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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK  
Chairman  
JIM IRVIN  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner

ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

In the matter of )  
TUCSON ESTATE FINANCIAL ADVISORS, )  
INC., )  
an Arizona corporation )  
3049-A S. Kinney Road )  
Tucson, Arizona 85713 )  
JAMES R. KINION, II )  
6655 N. Canyon Crest Drive, #7139 )  
Tucson, Arizona 85750 )  
Respondents. )

DOCKET NO. S-03389A-00-0000

**NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING PROPOSED  
ORDER FOR RELIEF**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

For its proposed order for relief, the Securities Division (the "Division") of the Arizona Corporation Commission (the "Commission") alleges that respondents, singularly and in concert, have engaged in acts, practices and transactions, which constitute violations of A.R.S. § 44-1801 *et seq.*, the Securities Act of Arizona (the "Securities Act").

The Division alleges as follows:

**I.**

**JURISDICTION**

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

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**II.**

**RESPONDENTS**

1  
2  
3 2. TUCSON ESTATE FINANCIAL ADVISORS, INC. ("TEFA") is an Arizona corporation  
4 located at 3049-A S. Kinney Road, Tucson, Arizona 85713.

5 3. JAMES R. KINION, II ("KINION"), whose last known address is 6655 N. Canyon Crest  
6 Drive, #7139, Tucson, Arizona 85750, is the president of TEFA.

7 4. The respondents may be collectively referred to as "RESPONDENTS."

**III.**

**FACTS**

10 5. Each of the preceding paragraphs is incorporated by reference.

11 6. RESPONDENTS have engaged in the offer or sale within or from Arizona of securities in  
12 the form of promissory notes or investment contracts to the general public.  
13

14 7. KINION is licensed in Arizona to sell insurance and real estate.

15 8. Beginning in or about June 1998, RESPONDENTS offered to sell securities, in the form  
16 of promissory notes or investment contracts to Arizona investors, on behalf of the following  
17 corporations:  
18

- 19 a) Apogenics, Inc.
- 20 b) Caffe Diva Group Ltd. ("Caffe Diva")
- 21 c) Corlogic Corp.
- 22 d) Digizap Technologies LLC
- 23 e) Pacific Air Transport, Inc. ("Pacific Air")
- 24 f) Redbank Petroleum, Inc. ("Redbank")
- 25 g) Sebastian International Entertainment, Inc. ("Sebastian")
- 26

1 h) Technical Support Services, Inc. ("TSSI")

2 i) World Vision Entertainment, Inc. ("World Vision")

3 9. RESPONDENTS sold 41 promissory notes for the above companies to 16 Arizona  
4 investors, for a total investment of approximately \$1,176,084.62. RESPONDENTS received  
5 commissions ranging from nine to thirteen percent, totaling approximately \$109,121.71.

6 10. All notes were for a nine-month period. Interest on the notes ranged from ten percent to  
7 thirteen percent. As of this date, some of the notes have been paid off, but the majority are past due.  
8 Thus, the majority of the investors have not received a return of their principal from their investments  
9 with the companies.  
10

11 11. The notes were allegedly guaranteed by an insurance company bond. Investors were  
12 told that the bond guaranteed that the note would be paid off if the company did not make the required  
13 payment. Investors were told that the notes were safe and fully bonded. However, to date no investor  
14 has received any payment from any insurance bond, even though the notes are past due. The insurance  
15 companies backing the notes from the nine companies were Global Insurance Company, Ltd., located  
16 in Costa Rica and New England International Surety Inc. ("NEISF"), located in Belgium.  
17

18 12. RESPONDENTS did not inform investors that the promissory notes were not registered  
19 as securities in Arizona or exempt from registration, failed to fully disclose the financial incentives of  
20 up to thirteen percent commissions that they received for selling the promissory notes and failed to  
21 provide full disclosure regarding the investment including risk, disclosure statements, prospectuses or  
22 financial statements.  
23

24 13. RESPONDENTS did not inform the investors in Redbank that at the time of their  
25 investment, the president of Redbank was the subject of a cease and desist order issued by the State of  
26

1 Maryland for securities fraud and was under order to repay approximately \$2,000,000 to Maryland  
2 investors.

3 14. RESPONDENTS did not inform the investors in Sebastian that prior to their  
4 investment, the State of Pennsylvania had issued a cease and desist order against Sebastian ordering it  
5 to stop the offer and sale of unregistered securities.

6 15. RESPONDENTS did not inform the investors in World Vision that prior to their  
7 investment, the State of Pennsylvania had issued a cease and desist order against World Vision  
8 ordering it to stop the offer and sale of unregistered securities.

9 16. Subsequent to the last Redbank investment, on June 3, 1999, the United States  
10 Securities and Exchange Commission ("SEC") sued the principals of Redbank Petroleum, Inc. for  
11 securities fraud, for operating Redbank as a Ponzi scheme.

12 17. Subsequent to the last Sebastian investment, on August 19, 1999, the SEC sued the  
13 principals of Sebastian International Entertainment, Inc. for securities fraud, in operating Sebastian as  
14 a Ponzi scheme. A receiver was appointed to operate Sebastian.  
15

16 18. Subsequent to the last World Vision investment, on September 3, 1999, World Vision  
17 filed for bankruptcy. A trustee was appointed to operate the business.  
18

19 19. Subsequently to the last investment, other states have issued orders against Pacific  
20 Air, World Vision, Sebastian, Caffè Diva, TSSI and NEISI for the sale of unregistered securities.  
21

#### 22 IV.

#### 23 VIOLATION OF A.R.S. § 44-1841

#### 24 (Offer and Sale of Unregistered / Unauthorized Securities)

25 20. Each of the preceding paragraphs is incorporated by reference.  
26



1 or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the  
2 following:

- 3 a) Failing to inform investors that the promissory notes were not registered as securities in  
4 Arizona and were not exempt from registration;
- 5 b) Failing to fully disclose the financial incentives of up to thirteen percent commissions that  
6 they received for selling the promissory notes;
- 7 c) Failing to provide full disclosure regarding the investment including risk, disclosure  
8 statements, prospectuses or financial statements;
- 9 d) Failing to inform the Redbank investors that at the time of their investment, the president  
10 of Redbank was the subject of a cease and desist order issued by the State of Maryland for  
11 securities fraud and was under order to repay approximately \$2,000,000 to Maryland  
12 investors;
- 13 e) Failing to inform the Sebastian investors that at the time of their investment, Sebastian was  
14 the subject of a cease and desist order issued by the State of Pennsylvania; and
- 15 f) Failing to inform the World Vision investors that at the time of their investment, World  
16 Vision was the subject of a cease and desist order issued by the State of Pennsylvania.

17 29. This conduct violates A.R.S. § 44-1991.

18 **VII.**

19 **REQUESTED RELIEF**

20 The Division requests that the Commission grant the following relief against each respondent:

- 21 1. Order RESPONDENTS to permanently cease and desist from violating the Securities  
22 Act, pursuant to A.R.S. § 44-2032;
- 23 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from  
24 their acts, practices or transactions, including without limitation a requirement to make restitution  
25 pursuant to A.R.S. § 44-2032;

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

4. Order any other relief that the Commission deems appropriate and authorized by law.

VIII

HEARING OPPORTUNITY

In accordance with A.R.S. §§ 44-1972 and A.A.C. R14-4-306, RESPONDENTS are notified that each respondent is afforded an opportunity for a hearing only by filing a written request for a hearing and cover sheet with Docket Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10 days after service of this Notice. RESPONDENTS are further notified that a cover sheet must accompany all filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

The date set for the hearing shall be within 15 to 30 days after the request for the hearing has been docketed, unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. Any respondent who does not request a hearing within the time prescribed is subject to the Commission issuing an order against that respondent containing such relief as the Commission deems appropriate, including but not limited to the relief requested above.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Cynthia Mercurio-Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail [csandoval@cc.state.az.us](mailto:csandoval@cc.state.az.us). Requests should be made as early as possible to allow time to arrange the accommodation.

Dated this 29th day of March, 2000

  
Mark Sendrow  
Director of Securities