



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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COMMISSION FINDS FRAUD IN “FIVE YEARS TO FREEDOM” INVESTMENT PROGRAM, SANCTIONS OTHERS FOR SECURITIES LAW VIOLATIONS

PHOENIX – The Arizona Corporation Commission today signed multiple consent orders with individuals and companies who agreed to pay restitution and penalties for violating state securities laws. A Gilbert couple and their affiliated companies promoted an investment program that guaranteed a debt-free home in five years. A Scottsdale man and his affiliated company offered and sold unregistered and nonexempt common stock. An Arizona securities salesman and investment adviser representative used investor funds for unauthorized purposes. In total, the Commissioners ordered the return of over \$1 million to investors and the payment of \$96,000 in penalties.

Perry Penny, et al.

A Gilbert couple and their affiliated companies agreed to stop peddling an unregistered, nonexempt investment program that guaranteed investors a debt-free home in five years. Respondents agreed to return their commissions of \$3,280 and to pay a \$1,000 penalty.

Respondents named in the consent order include:

- Perry Penny of Gilbert, 40
- Terry Penny of Gilbert, 36
- Penny Financial, Inc., a Michigan corporation
- Penny Properties, Inc., a Michigan corporation

The Pennys and their companies were the sales arm for two other respondents, Rym-Technology Holdings, LLC and Felix L. Daniel, Sr. who are not part of this Commission order. Penny Financial,

and Penny Properties are not authorized to conduct business as corporations in Arizona. Additionally, the Pennys and their companies are not registered to offer or sell securities in Arizona.

Both Penny Financial and Penny Properties had websites that offered the general public the investment program entitled as the “Five Years to Freedom Program.” Investors could supposedly own their home free and clear in only five years by tapping into their home’s equity and investing into the program.

The investment would either double the investor’s money within six months or provide a 15 to 20 percent return per week—all with low risk. The respondents also told investors that their investments would mimic those made by insurance companies and would be invested by a reputable investment firm. The Commission found these representations to be false and misleading, violating Arizona securities laws.

Early intervention by investigators at the Commission’s Securities Division limited the number of sales transactions to only one person who invested \$41,000.

Alonzo Russell, et al.

The Commission revoked the Arizona securities registration and the investment adviser representative license of 45-year-old Alonzo Russell for using a client’s funds for unauthorized purposes. Russell, of Gilbert, agreed to return \$50,000 and to pay \$20,000 in penalties.

The Commission found that Russell advised his client, a retired truck driver and U.S. Army veteran, to sell \$50,000 of mutual fund shares and to buy an interest in an equipment fund for a higher investment return.

In April 2006, AIG Financial Advisers, Inc. discharged Russell for selling the equipment fund, which was an unapproved investment product.

Instead of investing the client’s money into an equipment fund, the Commission found that Russell subsequently deposited the check into his own account, under the name of “Guardian Angel Advisors.” Without the client’s knowledge, Russell spent the investor’s money at clothing stores, restaurants and golf courses.

While affiliated with AIG Financial Advisers, Inc., Russell was also a licensed investment adviser representative with Arizona-based The Householder Group, Estate and Retirement Specialists, a licensed investment adviser with the U.S. Securities and Exchange Commission.

In settling this matter, Russell neither admitted nor denied the allegations, but agreed to the Commission's findings and entry of the order.

James W. Keaton, Jr. and ACI Holdings, Inc.

A 47-year-old Scottsdale man, James W. Keaton, Jr., and his company, ACI Holdings Inc., agreed to return \$974,673 to investors and to pay \$75,000 in penalties for selling unregistered, nonexempt common stock. The respondents promoted the investment without being registered with the Commission's Securities Division.

Keaton is the president and majority stockholder of ACI Holdings, Inc., a Nevada-based corporation. ACI Holdings, Inc. designs and manufactures printed circuit boards for various electronic products.

The Commission found that Keaton and ACI Holdings, Inc. sold the common stock through a confidential private offering memorandum. The memorandum indicated the company's intent to raise \$2 million from "accredited investors," those individuals considered to have substantial personal assets and income as well as a sophisticated knowledge about investing. The Commission found, however, that some of the investors were not accredited as required by the offering memorandum.

In settling this matter, Keaton and ACI Holdings, Inc. neither admitted nor denied the allegations, but agreed to the Commission's findings and entry of the order.

For more information

To access the full text of the Commission orders, click on the following link: <http://www.azcc.gov/divisions/securities/enforcement/enforce-orders.asp>. All public documents related to the cases can be viewed and/or printed through the Commission's e-Docket system. The docket number assigned to the Perry Penny et al matter is S-20509A-07-0043. The Alonzo Russell matter is filed under docket S-20518A-07-0146. The docket number assigned to the James W. Keaton and ACI Holdings, Inc. matter is S-20482A-06-0631.

Caution for investors

Even if it is with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education website also has helpful information at www.azinvestor.gov.

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