

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

SONOCINE, INC.

Respondents.

ORDER TO SHOW CAUSE

Docket No.

10-12-0059

It appears to the Director of the Utah Division of Securities (Director) that Sonocine, Inc. (Respondent) has engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq.* (the Act). Those acts and practices are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondent and the subject matter is appropriate because the Division alleges that it violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. Sonocine, Inc. (Issuer) was initially incorporated in California on February 11, 2000. On August 16, 2010, it then reincorporated in Delaware. The Issuer's registration with the Delaware Division of Corporations remains active, and its principal place of business is located in Nevada. The Issuer is not currently, and has not ever been, registered with the Utah Division of Corporations.

GENERAL ALLEGATIONS

3. In or around February 2012, Respondent offered and sold securities to investors, in or from Utah, and collected a total of at least \$9,000.
4. Respondent made material omissions in connection with the offer and sale of securities to the investors identified below.

INVESTORS T.M. AND K.M. (HUSBAND AND WIFE)

5. In or around February 2012, T.M. and K.M., Utah residents, provided the funds and documentation necessary to participate in the Issuer's offering of Series B Preferred Stock.
6. Specifically, T.M. and K.M. invested a total of \$9,000 in exchange for 5,625 shares of Series B Preferred Stock. This interest is documented in a subscription agreement signed by the investors on February 23, 2012 and accepted by the Issuer on February 29, 2012.
7. Issuer first reported its sales activities in the state of Utah to the Division on March 6, 2012. when it filed a Form D for its Rule 506 offering.

8. With respect to that offering, Issuer provided potential participants, including T.M. and K.M., with a copy of its private offering memorandum and subscription agreement.
9. Within the private offering memorandum, Issuer included certain disclosures relevant to the offering, including a description of management.
10. However, the private offering memorandum, and all other documentation provided to potential investors, failed to disclose the following action:
 - a. On November 8, 2010, Safiye Cangal (Cangal), the current Chief Financial Officer of the Issuer, filed for Chapter 7 bankruptcy relief in Nevada.¹ Cangal was later discharged from bankruptcy on March 28, 2011.
11. As a result, T.M. and K.M. never received any disclosure related to this action prior to investing \$9,000 in the offering.

CAUSES OF ACTION

Securities Fraud under § 61-1-1 of the Act (Investor T.M. and K.M.)

12. The Division incorporates and re-alleges paragraphs 1 through 11.
13. The investment opportunities offered and sold by Respondent are securities under § 61-1-13 of the Act.
14. In connection with the offer and sale of a security to investors T.M. and K.M., Respondent, directly or indirectly, failed to disclose material information, including, but not limited to, the

¹ *In re* Cangal, No. 10-54413 (Bankr. D. Nev. 2010).

following, which was necessary in order to make statements made not misleading:

- a. In 2010, Cangal filed for Chapter 7 bankruptcy relief in the United States Bankruptcy Court for the District of Nevada.²

ORDER

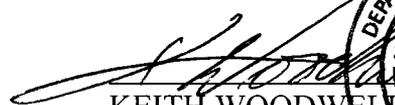
The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondent to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on **Wednesday, November 7, 2012, at 9:00 a.m.**, at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondent fails to file an answer and appear at the hearing, the Division of Securities may hold Respondent in default, and a fine may be imposed in accordance with Utah Code Ann. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondent may show cause, if any it has:

- a. Why Respondent should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondent should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and
- c. Why Respondent should not be ordered to pay to the Division a fine amount to be

² *Id.*

determined by the Utah Securities Commission after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1.

DATED this 3rd day of October, 2012.


KEITH WOODWELL
Director, Utah Division of Securities



Approved:


D. SCOTT DAVIS
Assistant Attorney General
A.S.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

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| <p>IN THE MATTER OF:</p> <p>SONOCINE, INC.</p> <p>Respondent.</p> | <p>NOTICE OF AGENCY ACTION</p> <p>Docket No. <u>10-12-1059</u></p> |
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THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. § 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Order to Show Cause. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your response must include the file number and name of the adjudicative proceeding, your version of the

facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

D. Scott Davis
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0358

An initial hearing in this matter is set for **Wednesday, November 7, 2012** at the Division of Securities, 2nd Floor, 160 E. 300 S., Salt Lake City, Utah, at **9:00 A.M.** The purpose of the initial

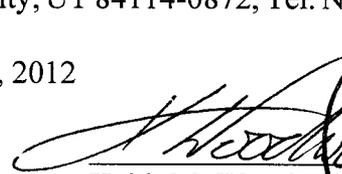
hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Order to Show Cause.

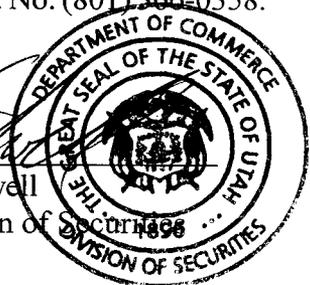
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Jennie Jonsson, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Ms. Jonsson and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to D. Scott Davis, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0358.

Dated this 3rd day of October, 2012


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

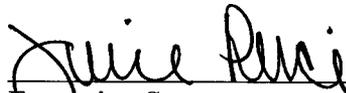
I certify that on the 4th day of October, 2012, I mailed, by regular and certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

SONOCINE, INC.
c/o HELEN MELMAN
815 MORAGA DRIVE
LOS ANGELES, CA 90049

Certified Mail # 7007 0220 0001 0004 7963

SONOCINE, INC.
c/o NATIONAL CORPORATE RESEARCH LTD.
615 S. DUPONT HWY.
DOVER, DE 19901

Certified Mail # 7007 0220 0001 0004 7970



Executive Secretary