

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
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- SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY	
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In the matter of:

TV PRODUCTS, LLC (f/k/a US Loans Negotiation, LLC), an Arizona limited liability company, and

STEPHEN CHRISTOPHER DONOVAN, a single man,

Respondents.

DOCKET NO. S-20873A-13-0010

NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, AND ORDER FOR ADMINISTRATIVE PENALTIES

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that TV Products, LLC, an Arizona limited liability company, and Stephen Christopher Donovan have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I.

JURISDICTION

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

II.

RESPONDENTS

2. TV Products, LLC ("TV Products") is an Arizona limited liability company which was organized under the laws of the state of Arizona on May 15, 2008, as a member-managed limited

1 liability company. According to its Articles of Organization, the limited liability company was
2 originally organized under the name "US Loans Negotiation, LLC," which articles were amended on
3 August 2, 2010, to reflect the new name of "TV Products, LLC." TV Products has maintained its
4 principal place of business in Maricopa County, Arizona, since its inception. TV Products has not
5 been registered by the Commission as a securities dealer or salesman.

6 3. Stephen Christopher Donovan ("Donovan") has been, at all relevant times, a single
7 man residing in Maricopa County, Arizona. Donovan is the sole member and president of TV
8 Products. Donovan has not been registered by the Commission as a securities dealer or salesman.

9 4. TV Products and Donovan may be referred to individually as "Respondent" or
10 collectively as "Respondents," as the context so requires.

11 III.

12 FACTS

13 5. Respondents intended to fund the start-up of its Arizona-based infomercial business
14 by offering for sale membership interests in the company. Toward that end, between about October
15 2010 and August 2012, Donovan and another employee of TV Products cold-called prospective
16 investors from lists purchased by TV Products from a third party. If a prospect expressed interest
17 in the offering, Respondents sent the individual materials that promoted investment in the company,
18 including, among other materials, a Confidential Private Placement Memorandum
19 ("Memorandum") and a B Units Purchase Agreement ("Purchase Agreement").

20 6. Respondents explained through Memorandum that they were offering "[u]p to one
21 hundred fifty (150) Class B Units" at "\$5,000 per unit," for a total of \$750,000, in exchange for "a
22 20% membership interest in the Company."

23 7. Respondents promised in the Purchase Agreement to "amend and restate its Liability
24 Company Agreement on or before the Closing" to reflect such membership in the company.
25 Moreover, in the Memorandum, Respondents explained that they planned "to conduct closings of
26 sales of Units as subscriptions [were] received."

1 8. Respondents further explained in the Memorandum that they “intend[ed] to use the
2 net proceeds from this Offering for funding the development of and production of television
3 infomercials, working capital requirements, administration, and sales and marketing for
4 commercializing the operations.”

5 9. None of the prospective investors cold-called by Respondents or ultimate investors
6 in TV Products had a previous relationship with TV Products, Donovan, or any other employee of
7 TV Products.

8 10. Nor do TV Products’ investors have specialized knowledge of or experience in the
9 infomercial industry.

10 11. The Memorandum states that the manager of TV Products would “control future
11 management, as well as all major decisions of the Company.” This was to be true, “even after the
12 issuance of all of the 150 Shares offered” because TV Products’ “success depend[ed] in large part
13 upon the continued services of its Manager.”

14 12. The Memorandum notes Donovan’s “track record of success,” stating:

15 Mr. Donovan has excelled as an entrepreneur for more than 25 years. With
16 extensive experience in all aspects of telemarketing, Mr. Donovan runs TV
17 Products, LLC with a hands-on, top-down approach. Not only an award-winning
18 salesman, Steve Donovan has more than twenty years of experience with retail
product development, call center formation and large-scale, direct sales force
management.

19 The experience of Mr. Donovan is an extremely valuable asset to the Company but
20 also provides a steady vision for the growth of TV Products, LLC.

21 13. In practice, Donovan retained and exercised all effective management control over
22 the company.

23 14. Upon an investor’s execution of the Memorandum and Purchase Agreement and
24 upon payment, Respondents did issue to the investor a certificate indicating the units purchased in
25 the company and signed by Donovan, but did not amend its Articles of Organization on file with
26 the Commission to reflect any investor’s membership interest in the company.

1 15. Despite its stated primary objective, Respondents have not produced a television
2 infomercial.

3 16. Additionally, Respondents have not made distributions, refunded investment
4 principal or otherwise transferred money to any of its investors.

5 17. On January 10, 2012, a Summary Order to Cease and Desist was entered against TV
6 Products, LLC and Stephen Donovan in Administrative Proceeding No. 2011-12-11 in the
7 Commonwealth of Pennsylvania before the Pennsylvania Securities Commission (the
8 “Pennsylvania Order”), which directs Respondents to “immediately CEASE AND DESIST from
9 offering and selling the Interests in the Commonwealth of Pennsylvania, in violation of the 1972
10 Act, and in particularly Section 201 thereof” (emphasis in original).

11 18. After being served the Pennsylvania Order, Respondents did stop calling prospective
12 investors in Pennsylvania. Respondents, however, continued to market investment in TV Products
13 outside Pennsylvania, garnering at least \$15,000 in new investment after receiving notice of the
14 Pennsylvania Order.

15 19. Despite the Pennsylvania Order, Respondents did not change what was told
16 prospective investors regarding investment in TV Products. Moreover, Respondents failed to
17 revise their printed marketing materials to include notice of the Pennsylvania Order. Instead, they
18 continued to send prospective investors the Memorandum, which states in capital letters:

19 THESE SECURITIES HAVE NOT BEEN... DISAPPROVED BY... ANY STATE
20 SECURITIES COMMISSION, NOR HAS... ANY SUCH STATE SECURITIES
21 COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS
22 PRIVATE PLACEMENT MEMORANDUM.

23 Additionally, they continued to use the Purchase Agreement, which states that TV Products is “not
24 in violation... of any... order... of any... governmental entity [or] ...any provision of... state
25 statute, rule or regulation.”

26 20. Donovan has represented that “TV Products ceased operating on or about August 20,
2012.”

1 make the statements made not misleading in light of the circumstances under which they were
2 made; or (iii) engaged in transactions, practices, or courses of business that operated or would
3 operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not
4 limited to:

5 a. misrepresenting that the Class B Units had not been disapproved of by any
6 state agency and were not being offered in violation of any state law; and

7 b. failing to disclose to prospective investors the Pennsylvania Order entered
8 against Respondents.

9 31. This conduct violates A.R.S. § 44-1991.

10 **VII.**

11 **REQUESTED RELIEF**

12 The Division requests that the Commission grant the following relief:

13 1. Order Respondents to permanently cease and desist from violating the Securities Act,
14 pursuant to A.R.S. § 44-2032;

15 2. Order Respondents to take affirmative action to correct the conditions resulting from
16 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
17 A.R.S. § 44-2032;

18 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
19 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

20 4. Order any other relief that the Commission deems appropriate.

21 **VIII.**

22 **HEARING OPPORTUNITY**

23 Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.

24 **If a Respondent requests a hearing, the requesting respondent must also answer this Notice.** A
25 request for hearing must be in writing and received by the Commission within 10 business days after
26 service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the

1 request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
2 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
3 Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

4 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
5 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
6 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
7 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
8 Opportunity for Hearing.

9 Persons with a disability may request a reasonable accommodation such as a sign language
10 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
11 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.

12 Requests should be made as early as possible to allow time to arrange the accommodation.

13 Additional information about the administrative action procedure may be found at
14 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

15 **IX.**

16 **ANSWER REQUIREMENT**

17 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting
18 respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket
19 Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within
20 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from
21 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
22 <http://www.azcc.gov/divisions/hearings/docket.asp>.

23 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
24 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
25 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
26 addressed to Stephen J. Womack.

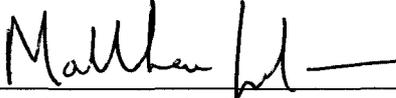
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The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondents waive any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated: January 15, 2013.



Matthew J. Neubert
Director of Securities

SJW