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10
 11 BEFORE THE STATE OF CALIFORNIA
 12 BUSINESS, TRANSPORTATION AND HOUSING AGENCY
 13 DEPARTMENT OF CORPORATIONS

14 In the Matter of the Desist and Refrain Order
 (For Violations of Sections 25210 and 25401 of
 15 the California Corporations Code) Against:

OAH Case No.: **2007080968**

CONSENT ORDER AND RESOLUTION OF
 CLAIMS

16 CAPITAL GUARDIAN, INC.; BLAKE
 17 WILLIAM WILSON, aka Arnold Kramer,
 Arnold Cramer, Irv Kranberg; CHRISTINE
 18 FENN, aka Christine Ann Gilbert,

19 Respondents.

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 21 The parties in the above-captioned proceeding hereby stipulate and agree to the entry of the
 22 following Consent Order and Resolution of Claims (hereinafter “Consent Order”) as a resolution of
 23 the violations alleged by the State of California, Business, Transportation and Housing Agency,
 24 Department of Corporations (“the Department”) pursuant to a Desist and Refrain Order issued against
 25 Capital Guardian, Inc., Blake William Wilson (aka Arnold Kramer, Arnold Cramer, Irv Kranberg)
 26 and Christine Fenn (aka Christine Ann Gilbert) on July 26, 2007.

27 **A. Parties**

28 1. Preston DuFauchard is the Commissioner of the California Department of

1 Corporations (“Commissioner”). The Commissioner brought this action on behalf of the State of
2 California in his official capacity.

3 2. Capital Guardian, Inc., (“CGI”) has a business address of 155 East El Roblar Drive,
4 Ojai, CA 93023.

5 3. Blake William Wilson (aka Arnold Kramer, Arnold Cramer, and Irv Kranberg) (CRD
6 #1390808) (“Wilson”) is the owner of CGI. He has a business address of 155 East El Roblar Drive,
7 Ojai, CA 93023.

8 4. Christine Fenn (aka Christine Ann Gilbert) (“Fenn”) is an employee of CGI and was
9 listed in public documents as the administrator/administrative assistant for Malory Investments, LLC.
10 She has a business address of 155 East El Roblar Drive, Ojai, CA 93023.

11 **B. Prior Order**

12 1. On July 26, 2007, the Department issued a Desist and Refrain Order against CGI,
13 Wilson, and Fenn.

14 2. The Desist and Refrain Order contained initial findings that CGI, Wilson, and Fenn
15 violated California Corporations Code section 25210, as follows: while acting in the capacity of a
16 broker-dealer, by inducing or attempting to induce the purchase or sale of securities in California
17 without an effective broker-dealer certificate.

18 3. The Desist and Refrain Order contained initial findings that CGI, Wilson and Fenn
19 violated California Corporations Code section 25401, as follows: by offering, selling, buying, or
20 offering to buy a security in California by means of written or oral communications which included
21 an untrue statement of material facts or omitted to state material facts necessary in order to make the
22 statements made, in the light of the circumstances under which they were made, not misleading.

23 4. The Desist and Refrain Order required CGI, Wilson, and Fenn to Desist and Refrain
24 from further violations of California Corporations Code sections 25210 and 25401.

25 **C. Consent Order**

26 WHEREAS, Respondents CGI, Wilson, and Fenn, (hereinafter, “Respondents”), hereby admit
27 the jurisdiction of the Department;

28 WHEREAS, Respondents waive the right to a hearing, including that provided by California

1 Corporations Code sections 25532, subdivision (d) and 25609 and any and all review by any court of
2 law, including that provided by California Government Code section 11523;

3 WHEREAS, all terms used, but not defined herein, shall have the meaning assigned to them
4 by the California Corporations Code;

5 WHEREAS, Respondents represent that no promises of any kind or nature whatsoever were
6 made to induce them into entering into this Consent Order and that this Consent Order is a voluntary
7 act on the part of the Respondents;

8 WHEREAS, on or about July 26, 2007, the Commissioner of the Department issued a Desist
9 and Refrain Order to Respondents as set out above;

10 WHEREAS, Respondents requested a hearing on the order as permitted by law and hereby
11 acknowledge and agree that the Commissioner of the Department is ready, willing and able to grant a
12 hearing in relation to the order, that Respondents have a right to a hearing to challenge the order, and
13 that Respondents hereby voluntarily waive their right to such a hearing in the interest of avoiding the
14 expense, time and uncertainty of such a hearing;

15 AND, WHEREAS, the parties to this action all agree that this Consent Order and Resolution
16 of Claims is a fair and equitable resolution of the claims brought and all the claims which could be
17 brought by the Department against the Respondents, given the Department's current understanding of
18 the facts through its investigation and discovery. If new or different facts are discovered, however,
19 the Department maintains its statutory duty to investigate and enforce the statutes and laws of the
20 State of California.

21 IT IS THEREFORE STIPULATED AND CONSENTED TO BY ALL PARTIES TO THIS
22 ACTION THAT THE FOLLOWING CONSENT ORDER SHALL BE ENTERED IN
23 RESOLUTION OF THIS ACTION:

24 1. The prior Desist and Refrain Order issued on July 26, 2007 is hereby withdrawn as of
25 the effective date of this Consent Order and Resolution of Claims;

26 2. Respondents Capital Guardian, Inc., Blake William Wilson, and Christine Fenn are
27 hereby permanently barred by order of the Commissioner of the Department from any position of
28 employment, management or control of any licensed or unlicensed Broker-Dealer or Investment

1 Adviser in the State of California;

2 3. Respondents Capital Guardian, Inc., Blake William Wilson, and Christine Fenn, by
3 order of the Commissioner of the Department, are hereby ordered to desist and refrain from any
4 violations of Corporations Code sections 25210 and 25401;

5 4. FURTHER, the California Office of Administrative Hearings (“OAH”) shall retain
6 jurisdiction over this matter and if the Commissioner proves, by a preponderance of the evidence
7 upon a petition filed with OAH or in a civil action filed in the California Superior Court, that any of
8 the Respondents violated the terms of this Consent Order, within five (5) years of the effective date
9 of this Consent Order, the following Statement of Facts shall become final and binding against the
10 violating respondent in any administrative or civil action brought against said respondent by the
11 Commissioner of the Department. Absent proof of a violation of this Consent Order within (5) years,
12 this Statement of Facts becomes null and void. It is the intent and understanding of the parties that
13 this Consent Order and Resolution of Claims shall not be binding against Respondents, and each of
14 them, in any actions brought against any respondent by third parties.

15 **D. Statement Of Facts**

16 Respondents acknowledge, without admitting or denying, the following Statement of Facts,
17 and hereby stipulate and consent that if the Commissioner of the Department proves by a
18 preponderance of evidence, upon a petition filed with OAH or in a civil action filed in the California
19 Superior Court, that any of the Respondents violated the terms of this consent order within five (5)
20 years of its effective date, then all of the following facts will become final and binding against the
21 violating respondent in any administrative or civil action brought by the Commissioner of the
22 Department against the violating respondent. Absent proof of a violation of this Consent Order
23 within (5) years, this Statement of Facts becomes null and void.

24 1. CAPITAL GUARDIAN, INC. (“CGI”) has a business address of 155 East El Roblar
25 Drive, Ojai, CA 93023. CGI is an issuer compliance and document preparation company.

26 2. CGI provides its issuer clients with compliance services (including analysis and
27 development of compliance policies, compliance audits and draft disclosures and responses to federal
28 and/or state document production requests), training, legal representation in enforcement actions

1 (including regulatory investigations and proceedings, sales practices claims, subpoena enforcement,
2 Cease & Desist issues, administrative hearings and other proceedings, and other claims of alleged
3 violations), private placement disclosure document preparation, blue sky registration, new business
4 formulation and referrals to registered broker dealers.

5 3. MALORY INVESTMENTS, LLC ("Malory") Central Registration Depository
6 ("CRD") #110936, at all times relevant, has been a licensed broker-dealer in the State of California
7 pursuant to Corporations Code section 25211 with a current business address of 10937 Wilkins
8 Avenue, #304, Los Angeles, CA.

9 4. Malory's controlling principal is RONALD STEIN ("Stein") (CRD #34761). At all times
10 relevant, Stein has been a registered securities broker in the State of California. Stein holds series 1,
11 27, 40, and 63 designations.

12 5. BLAKE WILLIAM WILSON ("Wilson") is the owner of CGI, located at the business
13 address of 155 East El Roblar Drive, Ojai, CA 93023.

14 6. On November 11, 1992, Wilson was convicted of securities fraud, a felony, to wit: "False
15 Statement to Sell Securities in the State of California." Due to the same set of facts giving rise to the
16 conviction, the Commissioner of the California Department of Corporations issued an order barring
17 Wilson from any position of employment, management, and control of any broker-dealer and/or
18 Investment Adviser. Wilson's conviction, plea and sentence were vacated and dismissed after appeal
19 upon remand to the Superior Court.

20 7. On June 29, 1992, the NASD censured and barred Wilson from association with any
21 member of the NASD in any capacity for violation of Rules of Fair Practice to wit: "Wilson failed to
22 respond to NASD request for information made pursuant to Article IV, Section 5 of the Rules of Fair
23 Practice concerning an investigation of his securities business."

24 8. CGI referred issuer clients to Stein and Malory Investments, LLC, ("Malory"), a member
25 of the NASD and a licensed broker-dealer in California from approximately 2002 through 2006.
26 Respondents provided assistance in registering issuer agents with Malory.

27 9. CHRISTINE FENN (aka Christine Ann Gilbert)("Fenn") is an employee of CGI and
28 also acted as the administrator/administrative assistant for Stein and Malory from her office at CGI.

1 offerings. Malory was the broker-dealer of record on at least three (3) of Lifeline's Reg. D, Rule 506,
2 filings with the SEC and with the states.¹

3 17. Lifeline, Morton, and others claimed these offerings were exempt from securities
4 qualification in California. In connection with these offerings, CGI on behalf of Lifeline filed Form
5 D's which it had reason to know would be available to the investing public. Respondents CGI,
6 Wilson, and Fenn took all actions to file the Form D's for Lifeline.

7 18. Respondents drafted each of the PPMs for Lifeline's securities offerings. Morton's
8 felony convictions for transporting narcotics and possession of a controlled substance were not
9 disclosed in the PPM. Morton's conviction was over 10 years old and unrelated to an economic
10 crime.

11 19. Daniel Alfred Caterino ("Caterino") was a principal at Pacific Network and
12 Consulting. Pacific Network and Consulting was a call center that marketed Lifeline Private
13 Placement Offerings (PPOs). Caterino has a criminal record that includes drug-related charges,
14 burglary, theft, and grand theft auto. Caterino's criminal convictions were not disclosed in the PPMs.
15 CGI maintains Lifeline did not tell CGI that Caterino was a principal of Lifeline.

16 20. Malory became the employer of record for at least four formerly unregistered sales
17 employees of Pacific Network and Consulting. Respondents, CGI, Wilson, and Fenn took steps to
18 test and register these sales representatives as Malory agents.

19 21. In addition to other fees received, CGI received 6.5% of each of the Lifeline securities
20 offerings. Checks made payable to CGI from issuer Lifeline reflect "6.5%" in the memo line. The
21 Lifeline PPMs failed to disclose that CGI was the compliance service/tracking service. The fees
22 reflecting 6.5% were disclosed in the PPMs as syndication, marketing, and compliance fees.

23 22. On October 17, 2000, Caterino and seven other respondents were named in a
24 Wisconsin Order of Revocation of Exemption finding that the respondents committed fraud in the
25 offers and sales of unregistered securities by an unlicensed broker-dealer and agent. The issuer of
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28 ¹ Lifeline Imaging of Los Gatos, Advanced Health Care Group of Dallas, and Advanced Imaging-Ft. Worth

1 those securities was Heart Scan, LLC. Caterino was named as an agent for the unlicensed broker-
2 dealer, Cornerstone Financial (aka: Pacific Capital Network).

3 23. On October 1, 2003, the Commissioner of the California Department of Corporations
4 issued a Desist and Refrain Order against Lifeline Imaging, LLC and Lifeline Imaging Systems, Inc.,
5 ordering them to stop selling “unit investment partnership units” in the state in violation of the
6 Corporate Securities Law of 1968.

7 24. On December 27, 2006, the Commissioner of the California Department of
8 Corporations obtained a Final Judgment in a civil case, No. 02CC15333, Orange County Superior
9 Court, against, among others, Daniel A. Caterino, that included a permanent injunction against any
10 unqualified, non-exempt sales of securities, unlicensed broker-dealer activity, and the offer or sale of
11 securities in the state by means of material misrepresentations or omissions of fact.

12 25. On February 2, 2005, the Alabama Securities Commission issued a Cease and Desist
13 Order (CD-2005-0004) against Lifeline Imaging, LLC.

14 26. On June 3, 2003, the Kansas Office of the Securities Commissioner issued a Cease
15 and Desist Order (2002-4477) against Lifeline Imaging, LLC.

16 27. On January 28, 2003, the State of Missouri issued a Stipulation and Consent Order
17 (#AO-03-02) against Lifeline Imaging, LLC.

18 28. On June 3, 2005, the State of Nebraska issued a Cease and Desist Order against
19 Lifeline Imaging, LLC.

20 29. On February 26, 2003, the State of Pennsylvania issued a Cease and Desist Order
21 (2003-02-32) against Lifeline Imaging of Long Beach Unit Investment Partnership, which is an
22 offering made by issuer Lifeline Imaging, LLC.

23 30. In August of 2005, Morton resigned and appointed Stanley Johnson as the general
24 partner of Lifeline and the issuers of the other offerings made by Morton.

25 **Consulting Dynamics, Inc./Advance Body Imaging, LP**

26 31. Consulting Dynamics, Inc., is a Nevada corporation with a business address of 1339
27 Katella, Orange, CA. Stanley Johnson is the general partner and chief operating officer. Advance
28 Body Imaging, LP, is a California limited partnership formed by Consulting Dynamics for the

1 purpose of funding the construction of medical imaging centers.

2 32. Wilson and CGI wrote the PPM and filed the Form D and notice filings for Advance
3 Body Imaging. CGI's Form D filing for Advance Body Imaging, LP, dated July 13, 2004, indicates
4 that Malory was the broker-dealer of record.

5 33. Stanley Johnson met Wilson while Johnson was working as an unregistered sales
6 agent for Lifeline.

7 34. Offers and sales of securities in Advance Body Imaging, LP, were made in and from
8 California.

9 35. CGI accepted fees for broker-dealer set up from Consulting Dynamics. On July 7,
10 2004, and September 29, 2004, Consulting Dynamics issued checks to CGI for \$1,800.00 and
11 \$2,000.00, respectively. The memo lines indicate these were payments of "broker dealer fees" and as
12 such were payments which CGI paid to Malory for the broker-dealer set up and review of offering.

13 36. On July 21, 2006, the Alabama Securities Commission issued a Cease and Desist
14 Order against Consulting Dynamics, Advance Body Imaging, Stanley Johnson, and other officers for
15 the sale of unregistered securities by unregistered agents.

16 **E. Conclusion**

17 This Consent Order and Resolution of Claims between the Commissioner of the California
18 Department of Corporations and Respondents, Capital Guardian, Inc., Blake William Wilson, and
19 Christine Fenn is necessary, in the public interest, for the protection of investors and consistent with
20 the purposes, policies, and provisions of the Corporate Securities Law of 1968. The effective date of
21 this agreement will be March 7, 2008.

22 AGREED AND CONSENTED to on date indicated.

23 CAPITAL GUARDIAN, INC.

24 By: /s/ Blake Wilson

25 Title: President

26 Date: 3/6/08

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BLAKE WILLIAM WILSON
(aka Arnold Kramer, Arnold Cramer, Irv Kranberg)

By: /s/ Blake Wilson
Title: _____
Date: 3/6/08

CHRISTINE FENN
(aka Christine Ann Gilbert)

By: /s/ Christine Fenn
Title: _____
Date: 3/6/08

Dated: 3/13/08

PRESTON DuFAUCHARD
California Corporations Commissioner

By: /s/ Alan S. Weinger
ALAN S. WEINGER
Lead Corporations Counsel
Attorney for Complainant

APPROVED AS TO FORM AND CONTENT:

Dated: 3/7/08

By: /s/ Mark Brandt
MARK BRANDT
Attorney for Respondents
Capital Guardian, Inc. and
Blake William Wilson

Dated: 3/7/08

By: /s/ Joseph Pertel
JOSEPH PERTEL
Attorney for Respondent
Christine Fenn