

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 **WHEREAS**, on February 28, 2011 **PACIFIC NETWORK AND CONSULTING** was
2 duly served with a true copy of the Order and Notice by United States Mail, first class postage
3 prepaid, addressed to Pacific Network and Consulting at the following last known address: 2560
4 East Chapman Avenue #157, Orange, California 92869. This mailing was returned by the Postal
5 Service, marked “Returned To Sender.”

6 **WHEREAS**, on February 28, 2011 **PACIFIC NETWORK AND CONSULTING** was
7 duly served with a true copy of the Order and Notice by United States Mail, certified mail, return
8 receipt requested, addressed to Pacific Network and Consulting at the following last known
9 address: 2560 East Chapman Avenue #157, Orange, California 92869. This mailing (#7007 3020
10 0003 3309 4912) was returned by the Postal Service, marked “Forwarding Order Expired.”

11 **WHEREAS**, on February 28, 2011 **DANIEL CATERINO** was duly served with a true
12 copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
13 Daniel Caterino at the following last known address: 2560 East Chapman Avenue #157, Orange,
14 California 92869. This mailing was returned by the Postal Service, marked “Returned To
15 Sender.”

16 **WHEREAS**, on February 28, 2011 **DANIEL CATERINO** was duly served with a true
17 copy of the Order and Notice by United States Mail, certified mail, return receipt requested,
18 addressed to Daniel Caterino at the following last known address: 2560 East Chapman Avenue
19 #157, Orange, California 92869. This mailing (#7007 3020 0003 3309 4929) was returned by the
20 Postal Service, marked “Forwarding Order Expired.”

21 **WHEREAS**, on February 28, 2011 **RANDLE “RANDY” VILLA** was duly served with
22 a true copy of the Order and Notice by United States Mail, first class postage prepaid, addressed
23 to Randle “Randy” Villa at the following last known address: 941 Olioli Street, Makawao,
24 Hawaii 96768. This mailing was not returned.

25

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1 **WHEREAS**, on February 28, 2011 **RANDLE “RANDY” VILLA** was duly served with
2 a true copy of the Order and Notice by United States Mail, certified mail, return receipt
3 requested, addressed to Randle “Randy” Villa at the following last known address: 941 Olioli
4 Street, Makawao, Hawaii 96768. This mailing (#7007 3020 0003 3309 4936) was returned by
5 the Postal Service marked “Unclaimed”, after 3 delivery attempts.

6 **WHEREAS**, on February 28, 2011 **TONY ALBANY** was duly served with a true copy
7 of the Order and Notice by United States Mail, first class postage prepaid, addressed to Tony
8 Albany at the following last known address: 2560 East Chapman Avenue #157, Orange,
9 California 92869. This mailing was returned by the Postal Service, marked “Returned To
10 Sender.”

11 **WHEREAS**, on February 28, 2011 **TONY ALBANY** was duly served with a true copy
12 of the Order and Notice by United States Mail, certified mail, return receipt requested, addressed
13 to Tony Albany at the following last known address: 2560 East Chapman Avenue #157, Orange,
14 California 92869. This mailing was signed for by “Paula Chavez” on March 10, 2011. The
15 mailing was also returned, marked “Return To Sender, Forwarding Order Expired.”

16 **WHEREAS**, on February 28, 2011 **LIFELINE IMAGING, LLC** was duly served with
17 a true copy of the Order and Notice by United States Mail, first class postage prepaid, addressed
18 to LifeLine Imaging, LLC at the following last known address: 2560 East Chapman Avenue
19 #157, Orange, California 92869. This mailing was returned by the Postal Service, marked
20 “Returned To Sender.”

21 **WHEREAS**, on February 28, 2011 **LIFELINE IMAGING, LLC** was duly served with
22 a true copy of the Order and Notice by United States Mail, certified mail, return receipt
23 requested, addressed to LifeLine Imaging, LLC at the following last known address: 2560 East
24 Chapman Avenue #157, Orange, California 92869. This mailing (#7007 3020 0000 3309 4950)
25 was marked “Returned To Sender, Forwarding Order Expired.”

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1 **WHEREAS**, on February 28, 2011 **RANDALL MORTON** was duly served with a true
2 copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
3 Randall Morton at the following last known address: 1070 F North Batavia #608, Orange,
4 California 92869. This mailing was not returned .

5 **WHEREAS**, on February 28, 2011 **RANDALL MORTON** was duly served with a true
6 copy of the Order and Notice by United States Mail, certified mail, return receipt requested,
7 addressed to Randall Morton at the following last known address: 1070 F North Batavia #608,
8 Orange, California 92869. This mailing (#7007 3020 0000 3309 4967) was signed for on March
9 3, 2011 by an individual in purple cursive.

10 **WHEREAS**, on February 28, 2011 **CONSULTING DYNAMICS, INC.** was duly
11 served with a true copy of the Order and Notice by United States Mail, first class postage
12 prepaid, addressed to Consulting Dynamics, Inc., at the following last known address: 1339 East
13 Katella Avenue, #299, Orange, California 92867. This mailing was returned, marked “Returned
14 To Sender, Forwarding Order Expired.”

15 **WHEREAS**, on February 28, 2011 **CONSULTING DYNAMICS, INC.** was duly
16 served with a true copy of the Order and Notice by United States Mail, certified mail, return
17 receipt requested, addressed to Consulting Dynamics, Inc., at the following last known address:
18 1339 East Katella Avenue, #299, Orange, California 92867. This mailing (#7007 3020 0000
19 3309 4974) was returned, marked “Returned To Sender, Attempted Address Not Known.”

20 **WHEREAS**, on February 28, 2011 **STANLEY JOHNSON** was duly served with a true
21 copy of the Order and Notice by United States Mail, first class postage prepaid, addressed to
22 Stanley Johnson, at the following last known address: 1339 East Katella Avenue, #299, Orange,
23 California 92867. This mailing was returned, marked “Returned To Sender, Forwarding Order
24 Expired.”

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1 90024. Malory (CRD #110936) was licensed as a broker-dealer in Oregon from February 4, 2003
2 to December 19, 2006.

3 4. **RONALD STEIN** formed and owned **MALORY INVESTMENTS**. Stein
4 conducted business, at all relevant times herein, from 10937 Wilkins Avenue, Apartment #304,
5 Los Angeles, California 90024. Stein (CRD #434761) was not, at all relevant times herein,
6 licensed to sell securities in Oregon.

7 5. **PACIFIC NETWORK AND CONSULTING** was, on information and belief, an
8 unincorporated business enterprise. Pacific Network and Consulting conducted business, at all
9 relevant times herein, from 2560 East Chapman Avenue, Suite #157, Orange, California 92869.
10 Pacific Network and Consulting operated a “call center” for the purpose of selling investments
11 by telephone nationwide. Pacific Network and Consulting was not, at all relevant times herein,
12 licensed to sell securities in Oregon.

13 6. **DANIEL CATERINO** was the chief operating officer of **PACIFIC NETWORK**
14 **AND CONSULTING**. Caterino conducted business, at all relevant times herein, from 2560 East
15 Chapman Avenue, Suite #157, Orange, California 92869. Caterino was not, at all relevant times
16 herein, licensed to sell securities in Oregon.

17 7. **RANDLE “RANDY” VILLA** was a salesperson employed by **PACIFIC**
18 **NETWORK AND CONSULTING**. Villa conducted business, at all relevant times herein,
19 from 941 Olioli Street, Makawao, Hawaii 96768. Villa (CRD #1667239) was not, at all relevant
20 times herein, licensed to sell securities in Oregon.

21 8. **TONY ALBANY** was a salesperson employed by **PACIFIC NETWORK AND**
22 **CONSULTING**. Albany conducted business, at all relevant times herein, from 2560 East
23 Chapman Avenue, Suite #157, Orange, California 92869. Albany was not, at all relevant times
24 herein, licensed to sell securities in Oregon.

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1 9. **LIFELINE IMAGING** is a California limited liability company (California Business
2 Registry #C200110310074).¹ LifeLine Imaging was formed on April 11, 2001. LifeLine Imaging
3 conducted business, at all relevant times herein, from 2560 East Chapman Avenue, Suite #157,
4 Orange, California 92869. LifeLine Imaging purported to be in the business of operating medical
5 imaging centers. LifeLine Imaging was not, at all relevant times herein, licensed to sell securities
6 in Oregon.

7 10. **RANDALL MORTON** was the founder and chief executive of **LIFELINE**
8 **IMAGING**. Morton conducted business, at all relevant times herein, from 2560 East Chapman
9 Avenue, Suite #157, Orange, California 92869. Morton’s last known address is 1070 F North
10 Batavia #608, Orange, California 92869. Morton was not, at all relevant times herein, licensed to
11 sell securities in Oregon.

12 11. **CONSULTING DYNAMICS** is a Nevada for-profit corporation (Nevada Business
13 Registry #20031388364). Consulting Dynamics was incorporated on June 6, 2003. Its principal
14 place of business, at all relevant times herein, was 1339 East Katella Avenue, Suite #299,
15 Orange, California 92867. Consulting Dynamics also conducted business under the assumed
16 name “Advanced Body Imaging.” Consulting Dynamics succeeded **LIFELINE IMAGING** as
17 manager of the LifeLine limited partnerships. Consulting Dynamics was not, at all relevant times
18 herein, licensed to sell securities in Oregon.

19 12. **STANLEY JOHNSON** was the founder and chief executive of **CONSULTING**
20 **DYNAMICS**. Johnson conducted business, at all relevant times herein, from 1339 East Katella
21 Avenue, Suite #299, Orange, California 92867. Johnson was not, at all relevant times herein,
22 licensed to sell securities in Oregon.

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24
25 ¹ LifeLine Imaging should not be confused with Life Line Screening, a Florida-based entity offering health-related
screening services nationwide.

1 **Part Two: Roles In The Scheme**

2 **13. CAPITAL GUARDIAN, MALORY, and PACIFIC NETWORK AND**
3 **CONSULTING** provided services that allowed companies, such as **LIFELINE IMAGING**, to
4 sell high risk investments to members of the general public, including Oregon residents, over the
5 telephone.

6 **14. WILSON**, who was barred from the securities industry in 1992 as the result of a
7 criminal securities fraud conviction, told company owners in need of funding, such as
8 **MORTON**, that **CAPITAL GUARDIAN** could facilitate and manage a “Regulation D
9 offering.” Regulation D, promulgated by the U.S. Securities and Exchange Commission, permits
10 the sale of securities in the absence of registration so long as certain conditions are satisfied. (For
11 example, the offering may not be conducted through public channels, and participating investors
12 must meet qualifying criteria.)

13 **15. CAPITAL GUARDIAN** drafted disclosure memoranda for issuers, including
14 **LIFELINE IMAGING**. These documents, also known generically as “private placement
15 memoranda” are, when properly crafted, designed to objectively inform prospective investors
16 about the operating condition of the issuer of the securities and the foreseeable risks associated
17 with the investment. Capital Guardian charged issuers a minimum fee of 6.5% of all sums raised
18 for its services, though its total compensation was often significantly higher.

19 **16. WILSON** referred **CAPITAL GUARDIAN** clients to **MALORY** and/or **PACIFIC**
20 **NETWORK AND CONSULTING** to sell securities directly to the public.

21 **17.** Referrals to **MALORY** allowed a **CAPITAL GUARDIAN** client to benefit from the
22 imprimatur of a licensed broker-dealer. Though **STEIN** owned Malory, **WILSON** was the firm’s
23 true control person. Malory’s sole source of income consisted of revenue from Capital Guardian
24 referrals. Malory did no due diligence on the Capital Guardian clients it represented. Malory did
25 not communicate with Capital Guardian clients. Malory did not maintain books and records. The

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1 firm had no compliance infrastructure; it was nothing more than a shell through which its
2 licensed salespersons sold Capital Guardian related offerings. (Stein and Malory did not disclose
3 the true nature of Malory’s control structure and intended activities to the Director when Malory
4 applied for an Oregon broker-dealer license on October 7, 2002.)

5 18. Referrals to **PACIFIC NETWORK AND CONSULTING** allowed a **CAPITAL**
6 **GUARDIAN** client such as **LIFELINE IMAGING** to use a heavily staffed call center,
7 managed by **CATERINO**, to sell Regulation D-based investments to large numbers of people
8 across the nation via telephone. (An issuer properly relying on Regulation D to exempt so-called
9 Rule 506 transactions from securities registration requirements is barred from initiating
10 telephone contact, or engaging in similar forms of general solicitation, with investors with whom
11 the issuer lacked a pre-existing relationship.)

12 **Part Three: LifeLine Imaging And Its Offering Memorandum**

13 19. **LIFELINE IMAGING** purportedly sought to develop a network of medical imaging
14 centers, with each center serving a specified geographic area. Lifeline Imaging’s business model
15 was based on the benefits of an imaging technology known as electron beam tomography
16 (“EBT”). LifeLine Imaging planned to offer members of the public the ability to undergo,
17 without physician involvement or insurance reimbursement, non-invasive scans of particular
18 organs, or a full body scan, at retail prices ranging from \$350-\$995.

19 20. **CAPITAL GUARDIAN** drafted the **LIFELINE IMAGING** offering memorandum,
20 which it titled a “Confidential Private Placement Memorandum.” The document was sent to
21 prospective investors, usually accompanied by other sales materials, by salespersons working for
22 **PACIFIC NETWORK AND CONSULTING** after an initial telephone sales call.

23 21. The **LIFELINE IMAGING** offering memorandum memorandum asserts that the
24 offering is being made in reliance on Regulation D, Rule 506. The document describes a number
25 of generic “risk factors” (foreseeable risks to an investment’s success). The memorandum



1 explains, at some length, the basis for EBT technology. It contains boilerplate text describing the
2 federal income tax consequences of an investment. The document also contains a host of
3 misrepresentations and omissions.

4 22. The **LIFELINE IMAGING** offering memorandum erroneously represents that a
5 “Robert Devino” and a “John Leal” were the firm’s officers and directors. In point of fact,
6 **MORTON** was LifeLine’s chief executive and owner, yet no reference is made to Morton, his
7 occupational background, or his criminal record in the disclosure document.

8 23. The **LIFELINE IMAGING** offering memorandum erroneously states that the firm’s
9 executives “are experienced in organizing and operating a modern imaging center... and have
10 marketing, legal, and financial expertise as well.” The company’s true principal, **MORTON**, had
11 no directly applicable medical imaging, legal, or financial expertise, and had previously
12 operated an auto body repair shop.

13 24. The **LIFELINE IMAGING** offering memorandum erroneously states that
14 “approximately 25% of the gross [offering] proceeds is to be applied to syndication, marketing,
15 organizational, professional, commissions, consultants and other front costs.” The true sum
16 expended on these areas was significantly higher.

17 25. The **LIFELINE IMAGING** offering memorandum did not disclose **WILSON** or
18 **CATERINO**’s prior felony convictions, or even their involvement – or that of **CAPITAL**
19 **GUARDIAN** - in the sales process. The offering document also did not disclose that the method
20 used to contact LifeLine investors – telephone calls from sales agents – was not permitted for
21 this type of offering under either federal or Oregon law.

22 26. The **LIFELINE IMAGING** offering memorandum did not disclose the risks of
23 operating a medical imaging center with new technology in an unproven market. The document
24 did not disclose that LifeLine planned on leasing – and not purchasing – imaging scanners, and
25



1 that most financing companies would not approve financing for medical imaging centers unless
2 lessees had an affiliation with a reputable physician group, which LifeLine did not have.

3 27. Every geographic location- specific unit investment partnership (for example,
4 LifeLine of Los Gatos) was formed separately, was to be operated separately, and used its own
5 version of the **LIFELINE IMAGING** offering memorandum. That memorandum did not
6 disclose that **MORTON** would commingle funds from various LifeLine offerings, at his
7 unfettered discretion, as would suit his needs.

8 **Part Four: Sales, Sales, Sales**

9 28. **PACIFIC NETWORK AND CONSULTING** employees sold the majority of
10 **LIFELINE IMAGING** units to members of the public. Its California call center was staffed by
11 dozens of salespersons, divided into groups consisting of “fronters”, “closers”, and “managers.”
12 The fronter’s job was to call a given name and telephone number from a marketing list, introduce
13 the EBT medical imaging center concept, and ascertain whether a person might be interested in
14 learning more about an investment. If so, the fronter – paid an hourly wage plus a two (2%) sales
15 commission – transferred the call to a “closer.”

16 29. A **PACIFIC NETWORK AND CONSULTING** “closer” was charged with
17 convincing a member of the public, with whom the closer did not have a pre-existing
18 relationship, to invest a minimum of five thousand dollars (\$5,000). **VILLA** and **ALBANY** were
19 two such closers. Closers typically touted the technology at issue – the EBT scanner – as the next
20 big thing: a machine that would directly prevent heart attacks and strokes. Investors were told
21 that Americans would gladly pay up to \$995 out of pocket for a full scan, to **LIFELINE**
22 **IMAGING**’s financial benefit. Furthermore, closers told telephone prospects that LifeLine used
23 a scanner, the “Imatron C-300”, that was superior to anything else in the marketplace. Closers
24 received eighteen (18%) percent of each dollar invested as a sales commission. (**CATERINO**

25



1 and other Pacific Network and Consulting managers garnered a three (3%) sales commission
2 override.)

3 30. The closer sent sales prospects who expressed interest in a **LIFELINE IMAGING**
4 investment a packet of materials, usually via overnight courier. The packet included the above
5 described offering memorandum, a subscription agreement, and other sales materials. For
6 example, some Oregon investors were sent a business plan claiming that “it is projected that the
7 imaging center will realize a net profit of \$1,042,424 after 1st year of operation” and that “a ten
8 year financial projection analysis has been prepared which describes the anticipated future for
9 operations of the LifeLine Imaging center. The imaging center is projected to be financially
10 viable with a positive return on investment during all years of operation.”

11 31. The written sales materials closers sent to prospects were not limited to projections of
12 financial success. In some instances documents made medical claims (this type of scan could
13 detect coronary artery disease “10-20 years before other types of conventional screening tests.”)
14 Some investors also received written testimonials, citing glowing statements about EBT scans –
15 though not **LIFELINE IMAGING** – allegedly made by Oprah Winfrey, former U.S. Senator
16 Paul Simon, and Olympian Bruce Jenner, among other celebrities.

17 32. Members of the public choosing to invest returned the subscription agreement to
18 **PACIFIC NETWORK AND CONSULTING** with either a check or an authorization to
19 transfer IRA funds to **LIFELINE IMAGING**.

20 **Part Five: Oregon Sales**

21 33. Oregon residents invested in a number of **LIFELINE IMAGING** formed and
22 managed unit investment partnerships, including LifeLine South Costa Mesa (Laguna Hills),
23 LifeLine Long Beach, LifeLine Chandler, LifeLine Los Gatos, and Advanced Active Care
24 Dallas.

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1 34. Issuers seeking to lawfully sell securities using Regulation D must make a so-called
2 “notice filing” with the State of Oregon, submitting a form (“Form D”, with Appendix) and
3 paying a notice filing fee. Oregon law mandates that said filing be made no later than fifteen (15)
4 days after the date of the first sale in Oregon. **LIFELINE IMAGING**, UIP (South Costa Mesa)
5 made a notice filing with the State of Oregon on April 16, 2002. LifeLine Imaging of Long
6 Beach made a notice filing with the State of Oregon on October 16, 2002. LifeLine Imaging of
7 Chandler made a notice filing with the State of Oregon on March 28, 2003. LifeLine Imaging of
8 Los Gatos made a notice filing with the State of Oregon on July 14, 2003. Advanced Active Care
9 (Dallas) made a notice filing with the State of Oregon on November 21, 2003. None of these
10 filings transpired within fifteen (15) days after the date of the first sale in Oregon.

11 35. **VILLA** contacted Oregon resident VM by telephone in April 2002. Villa sold VM
12 five units in LifeLine South Costa Mesa for \$25,000 on April 24, 2002. Villa sold VM five units
13 in LifeLine Long Beach for \$25,000 on July 16, 2002. Villa sold VM five units in LifeLine
14 Chandler for \$25,000 on January 27, 2003. Villa sold VM five units in Advanced Active Care
15 Dallas for \$25,000 on May 5, 2003. Villa sold VM five units in LifeLine Los Gatos for \$25,000
16 on May 27, 2003. VM invested a total of \$125,000 through Villa.

17 36. **VILLA** contacted Oregon resident RGC by telephone in October 2002. Villa sold
18 RGC four units in LifeLine Long Beach for \$20,000 on October 12, 2002. Villa sold RGC four
19 units in LifeLine Los Gatos for \$20,000 on November 26, 2002. Villa sold RGC one unit in
20 LifeLine Los Gatos for \$5,000 on November 26, 2002. RGC invested a total of \$45,000 through
21 Villa.

22 37. **VILLA** contacted Oregon residents CH and PH, a married couple, by telephone in
23 November 2001. Villa sold CH and PH four units in LifeLine South Costa Mesa for \$20,000 on
24 November 28, 2001. (Villa falsely represented to CH and PH that they could access their funds,
25 if they so chose, after ninety [90] days.)



1 38. **ALBANY** contacted Oregon resident FVN by telephone in March 2004. Albany sold
2 FVN three units in Advanced Active Care Dallas for \$15,000 on March 22, 2004.

3 **Part Six: Consulting Dynamics Offers And Sells Securities To LifeLine Investors**

4 39. **CONSULTING DYNAMICS**, founded in 2003 by **JOHNSON**, did business under
5 the rubric of its subsidiary, Advanced Body Imaging, LP, beginning in January 2004. Advanced
6 Body Imaging purported to operate in the same medical imaging field as **LIFELINE**
7 **IMAGING**. Advanced Body Imaging never had a fully operational imaging center, had nominal
8 operating revenues, and had never posted a profit.

9 40. On August 29, 2005, **LIFELINE IMAGING** suddenly withdrew from its role as
10 general manager of its various unit investment partnerships. **MORTON** appointed
11 **CONSULTING DYNAMICS** as successor general manager.

12 41. **LIFELINE IMAGING** did not find operational or financial success in **MORTON**'s
13 hands, and **JOHNSON**'s involvement did not change matters. In March and April 2007 Johnson
14 personally contacted each of the Oregon investors by telephone. Johnson informed the
15 Oregonians that **CONSULTING DYNAMICS** was willing to "transfer" an investor's LifeLine
16 unit investment partnership certificates to Advanced Body Imaging, but only if the investor made
17 at least a \$5,000 investment in Advanced Body Imaging. Johnson represented that the
18 consequence of failing to invest the requested sum would be that the investor's LifeLine Imaging
19 investment would be "worthless."

20 42. **JOHNSON** followed up his telephone call to Oregon's **LIFELINE IMAGING**
21 investors with a letter, yet made no disclosure in connection with this offer to sell securities. He
22 omitted mention of his own criminal background, his lack of previous health care or medical
23 imaging management experience, or Advanced Body Imaging's absence of operating revenues.

24 43. **LIFELINE IMAGING** investor FVN wired \$5,000 to Advanced Body Imaging as
25 the direct result of **JOHNSON**'s communications.

CONCLUSIONS OF LAW

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The Director **CONCLUDES** that:

44. The **LIFELINE IMAGING** unit investment partnership interests are a “security”, as defined in ORS 59.015 (19) (a).

45. The interest in Advanced Body Imaging, sold by **CONSULTING DYNAMICS** and **JOHNSON**, is a “security”, as defined in ORS 59.015 (19) (a).

46. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and **JOHNSON**, made an untrue statement of fact, in violation of ORS 59.135 (2), by representing that a “Robert Devino” and a “John Leal” were the officers and directors of **LIFELINE IMAGING**. In point of fact, **MORTON** was LifeLine’s chief executive and owner, yet no reference is made to Morton, his occupational background, or his criminal record in the offering memorandum.

47. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and **JOHNSON**, made an untrue statement of fact, in violation of ORS 59.135 (2), by representing that LifeLine’s executives “are experienced in organizing and operating a modern imaging center... and have marketing, legal, and financial expertise as well.” The company’s true principal, **MORTON**, had no directly applicable medical imaging, legal, or financial expertise, and had previously operated an auto body repair shop.

48. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and **JOHNSON**, made an untrue statement of fact, in violation of ORS 59.135 (2), by representing that “approximately 25% of the gross [offering] proceeds is to be applied to syndication,

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1 marketing, organizational, professional, commissions, consultants and other front costs.” The
2 true sum expended in these areas was in excess of 25%.

3 49. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents
4 VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and
5 **JOHNSON**, omitted to state a material fact necessary in order to make all statements made in
6 connection with the sale of the investment, in light of the circumstances under which they were
7 made, not misleading, in violation of ORS 59.135 (2), by failing to disclose **WILSON** or
8 **CATERINO**’s prior felony convictions, or even their involvement – or that of **CAPITAL**
9 **GUARDIAN** - in the sales process. The offering memorandum also did not disclose that the
10 method used to contact LifeLine investors – telephone calls from sales agents – was not
11 permitted for this type of offering under either federal or Oregon law.

12 50. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents
13 VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and
14 **JOHNSON**, omitted to state a material fact necessary in order to make all statements made in
15 connection with the sale of the investment, in light of the circumstances under which they were
16 made, not misleading, in violation of ORS 59.135 (2), by failing to disclose the risks of operating
17 a medical imaging center with new technology in an unproven market. The document did not
18 disclose that LifeLine planned on leasing – and not purchasing – imaging scanners, and that
19 financing companies would not approve financing for medical imaging centers unless lessees had
20 an affiliation with a reputable physician group, which LifeLine did not have.

21 51. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents
22 VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and
23 **JOHNSON**, omitted to state a material fact necessary in order to make all statements made in
24 connection with the sale of the investment, in light of the circumstances under which they were
25 made, not misleading, in violation of ORS 59.135 (2), by failing to disclose that funds raised for



1 a given geographic-specific LifeLine limited partnership (for example, LifeLine of Los Gatos),
2 which was purportedly to be independently managed, would be commingled.

3 52. In connection with the sale of **LIFELINE IMAGING** securities to Oregon residents
4 VM, RGC, CH/PH, and FVN the Respondents, other than **CONSULTING DYNAMICS** and
5 **JOHNSON**, omitted to state a material fact necessary in order to make all statements made in
6 connection with the sale of the investment, in light of the circumstances under which they were
7 made, not misleading, in violation of ORS 59.135 (2), by failing to disclose that **VILLA** and
8 **ALBANY** would receive an eighteen (18%) percent sales commission, and that an additional
9 five (5%) sales commission would be paid to **PACIFIC NETWORK AND CONSULTING**
10 employees, for a total sales commission of twenty-three (23%) percent.

11 53. In connection with the offer and/or sale of Advanced Body Imaging securities to
12 Oregon residents VM, RGC, CH/PH, and FVN **CONSULTING DYNAMICS** and **JOHNSON**
13 made an untrue statement of fact, in violation of ORS 59.135 (2), by representing that the value
14 of investors' **LIFELINE IMAGING** unit investment partnership certificates would change if an
15 investor did not purchase Advanced Body Imaging securities.

16 54. In connection with the offer and/or sale of Advanced Body Imaging securities to
17 Oregon residents VM, RGC, CH/PH, and FVN **CONSULTING DYNAMICS** and **JOHNSON**
18 omitted to state a material fact necessary in order to make all statements made in connection with
19 the sale of the investment, in light of the circumstances under which they were made, not
20 misleading, in violation of ORS 59.135 (2), by failing to disclose that Advanced Body Imaging
21 had not opened a fully operational imaging center, had nominal operating revenues, and had
22 never posted a profit.

23 55. In connection with the offer and/or sale of Advanced Body Imaging securities to
24 Oregon residents VM, RGC, CH/PH, and FVN **CONSULTING DYNAMICS** and **JOHNSON**
25 omitted to state a material fact necessary in order to make all statements made in connection with



1 the sale of the investment, in light of the circumstances under which they were made, not
2 misleading, in violation of ORS 59.135 (2), by failing to disclose **JOHNSON**'s criminal history
3 and lack of medical imaging industry experience.

4 56. In connection with its application to become a licensed broker-dealer in Oregon,
5 **MALORY** and **STEIN** filed an application with the Director which was known to be false in a
6 material respect or manner, in violation of ORS 59.135 (4), by failing to disclose that **WILSON**,
7 previously barred from the securities industry as the result of a felony conviction for securities
8 fraud, was the firm's true control person.

9 57. In connection with its application to become a licensed broker-dealer in Oregon,
10 **MALORY** and **STEIN** filed an application with the Director which was known to be false in a
11 material respect or manner, in violation of ORS 59.135 (4), by failing to disclose that Malory
12 would not maintain books and records in a manner required by the Oregon Securities Law and its
13 accompanying rules.

14 58. In connection with its application to become a licensed broker-dealer in Oregon,
15 **MALORY** and **STEIN** filed an application with the Director which was known to be false in a
16 material respect or manner, in violation of ORS 59.135 (4), by failing to disclose that Malory
17 would not supervise its associated persons.

18 **ORDER**

19 Therefore, the Director **ORDERS** that:

20 59. Respondents shall cease and desist from offering or selling securities to persons in the
21 State of Oregon in violation of ORS Chapter 59, OAR Chapter 441, or the Oregon securities law.

22 60. Respondent **PACIFIC NETWORK AND CONSULTING** shall, pursuant to the
23 authority granted by ORS 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS**
24 (\$70,000) as a civil penalty for violations of ORS 59.135 described herein involving the sale of
25 securities to Oregon resident VM; **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil



1 penalty for violations of ORS 59.135 described herein involving the sale of securities to Oregon
2 resident RGC; **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations
3 of ORS 59.135 described herein involving the sale of securities to Oregon residents CH and PH;
4 and **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS
5 59.135 described herein involving the sale of securities to Oregon resident FVN, for a total civil
6 penalty of **TWO HUNDRED EIGHTY THOUSAND DOLLARS** (\$280,000).

7 61. Respondent **DANIEL CATERINO** shall, pursuant to the authority granted by ORS
8 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for
9 violations of ORS 59.135 described herein involving the sale of securities to Oregon resident
10 **VM**; **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS
11 59.135 described herein involving the sale of securities to Oregon resident RGC; **SEVENTY**
12 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
13 herein involving the sale of securities to Oregon residents CH and PH; and **SEVENTY**
14 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
15 herein involving the sale of securities to Oregon resident FVN, for a total civil penalty of **TWO**
16 **HUNDRED EIGHTY THOUSAND DOLLARS** (\$280,000).

17 62. Respondent **RANDLE "RANDY" VILLA** shall, pursuant to the authority granted by
18 ORS 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty
19 for violations of ORS 59.135 described herein involving the sale of securities to Oregon resident
20 **VM**; **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS
21 59.135 described herein involving the sale of securities to Oregon resident RGC; **SEVENTY**
22 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
23 herein involving the sale of securities to Oregon residents CH and PH; for a total civil penalty of
24 **TWO HUNDRED TEN THOUSAND DOLLARS** (\$210,000).

25



1 63. Respondent **TONY ALBANY** shall, pursuant to the authority granted by ORS
2 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for
3 violations of ORS 59.135 described herein involving the sale of securities to Oregon resident
4 FVN.

5 64. Respondent **LIFELINE IMAGING, LLC** shall, pursuant to the authority granted by
6 ORS 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty
7 for violations of ORS 59.135 described herein involving the sale of securities to Oregon resident
8 **VM; SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS
9 59.135 described herein involving the sale of securities to Oregon resident RGC; **SEVENTY**
10 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
11 herein involving the sale of securities to Oregon residents CH and PH; and **SEVENTY**
12 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
13 herein involving the sale of securities to Oregon resident FVN, for a total civil penalty of **TWO**
14 **HUNDRED EIGHTY THOUSAND DOLLARS** (\$280,000).

15 65. Respondent **RANDALL MORTON** shall, pursuant to the authority granted by ORS
16 59.995, pay the sum of **SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for
17 violations of ORS 59.135 described herein involving the sale of securities to Oregon resident
18 **VM; SEVENTY THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS
19 59.135 described herein involving the sale of securities to Oregon resident RGC; **SEVENTY**
20 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
21 herein involving the sale of securities to Oregon residents CH and PH; and **SEVENTY**
22 **THOUSAND DOLLARS** (\$70,000) as a civil penalty for violations of ORS 59.135 described
23 herein involving the sale of securities to Oregon resident FVN, for a total civil penalty of **TWO**
24 **HUNDRED EIGHTY THOUSAND DOLLARS** (\$280,000).

25

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 66. Respondent **CONSULTING DYNAMICS** shall, pursuant to the authority granted by
2 ORS 59.995, pay the sum of **THIRTY THOUSAND DOLLARS** (\$30,000) as a civil penalty
3 for violations of ORS 59.135 described herein involving the offer of securities to Oregon
4 resident VM; **THIRTY THOUSAND DOLLARS** (\$30,000) as a civil penalty for violations of
5 ORS 59.135 described herein involving the offer of securities to Oregon resident RGC;
6 **THIRTY THOUSAND DOLLARS** (\$30,000) as a civil penalty for violations of ORS 59.135
7 described herein involving the offer of securities to Oregon residents CH and PH; and **THIRTY**
8 **THOUSAND DOLLARS** (\$30,000) as a civil penalty for violations of ORS 59.135 described
9 herein involving the offer of securities to Oregon resident FVN, for a total civil penalty of **ONE**
10 **HUNDRED TWENTY THOUSAND DOLLARS** (\$120,000).

11 67. Respondent **STANLEY JOHNSON** shall, pursuant to the authority granted by ORS
12 59.995, pay the sum of **THIRTY THOUSAND DOLLARS** (\$30,000) as a civil penalty for
13 violations of ORS 59.135 described herein involving the offer of securities to Oregon resident
14 VM; **THIRTY THOUSAND DOLLARS** (\$30,000) as a civil penalty for violations of ORS
15 59.135 described herein involving the offer of securities to Oregon resident RGC; **THIRTY**
16 **THOUSAND DOLLARS** (\$30,000) as a civil penalty for violations of ORS 59.135 described
17 herein involving the offer of securities to Oregon residents CH and PH; **THIRTY THOUSAND**
18 **DOLLARS** (\$30,000) as a civil penalty for violations of ORS 59.135 described herein involving
19 the offer of securities to Oregon resident FVN, for a total civil penalty of **ONE HUNDRED**
20 **TWENTY THOUSAND DOLLARS** (\$120,000).

21 68. The above named Respondents are hereby denied, pursuant to the authority contained
22 in ORS 59.045, the use of any exemptions contained in ORS 59.025 and ORS 59.035, until
23 further order of the Director.
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IT IS SO ORDERED.

Dated this 11th day of April 2011 NUNC PRO TUNC February 22, 2011 at Salem, Oregon.

SCOTT L. HARRA, Acting Director
Department of Consumer and Business Services
/s/ David Tatman
David C. Tatman, Administrator
Division Of Finance And Corporate Securities

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Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

