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

In the Matter of the Desist and Refrain Order Against: DENNIS A. LEATHERMAN, Chairman of the Board of Directors, and ALTUS HEALTHCARE, INC., 1180 North Palm Canyon Drive Palm Springs, California 92262, Respondents.	OAH No. L-2004120121

DECISION

The attached proposed Decision of the Administrative Law Judge is hereby adopted by the Department of Corporations as its Decision in the above-entitled matter.

This Decision shall become effective on July 28, 2005.

IT IS SO ORDERED this 27 day of July.

DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

By _____

lcp

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

In the Matter of the Desist and Refrain Order Against: DENNIS A. LEATHERMAN, Chairman of the Board of Directors, and ALTUS HEALTHCARE, INC., 1180 North Palm Canyon Drive Palm Springs, California 92262, Respondents.	OAH No. L-2004120121

PROPOSED DECISION

This matter was heard on February 15 and March 8, 2005, by Vincent Nafarrete, Administrative Law Judge of the Office of Administrative Hearings, at Los Angeles. James K. Openshaw, Senior Corporations Counsel, represented complainant Commissioner of Corporations. Dennis A. Leatherman was present and represented by John B. Wallace, Attorney at Law.

At the conclusion of the hearing, the record was held open for the filing of written argument. On March 29, 2005, complainant filed its Post Hearing Brief which was marked as Exhibit 8. On April 12, 2005, complainant filed its Post Hearing Reply Brief which was marked as Exhibit 9. On April 13, 2005, respondents filed their Post-Hearing Reply Brief which was marked as Exhibit N.

On May 20, 2005, respondent filed a copy of their Post-Hearing Brief which was marked as Exhibit O. The original brief had been misplaced upon filing by respondents and the Administrative Law Judge requested that respondents file a copy. In addition, respondents' Hearing Brief filed at the outset of the hearing in this matter was marked as Exhibit P.

Oral and documentary having been received, the Administrative Law Judge submitted this matter for decision on May 20, 2005, and finds as follows:

FACTUAL FINDINGS

1. (A) On October 28, 2004, Virginia Jo Dunlap in her official capacity as Deputy Commissioner, Enforcement and Legal Services, and on behalf of William P. Wood, California Corporations Commissioner (hereinafter Commissioner), made and issued the subject Desist and Refrain Order to Dennis A. Leatherman, Chairman of the Board of Directors, and Altus Healthcare, Inc., 1180 North Palm Canyon Drive, Palm Springs, California 92262, pursuant to the provisions of Corporations Code section 25401.

(B) In its Desist and Refrain Order, the Commissioner has alleged that Leatherman and Altus Healthcare offered or sold securities in this state in the form of units comprised of common stock and preferred shares in Altus Healthcare, Inc., for the purpose of raising working capital funds for a facility and to build a medical facility. The Commissioner alleges that said respondents omitted material facts in a private placement memorandum issued in connection with the offers or sales of the securities to prospective investors. The Commissioner further alleges that said communications thus omitted to state material facts "necessary to make the statements made, in the light of the circumstances under which they were made, not misleading," in violation of Corporations Code section 25401. The alleged omissions by Leatherman concerned the failures to disclose the filing of a personal bankruptcy, being named as a defendant in multiple civil lawsuits, and the entry of a court judgment.

(C) With issuance of the Desist and Refrain Order and in the public interest and for protection of investors, the Commissioner seeks to direct respondents to desist and refrain from offering or selling or buying or offering to buy any security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements, in light of the circumstances under which they were made, not misleading.

2. In this proceeding, respondents contest the validity of the Desist and Refrain Order, contending, in part, that the alleged omissions were not material facts that needed to be disclosed and the private placement memorandum was therefore not misleading due to the alleged omissions.

3. At all times relevant herein, Dennis A. Leatherman, D.C. (hereinafter Leatherman, respondent Leatherman, or respondent), is and has been the Chairman of the Board of Directors of Altus Healthcare, Inc., a Nevada corporation engaged in the business of operating surgicenter centers and acute care hospitals or medical facilities. The former business name of Altus Healthcare, Inc., was Cancer Treatment Center. Leatherman is a chiropractic doctor who attended the Palmer College of Chiropractic in Iowa and the Cleveland College of Chiropractic in Los Angeles. The Administrative Law Judge takes

official notice that Leatherman's chiropractic license is expired and no longer active due to the failure to pay the renewal prior to the expiration of the license.

4. (A) On March 3, 2004, Altus Healthcare issued and published a confidential private placement memorandum offering 10,000 units consisting of 100 common shares and one preferred share for the purchase price of $500.00 per unit. The aggregate offering was $5 million in securities to investors. By the private placement memorandum, Altus Healthcare indicated that it would use the net proceeds of the offering to develop infrastructure as well as working capital to fund its operations plan. Most of the working capital was to be used for the company's intended medical facility in Indio.

(B) Under the private placement memorandum, Altus Healthcare described itself as a Nevada company that intends to operate or manage small to medium-sized general acute hospitals, surgical units, and diagnostic centers. Altus Healthcare was said to have acquired its first wholly-owned subsidiary, Jefferson Park Medical Center, Inc., which was operating under the fictitious name of Desert Surgery Center in La Quinta or Indio, and planned to model all of its medical facilities and train all personnel based on this subsidiary's operations. Altus Healthcare indicated that it planned to acquire or build up to 100 small general acute hospitals throughout the country.

(C) Under the Management section, the private placement memorandum stated that respondent Leatherman was the Chairman of the Board of Directors of Altus Healthcare. The memorandum further provided:

> "Dr. Leatherman has been highly successful in the startup, planning and implementation of medical and healthcare facilities throughout California for over 30 years. This proprietary development includes the Leatherman Chiropractic Offices of Fresno, San Jose, East San Jose, San Francisco, Hayward, and Lake Arrowhead and Family Healthcare Centers of Mission Viejo, Fresno and San Diego. This expertise includes the development of medical and healthcare centers from startup, including the hiring and training of staff professionals and non-professionals, paraprofessionals, marketing, billing and collection, faculty design, equipment acquisition and maintenance and all other requirements to operate successful healthcare practices."

Under Risk Factors, the memorandum added that the securities being offered to investors involved a high degree of risk, for Altus Healthcare was a new venture with minimum revenue and profits, had limited operating capital, and was substantially dependent upon the expertise and abilities of individuals who comprise current management, including respondent Leatherman.

(D) On May 21, 2004, Altus Healthcare by its chairman, respondent Leatherman, filed with the Commissioner of Corporations a notice of transaction under Corporations Code section 25102, subdivision (f), for the sale of common and preferred stock securities.

5. (A) In or about 1987, respondent Leatherman filed a personal bankruptcy petition. In or about 1994, Leatherman's debts were discharged pursuant to the bankruptcy petition. He does not know of any investor in any of his business ventures to have been a creditor in his bankruptcy proceeding. Respondent claims that one of his attorneys advised him that he need not disclose his personal bankruptcy in the private placement memorandum because the bankruptcy occurred more than five years ago.

(B) In the private placement memorandum for the sale of common stock and shares in Altus Healthcare, Inc., respondents Leatherman and Altus Healthcare failed to disclose that he had filed a bankruptcy petition in or about 1987 or that his debts had been discharged in or about 1994. Leatherman's filing of a bankruptcy petition and the resultant discharge of his debts constituted material facts that should have been disclosed in the private placement memorandum to make said written communication not misleading.

6. On May 3, 1994, before the Fresno County Superior Court, in *S.S. Shaub, M.D. v. Family Health Care Center of Fresno, Inc., et al.,* Case No. 509159-0, respondent Leatherman was named as a defendant in a civil suit for breach of contract and fraud for the non-payment of professional medical services in the sum of $64,497.50. Plaintiff was a physician who worked as an independent contractor radiologist for respondent doing business as Family Health Care Center of Fresno by reviewing x-rays, performing consultations, and preparing reports. Respondent contended he had no obligation to pay plaintiff for his services and cannot recall if any judgment was entered against him in that matter.

7. (A) On or about August 7, 1992, in the Superior Court of California, County of San Diego, [in Case No. 654976,] plaintiff Travelers Acceptance Corporation filed a civil complaint for damages against Security Medi-Card, Inc.; Security Plus Medi-Card; Security Plus/Interstate Care Systems, respondent Leatherman, and other co-defendants for breach of contract and promissory note, misrepresentation, and fraud.

(B) On or about September 21, 1993, respondent Leatherman and several co-defendants, including Security Medi-Card, Inc., and Security Plus Medi-Card, filed an Answer to the civil complaint, denying generally all of the allegations and setting forth affirmative defenses.

(C) On October 4, 1993, before the Superior Court of California, County of San Diego, in *Travelers Acceptance Corporation v. Security Medi-Card, Inc.; Security Plus Medi-Card; Security Plus/Interstate Care Systems; Interstate Care Systems; Dr. Dennis A. Leatherman; et al;* Case No. 654976, a stipulated judgment was entered against respondent and the other co-defendants, jointly and severally, for the sum of $219,538.00.

(D) On or about May 2, 1994, in the Superior Court of California, County of Fresno, plaintiff Travelers Acceptance Corporation filed a petition against respondent Leatherman and other Leatherman family members in order to enforce the stipulated money judgment of $219,538.00 entered in Case No. 654976. As a judgment creditor, plaintiff

alleged that the E.J. Leatherman Family Trust held assets, including real property, in Fresno County; that respondent Leatherman was the sole trustee of the E. J. Leatherman Family Trust; and that no part of the civil judgment had been paid.

(E) Regarding the facts and circumstances of the *Travelers Acceptance* case, respondent was the chief executive officer of Security Medi-Card, Inc., a medical services credit card company with offices in Newport Beach. Working with a network of physicians, Security Medi-Card was engaged in the business of selling credit cards and extending credit to consumers who had no credit history or health insurance. The company was started by respondent's father and purportedly had insurance coverage for the medical services credit card with the Lloyds of London. Respondent was responsible for business development, marketing, and hiring and supervising personnel. In June 1991, plaintiff Travelers Acceptance Corporation purchased contract receivables from Security Medi-Card. When it could not collect the receivables, said plaintiff filed suit against Security Medi-Card and respondent for breach of contract, fraud, and misrepresentation. A stipulated judgment was entered against Security Medi-Card and respondent. Currently, respondent does not know whether the civil judgment has ever been satisfied.

8. (A) On November 23, 1993, in the Superior Court of California, County of Los Angeles, in *People v. Salud Y Familia, Inc., et al*, Case No. BC093701, the California Commissioner of Corporations filed a complaint for temporary restraining order, injunction, civil penalties, and appointment of receiver against Salud Y Familia, Inc., a health care company; Unicard Corporation, a credit card company; and respondent, an officer, director, and shareholder of Unicard Corporation, for violations of the Knox-Keene Health Care Service Plan Act of 1975 set forth at Health and Safety Code sections 1340 et seq.

(B) On November 23, 1993, in the *Salud Y Familia* case, the Superior Court appointed a receiver over all of the real and personal property, including assets and accounts, of defendants Salud Y Familia, Inc., and Unicard Corporation during the pendency of the civil action.

(C) On December 21, 1993, Salud Y Familia and its officers and directors filed an Answer to the complaint. On January 7, 2004, respondent's parents filed an Answer to Unverified Complaint. On January 19, respondent filed a separate Answer to Unverified Complaint.

(D) On December 20, 1994, defendants Salud Y Familia and Unicard Corporation agreed to stipulate with the Commissioner of Corporation to a Final Judgment of Permanent Injunction. On January 24, 1995, pursuant to said stipulation, the Superior Court entered a Final Judgment of Permanent Injunction wherein defendants Salud Y Familia and Unicard Corporation and their officers, agents, and employees were enjoined from committing acts in violation of the Knox-Keene Act. Specifically, defendants were enjoined from establishing, maintaining, or operating a health care service plan and engaging in misleading or deceptive advertising or solicitation. Moreover, defendants were enjoined from collecting, receiving,

or billing any premiums from enrollees or subscribers in connection with any health care service plan.

9. (A) The facts and circumstances of the *Salud Y Familia* lawsuit were that Salud Y Familia and Unicard Corporation operated a health care service plan without ever having been issued a license by the Commissioner of Corporations and engaged in untrue and misleading advertising. In or about 1992, Salud Y Familia solicited, advertised and sold medical insurance and a credit card on behalf of Unicard Corporation. Defendants Salud Y Familia and Unicard contracted with health care providers and referred enrollees to contracting providers. Under the unlicensed health care service plan, enrollees were supposed to present the Unicard credit card to contracting providers, receive 20 percent medical coverage on physician fees, and pay the balance of the physician fees under a financing agreement with Unicard.

(B) On behalf of Unicard, respondent Leatherman contracted with and sold the credit card to Salud Y Familia. His parents were officers and directors of Unicard Corporation.

(C) Subsequently, Unicard failed to pay contracting providers or did not pay them in a timely manner. Consequently, enrollees were billed by Unicard and by the providers who did not receive payment for services rendered. When they were not paid by Unicard, providers refused to accept enrollees as patients. Enrollees were also overcharged on their monthly credit card billing statements; enrollees were charged for non-existent insurance payments. Contrary to defendants' representations, enrollees and the plan were not accepted at hospitals or pharmacies. After one year of selling the unlicensed health care service plan to the public, defendants stopped servicing enrollees but continued to bill them for past services. Though they marketed their plan as medical insurance, defendants did not make insurance payments but operated an unlawful physician referral service and credit card company that was in violation of the Knox-Keene Act.

10. (A) On July 22, 1996, before the Superior Court of California, County of Fresno, in *William Johncox v. Family Healthcare Centers, Inc., Dennis Leatherman, and Bayview Medical Center, Inc.*, Case No. 569075-5, plaintiff Johncox named respondent Leatherman as a co-defendant in a civil suit for work, labor, and services. Earlier, plaintiff had been awarded $101,484.86 in an administrative action against Family Healthcare Centers, Inc., before the Labor Commissioner. Plaintiff was a chiropractor who worked for Family Healthcare Center in Fresno. In the civil suit, plaintiff alleged that defendants owed him the sum of $101,484.86 for work performed and that respondent Leatherman and Bayview Medical Center, Inc., were the alter egos of Family Healthcare Centers, Inc. Defendants, including respondent Leatherman, filed an answer.

(B) On June 19, 1997, after a court trial, plaintiff Johncox was awarded judgment of $101,484.86 against respondent Leatherman and other co-defendants, jointly and severally. The Superior Court Judge found that plaintiff had obtained judgment against Family Healthcare Centers, Inc., in a proceeding that arose from an administrative action

before the Labor Commissioner and that defendants were the alter egos of each other and of Family Healthcare Centers, Inc. The court determined that Family Healthcare Centers, Inc., and the other defendants were influenced and governed by respondent Leatherman and that he exerted substantial control over the other defendants such that his decisions were not distinguishable from those of the defendants. Further, the court found that respondent Leatherman's statements denying that the entity defendants were his alter egos were not credible, for he was either willfully false or recklessly disregarded the truth of such matters.

(C) In this matter, respondent Leatherman claims that, in or about 1999, he paid the $101,484.86 court judgment to plaintiff Johncox by assigning corporate deeds of trust to a 10 acre parcel in Perris and a 600 acre parcel in Blythe to plaintiff. However, respondent Leatherman does not know whether the deeds were recorded or whether the court judgment was paid in full.

11. As set forth in Findings 6 – 10 above, in the private placement memorandum for the sale of common stock and shares in Altus Healthcare, Inc., respondents Leatherman and Altus Healthcare failed to disclose that respondent Leatherman had been named a defendant in several civil lawsuits which were filed in connection, in part, with his ownership and/or management of business enterprises in the medical field. Respondent Leatherman and Altus Healthcare further failed to disclose in said private placement memorandum that judgments had been entered against him in some of those civil lawsuits. The facts that respondent Leatherman was a defendant in those civil lawsuits and that judgments were entered against him in some of those cases were material facts that should have been disclosed in the private placement memorandum to make said written communication not misleading.

12. (A) After graduating from chiropractic college, respondent Leatherman went on a church mission in Brazil for two years. Upon his return in 1971, he worked as a chiropractor in his father's chiropractic practice in Fresno. Subsequently, and for the next nine years, respondent opened chiropractic offices in San Jose, San Francisco, and Hayward under the business name of Leatherman Chiropractic Clinics. Because he had learned Portuguese and Spanish during his church mission in Brazil, respondent Leatherman performed public relations and marketing in the Hispanic communities. He was also responsible for leasing or buying office space, buying equipment, and hiring personnel for the clinics. He practiced in those northern California clinics of Leatherman Chiropractic until 1980.

(B) In or about 1980, respondent Leatherman moved to Oregon where he owned and managed a ranch for raising rabbits for the sale of rabbit pelts. He used hormonal treatment, artificial insemination, and embryo transplantation techniques to breed and raise the rabbits. The enterprise included investments by 22 limited partnerships, ten to 20 employees, and 50,000 rabbit does. In conjunction with the rabbit ranch, respondent started businesses for the manufacturing of rabbit cages, boarding of rabbits and horses, and marketing and selling of rabbit pelts. He also created or invested in a meat business and a construction company. Respondent sold the rabbit ranch and remained as manager of the business. Later, a majority of the rabbits were killed by a disease. In connection with his management and/or sale of the rabbit ranch, respondent was named as a defendant in a civil

suit for securities fraud and racketeering. Later, a judgment of $125 million was entered by default. In 1983, respondent returned to California and resumed his practice at the family chiropractic clinics in Fresno and Lake Tahoe for the next two years.

13. (A) In 1985, respondent relocated to Mission Viejo to manage and develop the business of Family Health Care Centers, which had been started by his father. With medical clinics and facilities in Mission Viejo, Fresno, and San Diego, Family Health Care Centers offered medical services in different specialties including orthopedic surgery, cardiology, internal medicine, physical therapy, and chiropractic. Respondent procured building space and equipment and hired personnel including physicians. He was also involved in medical billing and regulatory compliance. Eventually, the facility in Mission Viejo was sold to an employee-physician and the facility in Fresno was closed.

(B) In San Diego, Family Health Care Centers owned the medical facility known as Bay View Hospital, which contained about 178 beds and 123,000 square feet of floor space. Respondent had organized the realty group to first acquire the closed hospital and then operated the property as an outpatient medical facility. He contracted with or hired different medical providers and physicians and provided or rented office space to them at the medical facility. Respondent also formed an alternative cancer therapy center at the facility that he called Cancer Treatment Center. He managed the medical facility at the Bay View Hospital from in or about 1992 until 1997 when the lender foreclosed upon the property.

14. Since 2000, respondent has managed Altus Healthcare, formerly known as Cancer Treatment Center, in its business of operating general acute care hospitals or facilities. As chairman and chief executive officer, respondent acquired the Desert Surgery Center from bankruptcy proceedings for the company and renamed the property to Jefferson Park Medical Center. Altus Healthcare also has contracts to acquire technology from a breast cancer center and a radiation oncology provider.

15. With regard to the sale of securities for the Jefferson Park Medical Center project, respondent Leatherman admits that he drafted the Altus Healthcare private placement memorandum. He contends that the private placement memorandum did not omit any material facts and was not misleading but, in any case, he relied on the advice of counsel in drafting the document. Respondent represents that he discussed the private placement memorandum, and necessary disclosures therefor, with a securities attorney in Utah, counsel in Newport Beach, a lawyer in Las Vegas, a medical-legal attorney as well as an investment banker. Respondent states that, in general, the experts that he consulted told him that there was no requirement, and he need not disclose, his personal bankruptcy or civil lawsuits in the private placement memorandum. He adds that he was advised that his bankruptcy did not have to be disclosed because the bankruptcy proceedings occurred more than five years ago. Here, respondent Leatherman's contention that his reliance on the advice of counsel is a defense to the violation of Corporations Code section 25401 was not persuasive, for respondent was not a credible witness and produced no evidence of a written memorandum or opinion from any lawyer to corroborate his claim.

16. Respondent Leatherman indicates that the private placement memorandum was mailed to 32 prospective investors but only one person, a San Diego neurosurgeon, purchased any units. According to respondent, the single investor was refunded his purchase funds of $50,000 and Altus Healthcare has abandoned the private placement memorandum securities offering and is no longer raising any capital for the Jefferson Park Medical Center project. Respondent indicates that he is willing to disclose the civil judgments previously entered against him in the future but is still not sure as to what he needs to disclose in a private placement memorandum for the sale of securities in this state.

* * * * * * *

Pursuant to the foregoing findings of fact, the Administrative Law Judge makes the following determination of issues:

LEGAL CONCLUSIONS

1. Grounds exist to order respondents Leatherman and Altus Healthcare to desist and refrain from violating Corporations Code section 25401 pursuant to Corporations Code section 25532, subdivision (c), in that respondents offered or sold a security in the State of California, including, but not limited to, units, shares, or stock, by means of a written communication which omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, based on Findings 1 – 11 above.

2. Discussion—In summary, respondent Leatherman contends that the Altus Healthcare private placement memorandum was not misleading because the facts of his personal bankruptcy and prior lawsuits were not material and did not have to be disclosed to prospective investors. Respondent avers that the lawsuits were not related to his "startup, planning and implementation of medical and healthcare facilities throughout California for over 30 years." He adds that to show an investor would want to know certain information does not make these facts material because he and Altus Healthcare did not have any general duty to disclose his past bankruptcy or lawsuits. Respondent's reliance on federal law was misplaced and his arguments were not persuasive as discussed hereinbelow.

Respondent argues that state regulation of the Altus Healthcare private placement memorandum under the Corporations Code is preempted by federal law or regulation. He contends that the offering of Altus Healthcare securities was made exclusively to accredited investors and was therefore exempt from any information disclosure requirements under Rule 502 of Regulation D as set forth in the Code of Federal Regulations, title 17, section 230.502, under the Securities Act of 1933 (15 U.S.C. § 77a et seq., as amended). Respondent also contends that the Altus Healthcare securities were offered for sale pursuant

to the registration exemption provision under Rule 506 of Regulation D and any state regulation of the offering and sale of the securities was preempted by section 18 of the National Securities Market Improvement Act of 1996 (15 U.S.C. §77r). However, it was not established that Leatherman or Altus Healthcare sold or attempted to sell securities pursuant to the registration exemption provisions of Regulation D. On the other hand, Altus Healthcare did, in fact, file a state notice of transaction for the sale of securities under the California Corporation Code. With respect to the rules relating to transactions exempted from registration requirements under federal law, Regulation D provides as follows:

> "Such transactions are not exempt from the antifraud, civil liability, or other provisions of the federal securities laws. Issuers are reminded of their obligation to provide such further material information, if any, as may be necessary to make the information required under this regulation, in light of the circumstances under which it is furnished, not misleading."

Regulation D adds that nothing under its rules obviates the need to comply with any applicable state law relating to the offer and sale of securities. Respondent Leatherman's argument that the subject private placement memorandum was not subject to state regulation due to preemption by federal law and that he and Altus Healthcare did not have to comply with Corporations Code section 25401 is without legal authority.

Section 25401 provides, in pertinent part, that it is unlawful for any person to offer or to sell a security in California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. A fact is considered material if there is a substantial likelihood that, under all the circumstances, a reasonable investor would consider that fact important in reaching an investment decision; this test of materiality under the California Corporation Code is the same as that under the federal Securities Act of 1933. (*Insurance Underwriters Clearing House, Inc. v. Natomas Co.* (1986) 184 Cal.App.3d 1520, 1526 [228 Cal.Rptr. 449], review denied Oct. 30, 1986.)

Here, the private placement memorandum stated that respondent Leatherman has been "highly successful" in the startup, planning, and implementation of medical and healthcare facilities in this state for over 30 years and has "expertise" in the development of medical and healthcare centers. Said memorandum added that the Altus Healthcare securities offered to investors involved a high degree of risk and that the company was new, had limited operating capital, and was substantially dependent upon the expertise and abilities of current management including Leatherman.

Under the circumstances of a new company with limited capital which was dependent on certain management personnel and taking on a high risk venture, there is substantial likelihood that a reasonably prudent investor would consider the full or complete business background and history of the company chairman to be important in making a decision whether to invest in the offering of Altus Healthcare securities. The apparent success of the

company and its medical facilities venture was dependent upon Leatherman as a manager and the chairman. As established in this matter, Leatherman's business background was not altogether "successful", for he had a personal bankruptcy and several civil lawsuits filed against him in connection with his ownership and/or management of healthcare and related businesses. The civil lawsuits were comprised of two suits and a judgment for nonpayment of professional medical services, a stipulated judgment in a medical credit card action, and a stipulated judgment for permanent injunction in an unlawful health care service plan case. In addition, Leatherman was sued in connection with his management and sale of a rabbit raising ranch in Oregon. He did not demonstrate that he has satisfied the judgments entered against him. Leatherman's personal bankruptcy and civil lawsuits constituted material facts whose inclusion in the Altus Healthcare private placement memorandum were necessary in order to make the securities offering not misleading to the investing public.

* * * * * * *

WHEREFORE, the following Order is hereby made:

ORDER

The Desist and Refrain Order issued by the California Corporations Commissioner against respondents Dennis A. Leatherman, Chairman of the Board of Directors, and Altus Healthcare, Inc., 1180 North Palm Canyon Drive, Palm Springs, California 92262, for violation of Corporations Code section 25401 shall be sustained.

Accordingly, respondents Leatherman and Altus Healthcare are hereby ordered to desist and refrain from violating Corporations Code section 25401 and to desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including, but not limited to, units, shares, or stock, by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Dated: 6-29-2005

Vincent Nafarrete
Administrative Law Judge
Office of Administrative Hearings