

ORIGINAL

OPEN MEETING ITEM

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COMMISSIONERS
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

JODI JERICH
EXECUTIVE DIRECTOR



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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Bob Stump, Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

Arizona Corporation Commission
DOCKETED

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

AUG 26 2013

DOCKETED BY *nr*

DATE: August 19, 2013

RE: *In Re: TV Products, LLC and Stephen Christopher Donovan*
Docket No. S-20873A-13-0010

CC: Jodi Jerich, Executive Director

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DOCKET CONTROL

Attached for your consideration is the proposed *Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same by TV Products, LLC and Stephen Christopher Donovan* ("Consent Order") executed by TV Products, LLC and Stephen Christopher Donovan (collectively, "Respondents").

The Consent Order finds that, between about October 2010 and August 2012, Respondents offered and sold to individuals located across the United States interests in an Arizona-based infomercial business. The Consent Order finds that Respondents violated A.R.S. §§ 44-1841 and 44-1842 by offering and selling unregistered securities while not being registered as dealers or salesmen. The order further finds that Respondents violated the anti-fraud provisions of A.R.S. § 44-1991 by making untrue statements or misleading omissions of material facts. In particular, Respondents stated the securities had not been disapproved by any state securities commission and failed to state that a cease and desist order was issued by the Pennsylvania Securities Commission against the Respondents regarding the securities.

The Consent Order: (a) directs Respondents and their agents are to permanently cease and desist from violating the Securities Act; and (b) orders Respondents, jointly and severally, to pay (i) restitution to the Commission in the principal amount of \$153,000.00; (ii) an administrative penalty in the amount of \$20,000.00; and (iii) interest. The Division believes that this Consent Order is appropriate to protect the public welfare.

Originator: Stephen J. Womack

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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

DECISION NO. _____

**ORDER TO CEASE AND DESIST,
ORDER FOR RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES,
AND CONSENT TO SAME BY
TV PRODUCTS, LLC AND
STEPHEN CHRISTOPHER DONOVAN**

(Assigned to the Honorable Marc E. Stern)

TV Products, LLC, an Arizona limited liability company, and Stephen Christopher
Donovan ("Respondents") elect to permanently waive any right to a hearing and appeal under
Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act")
with respect to this *Order To Cease And Desist, Order for Restitution, Order for Administrative
Penalties, and Consent to Same by TV Products, LLC and Stephen Christopher Donovan* ("Order").
Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission");
neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and
consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. TV Products, LLC ("TV Products") is an Arizona limited liability company that was
organized under the laws of the state of Arizona on May 13, 2008, as a member-managed limited
liability company. According to its Articles of Organization, the limited liability company was

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

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

8 3. Respondents intended to fund the start-up of its Arizona-based infomercial business
9 by offering for sale membership interests in the company. Toward that end, between about October
10 2010 and August 2012, Donovan and another employee of TV Products cold-called prospective
11 investors from lists purchased by TV Products from a third party. If a prospect expressed interest
12 in the offering, Respondents sent the individual materials that promoted investment in the company,
13 including, among other materials, a Confidential Private Placement Memorandum
14 ("Memorandum") and a B Units Purchase Agreement ("Purchase Agreement").

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

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

22 6. Respondents further explained in the Memorandum that they "intend[ed] to use the
23 net proceeds from this Offering for funding the development of and production of television
24 infomercials, working capital requirements, administration, and sales and marketing for
25 commercializing the operations."
26

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

4 8. Nor do TV Products' investors have specialized knowledge of or experience in the
5 infomercial industry.

6 9. The Memorandum states that the manager of TV Products would "control future
7 management, as well as all major decisions of the Company." This was to be true, "even after the
8 issuance of all of the 150 Shares offered" because TV Products' "success depend[ed] in large part
9 upon the continued services of its Manager."

10 10. The Memorandum notes Donovan's "track record of success," stating:

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

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

17 11. In practice, Donovan retained and exercised all effective management control over
18 the company.

19 12. Upon an investor's execution of the Memorandum and Purchase Agreement and
20 upon payment, Respondents did issue to the investor a certificate indicating the units purchased in
21 the company and signed by Donovan, but did not amend its Articles of Organization on file with
22 the Commission to reflect any investor's membership interest in the company.

23 13. Additionally, Respondents have not made distributions, refunded investment
24 principal or otherwise transferred money to any of its investors.

25 14. On January 10, 2012, a *Summary Order to Cease and Desist* was entered against TV
26 Products, LLC and Stephen Donovan in Administrative Proceeding No. 2011-12-11 in the

Decision No. _____

1 Commonwealth of Pennsylvania before the Pennsylvania Securities Commission (the
2 “Pennsylvania Order”), which directs Respondents to “immediately CEASE AND DESIST from
3 offering and selling the Interests in the Commonwealth of Pennsylvania, in violation of the 1972
4 Act, and in particularly Section 201 thereof” (emphasis in original). Respondents did not appear
5 nor participate in the Pennsylvania proceedings.

6 15. After being served the Pennsylvania Order, Respondents did stop calling prospective
7 investors in Pennsylvania. Respondents, however, continued to market investment in TV Products
8 outside Pennsylvania, garnering at least \$48,000 in new investment after receiving notice of the
9 Pennsylvania Order.

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

15 THESE SECURITIES HAVE NOT BEEN... DISAPPROVED BY... ANY STATE
16 SECURITIES COMMISSION, NOR HAS... ANY SUCH STATE SECURITIES
17 COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS
PRIVATE PLACEMENT MEMORANDUM.

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

21 17. Donovan has represented that “TV Products ceased operating on or about August 20,
22 2012.”

23 18. In total, between about October 2010 and August 2012, TV Products sold 49 Class
24 B Units for \$153,000 to at least 13 individuals located across the United States.

25 19. TV Products’ Class B Units are not registered with the Commission.
26

1 **II.**

2 **CONCLUSIONS OF LAW**

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

5 2. Respondents offered or sold securities within or from Arizona, within the meaning
6 of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

7 3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were
8 neither registered nor exempt from registration.

9 4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while
10 neither registered as dealers or salesmen nor exempt from registration.

11 5. Respondents violated A.R.S. § 44-1991 by making untrue statements or misleading
12 omissions of material facts.

13 6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.
14 § 44-2032.

15 7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
16 2032.

17 8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-
18 2036.

19 **III.**

20 **ORDER**

21 **THEREFORE**, on the basis of the Findings of Fact, Conclusions of Law, and Respondents'
22 consent to the entry of this Order, attached and incorporated by reference, the Commission finds that
23 the following relief is appropriate, in the public interest, and necessary for the protection of investors:

24 **IT IS ORDERED**, pursuant to A.R.S. § 44-2032, that Respondents, and any of
25 Respondents' agents, employees, successors and assigns, permanently cease and desist from
26 violating the Securities Act.

Decision No. _____

1 IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry
2 of Order.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents TV
4 Products, LLC and Stephen Christopher Donovan, jointly and severally, shall pay restitution to the
5 Commission in the principal amount of \$153,000. Payment is due in full on the date of this Order.
6 Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account
7 controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of
8 4.25 percent per annum from the date of this Order until paid in full.

9 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
10 records of the Commission. Any restitution funds that the Commission cannot disburse because an
11 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
12 investor because the investor is deceased and the Commission cannot reasonably identify and
13 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
14 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
15 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
16 shall be transferred to the general fund of the state of Arizona.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents TV
18 Products, LLC and Stephen Christopher Donovan, jointly and severally, shall pay an administrative
19 penalty in the amount of \$20,000. Payment is due in full on the date of this Order. Payment shall
20 be made to the "State of Arizona." Any amount outstanding shall accrue interest from the date
21 judgment is entered at the rate of 4.25 percent per annum. Interest in the amount of \$12,734.05 has
22 accrued from the date of purchase to August 6, 2013.

23 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
24 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
25 shall be applied to the penalty obligation.

26

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

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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9 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

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13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto set my hand and caused the official seal of the
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2013.

18 _____
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21 _____
22 DISSENT

23 _____
24 DISSENT

25 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
26 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

SJW

Decision No. _____

CONSENT TO ENTRY OF ORDER

1
2 1. Respondents TV Products, LLC, an Arizona limited liability company, and Stephen
3 Christopher Donovan, an individual, admit the jurisdiction of the Commission over the subject
4 matter of this proceeding. Respondents acknowledge that they have been fully advised of their
5 right to a hearing to present evidence and call witnesses, and Respondents knowingly and
6 voluntarily waive any and all rights to a hearing before the Commission and all other rights
7 otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
8 Administrative Code. Respondents acknowledge that this *Order To Cease And Desist, Order for*
9 *Restitution, Order for Administrative Penalties, and Consent to Same by TV Products, LLC and*
10 *Stephen Christopher Donovan* (“Order”) constitutes a valid final order of the Commission.

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

14 3. Respondents acknowledge and agree that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. Respondents acknowledge that they have been represented by an attorney in this
17 matter, that they have reviewed this Order with their attorney, Mark D. Chester, Esq. of Chester &
18 Shein, P.C., and understand all terms it contains.

19 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
20 contained in this Order.

21 6. By consenting to the entry of this Order, Respondents agree not to take any action or
22 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
23 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
24 basis. Respondents will undertake steps necessary to assure that all of their agents and employees
25 understand and comply with this agreement.

1 7. While this Order settles this administrative matter between Respondents and the
2 Commission, Respondents understand that this Order does not preclude the Commission from
3 instituting other administrative or civil proceedings based on violations that are not addressed by
4 this Order.

5 8. Respondents understand that this Order does not preclude the Commission from
6 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
7 that may be related to the matters addressed by this Order.

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

11 10. Respondents agree that they will not apply to the state of Arizona for registration as
12 a securities dealer or salesman or for licensure as an investment adviser or investment adviser
13 representative until such time as all restitution and penalties under this Order are paid in full.

14 11. Respondents agree that they will not exercise any control over any entity that offers
15 or sells securities or provides investment advisory services within or from Arizona until such time
16 as all restitution and penalties under this Order are paid in full.

17 12. Respondents agree that they will continue to cooperate with the Commission's
18 Securities Division, including, but not limited to, providing complete and accurate testimony at any
19 hearing in this matter and cooperating with the state of Arizona in any related investigation or any
20 other matters arising from the activities described in this Order.

21 13. Respondents consent to the entry of this Order and agree to be fully bound by its
22 terms and conditions.

23 14. Respondents acknowledge and understand that if either fails to comply with the
24 provisions of the order and this consent, the Commission may bring further legal proceedings
25 against the non-complying respondent, including application to the superior court for an order of
26 contempt.

1 15. Respondents understand that default shall render the defaulting respondent liable to
2 the Commission for its costs of collection and interest at the maximum legal rate.

3 16. Respondents agree and understand that if they fail to make any payment as required
4 in the Order, any outstanding balance shall be in default and shall be immediately due and payable
5 without notice or demand. Respondents agree and understand that acceptance of any partial or late
6 payment by the Commission is not a waiver of default by the Commission.

7 17. Donovan represents that he is the sole member and president of TV Products and
8 that TV Products authorized Donovan by name to enter into this Order for and on behalf of it.

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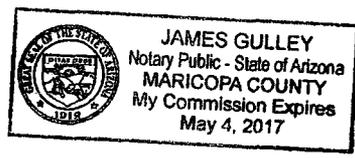
26

TV Products, LLC

Stephen Christopher Donovan
By Stephen Christopher Donovan, President

STATE OF ARIZONA)
County of MARICOPA) SS

SUBSCRIBED AND SWORN TO BEFORE me this 8 day of AUG, 2013.



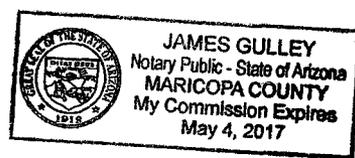
James Gulley
NOTARY PUBLIC

My commission expires: MAY-04-2017

Stephen Christopher Donovan
Stephen Christopher Donovan, Individually

STATE OF ARIZONA)
County of MARICOPA) SS

SUBSCRIBED AND SWORN TO BEFORE me this 8 day of AUG, 2013.



James Gulley
NOTARY PUBLIC

My commission expires: MAY-04-2017

1 SERVICE LIST FOR THE MATTER OF TV PRODUCTS, LLC, *ET AL.*:

2 Mark D. Chester, Esq.
3 Chester & Shein, P.C.
4 8777 N. Gainey Center Dr., Suite 191
5 Scottsdale, AZ 85258

6 *Counsel to Respondents*

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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 FILING OF PROPOSED
OPEN MEETING AGENDA ITEM

(Assigned to the Honorable Marc E. Stern)

Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached *Order to Cease and Desist, Order for Restitution, Order for Administrative Penalties, and Consent to Same by TV Products, LLC and Stephen Christopher Donovan* was filed with the Arizona Corporation Commission's Docket Control.

Dated: 8/26/13

By: 
Stephen J. Womack
Securities Division
Arizona Corporation Commission

I hereby certify that I have this day served the foregoing document on all parties of record in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

Mark D. Chester, Esq.
Chester & Shein, P.C.
8777 N. Gainey Center Dr., Suite 191
Scottsdale, AZ 85258

Counsel for Respondents

Dated: 8/26/13

By: 
Emie R. Bridges, Executive Assistant