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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

DOCKETED

DEC 28 2001

DOCKETED BY [Signature]

IN THE MATTER OF:

Docket No. S-03353A-00-0000

CHARLES RAY STEDMAN
3001 East Frontage Road
Amado, Arizona 85629,

WENDELL T. DECKER, JR.
5249 North Adobe Circle
Tucson, Arizona 85750,

OXFORD DEVELOPMENT, L.L.C.
5249 North Adobe Circle
Tucson, Arizona 85750,

PROFUTURA, L.L.C.
P.O. Box 4252
Tubac, Arizona 85646,

CNT FAMILY FUN OUTLETS, INC.
One East First Street
Reno, Nevada 89501,

CHARLES W. TESTINO, JR.
3653 E. Windy Point Dr.
Tucson, Arizona 85718,
CRD # 1216651

DECISION NO. 64284

ARIZONA INVESTMENT ADVISORS, INC.
2920 North Swan Road, Suite 206
Tucson, Arizona 85712,

KEITH B. "SKIP" DAVIS
6550 North Silversmith Place
Tucson, Arizona 85750,

SPY GLASS ENTERPRISES, L.L.C.
6550 North Silversmith Place
Tucson, Arizona 85750,

KEITH B. DAVIS, INC.
6550 North Silversmith Place
Tucson, Arizona 85750,

Respondents.

OPINION AND ORDER

1 DATE OF HEARING: June 25, 2001
 2 PLACE OF HEARING: Tucson, Arizona
 3 ADMINISTRATIVE LAW JUDGE: Jane L. Rodda*
 4 APPEARANCES: Ms. Pamela T. Johnson, Special Assistant Attorney
 5 General, and Ms. Moira A. McCarthy, Assistant
 6 Attorney General, on behalf of the Securities Division of
 7 the Arizona Corporation Commission; and
 8 Mr. Bruce R. Heurlin, KARP, HEURLIN & WEISS,
 9 PC, on behalf of Charles Ray Stedman and Profutura,
 10 LLC.

BY THE COMMISSION:

11 On December 28, 2000, the Securities Division (the "Division") of the Arizona Corporation
 12 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to
 13 Cease and Desist, for Restitution, and for Administrative Penalties, and for Other Affirmative Action
 14 ("Notice") naming Respondents Charles Ray Stedman ("Stedman"), Wendell T. Decker, Jr.
 15 ("Decker"), Oxford Development, LLC ("Oxford"), Profutura, LLC ("Profutura"), CNT Family Fun
 16 Outlets, Inc. ("CNT"), Charles W. Testino, Jr. ("Testino"), Arizona Investment Advisors, Inc.
 17 ("AIA"), Keith B. "Skip" Davis ("Davis"), Spy Glass Enterprises LLC ("Spy Glass"), and Keith B.
 18 Davis, Inc. ("KBDI").

19 On January 15, 2001, Respondents Decker, Oxford and CNT filed a Request for Hearing. On
 20 January 17, 2001, Davis and KBDI filed a Request for Hearing, as did Stedman and Profutura. On
 21 January 22, 2001, Testino and AIA filed a Request for Hearing.

22 By Procedural Orders dated January 23, 2001, January 30, 2001, February 9, 2001, and April
 23 17, 2001, the matter was set for hearing to commence on June 25, 2000, in Tucson, Arizona.

24 On June 6, 2001, the Commission approved Consent Orders with Respondents Decker,
 25 Oxford, and CNT; Testino and AIA; and Davis and KBDI, in Decision Nos. 63718, 63719 and
 26 63717, respectively. Respondents Stedman and Profutura exercised their right for a hearing on the
 27 charges alleged in the Notice.

DISCUSSION

28 Decker, a real estate developer, through his limited liability company, Oxford, had an option

1 to purchase real property near Dacono, Colorado. In 1993, Decker approached Stedman for
2 assistance in getting financing to develop the property to build a factory outlet mall. Stedman was
3 the managing member of Profutura, which contributed \$250,000 for the purchase of the property.
4 Then, as part of an operating agreement between Decker and Stedman, Stedman agreed to raise
5 \$600,000 to \$1,000,000 of additional financing for the project.

6 Decker and Stedman divided the responsibilities for the project. Decker worked on
7 developing the project, including obtaining tax benefits and permits, guiding architects and engineers,
8 seeking construction and permanent financing for the project and finding tenants. Stedman was
9 responsible for raising money. Beginning in 1993, Stedman started borrowing money from friends
10 and family in exchange for promissory notes. In the meantime, Decker was trying to arrange for a
11 construction loan for the project.

12 In approximately March 1996, after Stedman had exhausted his own funds, Decker and
13 Stedman approached Davis to use promissory notes ("Notes") to raise an additional \$600,000 from
14 private investors for interim financing until the principals could close on a construction loan in late
15 1996. Decker and Stedman offered Davis commissions of 10 percent of all investor funds secured,
16 and an equity interest in the project.

17 In or around July 1996, when it appeared that the construction loan would not close, Davis
18 recruited Testino to assist in soliciting additional private investor funds to keep the project alive until
19 the principals could secure funding. Decker and Stedman authorized Davis and Testino to use the
20 Notes to raise additional funds from private investors, and agreed to pay commissions of 10 percent
21 of all money raised, and to provide an additional equity interest in the project.

22 Most, but not all, of the Notes were to be secured by deeds of trust on the Dacono Project
23 filed in Weld County, Colorado. Decker and Stedman's plan was that Stedman would sign all of the
24 Notes as "Maker" and be personally liable to investors. The borrowed funds would be transferred to
25 Profutura to loan to Oxford to cover costs necessary to obtain construction financing for the project.
26 Oxford would pledge the Dacono Project property as security for most but not all, of the Notes and
27 would pay Stedman's obligations to investors, including interest on the Notes, and Decker would
28 determine what portions of the Dacono Project property would be used to secure most, but not all, of

1 the Notes.

2 From approximately January 1995 through December 1999, Oxford's records indicate that
3 Decker and Stedman issued 124 Notes to 110 private investors, raising approximately \$5,286,160. Of
4 the notes on Oxford's books, the total due, including interest on those notes, was \$22,166,000 at the
5 time of the hearing.

6 Investors were told that their funds were to be used for interim financing until construction
7 financing was in place to develop a project described as the Dacono Factory Outlet Stores or the
8 Dacono Factory Outlet Mall and Sports Arena, and that their Notes would be paid upon the due date
9 or at the close of the construction financing.

10 Up until around April 1999, Notes sold to private investors were titled "PROMISSORY
11 NOTE SECURED BY DEED OF TRUST," and stated that the Notes and any renewal or extension of
12 the Notes were secured by a percent of the undivided interest in a deed of trust on the Dacono Project
13 property owned by Oxford. However, from the inception of the project to the date of the hearing, not
14 all of the private investors who received notes described as "secured by deed of trust" were
15 beneficiaries of any recorded interest in the Dacono Project property.

16 As part of the paperwork for the Notes, investors were required to sign form letters addressed
17 to Stedman, which the promoters called "Big Boy Letters." The Big Boy Letter stated that the
18 investors were accredited investors, defined as investors whose net worth was over \$1,000,000 or
19 whose income was at least \$200,000 for the two years prior to investment.

20 The interest rates on most of the Notes varied from 12 percent to 20 percent per annum. From
21 1995 through and around September 1997, the term of the Notes was one year. Because obtaining
22 the construction financing was delayed, in or around September 1997, the term of most of the Notes
23 was reduced to 90 days, and existing Notes, including interest, were rolled over or renewed at the end
24 of their terms. Respondents continued to attempt to obtain construction financing and believed, and
25 told investors, that such financing would be in place within a short period of time.

26 In December 1998, one investor protested that the deed of trust that was supposed to secure
27 his Note was never recorded. Respondents continued to sell the Notes to new private investors,
28 however, in or around April 1999, Respondents started to offer and sell "unsecured" Notes to new

1 private investors.

2 In connection with the offer or sale of the Notes, Stedman did not speak directly with every
3 investor. He did meet personally with some of the investors and he was the Maker of every note.
4 Investors wrote checks for the Notes to Stedman and the money was deposited into the Profutura
5 account. From Profutura, the money was sent to Oxford or Decker's other business, Decker Realty.
6 Stedman authorized Davis and Testino to solicit funds for the project and authorized them to insert
7 signed signatory pages into the Notes when he wasn't available to sign the note, or when the investor
8 wanted a rollover. Respondents, including Stedman, directly or indirectly made untrue statements of
9 material fact or omitted to state material facts which were necessary in order to make the statements
10 made not misleading in light of the circumstances under which they were made. Stedman's
11 statements or omissions included:

- 12 a) Representing that the investment was a short-term loan and investors would be
13 paid in full at the close of a construction loan, when in fact there were a series
14 of construction loan letters of interest and commitment letters that never
15 materialized and, that the principals had failed to close on prior construction
16 loans.
- 17 b) Representing until at least April 1999, that the Notes, and any extensions,
18 renewals or rollovers of the Notes, were secured by a recorded interest in a
19 deed of trust on a portion of the Dacono Project property located in Weld
20 County, Colorado and owned by Oxford and that the total of all loans secured
21 by Lot 6 would not exceed one million dollars. In fact, not all of the original
22 investors in 1996 and early 1997, and none of the investors in 1998 and 1999
23 were named as beneficiaries on recorded deeds of trust, the total of all loans
24 misrepresented as secured by Lot 6 was substantially in excess of one million
25 dollars, and the property that was supposed to be pledged to private investors
26 was utilized instead as security to obtain financing from institutional "bridge"
27 lenders.
- 28 c) Representing that investor funds were to be used to develop the project, when

1 investor funds were used primarily for attorney fees and loan fees for failed
2 funding attempts, attempts to obtain tax benefits for the future owners of the
3 project, redeeming prior investors' defaulted Notes, interest payments to early
4 investors with secured loans, profits to bridge lenders, Decker's living
5 expenses and Decker and Stedman's travel expenses.

6 d) Failing to disclose the risks involved with the Dacono Project, specifically, the
7 uncertainty of getting construction financing, the repeated failed attempts to
8 obtain construction financing and bond financing, the costs of attempts to
9 obtain financing, and Stedman's inability to repay the Notes, if construction
10 financing was not secured.

11 e) Failing to disclose to new investors that earlier investors were forced to accept
12 rollover Notes because Stedman and Oxford could not pay the Notes when
13 due, and the total debt owed to prior investors, including interest on defaulted
14 Notes, and the increasing commissions owed to Davis and Testino resulting
15 from rollovers.

16 f) Failing to disclose the background and financial condition of the principals and
17 the project, including but not limited to the following:

18 (1) That Decker filed bankruptcy in 1989.

19 (2) That on January 21, 1994, the NASD censured Stedman, barred
20 Stedman from associating with any NASD member in any capacity,
21 and fined Stedman \$20,000, for conduct "inconsistent with just and
22 equitable principles of trade," because Stedman had failed to timely and
23 fully respond to a request for information from the NASD concerning a
24 complaint alleging that he had misappropriated \$175,000 from a
25 customer's account.

26 (3) That Testino was terminated on September 15, 1998, by his former
27 dealer, SunAmerica Securities, Inc. ("SAS"), upon allegations relating
28 to his sale of these Notes, specifically, that "Without SAS knowledge

1 or approval, Testino facilitated the lending of money via promissory
2 notes from a number of individuals to a person who was subsequently
3 determined by the firm to be subject to an industry bar"; and that
4 Testino was under investigation by the NASD for violations of NASD
5 Rules as a result of this unauthorized activity.

6 (g) Failing to disclose that the Notes were securities and that Respondents were
7 selling the Notes to investors who were not accredited investors.

8 Stedman did not appear at the hearing, however, in his sworn deposition taken in 1999, he
9 admitted that he did not discuss with investors the risk of not getting their money out in 45 to 90
10 days. He was not aware of any disclosures being given to private investors concerning the risks of
11 losing their investments. He did not discuss with Davis or Testino how the money would be used
12 specifically, just that it would go into the project. He stated he did not verify the information in the
13 Big Boy Letter and did not believe it was relevant to him as the issuer of the Notes.

14 Testino and Davis testified that Decker and Stedman gave them the form of the Note and all
15 information about the Project that they would pass on to investors.

16 At the hearing Stedman's lawyer argued that this was a real project, real land and a real plan
17 to develop it and make money. He argued that all the investors wanted to make money and that just
18 because things did not work out, it doesn't necessarily follow that people did things wrong or misled.
19 He asserted that the plans for the project, trips to Colorado, attorneys fees associated with obtaining
20 tax benefits and having an election to approve tax benefits, had to be paid. He claimed Stedman
21 believed the project was a good one and would be profitable, and that Stedman never had an intent to
22 sell securities, only to obtain money on a short-term basis to get the project going. Stedman's lawyer
23 argued that Stedman never lied to investors or instructed Davis or Testino to lie, mislead or omit
24 material fact.

25 Under A.R.S. § 44-1801, the Notes issued to investors by Stedman and Profutura constitute
26 securities, and Stedman is an issuer under that statute. Stedman authorized Davis and Testino to
27 solicit investors, and pursuant to statutes Stedman is a dealer and responsible for the offerings and
28 sales of the Notes by Davis and Testino. The Notes were not registered or exempt from registration.

1 Neither Stedman nor Profuura were registered dealers. The Securities Act requires no showing of
2 scienter for the sale of unregistered securities or for making untrue statements or omissions under §
3 44-1991(2). Stedman's claims that he had no intent to sell securities or make false statements or
4 omissions is not a defense.

5 Consequently, we find that Stedman violated A.R.S. § 44-1841 (unlawful sale of unregistered
6 securities); A.R.S. § 44-1842 (unlawful transactions by unregistered dealer or salesmen); and A.R.S.
7 § 44-1991 (fraud in connection with the offer and sale of securities). We find that Stedman and
8 Profutura should be jointly and severally liable for the restitution to investors in the amount of
9 \$6,165,350. Further, we shall assess administrative penalties of \$50,000 for violations of the Arizona
10 Securities Act.

11 * * * * *

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

14 FINDINGS OF FACT

15 1. Respondent Stedman is an individual, whose last known address is 3001 East Frontage
16 Road, Amado, Arizona 85629. Stedman was at all pertinent times managing member of Profutura.

17 2. Beginning in or around 1995, Stedman signed, as "Maker", promissory notes issued to
18 private investors.

19 3. In an unrelated matter, on January 21, 1994, the National Association of Securities
20 Dealers censured Stedman, barred Stedman from associating with any NASD member in any
21 capacity, and fined Stedman \$20,000, for conduct "inconsistent with just and equitable principles of
22 trade."

23 4. Profutura is an Arizona limited liability company organized on March 5, 1993. At all
24 pertinent times, Profutura was a member of Oxford, and signatory to the notes, through its managing
25 member Stedman.

26 5. Decker was at all pertinent times a developer, who planned an outlet mall
27 development in or near Dacono, Colorado (the "Dracono Project"). Decker signed Notes issued to
28 private investors, as managing member of Oxford.

1 6. Oxford is an Arizona limited liability company organized on March 24, 1993. At all
2 pertinent times, Oxford was the recorded owner of grassland property, which was to be the site for
3 the Dacano Project (the "Dacono Project Property"). The Dacono Project Property was represented
4 as collateral for most of the Notes issued to investors.

5 7. CNT is a Nevada corporation incorporated on June 19, 1996. Decker is its President
6 and Director, Stedman is Secretary/Treasurer and Director. CNT is a signatory to the Notes through
7 its president Decker.

8 8. In approximately 1993, Stedman and Decker agreed that Profutura was to contribute
9 funds in the amount of \$600,000 to \$1,000,000 to Oxford in exchange for an equity interest in the
10 Dacono Project.

11 9. Beginning in 1993, Stedman started borrowing money from friends and family in
12 exchange for promissory notes.

13 10. In approximately March 1996, Decker and Stedman approached Davis to use
14 promissory notes to raise an additional \$600,000 from private investors for interim financing until the
15 principals could close on a construction loan in late 1996. Decker and Stedman offered Davis
16 commissions of 10 percent of all investor funds secured, and an equity interest in the project.

17 11. In or around July 1996, when it appeared that the construction loan would not close,
18 Davis recruited Testino to assist in soliciting additional private investor funds to keep the project
19 alive until the principals could secure funding.

20 12. Decker and Stedman authorized Davis and Testino to use the Notes to raise additional
21 funds from private investors, and agreed to pay commissions of 10 percent of all money raised, and
22 an additional equity interest in the project.

23 13. Most, but not all, of the Notes were purported to be secured by deeds of trust on the
24 Dacono Project filed in Weld County, Colorado.

25 14. Decker and Stedman's plan was that Stedman would sign all of the Notes as "Maker"
26 and be personally liable to investors; the borrowed funds would be transferred to Profutura to loan to
27 Oxford to cover costs necessary to obtain construction financing for the project; Oxford would
28 pledge the Dacono Project property as security for most but not all, of the Notes and would pay

1 Stedman's obligations to investors, including interest on the Notes, and Decker would determine
2 what portions of the Dacono Project property would be used to secure most, but not all, of the Notes.

3 15. From approximately January 1995 through December 1999, Oxford's records indicate
4 that Decker and Stedman issued approximately 124 Notes to approximately 110 private investors,
5 raising approximately \$6,165,350 from private investors. Of the notes on Oxford's books, the total
6 due, including interest on those notes, was \$22,166,000 at the time of the hearing.

7 16. Respondents told investors that their funds were to be used for interim financing until
8 construction financing was in place to develop a project described as the Dacono Factory Outlet
9 Stores or the Dacono Factory Outlet Mall and Sports Arena, and that their Notes would be paid upon
10 the due date or at the close of the construction financing.

11 17. Up until around April 1999, Notes sold to private investors were titled
12 "PROMISSORY NOTE SECURED BY DEED OF TRUST," and stated that the Notes and any
13 renewal or extension of the Notes were secured by a percent of the undivided interest in a deed of
14 trust on the Dacono Project property owned by Oxford.

15 18. From the inception of the project to the date of the hearing, not all of the private
16 investors who received notes described as "secured by deed of trust" were beneficiaries of any
17 recorded interests in the Dacono Project property.

18 19. As part of the paperwork for the Notes, investors were required to sign form letters
19 addressed to Stedman, which the promoters called "Big Boy Letters." The letter stated that the
20 investors were accredited investors, defined as investors whose net worth was over \$1,000,000 or
21 whose income was at least \$200,000 for the two years prior to investment.

22 20. The interest rates on most of the Notes varied from 12 percent to 20 percent per
23 annum. From 1995 through and around September 1997, the term of the Notes was one year.
24 Because obtaining the construction financing was delayed, in or around September 1997, the term of
25 most of the Notes was reduced to 90 days, and existing Notes, including interest, were rolled over or
26 renewed at the end of their terms.

27 21. Respondents continued to attempt to obtain construction financing, and told investors
28 that such financing would be in place within a short period of time.

1 22. In December 1998, one investor protested that the deed of trust that was supposed to
2 secure his Note was never recorded. Respondents continued to sell the Notes to new private
3 investors. In or around April 1999, Respondents started to offer and sell "unsecured" Notes to new
4 private investors.

5 23. In connection with the offer or sale of the Notes, Stedman did not speak directly with
6 every investor. He was the Maker of every note. He also authorized Davis and Testino to solicit
7 funds for the project and authorized them to insert signed signatory pages into the notes when he
8 wasn't available to sign the note, or when the investor wanted a rollover. Respondents, including
9 Stedman, directly or indirectly made untrue statements of material fact or omitted to state material
10 facts which were necessary in order to make the statements made not misleading in light of the
11 circumstances under which they were made. Stedman's and Profutura's conduct include:

- 12 a) Representing that the investment was a short-term loan and investors would be
13 paid in full at the close of a construction loan, when in fact there were a series of
14 construction loan letters of interest and commitment letters that never materialized
15 and that the principals had failed to close on prior construction loans.
- 16 b) Representing until at least April 1999, that the Notes, and any extensions, renewals
17 or rollovers of the Notes, were secured by a recorded interest in a deed of trust on
18 a portion of the Dacono Project property located in Weld County, Colorado and
19 owned by Oxford and that the total of all loans secured by Lot 6 would not exceed
20 one million dollars. In fact, not all of the original investors in 1996 and early
21 1997, and none of the investors in 1998 and 1999 were named as beneficiaries on
22 recorded deeds of trust, the total of all loans misrepresented as secured by Lot 6
23 was substantially in excess of one million dollars, and the property that was
24 supposed to be pledged to private investors was utilized instead as security to
25 obtain financing from institutional "bridge" lenders.
- 26 c) Representing that investor funds were to be used to develop the project, when
27 investor funds were used primarily for attorney fees and loan fees for failed
28 funding attempts, attempts to obtain tax benefits for the future owners of the

1 project redeeming prior investors' defaulted Notes, interest payments to early
2 investors with secured loans, profits to bridge lenders, Decker's living expenses
3 and Decker and Stedman's travel expenses.

- 4 d) Failing to disclose the risks involved with the Dacono Project, specifically, the
5 uncertainty of getting construction financing, the repeated failed attempts to obtain
6 construction financing and bond financing, the costs of attempts to obtain
7 financing, and Stedman's inability to repay the Notes, if construction financing
8 was not secured.
- 9 e) Failing to disclose to new investors that earlier investors were forced to accept
10 rollover Notes because Stedman and Oxford could not pay the Notes when due,
11 and the total debt owed to prior investors, including interest on defaulted Notes,
12 and the increasing commissions owed to Davis and Testino resulting from
13 rollovers.
- 14 f) Failing to disclose the background and financial condition of the principals and the
15 project, including but not limited to the following:
- 16 (i) The Decker filed bankruptcy in 1989.
- 17 (ii) That on January 21, 1994, the NASD censured Stedman, barred Stedman
18 from associating with any NASD member in any capacity, and fined Stedman
19 \$20,000, for conduct "inconsistent with just and equitable principles of trade,"
20 because Stedman had failed to timely and fully respond to a request for
21 information from the NASD concerning a complaint alleging that he had
22 misappropriated \$175,000 from a customer's account.
- 23 (iii) That Testino was terminated on September 15, 1998, by his former dealer,
24 SunAmerica Securities, Inc. ("SAS"), upon allegations relating to his sale of
25 these Notes, specifically, that "Without SAS knowledge or approval, Testino
26 facilitated the lending of money via promissory notes from a number of
27 individuals to a person who was subsequently determined by the firm to be
28 subject to an industry bar"; and that Testino was under investigation by the

1 NASD for violations of NASD Rules as a result of this unauthorized activity.

2 (h) Failing to disclose that the Notes were securities and that Respondents were
3 selling the Notes to investors who were not accredited investors.

4 **CONCLUSIONS OF LAW**

5 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
6 Arizona Constitution and A.R.S. § 44-1801 et seq.

7 2. The promissory notes offered and sold by Stedman and Profutura are securities within
8 the meaning of A.R.S. §44-1801(26).

9 3. Stedman and Profutura offered or sold securities within or from Arizona, within the
10 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

11 4. Stedman and Profutura violated A.R.S. §44-1841 by offering or selling securities that
12 were neither registered nor exempt from registration.

13 5. Stedman and Profutura violated A.R.S. § 44-1842 by offering or selling securities
14 while neither registered as dealers or salesmen nor exempt from registration.

15 6. Stedman and Profutura violated A.R.S. § 44-1991 by offering or selling securities
16 within or from Arizona by making untrue statements or misleading omission of material facts
17 necessary in order to make the statements made, in the light of the circumstances under which they
18 were made, not misleading.

19 7. Stedman and Profutura's conduct is grounds for a Case and Desist Order pursuant to
20 A.R.S. § 44-2032

21 8. Stedman and Profutura's conduct is grounds for an Order of Restitution pursuant to
22 A.R.S § 44-2032.

23 9. Stedman and Profutura's conduct is grounds for administrative penalties under A.R.S.
24 § 44-2036.

25 **ORDER**

26 IT IS THEREFORE ORDERED that pursuant to A.R.S. §44-2032, Charles Ray Stedman and
27 Profutura, LLC, their agents, employees, successors and assigns, permanently cease and desist from
28 violating the Securities Act.

1 IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-2032, Charles Ray Stedman and
2 Profutura LLC shall jointly and severally, pay restitution to investors shown on the records of the
3 Commission in the amount of no less than \$6,165,350, plus interest at the rate of 10 percent per
4 annum from the date of each investment until paid in full, to be reduced by any distribution payments
5 made to date. Payment shall be made by cashier's check or money order payable to the "state of
6 Arizona" to be placed in an interest-bearing account maintained and controlled by the Arizona
7 Attorney General. The Arizona Attorney General shall disburse the funds on a pro rata basis to
8 investors. Any funds that the Attorney General is unable to disburse shall revert to the state of
9 Arizona.

10 IT IS FURTHER ORDERED that until restitution is made to all Note investors, Charles Ray
11 Stedman and Profutura LLC, shall subordinate all rights and interests in the Dacono Project property,
12 and any contractual rights and interests to income or payment from the development and/or sale of
13 the Dacono Project property.

14 IT IS FURTHER ORDERED that Charles Ray Stedman and Profutura shall not, individually
15 or on behalf of other entities, direct or give consent to any transfer of development rights associated
16 with the Dacono Project property, including, but not limited to, tax credits or municipal bond
17 financing, unless the agreement for such transfer of rights provides that funds equal to full restitution
18 as set forth in this Order shall be placed in escrow for the benefit of all Note investors.

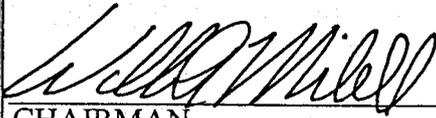
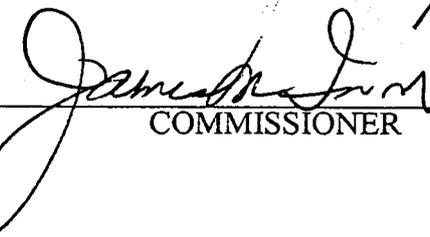
19 IT IS FURTHER ORDERED that the Commission shall retain jurisdiction in this matter to
20 investigate the activities of Charles Ray Stedman and Profutura, LLC pursuant to A.R.S. § 44-1822 to
21 address issues relating to restitution in accordance with A.R.S. § 44-2032.

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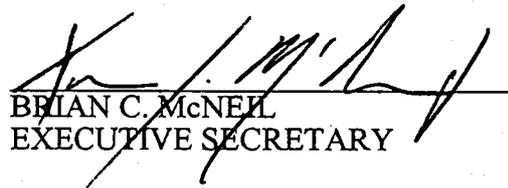
1 IT IS FURTHER ORDERED pursuant to A.R.S. §44-2036, that Charles Ray Stedman and
2 Profutura LLC, jointly and severally, shall pay administrative penalties in the amount of \$50,000.
3 Payment shall be made in full by cashier's check or money order on the date of this Order, payable to
4 the "state of Arizona." Any amount outstanding shall accrue interest at the rate of 10 percent per
5 annum from the date of this Order until paid in full.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8
9   
10 CHAIRMAN COMMISSIONER COMMISSIONER
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoenix,
16 this 28th day of December, 2001.

17 
BRIAN C. McNEIL
EXECUTIVE SECRETARY

18 DISSENT _____
19 JR

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21
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27
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1 SERVICE LIST FOR:

CHARLES RAY STEDMAN WENDELL T. DECKER, JR,
OXFORD DEVELOPMENT, L.L.C., PROFUTURA, L.L.C.,
2 CNT FAMILY FUN OUTLETS, INC., CHARLES W.
3 TESTINO, JR., ARIZONA INVESTMENT ADVISORS, INC.,
KEITH B. "SKIP" DAVIS, SPY GLASS ENTERPRISES,
L.L.C., and KEITH B. DAVIS, INC.

4 DOCKET NO.:

S-03353A-00-0000

5
6
7 Clifford B. Altfeld
LEONARD FELKER ALTFELD
GREENBERG & BATAILE, P.C.
8 250 N. Meyer Avenue :
Tucson, Arizona 85701
9 Attorneys for Wendell T. Decker, Jr., Oxford
10 Development, L.L.C., and CNT Family Fun Outlets, Inc.

11 Bruce R. Heurlin
KARP, HEURLIN & WEISS, P.C.
12 3060 N. Swan Rd., Suite 100
Tucson, Arizona 85712-1225
13 Attorneys for Charles Ray Stedman and Profutura, L.L.C.

14 Keith B. Davis
6550 N. Silversmith Pl.
15 Tucson, Arizona 85750

16 Lindsay Brew
HARALSON, MILLER PITT & MCANALLY, P.L.C.
17 One S. Church Avenue, Suite 900
Tucson, Arizona 85701-1620
18 Attorneys for Charles W. Testino and Arizona Investment
Advisors, Inc.

19 Moria McCarthy
Assistant Attorney General
20 ARIZONA ATTORNEY GENERAL'S OFFICE
1275 West Washington Street
21 Phoenix, Arizona 85007

22 W. Mark Sendrow, Director
Securities Division
23 ARIZONA CORPORATION COMMISSION
1300 West Washington Street
24 Phoenix, Arizona 85007