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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** Gary Joseph Lenahan, President  
Dr. Lon Kolker  
General Equity Services, Inc.  
25602 Alicia Parkway, Suite 124  
Laguna Hills, California, 92653,

And

1117 Desert Lane, Suite 1792  
Las Vegas, Nevada 90102

Gesinc Estate and Insurance Services  
25101 Linda Vista Drive  
Laguna Hills, California, 92653

**DESIST AND REFRAIN ORDER**  
**(For violations of section 25210, and 25401 of the Corporations Code**  
**and section 22100 of the California Financial Code)**

The California Corporations Commissioner finds that:

1. General Equity Services, Inc. is a Nevada Corporation incorporated on September 6, 2006, with a registered place of business of 1117 Desert Lane, Suite 1792, Las Vegas, Nevada 90102. General Equity Services, Inc. also does business at the address of 25602 Alicia Parkway, Suite 124, Laguna Hills, California 92653 and has a mailing address of P.O. Box 2216, Laguna Hills, California 92654-2216. It has a website located at [www.generalequityservices.com](http://www.generalequityservices.com) and claims to offer medical benefit eligibility and counseling services to elderly persons in addition to the stock loan services described below. Gesinc Estate and Insurance Services is a California corporation incorporated on January 1, 2001, with a registered place of business of 25101 Linda Vista Drive, Laguna Hills,

1 California 92653. Gary Joseph Lenahan is the President of General Equity Services, Inc. and Gesinc  
2 Estate and Insurance Services. Gary Joseph Lenahan (herein after "Gary Lenahan") is a licensed  
3 California real estate agent (license number 0117474) and life insurance agent (license number  
4 0D44028.) Dr. Lon Kolker is an agent of General Equity Services, Inc. and also does business under  
5 the name Advisor Marketing Alliance, Inc. which he is the president and cofounder of. Dr. Lon  
6 Kolker (herein after "Lon Kolker") is a Doctor of Podiatry.

7       2. Beginning no later than 2008 General Equity Services, Inc., Gary Lenahan, Lon Kolker  
8 and Gesinc Estate Insurance Services advertised on the Internet and at seminars that they were  
9 engaged in the business of making "stock loans" referred to as "Equity Shield". The terms of the  
10 "stock loan" offer included the investor giving their stock in a publicly traded company to General  
11 Equity Services Inc. in exchange for a "non-recourse" loan of up to 90% of the value of the stock.  
12 The funding of the loan to the investor would not occur until 24 to 48 hours after the transfer of the  
13 stock to General Equity Services, Inc.'s brokerage account took place. The offer required investors  
14 to give up all rights to the stock pledged as collateral for the loan including voting and dividends for  
15 the period of the "loan" and gave General Equity Service, Inc. the right to dispose of the stock,  
16 including the right to immediately sell the stock. The offered loan periods would vary from 1 to 10  
17 years with annual interest rates up to 9.5%.

18       3. According to the marketing materials, the options provided to investors at the end of the  
19 loan term by General Equity Service, Inc. were to: 1.) Renew the loan if the stock was worth more  
20 than the amount owed in principal and interest at that time; 2.) Pay off the loan principal and interest  
21 and obtain the return of the stock; and 3.) Default on the loan and keep the loan proceeds with no  
22 further liability to pay off the principal and interest owing. This "stock loan" was claimed to protect  
23 the downside value of the stock by assuring the investor would receive at least 90% of the value of  
24 the stock at the time of the loan even if the stock later dropped in value. It was also claimed that the  
25 upside potential for the stock to appreciate was protected as the stock could be obtained by paying off  
26 the loan if it was worth more than the amount owed. The marketing materials and contracts provided  
27 by General Equity Services, Inc. indicated that the proceeds of the "stock loan" would not have to be  
28 reported as income for tax purposes, at least during the term of the loan. The contract documents also

1 contained a secrecy clause providing that the existence and terms of the “loan” not be disclosed to  
2 any third parties under threat of litigation by General Equity Services, Inc. The marketing materials  
3 also claimed the proceeds of the stock loan should be used to purchase life insurance products and  
4 insurance annuities from Gesinc Estate Insurance Services in order to “hedge” the equity value in the  
5 stock pledged as collateral for the loan.

6 4. Financial Code section 22100 sets forth the finance lender or broker licensure requirement  
7 as follows: “no person shall engage in the business of a finance lender or broker without obtaining a  
8 license from the commissioner.” Neither General Equity Services, Inc., Gary Lenahan, Lon Kolker  
9 nor Gesinc Estate Insurance Services have been issued a license by the Commissioner authorizing  
10 them to engage in the business of a finance lender. By reason of the foregoing, General Equity  
11 Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance Services have engaged in the  
12 business of a finance lender by offering the Equity Shield stock loan without having first obtained a  
13 license from the Commissioner in violation of California Financial Code section 22100.

14 5. Pursuant to California Financial Code section 22100, General Equity Services, Inc., Gary  
15 Lenahan, Lon Kolker and Gesinc Estate Insurance Services are hereby ordered to desist and refrain  
16 from engaging in the business of a finance lender in the State of California, including but not limited  
17 to the offering of the Equity Shield stock loan, without having first obtained a license from the  
18 Commissioner, or otherwise being exempt.

19 6. Further, the California Corporations Commissioner is of the opinion that General Equity  
20 Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance Services were also engaged in  
21 the business of inducing or attempting to induce the purchase and sale of securities in this state  
22 without having first applied for and secured a license authorizing them to act in the capacity of a  
23 securities broker-dealer, in violation of section 25210 of the Corporate Securities Law of 1968.  
24 Because General Equity Services, Inc. obtains all rights to the stock pledged as collateral for the loan,  
25 including the right to sell the stock and there is no recourse against the investor for defaulting on the  
26 loan, the investor no longer maintains any risk of the stock losing its value. Therefore, the Equity  
27 Shield ”stock loans” are in fact the constructive sale of the stocks pledged as collateral despite the use  
28 of the term “loan”.

1           7. General Equity Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance  
2 Services have neither applied for nor secured from the California Corporations Commissioner the  
3 certificate required to effect or induce the purchase or sale of securities or otherwise operate in the  
4 capacity of a securities broker-dealer in the State of California, nor were they exempt from such  
5 licensing requirements at the time.

6           8. Pursuant to Corporations Code section 25532, General Equity Services, Inc., Gary  
7 Lenahan, Lon Kolker and Gesinc Estate Insurance Services are also hereby ordered to desist and  
8 refrain from effecting any transaction in, or inducing the purchase or sale of, any security in this state,  
9 unless and until they have applied for and secured from the Commissioner a certificate authorizing  
10 them to act in that capacity or unless exempt.

11           9. The California Corporations Commissioner is of the further opinion that offers to buy  
12 securities have been made in this state by General Equity Services, Inc., Gary Lenahan, Lon Kolker  
13 and Gesinc Estate Insurance Services by means of written and oral communications, which include  
14 untrue statements or omissions of material facts, in violation of section 25401 of the California  
15 Corporate Securities Law of 1968.

16           10. The misrepresentations and omissions included the claim in marketing materials on the  
17 internet that the company General Equity Services, Inc. had been in business since 1974 and had a  
18 “record of 100% repatriation on our stock loans” even though General Equity Services, Inc. was not  
19 incorporated until 2006. Gary Lenahan and Tamara Lenahan, also known as Tamara Wilson, did file  
20 a fictitious business name statement with the County of Orange in California on September 13, 1995,  
21 indicating that they were doing business as individuals under the name “General Equity Services” at  
22 the 25101 Linda Vista Drive, Laguna Hills, California address. They failed to disclose that Gary  
23 Lenahan and Tamara Lenahan, doing business as General Equity Services had declared bankruptcy  
24 on May 23,1997, in the United States Bankruptcy Court for the Central District of California, case  
25 number 9718100. The material misrepresentation made also included the claim that the Equity  
26 Shield stock loans could allow investors to access the equity in their stock “without liquidation and  
27 tax consequences” and “without any immediate capital gains tax consequences as well.” In fact the  
28 Equity Shield stock loans were likely to be treated as a common law sale of the stock by state and

1 federal tax authorities as had previously occurred in a similar “stock loan” business and that the  
2 investors would be subject to claims for interest and penalties if they failed to report it as income at  
3 the time of the loan.

4 11. It was also not disclosed to investors that a similar non-recourse 90% stock loan business  
5 had previously been operated in California that made similar claims of allowing investors to avoid  
6 paying capital gains tax or reporting it as income by calling the transaction a “stock loan”. That  
7 “stock loan” was offered by Derivium Capital LLC and Bancroft Ventures Limited, who similarly  
8 claimed to allow investors to avoid the risk that the stock would drop in value to below the amount of  
9 the loan and also protected the “up side” potential for appreciation in the stock by allowing the  
10 investor to retrieve the stock by paying off the loan. Derivium Capital LLC and Bancroft Ventures  
11 Limited (hereinafter collectively “Derivium”) are the subject of numerous private lawsuits by former  
12 customers, as well as a civil enforcement action brought by the California Department of  
13 Corporations in Sacramento County Superior Court, case number 02AS05849 that resulted in  
14 obtaining a judgment in excess of 13 million dollars in civil penalties against them. The United States  
15 Government also filed a civil action in the United States District Court for the Northern District of  
16 California, case number C074762, against Derivium Capital LLC seeking an injunction prohibiting  
17 Derivium Capital LLC from operating the non-recourse stock loan business. That complaint alleged  
18 Derivium’s non-recourse stock loan business was a tax shelter which encouraged others to attempt to  
19 violate the internal revenue laws or unlawfully evade federal tax liabilities. Derivium has filed for  
20 bankruptcy in the United States Bankruptcy Court in South Carolina, case number 05-15042, as a  
21 result of claims by former stock loan customers who were unable to obtain the return of their stock  
22 pledged as collateral and who suffered adverse tax liabilities. The claims by former stock loan  
23 customers against Derivium exceed 50 million dollars. It was later discovered that Derivium used the  
24 proceeds from the immediate sale of the investors stock to fund the loans to the investors. As a result  
25 Derivium was unable to return the stock at the end of the loan if it increased in value beyond the  
26 amount due on the loan. The Derivium non-recourse stock loan transactions were determined to be  
27 the common law sale of the stock for tax purposes by State and Federal tax authorities, contrary to  
28 Derivium's representations to its customers.

1           12. Pursuant to Corporations Code section 25532, General Equity Services, Inc., Gary  
2 Lenahan, Lon Kolker and Gesinc Estate Insurance Services are hereby ordered to desist and refrain  
3 from making further offers to purchase or sell securities in the State of California, including but not  
4 limited to making Equity Shield non-recourse stock loans, by means of any written or oral  
5 communication which includes untrue statements or omissions of material facts or omits to state a  
6 material fact necessary in order to make the statements made, in the light of the circumstances under  
7 which they were made, not misleading.

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

11  
12 Dated: December 8, 2008  
13           Los Angeles, California

14   PRESTON DuFAUCHARD  
15   California Corporations Commissioner

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