

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
2 DIVISION OF FINANCE AND CORPORATE SECURITIES  
3 SECURITIES SECTION  
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND  
5 BUSINESS SERVICES

4 In the Matter of: ) No. S-11-0003  
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CAPITAL GUARDIAN, INC., BLAKE WILSON, MALORY INVESTMENTS, LLC, RONALD STEIN, PACIFIC NETWORK AND CONSULTING, DANIEL CATERINO, RANDLE “RANDY” VILLA, TONY ALBANY, LIFELINE IMAGING, LLC, RANDALL MORTON, CONSULTING DYNAMICS, INC., AND STANLEY JOHNSON

ORDER TO CEASE AND DESIST, DENYING EXEMPTIONS, AND ASSESSING CIVIL PENALTIES AND CONSENT TO ENTRY OF ORDER AS TO MALORY INVESTMENTS, LLC AND RONALD STEIN ONLY

11 Respondents.

13 WHEREAS, the Director of the Department of Consumer and Business Services for the  
14 State of Oregon (the “Director”), acting by and pursuant to the authority of the Oregon Securities  
15 Law, Oregon Revised Statutes (“ORS”) 59.005 *et seq*, and other applicable authority, has  
16 conducted an investigation into the activities of CAPITAL GUARDIAN, INC. (hereafter also  
17 “CAPITAL GUARDIAN”), BLAKE WILSON (hereafter also “WILSON”), MALORY  
18 INVESTMENTS, LLC (hereafter also “MALORY”), RONALD STEIN (hereafter also  
19 “STEIN”), PACIFIC NETWORK AND CONSULTING, DANIEL CATERINO (hereafter  
20 also “CATERINO”), RANDLE “RANDY” VILLA (hereafter also “VILLA”), TONY  
21 ALBANY, LIFELINE IMAGING, LLC (hereafter also “LIFELINE IMAGING”),  
22 RANDALL MORTON (hereafter also “MORTON”), CONSULTING DYNAMICS, INC  
23 (hereafter also “CONSULTING DYNAMICS”), AND STANLEY JOHNSON (hereafter also  
24 “JOHNSON”);

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           3. **MALORY** is a California limited liability company (California Business Registry  
2 #C200102010052). Malory was formed on January 12, 2001. Malory conducted business, at all  
3 relevant times herein, from 10937 Wilkins Avenue, Apartment #304, Los Angeles, California  
4 90024. Malory (CRD #110936) was licensed as a broker-dealer in Oregon from February 4, 2003  
5 to December 19, 2006.

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

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

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

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

24          8. **TONY ALBANY** was a salesperson employed by **PACIFIC NETWORK AND**  
25 **CONSULTING**. Albany conducted business, at all relevant times herein, from 2560 East



1 Chapman Avenue, Suite #157, Orange, California 92869. Albany was not, at all relevant times  
2 herein, licensed to sell securities in Oregon.

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

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

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

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

25 <sup>1</sup> 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 1<sup>st</sup> 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.

25



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 **MALORY** and **STEIN** shall cease and desist from offering or selling  
21 securities in violation of the Oregon Securities Law, ORS 59.005 *et seq.*, or its accompanying  
22 administrative rules.

23 60. Respondent **MALORY** shall, pursuant to the authority granted by ORS 59.995, pay  
24 the sum of **SIXTY THOUSAND DOLLARS** (\$60,000) as a civil penalty for all violations of  
25 ORS 59.135 described herein. The entirety of this civil penalty shall be **SUSPENDED** so long as



1 Respondent **MALORY** does not violate the Oregon securities laws and/or its accompanying  
2 administrative rules – or the terms of this Order - for a period of seven (7) years from the date of  
3 entry of this Order. (To the extent that Respondent **MALORY** is found to have committed any  
4 such violation, the entire sum of **SIXTY THOUSAND DOLLARS** (\$60,000) shall become  
5 immediately due and owing.)

6 61. Respondent **STEIN** shall, pursuant to the authority granted by ORS 59.995, pay the  
7 sum of **SIXTY THOUSAND DOLLARS** (\$60,000) as a civil penalty for all violations of ORS  
8 59.135 described herein. Of this amount, the sum of **FIFTY-NINE THOUSAND DOLLARS**  
9 (\$59,000) shall be **SUSPENDED** so long as Respondent **STEIN** does not violate the Oregon  
10 securities laws and/or its accompanying administrative rules – or the terms of this Order - for a  
11 period of seven (7) years from the date of entry of this Order. (To the extent that Respondent  
12 **STEIN** is found to have committed any such violation, the entire sum of **SIXTY THOUSAND**  
13 **DOLLARS** (\$60,000), minus amounts previously paid, shall become immediately due and  
14 owing). The remaining **ONE THOUSAND DOLLARS** (\$1,000) shall be paid in monthly  
15 installments of **FIFTY DOLLARS** (\$50), with the first such installment due at the time of entry  
16 of this Order and remaining installments due on the first calendar day of each month thereafter  
17 (timely payment shall be deemed to be of the essence; failure to make payment(s) in a timely  
18 fashion will constitute a violation of this Order).

19 62. Respondents **MALORY** and **STEIN** are hereby denied, pursuant to the authority  
20 contained in ORS 59.045, the use of any exemptions contained in ORS 59.025 and ORS 59.035,  
21 until further order of the Director.

22 63. Respondents **MALORY** and **STEIN** are hereby barred from applying for any  
23 occupational license issued by the Oregon Department of Consumer and Business Services,  
24 including, but not limited to, a broker-dealer license, a broker-dealer salesperson license, a state  
25

1 investment adviser license, and/or a state investment adviser representative license, until further  
2 order of the Director.

3 **IT IS SO ORDERED.**

4 Dated this 3rd day of September, 2011 NUNC PRO TUNC February 22, 2011 at Salem,  
5 Oregon.

6 SCOTT L. HARRA, Acting Director  
7 Department of Consumer and Business Services

8 */s/ David Tatman*

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David C. Tatman, Administrator  
10 Division of Finance and Corporate Securities

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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 **CONSENT TO ENTRY OF ORDER**

2 Respondent **RONALD STEIN** states: that he has read the foregoing Order and fully  
3 understands the contents thereof; that he has been represented by counsel in connection with this  
4 matter; that he, voluntarily, and without any force or duress, consents to the entry of this Order,  
5 expressly withdrawing any written request for a hearing he has filed in connection with this  
6 matter; that the Order contains the complete agreement of the parties, and that no additional  
7 promises or assurances have been made to him by the Director with respect to matters covered  
8 by the Order; that he will, if called upon to do so, testify truthfully about the facts of this matter;  
9 that he understands that the Director reserves the right to take further actions to enforce this  
10 Order or to take appropriate action upon discovery of violations of the Oregon Securities Law  
11 not described herein; that he understands that this Order is a public document; and that he will  
12 fully comply with the terms and conditions stated herein.

13 /s/ Ronald Stein  
14 Ronald Stein

15 Dated 08/25/11

16 (See Attached Notarized Paperwork)  
17 (Printed Name of Notary Public)  
18 Notary Public  
19 for the State of: \_\_\_\_\_

20 My commission expires: \_\_\_\_\_

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



# CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Los Angeles

On 8/25/2011 before me, L. Sibley Notary Public \_\_\_\_\_  
(Here insert name and title of the officer)

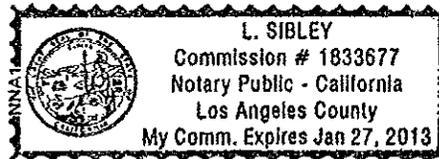
personally appeared Ronald Stein \_\_\_\_\_

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L. Sibley  
Signature of Notary Public



(Notary Seal)

## ADDITIONAL OPTIONAL INFORMATION

### DESCRIPTION OF THE ATTACHED DOCUMENT

Consent To Entry of Order  
(Title or description of attached document)

\_\_\_\_\_  
(Title or description of attached document continued)

Number of Pages 19 Document Date 8/25/11

\_\_\_\_\_  
(Additional information)

### CAPACITY CLAIMED BY THE SIGNER

- Individual (s)  
 Corporate Officer

\_\_\_\_\_  
(Title)

- Partner(s)  
 Attorney-in-Fact  
 Trustee(s)  
 Other \_\_\_\_\_

### INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they, is /are ) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
  - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
  - ❖ Indicate title or type of attached document, number of pages and date.
  - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

1 For Malory Investments, LLC:

2  
3 I, Ronald Stein, hereby represent that I am authorized to enter into this Order for and on behalf of  
4 Malory Investments, LLC.

5 /s/ Ronald Stein  
6 Ronald Stein

7 Dated: 08/25/11

8 (See Attached Notarized Paperwork  
9 (Printed Name of Notary Public)  
10 Notary Public  
11 for the State of: \_\_\_\_\_

12 My commission expires: \_\_\_\_\_

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State of California

County of LOS Angeles

On 8/25/2011 before me, L. Sibley Notary Public  
(Here insert name and title of the officer)

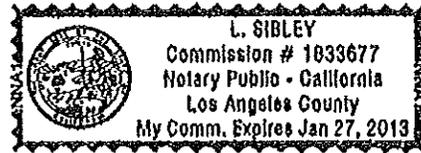
personally appeared Ronald Stein

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L. Sibley  
Signature of Notary Public



(Notary Seal)

## ADDITIONAL OPTIONAL INFORMATION

### DESCRIPTION OF THE ATTACHED DOCUMENT

Order to Cease and Desist  
(Title or description of attached document)

\_\_\_\_\_  
(Title or description of attached document continued)

Number of Pages 19 Document Date 8/25/11

\_\_\_\_\_  
(Additional information)

### CAPACITY CLAIMED BY THE SIGNER

- Individual (s)
- Corporate Officer
- \_\_\_\_\_  
(Title)
- Partner(s)
- Attorney-in-Fact
- Trustee(s)
- Other \_\_\_\_\_

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