealthy and dependable.

6 29. During the course of Mr. Bukta's discussions with Mr. Purvis and Mr. Wolfe, it was
7 represented to him that he could invest \$100,000 from the sale of his house in a bridge loan
8 investment and that he could invest \$15,000 in ACI's stock which he was told would increase in
9 value about 300 percent when it went public in approximately 18 months. With the purported monies
10 to be earned from these investments, Mr. Bukta believed he could pay his expenses in Peru.

11 30. Mr. Bukta believed that Mr. Purvis would be personally guaranteeing his investments
12 and that they would be secure because of the Bukta's plans to become missionaries.

13 31. After receiving the proceeds from the sale of his home, in September 2004, Mr. Bukta
14 invested \$115,000 in the form of a check payable to NCGMI, representing \$100,000 for the bridge
15 loan program earning two percent per month and \$15,000 to purchase the stock in ACI.

16 32. At the time of Mr. Bukta's investment, based on Mr. Purvis' representations, Mr.
17 Bukta thought Mr. Purvis was the owner of NCGMI.

18 33. Based upon the advice of Mr. Wolfe and believing that he would not have to pay taxes
19 on the two percent interest earned each month from his investment in NCGMI's bridge loan program,
20 Mr. Bukta formed a corporation sole in October 2004. Mr. Bukta had been told that income derived
21 from his investment could be received tax free if the funds were used for ministry purposes when
22 they were paid to his corporation sole. Mr. Bukta called his new corporation, "New Hope
23 International Ministries" and spent \$5,000 to form his corporation sole with a man in either North or
24 South Carolina.

25 34. At the time Mr. Bukta invested with Mr. Purvis through the bridge loan program at
26 NCGMI, no questions were asked as to what his income was, his worth, or his ability to withstand the
27 loss of his investment. At no time was Mr. Bukta provided with any documentation whatsoever
28 related to his investments.

1 35. Shortly thereafter, Mr. Bukta spoke with his brother-in-law, Mr. Behm, concerning the
2 nature of his investments, the total lack of documentation and the formation of his corporation sole.
3 Mr. Behm investigated the situation and he urged Mr. Bukta to get his money refunded immediately.
4 Mr. Bukta then telephoned Mr. Purvis and requested the return of his investment.

5 36. Mr. Purvis told Mr. Bukta to “pray about it” and to call him back in the morning if he
6 still wanted his investment. Mr. Bukta called him the next day, and several hours later his total
7 investment with NCGMI had been returned to his bank account.

8 37. Although Mr. Bukta had been told that Mr. Purvis personally guaranteed his
9 investment, there is no evidence that Mr. Purvis had the assets necessary to return his investment,
10 other than the return of his funds when requested.

11 38. There is no evidence to support the representations to Mr. Bukta that the income
12 received on his bridge loan investment would be tax free if paid to his corporation sole. Further,
13 there is no evidence that Mr. Bukta’s investment for ACI stock ever took place since his name did not
14 appear on the company’s list of shareholders.

15 39. Mr. Purvis also failed to disclose to Mr. Bukta that NCGMI owned 10 million shares
16 of ACI stock which could have affected the value of Mr. Bukta’s stock in the event of the purported
17 public offering.

18 **Jo Ann Brundege-Davis**⁵

19 40. Jo Ann Brundege is a 73-year old retiree from Portland, Oregon who first met Mr.
20 Purvis at a sandwich shop in Phoenix, Arizona after being introduced to him on the telephone by her
21 nephew, Respondent Wolfe. Subsequently, she invested her entire savings of \$61,045 from her
22 401(k) savings account into what she was told would be a great investment.

23 41. At the time Mrs. Brundege decided to invest, she had not been provided with any
24 information about the investment, but recalled that a return of 24 percent had been “bandied about.”
25 However, Mrs. Brundege was unaware whether this meant per year, per month, or per quarter or for
26 the life of investment.

27 _____
28 ⁵ Mrs. Davis had recently married, but at all relevant times herein, will be referred to as Jo Ann Brundege or Mrs. Brundege.

1 42. Mrs. Brundage testified that she did not understand the nature of the investment that
2 she would be making with Mr. Purvis because she did not understand his explanation. She testified
3 that she merely trusted her nephew.

4 43. During her discussion with Mr. Purvis and her nephew, Mrs. Brundage was told that if
5 she would leave her investment alone for approximately three years she would triple her money to
6 \$180,000.

7 44. In order to begin investing, Mrs. Brundage was directed by Mr. Purvis to open a self-
8 directed IRA account with American Church Trust ("ACT") in Houston, Texas. She transferred her
9 401(k) account funds into the ACT account and listed Mr. Purvis as the "authorized agent" on the
10 account. As such, Mr. Purvis would receive copies of Mrs. Brundage's quarterly statements and a
11 copy of correspondence from ACT to Mrs. Brundage.

12 45. On August 16, 2002, Mrs. Brundage signed a trading authorization to be filed with
13 ACT authorizing Mr. Purvis as her "agent" and attorney in fact on her account to act on her behalf
14 with respect to investments from her account. Mrs. Brundage testified that she did this because she
15 trusted Mr. Purvis.

16 46. On or about October 9, 2002, Mr. Purvis, acting as Mrs. Brundage's agent, approved
17 the use of her entire account at ACT to fund a loan between Mrs. Brundage and Corporate Architects,
18 Inc. ("CAI") of Scottsdale, Arizona.

19 47. Subsequently, CAI defaulted on Mrs. Brundage's loan and loans from other investors
20 with self-directed IRA accounts with ACT. These funds managed through ACT by Mr. Purvis as
21 agent were rolled into a larger investment of \$263,663 in return for the payment of unrestricted stock
22 in a company known as Circuit Source International, Inc. ("CSI").⁶

23 48. Mr. Purvis failed to disclose to Mrs. Brundage that her entire retirement savings
24 account would be utilized to fund a loan to a company about which she had no knowledge.

25 49. Neither Mr. Purvis nor her nephew disclosed to her that the note between herself and
26 CAI had no security other than a personal guarantee from the president of the company with no
27

28 ⁶ This was a corporate predecessor of ACI.

1 supporting evidence to substantiate the purported guarantee.

2 50. While Mrs. Brundege received quarterly statements from ACT reflecting monthly
3 credit for interest on her note with CAI, she was unaware that the note had not been repaid.

4 51. On or about October 21, 2003, Mrs. Brundege executed documents creating another
5 self-directed IRA account with Sterling naming Mr. Purvis as her representative to manage the
6 account. She subsequently transferred the \$10,591 purportedly paid as interest into her account at
7 ACT to her Sterling account.

8 52. After Mr. Purvis transferred the \$10,591 from ACT to Sterling, in December 2003,
9 acting as Mrs. Brundege's agent, he purchased 13,235 shares of ACI stock.

10 53. Mrs. Brundege was not interested in investing in ACI even when told by Mr. Purvis
11 and her nephew that the stock would increase in value when it became publicly traded. Further, both
12 Mr. Purvis and her nephew knew that Mrs. Brundege was an inexperienced investor, and not
13 accredited as required in the private offering memorandum ("PPM") and subscription agreement.

14 54. Becoming dissatisfied with Mr. Purvis' activities on her behalf, Mrs. Brundege began
15 to investigate his activities after he failed to give her satisfactory responses when questioned about
16 her investment.

17 55. After she contacted ACT to gain information about the note with CAI, she was told to
18 contact Mr. Purvis, her authorized account representative, if she needed more information about her
19 investment.

20 56. Additionally, Mrs. Brundege testified that after she sold a motor home which she had
21 purchased when she retired, she took \$8,200 of the proceeds and invested in NCGMI in April 2004.
22 In January 2005, Mrs. Brundege received a NCGMI statement which reflected \$8,200 for her
23 investment in ACI, but the following month's statement for February 2005 reflected the same amount
24 of investment, \$8,200, in the Vanuatu Project Management ("VPM"). VPM is a mining operation
25 and resort development in the island Republic of Vanuatu, which is located in the South Pacific
26 Ocean to the northeast of Australia.

27 57. In 2005, because of Mrs. Brundege's age, she was required to withdraw a minimum
28 amount of money from her self-directed IRA accounts with ACT and Sterling. Because she found it

1 difficult to secure the funds, she contacted Mr. Purvis about her need to withdraw \$2,726 from ACT
2 and \$2,227 from Sterling. According to Mrs. Brundege, Mr. Purvis arranged for NCGMI to purchase
3 a portion of Mrs. Brundege's note with CAI and made a similar arrangement with Mrs. Brundege to
4 purchase 3,750 shares of her ACI stock at \$.80 per share for a total of \$3,000.

5 58. In order to purchase the ACI stock, Mr. Purvis signed the stock purchase agreement on
6 behalf of NCGMI as the company's executive director.

7 59. Due to the difficulties Mrs. Brundege experienced in securing the required cash
8 distributions from both accounts, she decided that she did not want to continue her investments with
9 Mr. Purvis and her nephew. As a result, she requested a return of her investment.

10 60. According to Mrs. Brundege, she was told by Mr. Purvis that he would refund her
11 money if she would (1) sign a release releasing NCGMI and Mr. Purvis and related entities; (2)
12 permit him to purchase the remaining balance on her note from CAI in the amount of \$58,919; and
13 (3) agree not to cooperate with the Division's inquiry into her investments related to this proceeding.
14 Subsequently, an agreement was not reached and her funds have not been returned to her.

15 61. As a result, in August 2006, Mrs. Brundege sent a letter to ACT and revoked Mr.
16 Purvis' authority to act on her behalf.

17 62. Based on the record, it is established that Mr. Purvis failed to disclose to Mrs.
18 Brundege that her investment funds with ACT would be utilized as a loan to CAI. Mr. Purvis also
19 failed to disclose the extent of the risks related to a loan to CAI and the fact that there was no
20 collateral for the loan. Further, Mr. Purvis misrepresented the supposed 300 percent rate of return on
21 her loan involving CAI when compared to the actual two percent interest that her account earned
22 prior to CAI defaulting on the loan.

23 63. Mr. Purvis further failed to disclose that her funds invested in NCGMI would be used
24 to pay his personal expenses.

25 64. Additionally, Mr. Purvis misrepresented the purported increase in ACI's stock growth
26 that would take place when no progress was being made for the stock to be traded publicly.

27 65. As the date of the hearing, Mrs. Brundege indicated that she had not had her
28 investment returned to her. She also testified that during negotiations for the return of her investment

1 she and her attorney were told that would not happen if she cooperated with the Division in this
2 proceeding.

3 66. Mrs. Brundege also referred to an investment by her parents, Russell and Vern
4 Montgomery who, according to their statement, had invested \$59,500 with NCGMI in March and
5 April 2004, with a two percent rate of return.

6 67. Both Mr. and Mrs. Montgomery died before the hearing, Mrs. Montgomery in June
7 2004 and Mr. Montgomery in July 2006.

8 **Catherine Barnowsky**

9 68. Mrs. Barnowsky is a 64 year old semi-retired former school teacher from Wisconsin.
10 She met Mr. Purvis after his wife, Maureen, was the matron of honor at the wedding of Mrs.
11 Barnowsky's daughter, Dawn, in 2001 in Steamboat Springs, Colorado. Subsequently, when Mrs.
12 Barnowsky came to Arizona where Dawn resides, and she visited with Mr. Purvis on a few occasions
13 and they had some meals together.

14 69. During a 2003 visit to Arizona, her daughter informed her that she and her husband
15 had begun investing with Mr. Purvis and received monthly income. As a result, Mrs. Barnowsky and
16 her husband, Michael, became interested in investing with Mr. Purvis also. In approximately January
17 2004, she spoke with Mr. Purvis and in March 2004 visited Phoenix and met with him at her
18 daughter's house.

19 70. During that meeting, the Barnowsky's explained that they were looking for a monthly
20 income from their investment to meet their expenses including a mortgage on a new home. Mr.
21 Purvis told them that if they invested with him, they would be able to earn two percent a month on
22 the investment.

23 71. According to Mrs. Barnowsky, Mr. Purvis told them about his company, NCGMI
24 which she understood to be a "Christian type of investment company" which would pay them two
25 percent per month on their investment. He referred to the payments on the investments as "gifts" and
26 not taxable.

27 72. The way it was explained to Mrs. Barnowsky, they could invest half of their funds in
28 NCGMI for a monthly income and invest the other half of their investment in ACI stock which Mr.

1 Purvis represented to Mrs. Barnowsky would be worth double or triple its purchase price when the
2 stock became publicly traded in 2006.

3 73. At one point, Mr. Purvis told the Barnowskys that they could become millionaires
4 with their investment, but they told him that they simply wanted a monthly income for a comfortable
5 retirement.

6 74. Based in part on their daughter's relationship with Mr. Purvis and his wife, and
7 reassured by Mr. Purvis that if there were any problems with their investment that he would pay it
8 back to them from his personal funds, the Barnowskys decided to invest with Mr. Purvis, anticipating
9 a two percent monthly return to partially offset the loss of approximately half of their retirement
10 monies that had been in the stock market and lost after 9/11.

11 75. Mrs. Barnowsky believed her investment would be secure because Mr. Purvis
12 represented that it would be backed up by gold bullion, magnesium and other minerals.

13 76. Subsequently, Mr. Purvis sent the Barnowskys documents which required completion
14 prior to the Barnowskys making an investment. The documents had been fully completed when sent,
15 except for signatures.

16 77. Accompanying the documents for the Barnowsky's signature was a corporate
17 guarantee purportedly securing their planned investment of \$114,000 with the assets of CSI
18 Technologies, Inc. and Sutherland Global, Inc. ("Sutherland") which was signed by Mr. Purvis on
19 behalf of Sutherland and James Keaton for CSI.

20 78. In order to open an account with Sterling, Mrs. Barnowsky was required to sign a
21 letter addressed to Sterling indicating that the \$114,000 which she was going to invest in ACI in
22 return for 142,500 shares of stock was not the result of any influence of Mr. Purvis, who was a
23 director of ACI and her authorized representative on her Sterling account, and that he had not advised
24 her or influenced her decision to invest in ACI.

25 79. Mrs. Barnowsky testified that while the substance of this letter was untrue, she signed
26 it in order to receive the promised two percent monthly income.

27 80. Although Mrs. Barnowsky was advised not to invest in the ACI stock by her financial
28 planner, the Barnowskys decided to invest because of her daughter's relationship with the Purvis' and

1 the regularly monthly payments her daughter and her husband had received on their investment.

2 81. Subsequently, the Barnowskys withdrew \$114,000 from their A.G. Edwards
3 Retirement account to invest in ACI in return for 142,500 shares of the company's stock.

4 82. While Mrs. Barnowsky's Sterling quarterly statement for the period ending June 30,
5 2004 reflected the ownership of 142,500 shares of ACI valued at \$114,000, her NCGMI statements
6 reflected an investment of \$57,000 in July 2004 for ACI. Subsequently, the Barnowsky's statements
7 from NCGMI showed an investment in VPM reflected as a loan.

8 83. As of the date of the hearing, Mrs. Barnowsky had received payments of \$34,200,
9 many of them made with Bank of America checks on a NCGMI account signed by Mr. Purvis.

10 84. Based on the record, it was unexplained why Mrs. Barnowsky received payments from
11 an NCGMI account after investing \$114,000 as payment for 142,500 shares of ACI.

12 85. Based on the record, CSI was a defunct corporation and its assets transferred to ACI in
13 August 2003. Additionally, the Division was unable to locate any assets for Sutherland, the other
14 purported guarantor guaranteeing Mrs. Barnowsky's investment in the ACI stock.

15 86. The purported guarantee of the Barnowsky's investment was signed by Respondent
16 Purvis for Sutherland. Mr. Keaton testified that he did not sign the guarantee document on behalf of
17 CSI.

18 87. The Barnowskys believed Mr. Purvis' representations that he would personally
19 guarantee their investment.

20 88. Mrs. Barnowsky recalled reviewing the purported guarantees and noting that
21 "Sutherland" at the top was spelled "Southerland" and at the bottom of the form was spelled
22 "Sutherland."

23 89. Mrs. Barnowsky was unaware when she received a copy of the PPM and she testified
24 that no one had advised her what an "accredited investor" was prior to her investment ACI stock.

25 90. Mr. Purvis led Mrs. Barnowsky to believe that she and her husband's investment in
26 the ACI stock would double or triple in value when the company made its initial public offering.

27 91. In an arrangement not fully understood by Mrs. Barnowsky, apparently half (\$57,000)
28 of her \$114,000 investment was invested in some fashion with NCGMI and she began to receive a

1 two percent money return or \$1,140 per month reflected as a “donation” on her statement from
2 NCGMI. While waiting for ACI to make its public offering, Mrs. Barnowsky believed the funds
3 came from either NCGMI or some form of trust from Mr. Purvis.

4 92. According to Mrs. Barnowsky, she received the \$1,140 payments on a regular basis
5 through August 7, 2006, but then a gap occurred and she subsequently learned that there would be no
6 public offering by ACI. After receiving a final payment in February 2007, the Barnowskys had
7 received a total of \$34,200 from her investment.

8 **Eric Gregoire**

9 93. Mr. Gregoire was a resident of Chandler, Arizona, who met Mr. Purvis in September
10 2001 at a friend’s wedding in Steamboat Springs, Colorado.⁷

11 94. After returning from Colorado, Mr. Purvis and Mr. Gregoire became friends.

12 95. Upon becoming friends with Mr. Purvis, Mr. Gregoire began investing with Mr.
13 Purvis by transferring approximately \$31,113 from an existing IRA into a self-directed IRA account
14 at ACT. Mr. Gregoire’s first investment made from his ACT account was in a company called
15 International Currency Limited, Inc. (“ICL”) which traded in foreign currency.

16 96. In opening the account with ACT, Mr. Gregoire authorized Mr. Purvis to make
17 investments for him by signing a trading authorization, power of attorney, and an investment
18 direction which authorized Mr. Purvis to act as his agent with his ACT account.

19 97. Mr. Gregoire invested in ICL from November 2001 until June 15, 2002, when ICL
20 sent him a letter stating that his account was to be “deactivated” and “liquidated” because of
21 operating changes made by ICL in the types of securities which they were offering as of the end of
22 June 2002.

23 98. Subsequently, Mr. Gregoire received a letter from Mr. Purvis on or about July 16,
24 2002, informing him that Sutherland, in consultation with another trading company, would be
25 handling the account.

26 99. According to Mr. Gregoire, at the time his account was terminated at ICL, he had

27 _____
28 ⁷ The wedding was for Scott Grieco and Dawn Barnowsky, Mrs. Barnowsky’s daughter where Mrs. Maureen Purvis was the maid of honor.

1 earned \$4,044 from this investment which was returned to his account at ACT by July 2002.

2 100. On March 15, 2002, Mr. Gregoire and his wife withdrew \$12,000 from a joint account
3 at Desert Schools Federal Credit Union to make investment with Mr. Purvis in Omni Corp, Inc.
4 ("Omni"). Mr. Purvis told him that this investment had the potential to return up to 50 percent of the
5 investment.

6 101. To make this investment, Mr. Gregoire had a cashiers' check made out to NCGM⁸ and
7 subsequently received account statements from Sutherland,⁹ which had an address in Las Vegas,
8 Nevada, and reflected Mr. Purvis as authorized agent.

9 102. Subsequently, Mr. Gregoire testified that he and his wife earned \$6,000 on this
10 investment which was returned to them in the form of two \$9,000 checks from NCGMI, one to him
11 and one to his wife purportedly returned as "gifts" on or about February 7, 2004.

12 103. According to Mr. Gregoire, it was Mr. Purvis' idea to classify the checks as gifts.

13 104. The NCGMI checks paid to the Gregoires on their \$12,000 investment were both
14 signed by Mr. Purvis. In July 2002, the funds in Mr. Gregoire's ACT account were utilized to make a
15 loan to a CSI subsidiary controlled by Mr. Keaton.

16 105. Mr. Gregoire's loan to CSI for \$33,690 would purportedly earn two percent interest
17 per month and the loan was to be repaid in six months.

18 106. James Keaton signed the note on behalf of CSI pledging his personal assets to
19 guarantee the note.

20 107. According to the terms on the documents, Mr. Gregoire's father, Bernard Gregoire,
21 along with several other individuals were listed as lending \$992,832 to CSI.

22 108. After Mr. Gregoire's loan of \$33,090 to CSI from his ACT account, Mr. Gregoire met
23 with Mr. Purvis on several occasions to discuss this arrangement and his alternatives, including the
24 possibility of converting the investment to an investment in ACI's stock because it was supposed to
25 go public. A discussion also touched upon purchasing CSI stock with the funds invested in the CSI
26 note, but purportedly, Mr. Gregoire would not lose money because CSI stock was going to be valued at

27 _____
28 ⁸ Mr. Gregoire believed that NCGMI was Mr. Purvis' investment company.

⁹ According to Mr. Gregoire, Mr. Purvis had told him that Sutherland was his company.

1 \$.80 a share and there was a non-dilution clause.

2 109. It was not made entirely clear to Mr. Gregoire in what investment his funds were
3 invested in at this point. Although Mr. Gregoire believed that he was invested in CSI stock based on
4 conversations with Mr. Purvis, his name does not appear on either the CSI or ACI shareholder lists.

5 110. Mr. Gregoire learned there was a question of whether his name appeared as either a
6 CSI shareholder or an ACI shareholder. After contacting Mr. Purvis, he was informed that CSI's
7 promissory note was a better investment than ACI stock. Mr. Gregoire became more confused with
8 respect to the location of his investment, but was not overly concerned because he was relying on Mr.
9 Purvis' representations that he would take care of Mr. Gregoire's investment if anything went wrong.

10 111. Although Mr. Gregoire has received monthly statements regarding his CSI note, he is
11 unsure if he will recover his investment.

12 112. When Mr. Keaton testified at the proceeding, he explained that he had not repaid
13 investors, but had agreed with Mr. Purvis to give NCGMI 10 million shares of ACI stock in exchange
14 for the extinguishment of CSI debt with ACT investors. According to Mr. Keaton, NCGMI was to
15 distribute the stock to note holders.

16 113. Mr. Gregoire had known Daniel Clayton, a home builder, previously from his
17 attendance at Chandler Christian Church and introduced him to Mr. Purvis, believing that Mr. Purvis
18 could assist Mr. Clayton in obtaining loans for his business.

19 114. In 2003, Mr. Purvis offered Mr. Gregoire an opportunity to invest in a promissory note
20 and make a \$2,158 loan to Daniel Clayton and his companies, HSWL and Eden. Mr. Gregoire was to
21 earn two percent per month for this loan to the builder for what he believed to be a short-term loan
22 for less than two months until the builder received permanent financing.

23 115. As security, lenders were given an UCC-1 Financial Statement, a personal guarantee
24 from the builder, Daniel Clayton and his wife, and additionally pledged the outstanding shares in
25 HSWL and Eden.

26 116. NCGMI was to receive a five percent finder's fee for concluding the transaction.

27 117. In June 2005, after the note was not repaid by Mr. Clayton, Mr. Gregoire discussed the
28 matter with Mr. Purvis, and Mr. Purvis agreed that NCGMI would purchase Mr. Gregoire's interest

1 in the HSWL and Eden promissory note for \$3,409 which was paid with a NCGMI check signed by
2 Mr. Purvis.

3 118. Based on the record, Mr. Purvis misrepresented to Mr. Gregoire that his investments
4 would be secure and that Mr. Purvis had the wealth necessary to personally guarantee the return of
5 his invested funds in the event of a problem.

6 119. Similarly, Mr. Purvis misrepresented the security for Mr. Gregoire's investment in the
7 form of a loan to CSI and its subsequent metamorphosis into another investment which is
8 untraceable. Further, Mr. Purvis did not disclose that NCGMI received \$10 million worth of ACI
9 stock to pay off the CSI note holders.

10 120. Additionally, since Mr. Purvis had been a director of both CSI and ACI, he failed to
11 disclose the financial condition and riskiness of the investment recommended to Mr. Gregoire when
12 his initial investment was made.

13 121. Lastly, Mr. Gregoire testified concerning investments made by his father, Bernard,
14 with Mr. Purvis which totaled approximately \$270,000. While at one time his father received a
15 purported return on his investment, at over seventy years old, he now faces the loss of his home and
16 serious financial hardship.

17 **Corroborative Witnesses**

18 122. From approximately 1994 to 2003, Daniel Clayton operated his land development
19 business (Eden) and his home building firm (HSWL). During that time he first met Mr. Purvis at
20 Chandler Christian Church, which they both attended.

21 123. Mr. Clayton's testimony corroborated Mr. Gregoire's testimony and sometime
22 following September 11, 2001, he was in need of cash to finish Eden, a small subdivision that he was
23 engaged in developing. If he could secure a bridge loan, Mr. Clayton anticipated securing permanent
24 refinancing within three to five months.

25 124. Mr. Clayton met with Mr. Purvis and discussed his need for financing in order to
26 continue the development of Eden.

27 125. At this point, Mr. Clayton was seeking approximately \$300,000 to \$350,000 in bridge
28 loan funds to make interest payments for some construction activities for homes under construction.

1 After this, Mr. Clayton expected to complete refinancing arrangements and pay off the bridge loans
2 in approximately three months.

3 126. Interest on the loans called for 24 percent annually or two percent a month and as
4 security on the bridge loans, Mr. Clayton recalled using the UCC-1 Form and other various contracts
5 to address security for the loans.

6 127. Mr. Clayton confirmed that he and his wife personally guaranteed the loans along with
7 pledging stock and membership interests in their construction and development businesses.

8 128. Mr. Clayton confirmed that it was agreed that NCGMI would receive a finder's fee
9 equal to five percent of the face value of the loan.

10 129. Mr. Clayton identified and recalled a number of loan documents which he had
11 executed with ACT as the custodian of various IRA accounts controlled by Mr. Purvis.

12 130. Mr. Clayton testified that the various promissory notes between his companies and the
13 various investors who had entrusted their funds to ACT had not been repaid because HSWL's and
14 Eden's assets had all been foreclosed on in March or April 2004.

15 131. Although Mr. Clayton believed that HSWL and Eden had adequate assets when the
16 notes went into default, as time passed and he was unable to refinance the project, it was apparent
17 that he would not have the assets or the ability to repay the loans. He went bankrupt in his business
18 and personally.

19 132. Mr. Clayton clarified that his bridge loan was actually composed of a series of
20 separate loans with IRA funds from ACT totaling approximately \$300,000 to \$350,000 and arranged
21 by Mr. Purvis.

22 133. Mr. Clayton identified UCC financing documents which identified NCGMI as the
23 secured party for his debtor companies, HSWL and Eden, not the individual account holders at ACT.
24 He further indicated that the loans from ACT for various IRA accounts for which Mr. Purvis was the
25 agent had not been repaid.

26 134. None of the individual IRA account holders who had established accounts at ACT
27 were listed as creditors; however, listed as a creditor holding an unsecured priority claim was
28 NCGMI in the amount of \$475,000 representing amounts borrowed through Mr. Purvis plus interest,

1 but Mr. Clayton and James Keaton could not state with certainty that all of the loans were included.

2 **James Keaton**

3 135. To further substantiate the Division's allegations with respect to the sale of ACI stock
4 by Mr. Purvis, Mr. James Keaton testified as a witness who, during relevant times in this proceeding,
5 was the president, treasurer, director and/the majority shareholder of ACI.

6 136. Mr. Keaton testified that his business was involved in the manufacture of printed
7 circuit boards and that he had been involved with a number of companies in this field since 1978.

8 137. Prior to ACI, in December of 2000, Mr. Keaton was president and owner of CSI.

9 138. In approximately May or June of 2002, an associate of Mr. Keaton's introduced him to
10 Mr. Purvis because purportedly Mr. Purvis had an interest in investing in his company.

11 139. Mr. Keaton understood that Mr. Purvis had a business that made loans and
12 investments to different types of businesses and participated in various investment opportunities.

13 140. Although Mr. Purvis and his associates were involved in another venture, it was
14 mentioned that these individuals would be willing to take a portion of their funds and invest it with
15 Mr. Keaton and his company at the time, CSI.

16 141. Mr. Keaton believed Mr. Purvis to be an investor and through his company, NCGMI,
17 invested in various businesses and made loans to businesses like Mr. Keaton's.

18 142. Mr. Keaton's testimony described the process whereby Mr. Purvis effectuated loans to
19 CSI from the 'various investor' IRA accounts at ACT.

20 143. Mr. Keaton and his associates had anticipated that the source of the funds that were
21 being loaned to his company were from one source, but as they reviewed the documents, he and his
22 associates learned that different amounts totaling the amount that they were receiving were coming
23 from the various IRA accounts that Mr. Purvis controlled at ACT.

24 144. Initially, Mr. Keaton had believed that he would be signing a loan for one lump sum
25 from ACT, believing it to be a bank or investment entity, and that he would be receiving
26 approximately \$1 million in one payment and not from a variety of separate accounts.

27 145. During the hearing, Mr. Keaton reviewed a number of documents which identified
28 individuals who had IRA accounts at ACT which were controlled by Mr. Purvis who authorized the

1 loans from their accounts to Mr. Keaton's company in June 2002.

2 146. Mr. Keaton identified a corporate and personal guarantee given by CSI and himself to
3 seven account holders at ACT who were to receive two percent per month on their loans to CSI
4 totaling \$992,823.

5 147. Mr. Keaton testified that the documents evidencing the loans with respect to the ACT
6 IRA accounts, which were managed by Mr. Purvis, came from Mr. Purvis' attorney in Scottsdale,
7 Arizona. Additionally, Mr. Keaton recalled making payments on the loans to the attorney's office for
8 redistribution to the individual accounts.

9 148. One document reviewed by Mr. Keaton indicated that payments were to be made on a
10 consulting basis from CSI to NCGMI after the transfer of 180,500 shares of CSI common stock and
11 after which one percent per month of the amount of the notes were to be paid to NCGMI for securing
12 the loans on behalf of Mr. Keaton's company.

13 149. Mr. Keaton categorized the fee as a fee for services for securing the lenders of the CSI
14 notes.

15 150. Mr. Keaton acknowledged that, of the approximately \$1.3 million in loans originating
16 through Mr. Purvis, CSI defaulted on their payments.

17 151. By May of 2003, CSI was feeling financial strain and was unable to obtain a
18 permanent loan and Mr. Keaton testified that he was exploring the possibility of selling stock by
19 means of a private offering, but his efforts were unsuccessful.

20 152. On July 24, 2003, Mr. Purvis was appointed to the Board of Directors of CSI because
21 he was a representative of the company's largest group of creditors, the ACT investors.

22 153. In August of 2003, after CSI failed, Mr. Keaton formed ACI.

23 154. According to Mr. Keaton, as CSI was failing, he made an agreement with Mr. Purvis
24 that the note holders from various ACT accounts which Mr. Purvis managed, would be repaid by
25 NCGMI in return for Mr. Keaton's new corporation, ACI issuing five million shares of its new stock
26 to NCGMI. Their agreement also called for NCGMI to invest an additional \$1.5 million into ACI in
27 return for an additional five million shares of its stock being issued to NCGMI. However, a written
28 agreement between Mr. Keaton on behalf of ACI was not executed by Mr. Purvis and NCGMI.

1 155. Mr. Keaton anticipated that NCGMI would pay off the notes held by the ACT account
2 holders so that they would no longer be involved and so the stock would be issued in the name of
3 NCGMI.

4 156. At ACI's inception, it assumed a little over \$4 million in debt associated with another
5 subsidiary, Avanti Circuits ("Avanti"), and CSI. The only remaining debt was to the 10 ACT note
6 holders which NCGMI was to pay off in return for the first five million shares of ACI stock.

7 157. At that point, the seven ACT note holders from mid 2002 and the three ACT note
8 holders from December 2002, were to be satisfied by Mr. Purvis and NCGMI.

9 158. Mr. Keaton hoped to pursue other opportunities with ACI which were intended to
10 result in profitability.

11 159. During an August 22, 2003 board meeting attended by Mr. Purvis, a corporate
12 resolution was adopted for the sale of Avanti and the assumption of the related debt of CSI was to be
13 transferred to ACI.

14 160. According to the CSI's board resolution, Mr. Purvis, as the representative of the
15 largest secured creditor, would recommend to the ten note holders of CSI to convert their holdings
16 into equity in the form of shares in ACI.

17 161. On August 25, 2003, Mr. Purvis accepted his appointment as a director of ACI.

18 162. In August of 2003, ACI authorized the issuance of a PPM in the hopes of raising \$2
19 million. As a director, Mr. Purvis was authorized to offer the investment by means of the PPM.

20 163. According to Mr. Keaton, Mr. Purvis was advised that the offering was unregistered
21 and that certain rules had to be followed to preserve the classification of this offering in that there
22 could be no advertising and it could only be offered to sophisticated and accredited investors.

23 164. In order to proceed with the private offering in the first half of 2004, ACI had retained
24 two consultants to make sure that the offering complied with the applicable rules and securities laws
25 and Mr. Purvis was present during these discussions.

26 165. In taking over CSI's subsidiary, Avanti, ACI also agreed to the acquisition of all of the
27 outstanding stock, for a total of approximately \$5.5 million in debt. Included in the CSI transaction
28 with ACI were the loan debts held by the ten ACT account holders represented by Mr. Purvis, not to

1 exceed \$1.65 million in return for equity in ACI.

2 166. It was Mr. Keaton's understanding that loan holders would take stock in ACI in lieu of
3 repayment on the debt.

4 167. According to Mr. Keaton, Mr. Purvis was to speak to the loan holders as their
5 authorized agent on the accounts and tell them that, to satisfy the debt on the loans to CSI, they could
6 convert the defaulted loans to stock in ACI. However, Mr. Purvis never transferred any shares in
7 ACI to the ten note holders who had loaned the funds to CSI from their ACT accounts.

8 168. Mr. Keaton believed that NCGMI would assume and pay off the debt to these ten
9 lenders with IRA accounts at ACT which were managed and represented by Mr. Purvis.

10 169. According to the minutes of the first meeting of the board of directors of ACI at which
11 Mr. Keaton and Mr. Purvis were present on August 25, 2003, the then president of ACI, Mr. Ron
12 Conquest, advised the board that the acquisition was being made without the benefit of an
13 independent third-party evaluation and that the purchase price was substantially over valued and if
14 certain debt could not be converted to equity, that the transaction might be rescinded.

15 170. On August 25, 2003, the ACI board approved the issuance of a PPM for the sale of up
16 to 2.4 million shares of common stock at \$.80 per share to raise \$2 million.

17 171. After the meeting was concluded, a discussion took place between board members and
18 the consultants, including Mr. Keaton and Mr. Purvis, so that board members would be acquainted
19 with who would be suitable in receiving such an offering and whether they were accredited or
20 sophisticated investors and could bear the entire loss of their investments because of the substantial
21 risks involved.

22 172. Mr. Keaton believed that Mr. Purvis was present when the subscription agreement was
23 reviewed and that the requirements of \$200,000 in annual income or \$1 million in assets had been
24 discussed.

25 173. Mr. Keaton revealed that the PPM used for the ACI offering was in the form of the
26 earlier CSI offering with some changes.

27 174. During the hearing, Mr. Keaton identified an ACI common stock certificate issued to
28 NCGMI for 10 million shares of stock on November 18, 2003. He testified that this stock certificate

1 represented the five million shares related to the unsigned contract between ACI and Mr. Purvis
2 where in return for five million shares of stock the loan amounts would be satisfied by NCGMI and
3 for an additional \$1.5 million investment in ACI, NCGMI would receive the other five million shares
4 of ACI stock.

5 175. According to Mr. Keaton, the stock was issued in anticipation of the execution of the
6 agreement by NCGMI that it would assume the debt to the ACT investors for the loans and for its
7 additional commitment to invest more funds into ACI.

8 176. Mr. Purvis was present during discussions with consultants concerning the valuation
9 of ACI stock if it went public. According to Mr. Keaton, it was clear to him that projections of
10 specific valuation were not to be discussed with prospective investors.

11 177. Mr. Keaton confirmed that ACI had not taken any steps to enable the company to go
12 public in August of 2003 and had neither obtained an attorney nor hired an independent auditor to
13 perform an audit prior to taking the company public.

14 178. After reviewing the minutes of a board meeting of ACI dated January 10, 2005, Mr.
15 Keaton confirmed that as of that meeting the board, with Mr. Purvis present, decided to table
16 discussions of going public due to a multiplicity of factors including regulatory requirements, current
17 revenues, and related costs.

18 179. At the January 10, 2005 board meeting of ACI, the board, consisting of Mr. Purvis and
19 Mr. Keaton, approved the repurchase from Mr. Senarighi of his 62,500 shares of ACI for \$50,000
20 because Mr. Senarighi had decided that he no longer wished to remain an investor.

21 180. Mr. Keaton confirmed that he had spoken with Mr. Senarighi's son-in-law, Mitchell
22 Behm, shortly before the board's approval to repurchase Mr. Senarighi's shares and later spoke with
23 Mr. Wolfe and Mr. Purvis.

24 181. Mr. Keaton told Mr. Behm that Mr. Bukta was not a shareholder of the company
25 according to ACI records.

26 182. Upon a review of a shareholder list which was prepared by Mr. Keaton on or about
27 August 1, 2006, with respect to shareholders related to Mr. Purvis, Mr. Keaton stated that ACI relied
28 upon the subscription agreements signed by the investor as to whether they were accredited and

1 whether the investment was suitable for them.

2 183. Based on Mr. Keaton's review of the ACI shareholder list, he stated that 30 investors
3 in ACI were brought in by Mr. Purvis, raising a total of \$1,027,763. However, after \$50,000 was
4 repaid to Mr. Senarighi for his shares, the net proceeds of the offering to investors introduced by Mr.
5 Purvis to ACI was \$977,763.

6 184. According to Mr. Keaton, the remaining shareholders were related to CSI investments
7 that were converted from CSI investors or creditors to shareholder in ACI.

8 185. After Mr. Keaton spoke with certain of the investors who had been introduced to the
9 ACI offering by Mr. Purvis, although their subscription agreements indicated that they were
10 accredited investors, Mr. Keaton concluded that they were not accredited investors.

11 186. Some of these investors told Mr. Keaton that they had been influenced to believe that
12 ACI's stock would trade at a higher dollar value than originally planned if the stock went public.

13 187. Prior to the Division's investigation in this proceeding, Mr. Keaton testified that he
14 believed NCGMI was a company that managed investments or had money to invest in start up
15 companies.

16 188. When Mr. Keaton was shown a purported corporate guarantee, which bore both Mr.
17 Purvis' and Mr. Keaton's signature, given to Catherine Barnowsky by Mr. Purvis on behalf of
18 Sutherland and CSI, Mr. Keaton denied having any involvement in it and denied that he had signed
19 the document.¹⁰

20 189. After Mr. Keaton's discussion with Mr. Behm on behalf of his father-in-law, Mr.
21 Senarighi, Mr. Keaton decided to ask Mr. Purvis to resign as a board member of ACI because he was
22 questioning Mr. Purvis' other investment activities. Further, Mr. Purvis had declined to complete a
23 director's questionnaire. As a result, on February 15, 2005, Mr. Purvis resigned as a director of ACI.

24 190. Based on Mr. Keaton's dealings with Mr. Purvis, he considered NCGMI and Mr.
25 Purvis to be one in the same or representing the same interests.

26 191. Mr. Ralph Holt and his wife invested all their savings, approximately \$108,000 in
27

28 ¹⁰ The document was dated March 25, 2004 and CSI was no longer in existence, having ceased operations in approximately September 2003.

1 ACI. Mr. Holt told Mr. Keaton that he was advised by Mr. Purvis that he would be an accredited
2 investor in some way because of his relationship with Mr. Purvis. However, when Mr. Keaton
3 explained the requirements for an accredited investor, it was clear that Mr. Holt was not accredited
4 and lacked the requisite income or net worth to be an accredited investor in the ACI offering.

5 192. To the best of Mr. Keaton's recollection, he was sure that all 28 investors introduced
6 to ACI for investment purposes had indicated in the affirmative that they were accredited investors on
7 their subscription documents.

8 **Ricardo Gonzales**

9 193. Ricardo Gonzales, a certified public accountant employed as a forensic accountant by
10 the Division, testified concerning the amount of funds received from investors and how they were
11 utilized.

12 194. Mr. Gonzales reviewed bank documents including checks, wire transfers, and the
13 records of other financial organizations including credit card companies and mortgage companies and
14 title documents.

15 195. In conducting his analysis of the financial activities of Mr. Purvis and NCGMI, Mr.
16 Gonzales studied five different bank accounts with banks such as Wells Fargo and Bank of America
17 whose records were obtained by the Division under subpoena.

18 196. According to the various signature cards, the signers on the accounts were Mr. Purvis
19 and Mr. Wolfe.

20 197. Besides preparing a summary of his findings, Mr. Gonzales prepared a number of
21 graphs summarizing the receipts and disbursements of NCGMI from February 19, 2002 through
22 December 18, 2006.

23 198. Based on the Division's evidence, the single largest source of funding for NCGMI,
24 approximately 75 percent, came from investors in the amount of \$8,174,534 and coupled with the
25 remaining receipts to NCGMI, totaled \$11,044,912.¹¹

26
27 _____
28 ¹¹ The reasons for the additional receipts were not entirely clear.

1 199. Approximately 38 percent of NCGMI's disbursements went to investors and payments
2 which totaled \$4,276,666, the next largest disbursement category reflected payments to Mr. Purvis
3 and Mr. Wolfe for approximately 16 percent of the disbursements totaling \$1,775,367.

4 200. Based on an additional graph, it appears that Mr. Purvis received the largest portion of
5 the disbursements made to himself and Mr. Wolfe from NCGMI.

6 201. According to Mr. Gonzales, he did not discern any activities which would have
7 resulted in payments for goods or services to NCGMI and concluded that incoming funds were either
8 donations, gifts or investments.

9 202. Mr. Gonzales was aided in this determination by examining detailed bank documents
10 including statements and copies of checks. If the check had been deposited into the NCGMI bank
11 and the word "investment" was written on the individual check, Mr. Gonzales concluded that the
12 funds were for an investment.

13 203. Mr. Gonzales testified that he identified a NCGMI check in the amount of \$11,135
14 which was used to pay off a 2002 Dodge Durango owned by Mr. Purvis on or about May 18, 2005.

15 204. During the course of Mr. Gonzales' investigation, he found checks from NCGMI
16 signed by Mr. Purvis totaling \$14,500 which had been paid to a women's professional soccer team,
17 the Utah Spiders.

18 205. During the review of financial records by Mr. Gonzales, he obtained documentation
19 from Country Wide Home Loans on a home loan which identified the borrower as Maureen H. Purvis
20 and he determined that there were disbursements from NCGMI accounts to Country Wide Home
21 Mortgage for mortgage payments. Because of this factor, Mr. Gonzales categorized this
22 disbursement as a payment for the benefit of Mr. Purvis since Maureen H. Purvis is his wife.

23 206. During Mr. Gonzales' analysis of NCGMI checking accounts, he found two checks
24 totaling approximately \$16,500 paid to Coffin & Trout, a Phoenix area jewelry store. He did not
25 include these payments in the category of a payment to either Mr. Purvis or Mr. Wolfe because he did
26 not know for whose benefit the checks were written, however they were both signed by Mr. Purvis.

27 207. In reviewing NCGMI's checking accounts, Mr. Gonzales determined that it was not
28 involved in charitable activities because of the payments received from and the payments made to

1 investors, and additionally because of the payments to Mr. Purvis and to Mr. Wolfe.

2 208. Mr. Gonzales concluded from his analysis that investor receipts were the source of
3 funds used to pay other investors on the purported investments.

4 209. According to Mr. Gonzales, a corporation sole such as NCGMI does not have a
5 specific tax exemption just because it is a corporation sole.

6 **Robert Eckert**

7 210. Robert Eckert, a Division investigator, testified that he learned from subpoenaed
8 records from Capital Title Company that Mr. Purvis indicated that he was employed by NCGMI and
9 his title was Executive Director.

10 211. According to Mr. Eckert, by definition, a corporation sole is a corporation formed for
11 the purpose of acquiring, holding, and disposing of religious or church society property for the
12 benefit of other religions or charities.

13 212. The Nevada Articles of Incorporation for NCGMI obtained by Mr. Eckert state that its
14 objective is to "educate and provide financial assistance through the building of edifices and
15 subsequent formation of fellowships whose purposes is a religious nature." This document was
16 signed by Mr. Wolfe and lists Mr. Purvis as what is termed the "first appointed successor", and Mr.
17 Wolfe was termed the "overseer" of NCGMI.

18 213. Based on Nevada state records, NCGMI was first incorporated in August 2002,
19 dissolved in October 2005 and re-incorporated in October 2005 with a new registered agent.

20 214. Although Mr. Eckert found that Mr. Purvis had trained as a nurse and worked in the
21 Phoenix area in various nursing facilities, after running records checks with Department of Economic
22 Security, he found that Mr. Purvis has not had any recorded wages or earnings since 2003.

23 215. According to Commission records, Mr. Purvis is not registered with the Commission
24 as either a salesman or dealer to sell securities pursuant to Article IX of the Act.

25 216. Mr. Eckert's investigation revealed that Mr. Purvis was offering investment
26 opportunities to various individuals to invest in stock in ACI, various bridge loans and possibly a
27 foreign currency exchange.

28 217. Mr. Eckert referred to copies of promissory notes between Eric Gregoire, and his

1 father, Bernard Gregoire, with HSWL and CSI, respectively.

2 218. Mr. Eckert identified a six month promissory note between Eric Gregoire and CSI in
3 the amount of \$33,690 which was payable at two percent per month.

4 219. While testifying, Mr. Eckert also identified a series of statements from Sutherland
5 which listed Mr. Purvis as the authorized agent for the investors whose names were reflected on the
6 statements of the investors.

7 220. Mr. Eckert corroborated Mr. Senarighi's testimony in that he identified a quarterly
8 Sterling statement which reflected Mr. Senarighi's \$50,000 investment as of December 31, 2004 in
9 62,500 shares of ACI stock.

10 221. Mr. Eckert related that there was very little information concerning the foreign
11 currency exchange company, ICL, or a company known as Midland Euro other than he learned
12 Midland Euro was a \$100 million Ponzi scheme that occurred in the Sherman Oaks area of Southern
13 California.

14 222. According to a document reviewed by Mr. Eckert, Eric Gregoire had purportedly
15 invested \$31,820 through Mr. Purvis with ICL which was to trade through Midland Euro, which was
16 termed ICL's clearing house.

17 223. During Mr. Eckert's investigation, he learned that Mr. Wolfe had been a business
18 associate with Mr. Purvis and previously had been employed as a roofer.

19 224. Based on Mr. Eckert's investigation, he determined that Mr. Wolfe and Mr. Purvis had
20 a business relationship through NCGMI in that Mr. Wolfe was listed as its "managing director" and
21 Mr. Purvis was the executive director. Additionally, they maintained joint bank accounts under the
22 NCGMI name. Further, investors which he interviewed stated that they were business partners.

23 225. Mr. Eckert learned that NCGMI's business address consisted of a mail box at a UPS
24 store located at 4400 N. Scottsdale Road. This address was established in April 2003 and NCGMI's
25 other physical address was 2131 W. Shannon Street, Chandler, Arizona, the residence of Mr. Purvis.
26 Mr. Purvis and Mr. Wolfe were the authorized agents at the UPS store to access the mailbox for
27 NCGMI.

28 226. Although witnesses and investors had told Mr. Eckert that Mr. Purvis was wealthy, his

1 investigation revealed that Mr. and Mrs. Purvis' home was heavily mortgaged, their vehicles were
2 financed and their credit cards were at their limits.

3 227. Mr. Eckert further found that NCGMI no longer existed as a Nevada corporation sole
4 as its charter had been revoked as of November 2007. Additionally, he was unable to locate any
5 assets for NCGMI.

6 228. During his investigation, Mr. Eckert was able to verify that funds were transferred
7 from Mrs. Brundage to NCGMI based on subpoenaed financial records.

8 229. Mr. Eckert and Mr. Baran, the Division's other investigator in the proceeding,
9 developed a flow chart to give themselves a better understanding of the flow of funds to NCGMI and
10 out again to Mr. Purvis, Mr. Wolfe, investors, to VPM, to various borrowers in the bridge loan
11 program, to ACI and to two purported religious organizations.

12 230. Mr. Eckert learned from his investigation that some of the money that went into
13 NCMGI was being invested in what was found to be a ponzi scheme called People in Profit Sharing
14 ("PIPS").

15 231. According to Commission records, NCGMI was not registered as a broker or dealer of
16 securities with the State of Arizona.

17 232. While conducting the Division's investigation, Mr. Eckert learned that a number of
18 corporation soles invested in NCGMI while it was operating. These corporations had been
19 incorporated in Nevada by investors who had been instructed to form these corporations purportedly
20 because the monies the investors would receive as corporation soles would not be taxed.

21 233. While investigating NCGMI and Mr. Purvis, Mr. Eckert confirmed that Mr. Purvis
22 solicited investments in ACI for \$.80 a share before the company was to go public. With respect to
23 the pre-stock offering, Mr. Eckert noticed that a common factor with respect to the investors was that
24 they were either members of Chandler Christian Church, a church in the west valley known as
25 Vineyard Christian Fellowship, or a church in Prescott Valley, Vineyard Christian Church.

26 234. During Mr. Eckert's investigation, when reviewing CSI and ACI shareholder lists, he
27 did not see Eric Gregoire's name appearing on either list.

28 235. Although Mr. Eckert became familiar with the name Sutherland as associated with the

1 various offerings, all he was able to learn about the company was that it was incorporated in Nevada
2 in 2001 and dissolved in 2004. He was unable to learn whether it was a viable business or whether it
3 had any assets.

4 236. During the hearing, Mr. Eckert identified two receipts which were dated March 17,
5 and April 12, 2006, respectively, from Camelot Homes with respect to the total payment of \$50,000
6 by Edward and Maureen Purvis using NCGMI checks as a down payment on a new home in
7 Chandler, Arizona. The purchase price of the home was to be \$885,290.

8 237. Based on other documents which Mr. Eckert examined in the course of his
9 investigation with respect to the home purchase, he determined that the sale did not go through
10 because Mr. Purvis had attempted to acquire 100 percent financing for the home and lacked sufficient
11 income and sufficient cash reserves to conclude the purchase.

12 238. Mr. Eckert testified concerning subpoenaed documents from Power Nissan concerning
13 Mr. Purvis' use of an NCGMI check for \$19,265 to purchase a 2005 Nissan Frontier truck on or
14 about July 1, 2005. Mr. Eckert further determined that Mr. Purvis used NCGMI funds to pay for
15 personal expenses in a number of instances including a \$10,000 retainer fee for his legal defense in
16 this proceeding.

17 239. During the course of Mr. Eckert's investigation he also determined that none of the
18 investments offered and sold by Mr. Purvis and/or NCGMI such as bridge loans, stock or any other
19 form of investment were registered or had an exemption filed for them.

20 **Ronald Baran**

21 240. During Mr. Baran's investigation in this proceeding, he determined that Mr. Purvis
22 would contact people in a representative capacity for NCGMI and advise the individuals he contacted
23 of different investment opportunities and how to invest their funds.

24 241. Mr. Baran learned about the VPM project from a Purvis investor, Mr. James Farmer,
25 the pastor of the Vineyard Christian Fellowship in the west valley. In August of 2006, Pastor Farmer
26 invested in the project with Mr. Purvis.

27 242. According to Mr. Baran, VPM was a multi-part project (1) to develop infrastructure
28 for Vanuatu; (2) to mine either limestone or manganese and transport it to the United States for

1 processing to extract valuable ore; (3) to do with repairing an airstrip or a dock for shipping; (4) and
2 to develop a marina and resort.

3 243. According to Mr. Baran, Pastor Farmer thought the investment was in some form of
4 youth ministry, but another investor thought the project was going to recover gold from the
5 manganese which was mined by VPM.

6 244. Mr. Baran's investigation revealed to him that VPM was a subsidiary of an entity
7 known as IPM or International Project Management headquartered in Switzerland and money was
8 transferred from NCGMI to IPM and then back to NCGMI.

9 245. Mr. Baran's investigation found that the VPM manganese was to be processed in the
10 U.S. in Cottonwood at a company called Germain Resources. Purportedly, the Cottonwood company
11 would extract gold and other precious metals from the manganese as it was processed.

12 246. However, the Division's investigation revealed that the processing of the manganese
13 never went forward to the extent of being able to extract valuable minerals such as gold from the
14 material which had not been processed. Mr. Baran identified a Wells Fargo check drawn on
15 NCGMI's checking account payable to Germain Resources and signed by Mr. Purvis in the amount
16 of \$149,000, and in the memo section indicated that the expenditure was for equipment/fees. This
17 check was written on April 18, 2006.

18 247. Mr. Baran also identified a Wells Fargo statement which reflected a wire transfer from
19 NCGMI to Germain Resources for \$157,000 on April 10, 2006. There was an additional wire
20 transfer from Wells Fargo to Germain Resources on August 15, 2006 in the amount of \$20,000.

21 248. According to Mr. Baran, only a small portion of the manganese transported to the
22 United States has been processed and the other projects under VPM such as the repair of the dock, the
23 air strip and the marina and resort project have not gone forward.

24 249. Based on a NCGMI statement addressed to Mrs. Barnowsky, it appeared that her
25 funds had been invested in VPM.

26 250. During the course of the Division's investigation, Mr. Baran learned that Mr. Purvis
27 transferred at least \$60,000 in NCGMI funds to offshore accounts at Anguilla Trust and Caribbean
28 Commercial Bank for no apparent reason.

1 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
2 A.R.S. §44-2036, Respondents Edward A. Purvis and Maureen H. Purvis, to the extent allowable
3 pursuant to A.R.S. § 25-215, jointly and severally, shall pay as and for administrative penalties: for
4 the violation of A.R.S. §44-1841, the sum of \$75,000; for the violation of A.R.S. §44-1842, the sum
5 of \$75,000; and for the violation of A.R.S. §44-1991, the sum of \$100,000, for a total of \$250,000.
6 The payment obligations for these administrative penalties shall be subordinate to any restitution
7 obligations ordered herein and shall become immediately due and payable only after restitution
8 payments have been paid in full or upon Respondents' default with respect to Respondents'
9 restitution obligations.

10 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
11 A.R.S. §44-2036, that Respondents Edward A. Purvis and Maureen H. Purvis, to the extent allowable
12 pursuant to A.R.S. §25-215, jointly and severally, shall pay the administrative penalty ordered
13 hereinabove in the amount of \$250,000 payable by either cashier's check or money order payable to
14 the "State of Arizona", and present it to the Arizona Corporation Commission for deposit in the
15 general fund for the State of Arizona.

16 IT IS FURTHER ORDERED that if Respondents Edward A. Purvis and Maureen H. Purvis
17 fail to pay the administrative penalty ordered hereinabove, any outstanding balance plus interest at
18 the maximum lawful amount may be deemed in default and shall be immediately due and payable,
19 without further notice.

20 IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under
21 A.R.S. §44-2032, Respondents Edward A. Purvis and Maureen H. Purvis, to the extent allowable
22 pursuant to A.R.S. §25-215, jointly and severally, shall make restitution in an amount not to exceed
23 \$11,044,912 which restitution shall be made pursuant to A.A.C. R14-4-308, subject to legal set-offs
24 by the Respondents and confirmed by the Director of Securities, said restitution to be made within 60
25 days of the effective date of this Decision.

26 IT IS FURTHER ORDERED that the restitution ordered hereinabove shall bear interest at the
27 rate of ten percent per year for the period from the dates of investment to the date of payment of
28 restitution by the Respondents.

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IT IS FURTHER ORDERED that all restitution payments ordered hereinabove shall be deposited into an interest-bearing account(s) if appropriate, until distributions are made.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN _____ COMMISSIONER

COMMISSIONER _____ COMMISSIONER _____ COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this ____ day of _____, 2008.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

1 SERVICE LIST FOR:

EDWARD A. PURVIS and MAUREEN H. PURVIS;
GREGG L. WOLFE and ALLISON A. WOLFE;
2 NAKAMI CHI GROUP MINISTRIES
INTERNATIONAL, (a/k/a NCGMI); JAMES W.
3 KEATON, Jr. and JENNIFER KEATON; and ACI
HOLDINGS, INC.,

4
5 DOCKET NO.:

S-20482A-06-0631

6 John Maston O'Neal

Zachary Cain

7 QUARLES & BRADY, LLP

Renaissance One

8 Two North Central Avenue

Phoenix, AZ 85004-2391

9 Attorneys for Edward A. Purvis

and Maureen H. Purvis

10

Ashley Adams

11 RYAN, RAPP & UNDERWOOD, P.L.C.

3101 North Central Avenue, Suite 1500

12 Phoenix, AZ 85012

Attorney for James W. Keaton, Jr.,

13 Jennifer Keaton and ACI Holdings, Inc.

14 GREGG L. WOLFE and

ALLISON A. WOLFE

15 2092 West Dublin Lane

Chandler, Arizona 85224

16

17 NAKAMI CHI GROUP MINISTRIES INTERNATIONAL,

(a/k/a NCGMI), a Nevada corporation sole

18 4400 North Scottsdale Road, Suite 9-231

Scottsdale, Arizona 85251

19 Matt Neubert, Director

Securities Division

20 ARIZONA CORPORATION COMMISSION

1200 West Washington Street

21 Phoenix, AZ 85007

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