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

TO: LEONARD JOSEPH BERTUCCI
CHASE MORGAN FINANCIAL NETWORK
430 Calle De Arboles
Redondo Beach, California 90277-6607
and
25332 Narbonne Avenue, Suite 220
Lomita, California 90717-2129

DESIST AND REFRAIN ORDER

(For violations of sections 25110, 25230 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times herein, National Foundation of America ("NFOA"), a Tennessee nonprofit corporation, incorporated under the laws of the State of Tennessee, conducted business at 1308 Buckingham Circle, Franklin, Tennessee 37064. NFOA was purportedly organized to provide charitable and humanitarian aid through a variety of philanthropic causes. NFOA maintains or maintained a website located at: www.nationalfoundationofamerica.org.

2. At all relevant times herein, Richard K. Olive is or was the president of NFOA, with his offices located at 1308 Buckingham Circle, Franklin, Tennessee 37064.

3. At all relevant times herein, Leonard Joseph Bertucci ("Bertucci") was an individual residing in the State of California, with his last known address located at 430 Calle de Arboles, Redondo Beach, California 90277-6607. Bertucci is an insurance agent, licensed by the State of California.

4. At all relevant times herein, Chase Morgan Financial Network ("Chase Morgan"), form of organization unknown, is or was an entity with a last known address located at 25332 Narbonne Avenue, Suite 220, Lomita, California 90717-2129. On information and belief, Bertucci is the founder and principal of Chase Morgan.

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1 5. NFOA's website states that NFOA offers to individuals tax-deductible charitable
2 strategies by providing asset exchange plans to "families all across the United States [to] create their
3 financial legacy." The "plan," as described on the NFOA's website, is a "[NFOA] Tax Deductible
4 Installment Plan. . . [a] contract that pays out for a guaranteed number of years regardless of age,
5 [has] an unlimited number of beneficiaries on a single contract, and is defined in general in section
6 453 of the Internal Revenue Code of 1986" (hereinafter the "NFOA Installment Plan").

7 6. Section 453 of the Internal Revenue Code ("IRC") solely provides for the installment
8 method of accounting for income tax purposes.

9 7. NFOA maintains through its website and promotional materials that investors may
10 purchase a NFOA Installment Plan with either cash or by transferring title to their annuities, real
11 estate, or securities to NFOA. In exchange for the transfer of assets, investors receive "a substantial
12 income tax deduction [and] guaranteed, fixed income to supplement retirement, fund long-term care,
13 or establish [a] family legacy" pursuant to section 501(c)(3) of the IRC.

14 8. NFOA is not classified as an organization exempt from federal income tax under
15 section 501(a) of the IRC as an organization described in section 501(c)(3).

16 9. NFOA has not registered with the Office of the Attorney General, State of California,
17 Registry of Charitable Trusts as a charitable corporation doing business within the State of California
18 as is required by California Government Code section 12585, pursuant to the Supervision of Trustees
19 and Fundraisers for Charitable Purposes Act, Government Code section 12580, et seq.

20 10. Beginning in or about May of 2006 and continuing through at least December of 2006,
21 Bertucci and Chase Morgan offered and sold securities in California in the form of investment
22 contracts labeled NFOA Installment Plans through face-to-face meetings with individual investors.
23 Bertucci, by and through Chase Morgan, acted as NFOA's agent by advising investors to purchase the
24 NFOA Installment Plan with either cash or by transferring title to their annuities and securities to
25 NFOA. He represented to investors that the NFOA Installment Plan would provide them with an 11%
26 annual return in the first year and a 3% annual return in subsequent years. He also told investors that
27 they would receive tax breaks on their NFOA Installment Plan income and that the contract offered
28 participants a tax shelter.

1 11. Bertucci, Chase Morgan, and NFOA specifically targeted elderly, unsophisticated
2 investors in promoting or offering the NFOA Installment Plan.

3 12. Six (6) California investors, through Bertucci and Chase Morgan, paid cash and/or
4 exchanged assets, including annuities and stocks, for the NFOA Installment Plan, totaling
5 \$1,511,208.73. Participating investors were required to sign a NFOA "Installment Plan Agreement"
6 form. The form bears the signature of Richard K. Olive and the investors' "Financial Advisor,"
7 Leonard J. Bertucci, who acts as a witness to the parties' agreement.

8 13. Bertucci and/or Chase Morgan received a total of \$111,488.70 in commissions from
9 NFOA, representing approximately 9% of the monies paid or the value of assets transferred by
10 NFOA investors.

11 14. Bertucci was previously employed as a registered representative of a licensed broker-
12 dealer, Intersecurities, Inc., and terminated his registration with the State of California Department of
13 Corporations and the National Association of Securities Dealers ("NASD") on November 18, 2002.

14 15. On June 9, 2003, in case number C02020034, the NASD barred Leonard Joseph
15 Bertucci from association with any NASD member in any capacity.

16 16. Bertucci filed for a Chapter 7 voluntary bankruptcy on April 26, 1993 with the United
17 Stated Bankruptcy Court, Central District of California (Los Angeles). The Court discharged
18 Bertucci's debts on or about August 27, 1993.

19 17. In connection with the offer and sale of these securities, the above-described NFOA
20 Installment Plan, Bertucci and Chase Morgan misrepresented and/or failed to disclose to investors the
21 following material facts:

- 22 a. the risks related to the purchase of the NFOA Installment Plan;
- 23 b. information regarding the assets, liabilities, profits, losses, cash flow, and other
24 financial data concerning NFOA;
- 25 c. that NFOA has not been granted nonprofit status under IRC section 501(c)(3);
- 26 d. that IRC section 453 solely provides for the installment method of accounting for
27 income tax purposes and does not define the NFOA Installment Plan;

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- 1 e. that NFOA and Richard K. Olive are the subjects of an Order to Cease and Desist
2 Issued by the Insurance Commissioner of the State of Washington on September 18,
3 2006, captioned, "In the Matter of National Foundation of America, Richard K. Olive
4 and Susan L. Olive," Order No. D06-245;
- 5 f. that NFOA has failed to register with the Office of the Attorney General, State of
6 California, Registry of Charitable Trusts as a charitable corporation doing business
7 within the State of California pursuant to Government Code section 12585, pursuant to
8 the Supervision of Trustees and Fundraisers for Charitable Purposes Act, Government
9 Code section 12580, et seq.;
- 10 g. that the investors would receive tax breaks on their NFOA Installment Plan income
11 and that the contract offered participants a tax shelter;
- 12 h. that investors would receive an 11% return on their NFOA Installment Plan in the
13 first-year and a 3% return in subsequent years;
- 14 i. that Bertucci and/or Chase Morgan received a 9% sales commission from NFOA for
15 selling and/or promoting the NFOA Installment Plan to investors;
- 16 j. that Bertucci is subject to a bar order issued on June 9, 2003 by the NASD, case
17 number C02030034, barring him from association with any NASD member in any
18 capacity; and
- 19 k. that Bertucci filed for a Chapter 7 voluntary bankruptcy on April 26, 1993 with the
20 United States Bankruptcy Court, Central District of California (Los Angeles).

21 18. These securities, the above-described NFOA Installment Plans, were offered or sold in
22 this state in issuer transactions. The Department of Corporations has not issued a permit or other
23 form of qualification authorizing any person to offer or sell these NFOA Installment Plans in this
24 state.

25 19. Bertucci and Chase Morgan are conducting business as investment advisers by
26 advising California residents to exchange assets for and/or purchase securities in the form of NFOA
27 Installment Plans, and their activities thus come within the meaning of California Corporations Code
28 section 25009. Pursuant to Corporations Code section 25230, Bertucci and Chase Morgan were
required to obtain a certificate from the Commissioner to conduct business as investment advisers in
California.

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1 20. The Commissioner has no record of having received an application from, or having
2 granted an investment adviser certificate to Leonard Joseph Bertucci or Chase Morgan Financial
3 Network.

4 21. On July 9, 2007, the Commissioner issued a Desist and Refrain Order to NFOA and
5 Richard K. Olive for violations of sections 25110 and 25401 of the Corporate Securities Law of
6 1968.

7 22. On or about June 21, 2007, by Consent Order, the Chancery Court of Davidson
8 County, Tennessee placed NFOA into receivership. Leslie A. Newman, Commissioner of Commerce
9 and Insurance for the State of Tennessee, in her capacity as Rehabilitator of NFOA, has custody of all
10 assets and operations of NFOA and is to wind-down the company's operations.

11 23. At present the following states have issued Cease and Desist Orders to NFOA and
12 Richard K. Olive: Alabama, Florida, Illinois, Iowa, Texas, and Washington.

13 Based upon the foregoing findings, the California Corporations Commissioner is of the
14 opinion that the above-described NFOA Installment Plan is a security subject to qualification under
15 the California Corporate Securities Law of 1968 and is being or has been offered or sold without first
16 being qualified in violation of section 25110 of the Corporate Securities Law of 1968. Pursuant to
17 Section 25532 of the Corporate Securities Law of 1968, Leonard Joseph Bertucci and Chase Morgan
18 Financial Network are hereby ordered to desist and refrain from the further offer or sale of securities,
19 in the State of California, including but not limited to investment contracts in the form of NFOA
20 Installment Plans, unless and until qualification has been made under said law or unless exempt.

21 Furthermore, the California Corporations Commissioner is of the opinion that the securities
22 Leonard Joseph Bertucci and Chase Morgan Financial Network offered or sold in this state were by
23 means of written or oral communications which included an untrue statement of a material fact or
24 omitted to state a material fact necessary in order to make the statements made, in the light of the
25 circumstances under which they were made, not misleading, in violation of 25401 of the Corporate
26 Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law of 1968, Leonard
27 Joseph Bertucci and Chase Morgan Financial Network, made, or caused to be made,
28 misrepresentations or omissions of material facts in connection with the offer or sale of securities and

1 are hereby ordered to desist and refrain from offering or selling or buying or offering to buy any
2 security in the State of California by means of any written or oral communication which includes an
3 untrue statement of a material fact or omits to state a material fact necessary in order to make the
4 statements made, in the light of the circumstances under which they were made, not misleading.

5 Finally, the Commissioner is of the opinion that Leonard Joseph Bertucci and Chase Morgan
6 Financial Network have conducted business as investment advisers in this state for compensation by
7 advising investors to exchange assets for and/or purchase NFOA Installment Plans without first
8 having applied for and secured from the Commissioner a certificate, authorizing them to act in that
9 capacity, in violation of section 25230 of the Corporate Securities Law of 1968. Pursuant to section
10 25532, Leonard Joseph Bertucci and Chase Morgan Financial Network are further ordered to desist
11 and refrain from conducting business as an investment adviser in this state unless and until they have
12 applied for and secured from the Commissioner a certificate, then in effect, authorizing them to act in
13 that capacity.

14 These Orders are necessary, in the public interest, for the protection of investors and
15 consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

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17 Dated: August 29, 2007
18 Los Angeles, California

19 PRESTON DuFAUCHARD
20 California Corporations Commissioner

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23 By _____
24 ALAN S. WEINGER
25 Lead Corporations Counsel
26 Enforcement Division
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