

1 client's respective estate and financial plans included, but were not limited to, disposal of assets
2 through sales with the proceeds being transferred into securities accounts under Jennings' control.

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4 5. Jennings' objective under the guise of making estate planning recommendations to a
5 client was to advise and then direct the sale or exchange of individuals stocks, mutual funds and
6 other assets to enable a client to then purchase investments and financial products that Jennings
7 sold. Jennings' advice to clients to sell securities and other assets held in their respective
8 investment portfolios generated commissions on the sales and commissions on the purchases of
9 other investment products, some of which generated significant commissions for Jennings.

10 6. Jennings received special compensation from individuals for his estate and financial
11 planning recommendations, which were not incidental to his conduct as a registered representative.

12 7. Although Jennings did not have discretionary authority to engage in securities trading
13
14 for some of his clients, he nonetheless did so. Jennings did not obtain prior approval for securities
15 trades he made. Moreover, some of the transactions that Jennings recommended involved the
16 purchase of investment products that were unsuitable for his clients and included, but are not limited
17 to, high-risk technology stocks, variable annuities and mutual fund Class B shares.

18 8. After obtaining control of a client's liquid assets Jennings purchased mutual funds shares,
19 usually "Class B" shares. The various classes of shares in a given mutual fund only differ in the
20 amount of expenses paid by the investor. Even though Class B mutual funds shares do not have a
21 front-end fee associated with the purchase, they do have a contingent deferred sales charge ("CSDC").
22 Jennings did not disclose to investors the disadvantages of Class B shares, including: (1) Class B
23 shares must be held a number of years to avoid the CSDC; (2) Class B shareholders indirectly pay
24 higher annual fees, referred to as 12b-1 fees; and, (3) purchasers of Class B shares cannot take
25 advantage of breakpoint discounts available on large purchases of Class A shares. Jennings' sale of a
26 client's Class B shares before the time expired to avoid the CSDC resulted in his clients paying larger
27 commissions and significantly diminished their overall return, especially when coupled with the higher
28 annual expenses, all facts Jennings did not disclosed to his clients.

9. Jennings did not disclose to his clients that some of his investment advisory services were

1 unsupervised by his employer and that he as an individual did not possess a investment adviser
2 certificate from the Department of Corporations or the Securities and Exchange Commission
3 authorizing him to engage in advising clients about investments and receive compensation for it.
4

5 10. Jennings advice to individuals concerning the value of investments and the buying
6 and selling of them constitutes investment advice. Jennings received commissions for his advice
7 to his clients to buy, sell or exchange securities and other financial products. Jennings
8 individually never applied for or secured from the Commissioner of Corporations a certificate
9 authorizing him to conduct business as an investment adviser in California and is not exempt from
10 the certification requirement.

11 11. Jennings' offer and sale of securities and other financial products were made by means
12 of misrepresentations and omissions of material fact including, but not limited to, the amount of his
13 commissions or compensation, the unsuitability of some investments, and the lack of approval from
14 his employer for his outside investment activities.

15 Based upon the foregoing, the California Corporations Commissioner is of the opinion that
16 Charles Michael Jennings also known as C. Michael Jennings and as Michael Jennings conducted
17 business an investment adviser in California without having first applied for and secured a certificate,
18 then in effect, from the Commissioner authorizing him to act in that capacity in violation of section
19 25230 of the California Corporations Code.

20 Pursuant to Corporations Code section 25532, Charles Michael Jennings also known as C.
21 Michael Jennings and as Michael Jennings is hereby ordered to desist and refrain from conducting
22 business as an investment adviser in the State of California, unless and until he has applied for
23 and been granted a certificate by the California Corporations Commissioner under said law or
24 unless exempt.

25 Further, the California Corporations Commissioner is of the opinion that Charles Michael
26 Jennings also known as C. Michael Jennings and as Michael Jennings offered or sold securities
27 in this State by means of written or oral communications which included an untrue statement of a
28 material fact or omitted to state a material fact necessary in order to make the statements made,

1 in the light of the circumstances under which they were made, not misleading, in violation of
2 Corporations Code section 25401.

3 Pursuant to Corporations Code section 25532, Charles Michael Jennings also known as
4 C. Michael Jennings and as Michael Jennings is hereby ordered to desist and refrain from
5 offering or selling or buying or offering to buy any security in the State of California by means
6 of any written or oral communication which includes an untrue statement of a material fact or
7 omits to state a material fact necessary in order to make the statements made, in the light of the
8 circumstances under which they were made, not misleading.

9 This Order is necessary, in the public interest, for the protection of investors and
10 consistent with the purposes, policies and provisions of the Corporate Securities Law of 1968.

11 Dated: December 27, 2006
12 Los Angeles, California

13 PRESTON DuFAUCHARD
14 California Corporations Commissioner

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16 By _____
17 ALAN S. WEINGER
18 Lead Corporations Counsel
19 Enforcement Division
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