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8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10 In the Matter of:)

11 THE COMMISSIONER OF BUSINESS)
12 OVERSIGHT,)

13 Complainant,)

14 v.)

CONSENT ORDER

15 CLICKN KIDS, INC., a Nevada corporation;)
16 ARMYN CARABET; an individual; and ALAN)
SCALONE, an individual,)

17 Respondents.)
18)
19)
20)

21 **I.**

22 **JURISDICTION AND VENUE**

23 The Commissioner of the Department of Business Oversight (“Commissioner”) is authorized
24 to administer and enforce the provisions of the Corporate Securities Law of 1968, Corporations
25 Code section 25000 et seq. (“CSL”) and the regulations thereunder at Title 10, California Code of
26 Regulations.

27 The Commissioner brings this action pursuant to the provisions of the CSL sections 25532
28 and 25252 and regulations promulgated thereunder.

1 G. Pursuant to Corporations Code section 25531 and Government Code section 11180,
2 the Department commenced an investigation of Respondents. On July 16, 2014, the Commissioner
3 issued a subpoena to Respondents demanding the production of specified business records.

4 H. Respondents timely produced documents responsive to the Commissioner’s
5 subpoena. Further, in an effort to facilitate the Commissioner’s investigation and resolve the
6 investigation economically, Respondents fully cooperated with the Department and voluntarily self-
7 reported activities that appeared to be in violation of the CSL.

8 I. Upon review of Respondents’ books and records, the Department discovered that
9 beginning in or about April 2005 to at least January 2014, ClickN Kids, Carabet, and Scalone
10 offered and sold securities in the form of common stock in ClickN Kids to at least 261 investors.

11 J. Respondents offered and sold ClickN Kids’ stock to certain prospective investors
12 through a team of ClickN Kids’ personnel described as “Investor Relations Personnel.”

13 K. Respondents claimed that these Investor Relations Personnel solicited either persons
14 with whom there was a prior existing relationship or persons they reasonably believed were
15 accredited investors who had expressed interest in investing in ClickN Kids. Notwithstanding
16 Respondents’ claims, the Commissioner’s inquiry disclosed that Respondents solicited investors by
17 means which included general solicitations by placing telephone calls in some cases, to investors
18 with whom Respondents had no pre-existing relationship and who were in some cases, not
19 accredited investors.

20 L. Corporations Code section 25110 prohibits the offer or sale of non-exempt securities
21 in this state that are subject to qualification. The securities in the form of common stock in ClickN
22 Kids offered or sold by Respondents are securities subject to qualification under the CSL.

23 M. These securities were offered or sold in the state in issuer transactions. The
24 Department has not issued a permit or other form of qualification authorizing any person to offer or
25 sell these securities in this state. The offer or sale of these securities is not exempt under the CSL.

26 N. In or about September 2013, Respondents filed a Notice of Transaction with the
27 Department claiming that the offerings were exempt pursuant to CSL section 25102(f). However,
28 this exemption was unavailable to Respondents because they solicited investors by means that

1 included general solicitations by placing telephone calls in some cases, to investors with whom
2 Respondents had no pre-existing relationship and who were in some cases, not accredited investors.

3 O. Further, in offering and selling ClickN Kids’ stock to investors, Respondents made
4 written and oral communications to prospective investors that omitted to state what the Department
5 deems to be a material fact necessary in order to make the other statements made, in light of the
6 circumstances under which they were made, not misleading. The material omission was failing to
7 inform prospective investors that on February 6, 2002, slightly more than a year before the formation
8 of ClickN Kids, the Pennsylvania Securities Commission issued a Cease and Desist Order against
9 Carabet, Scalone, and Academy One, Inc. (a California corporation that Carabet and Scalone
10 controlled at the time), directing them to cease and desist from offering and selling unregistered
11 securities by unregistered agents in Pennsylvania.

12 P. It is the intention and desire of the parties to resolve this matter without the necessity
13 of a hearing and/or other litigation.

14 Q. The Commissioner finds that this Consent Order is appropriate, in the public interest,
15 and consistent with the purposes fairly intended by the policy and provisions of the CSL.

16 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
17 forth herein, the parties agree as follows:

18 **STIPULATION AND CONSENT ORDER**

19 1. Respondents stipulate to the attached Desist and Refrain Order incorporated herein as
20 Exhibit A. Further, Respondents acknowledge the right to a hearing under the Corporate Securities
21 Law of 1968 in connection with the Desist and Refrain Order and hereby waive that right to a
22 hearing, and to any reconsideration, appeal, or other right to review which may be afforded pursuant
23 to the Corporate Securities Law of 1968, the California Administrative Procedure Act, the California
24 Code of Civil Procedure, or any other provision of law.

25 2. Respondents acknowledge and stipulate to the facts as set forth in the Desist and
26 Refrain Order and stipulate to the finality of the Order; provided, however, that this acknowledgment
27 and stipulation by Respondents is for the purpose of this and any other future proceedings that may
28 be initiated by or brought before the Department only. The Parties agree that this Consent Order and

1 any acknowledgements hereunder shall not be admissible or binding against Respondents in any
2 action(s) brought against them by third parties that are not signatories to this Consent Order.

3 3. Respondents stipulate to undertake all appropriate steps designed to assure full
4 compliance with the laws of California in the conduct of its business. Respondents acknowledge
5 that failure to comply with any provision of this Consent Order including failure to timely pay the
6 penalties shall be a breach of this Consent Order and shall be cause for the Commissioner to
7 immediately revoke any licenses held by, and/or deny any application(s) of Respondents and/or their
8 successors and assigns, by whatever names they might be known, or take further enforcement action
9 to enforce the Consent Order should there be no license or application to affect. Respondents hereby
10 waive any notice and hearing rights to contest such revocations and/or denial(s) which may be
11 afforded under the Corporate Securities Law of 1968, the California Administrative Procedure Act,
12 the California Code of Civil Procedure, or any other provision of law in connection therewith.

13 4. Respondents agree to pay to the Commissioner penalties in the amount of
14 \$100,000.00. The administrative penalties shall be paid in the form of cashier's checks, in monthly
15 installments due on the following dates:

- 16 (a) \$30,000.00 due on July 31, 2016;
- 17 (b) \$10,000.00 due on August 31, 2016;
- 18 (c) \$10,000.00 due on September 30, 2016;
- 19 (d) \$10,000 due on October 31, 2016;
- 20 (e) \$10,000 due on November 30, 2016;
- 21 (f) \$10,000 due on December 31, 2016;
- 22 (g) \$10,000 due on January 31, 2017; and
- 23 (h) \$10,000 due on February 28, 2017.

24 The cashier's checks shall be made payable to "The Department of Business Oversight," and shall be
25 sent to the following address:

26 Uche L. Enenwali
27 Senior Counsel
28 Department of Business Oversight
320 W. 4th Street, Suite 750
Los Angeles, CA 90013

1 In the event a payment due date falls on a weekend or holiday, the payment shall be due the next
2 business day.

3 5. If Respondents breach this Consent Order as set forth in Paragraphs 3 and 4, the
4 Respondents, and each of them, shall be jointly and severally liable for the remaining unpaid balance
5 of penalties due plus interest, and Respondents consent to the entry of a Final Judgment in the
6 Superior Court. The Commissioner may seek to enforce the Final Judgment without any further
7 notice to Respondents. Respondents, and each of them, agree and stipulate to waive entry of
8 Findings of Fact and Conclusions of Law under Code of Civil Procedure section 632 and all rights to
9 appeal the entry of the Final Judgment. The Respondents, and each of them, further agree and
10 stipulate that entry of the Final Judgment pursuant to this Consent Order may be made ex parte
11 without notice to Respondents.

12 6. The Commissioner reserves the right to bring any future action(s) against
13 Respondents and/or any of their officers, directors, shareholders, or employees for any and all
14 unknown or future violations of the Corporate Securities Law of 1968. This Consent Order shall not
15 serve to exculpate Respondents or any of the officers, directors, shareholders, or employees of
16 Respondents from liability for any and all unknown or future violations of the Corporate Securities
17 Act of 1968.

18 7. This Consent Order shall not become effective until signed, and delivered by all
19 parties.

20 8. The Parties hereby acknowledge and agree that this Consent Order is intended to
21 constitute a full, final, and complete resolution of this matter. The Parties further acknowledge and
22 agree that nothing contained in this Consent Order shall operate to limit the Commissioner's ability
23 to assist any other agency, county, state or federal, with any prosecution, administrative, civil or
24 criminal, brought by any such agency against Respondents based upon any of the activities alleged
25 in this matter or otherwise.

26 9. Each of the Parties represents, warrants, and agrees that it has received or been
27 advised to seek independent legal advice from its attorneys with respect to the advisability of
28 executing this Consent Order.

1 10. Each of the parties represents, warrants, and agrees that in executing this Consent
2 Order it has relied solely on the statements set forth herein and the advice of its own counsel. Each
3 of the parties further represents, warrants, and agrees that in executing this Consent Order it has
4 placed no reliance on any statement, representation, or promise of any other party, or any other
5 person or entity not expressly set forth herein, or upon the failure of any party or any other person or
6 entity to make any statement, representation or disclosure of anything whatsoever. The parties have
7 included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to
8 execute this Consent Order; and (2) to preclude the introduction of parol evidence to vary, interpret,
9 supplement, or contradict the terms of this Consent Order.

10 11. No amendment, change or modification of this Consent Order shall be valid or
11 binding to any extent unless it is in writing and signed by all of the parties affected by it.

12 12. This Consent Order is the final written expression and the complete and exclusive
13 statement of all the Consent Orders, conditions, promises, representations, and covenants between
14 the parties with respect to the subject matter hereof, and supersedes all discussions between and
15 among the parties, their respective representatives, and any other person or entity, with respect to the
16 subject matter covered hereby.

17 13. In that the parties have had the opportunity to draft, review and edit the language of
18 this Consent Order, no presumption for or against any party arising out of drafting all or any part of
19 this Consent Order will be applied in any action relating to, connected to, or involving this Consent
20 Order. Accordingly, the parties waive the benefit of Civil Code section 1654 and any successor or
21 amended statute, providing that in cases of uncertainty, language of a contract should be interpreted
22 most strongly against the party who caused the uncertainty to exist.

23 14. This Consent Order may be executed in any number of counter-parts by the Parties,
24 and when each party has signed and delivered at least one such counterpart to the other party, each
25 counterpart shall be deemed an original and taken together shall constitute one and the same Consent
26 Order.

27 15. The headings to the paragraphs of this Consent Order are inserted for convenience
28 only and will not be deemed a part hereof or affect the construction or interpretation of the

1 provisions hereof. This Consent Order shall be construed and enforced in accordance with, and
2 governed by, the laws of the State of California.

3 16. Each party warrants and represents that such party is fully entitled and duly
4 authorized to enter into and deliver this Consent Order. In particular, and without limiting the
5 generality of the foregoing, each party warrants and represents that it is fully entitled to enter into the
6 covenants, and undertake the obligations set forth herein.

7 17. Respondents hereby acknowledge that this Consent Order will be a matter of public
8 record.

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18. The Parties each represent and acknowledge that he, she, or it is executing this Consent Order completely voluntarily and without any duress or undue influence of any kind from any source.

Dated: July 5, 2016

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: June 30, 2016

CLICKN KIDS, INC.

By: _____
Armyn Carabet
Chief Executive Officer

Dated: June 30, 2016

By: _____
Alan Scalone
President

APPROVED AS TO FORM AND CONTENT:

DAVID L. STANTON, Partner
Pillsbury Winthrop Shaw Pittman LLP
Attorney for CLICKN KIDS, INC.

UCHE L. ENENWALI
Department of Business Oversight
Senior Counsel
Enforcement Division