

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

TO: Gary Joseph Lenahan, President
Dr. Lon Kolker
General Equity Services, Inc.
25602 Alicia Parkway, Suite 124
Laguna Hills, California, 92653,

And

1117 Desert Lane, Suite 1792
Las Vegas, Nevada 90102

Gesinc Estate and Insurance Services
25101 Linda Vista Drive
Laguna Hills, California, 92653

DESIST AND REFRAIN ORDER
(For violations of section 25210, and 25401 of the Corporations Code
and section 22100 of the California Financial Code)

The California Corporations Commissioner finds that:

1. General Equity Services, Inc. is a Nevada Corporation incorporated on September 6, 2006, with a registered place of business of 1117 Desert Lane, Suite 1792, Las Vegas, Nevada 90102. General Equity Services, Inc. also does business at the address of 25602 Alicia Parkway, Suite 124, Laguna Hills, California 92653 and has a mailing address of P.O. Box 2216, Laguna Hills, California 92654-2216. It has a website located at www.generalequityservices.com and claims to offer medical benefit eligibility and counseling services to elderly persons in addition to the stock loan services described below. Gesinc Estate and Insurance Services is a California corporation incorporated on January 1, 2001, with a registered place of business of 25101 Linda Vista Drive, Laguna Hills,

1 California 92653. Gary Joseph Lenahan is the President of General Equity Services, Inc. and Gesinc
2 Estate and Insurance Services. Gary Joseph Lenahan (herein after "Gary Lenahan") is a licensed
3 California real estate agent (license number 0117474) and life insurance agent (license number
4 0D44028.) Dr. Lon Kolker is an agent of General Equity Services, Inc. and also does business under
5 the name Advisor Marketing Alliance, Inc. which he is the president and cofounder of. Dr. Lon
6 Kolker (herein after "Lon Kolker") is a Doctor of Podiatry.

7 2. Beginning no later than 2008 General Equity Services, Inc., Gary Lenahan, Lon Kolker
8 and Gesinc Estate Insurance Services advertised on the Internet and at seminars that they were
9 engaged in the business of making "stock loans" referred to as "Equity Shield". The terms of the
10 "stock loan" offer included the investor giving their stock in a publicly traded company to General
11 Equity Services Inc. in exchange for a "non-recourse" loan of up to 90% of the value of the stock.
12 The funding of the loan to the investor would not occur until 24 to 48 hours after the transfer of the
13 stock to General Equity Services, Inc.'s brokerage account took place. The offer required investors
14 to give up all rights to the stock pledged as collateral for the loan including voting and dividends for
15 the period of the "loan" and gave General Equity Service, Inc. the right to dispose of the stock,
16 including the right to immediately sell the stock. The offered loan periods would vary from 1 to 10
17 years with annual interest rates up to 9.5%.

18 3. According to the marketing materials, the options provided to investors at the end of the
19 loan term by General Equity Service, Inc. were to: 1.) Renew the loan if the stock was worth more
20 than the amount owed in principal and interest at that time; 2.) Pay off the loan principal and interest
21 and obtain the return of the stock; and 3.) Default on the loan and keep the loan proceeds with no
22 further liability to pay off the principal and interest owing. This "stock loan" was claimed to protect
23 the downside value of the stock by assuring the investor would receive at least 90% of the value of
24 the stock at the time of the loan even if the stock later dropped in value. It was also claimed that the
25 upside potential for the stock to appreciate was protected as the stock could be obtained by paying off
26 the loan if it was worth more than the amount owed. The marketing materials and contracts provided
27 by General Equity Services, Inc. indicated that the proceeds of the "stock loan" would not have to be
28 reported as income for tax purposes, at least during the term of the loan. The contract documents also

1 contained a secrecy clause providing that the existence and terms of the “loan” not be disclosed to
2 any third parties under threat of litigation by General Equity Services, Inc. The marketing materials
3 also claimed the proceeds of the stock loan should be used to purchase life insurance products and
4 insurance annuities from Gesinc Estate Insurance Services in order to “hedge” the equity value in the
5 stock pledged as collateral for the loan.

6 4. Financial Code section 22100 sets forth the finance lender or broker licensure requirement
7 as follows: “no person shall engage in the business of a finance lender or broker without obtaining a
8 license from the commissioner.” Neither General Equity Services, Inc., Gary Lenahan, Lon Kolker
9 nor Gesinc Estate Insurance Services have been issued a license by the Commissioner authorizing
10 them to engage in the business of a finance lender. By reason of the foregoing, General Equity
11 Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance Services have engaged in the
12 business of a finance lender by offering the Equity Shield stock loan without having first obtained a
13 license from the Commissioner in violation of California Financial Code section 22100.

14 5. Pursuant to California Financial Code section 22100, General Equity Services, Inc., Gary
15 Lenahan, Lon Kolker and Gesinc Estate Insurance Services are hereby ordered to desist and refrain
16 from engaging in the business of a finance lender in the State of California, including but not limited
17 to the offering of the Equity Shield stock loan, without having first obtained a license from the
18 Commissioner, or otherwise being exempt.

19 6. Further, the California Corporations Commissioner is of the opinion that General Equity
20 Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance Services were also engaged in
21 the business of inducing or attempting to induce the purchase and sale of securities in this state
22 without having first applied for and secured a license authorizing them to act in the capacity of a
23 securities broker-dealer, in violation of section 25210 of the Corporate Securities Law of 1968.
24 Because General Equity Services, Inc. obtains all rights to the stock pledged as collateral for the loan,
25 including the right to sell the stock and there is no recourse against the investor for defaulting on the
26 loan, the investor no longer maintains any risk of the stock losing its value. Therefore, the Equity
27 Shield ”stock loans” are in fact the constructive sale of the stocks pledged as collateral despite the use
28 of the term “loan”.

1 7. General Equity Services, Inc., Gary Lenahan, Lon Kolker and Gesinc Estate Insurance
2 Services have neither applied for nor secured from the California Corporations Commissioner the
3 certificate required to effect or induce the purchase or sale of securities or otherwise operate in the
4 capacity of a securities broker-dealer in the State of California, nor were they exempt from such
5 licensing requirements at the time.

6 8. Pursuant to Corporations Code section 25532, General Equity Services, Inc., Gary
7 Lenahan, Lon Kolker and Gesinc Estate Insurance Services are also hereby ordered to desist and
8 refrain from effecting any transaction in, or inducing the purchase or sale of, any security in this state,
9 unless and until they have applied for and secured from the Commissioner a certificate authorizing
10 them to act in that capacity or unless exempt.

11 9. The California Corporations Commissioner is of the further opinion that offers to buy
12 securities have been made in this state by General Equity Services, Inc., Gary Lenahan, Lon Kolker
13 and Gesinc Estate Insurance Services by means of written and oral communications, which include
14 untrue statements or omissions of material facts, in violation of section 25401 of the California
15 Corporate Securities Law of 1968.

16 10. The misrepresentations and omissions included the claim in marketing materials on the
17 internet that the company General Equity Services, Inc. had been in business since 1974 and had a
18 “record of 100% repatriation on our stock loans” even though General Equity Services, Inc. was not
19 incorporated until 2006. Gary Lenahan and Tamara Lenahan, also known as Tamara Wilson, did file
20 a fictitious business name statement with the County of Orange in California on September 13, 1995,
21 indicating that they were doing business as individuals under the name “General Equity Services” at
22 the 25101 Linda Vista Drive, Laguna Hills, California address. They failed to disclose that Gary
23 Lenahan and Tamara Lenahan, doing business as General Equity Services had declared bankruptcy
24 on May 23,1997, in the United States Bankruptcy Court for the Central District of California, case
25 number 9718100. The material misrepresentation made also included the claim that the Equity
26 Shield stock loans could allow investors to access the equity in their stock “without liquidation and
27 tax consequences” and “without any immediate capital gains tax consequences as well.” In fact the
28 Equity Shield stock loans were likely to be treated as a common law sale of the stock by state and

1 federal tax authorities as had previously occurred in a similar “stock loan” business and that the
2 investors would be subject to claims for interest and penalties if they failed to report it as income at
3 the time of the loan.

4 11. It was also not disclosed to investors that a similar non-recourse 90% stock loan business
5 had previously been operated in California that made similar claims of allowing investors to avoid
6 paying capital gains tax or reporting it as income by calling the transaction a “stock loan”. That
7 “stock loan” was offered by Derivium Capital LLC and Bancroft Ventures Limited, who similarly
8 claimed to allow investors to avoid the risk that the stock would drop in value to below the amount of
9 the loan and also protected the “up side” potential for appreciation in the stock by allowing the
10 investor to retrieve the stock by paying off the loan. Derivium Capital LLC and Bancroft Ventures
11 Limited (hereinafter collectively “Derivium”) are the subject of numerous private lawsuits by former
12 customers, as well as a civil enforcement action brought by the California Department of
13 Corporations in Sacramento County Superior Court, case number 02AS05849 that resulted in
14 obtaining a judgment in excess of 13 million dollars in civil penalties against them. The United States
15 Government also filed a civil action in the United States District Court for the Northern District of
16 California, case number C074762, against Derivium Capital LLC seeking an injunction prohibiting
17 Derivium Capital LLC from operating the non-recourse stock loan business. That complaint alleged
18 Derivium’s non-recourse stock loan business was a tax shelter which encouraged others to attempt to
19 violate the internal revenue laws or unlawfully evade federal tax liabilities. Derivium has filed for
20 bankruptcy in the United States Bankruptcy Court in South Carolina, case number 05-15042, as a
21 result of claims by former stock loan customers who were unable to obtain the return of their stock
22 pledged as collateral and who suffered adverse tax liabilities. The claims by former stock loan
23 customers against Derivium exceed 50 million dollars. It was later discovered that Derivium used the
24 proceeds from the immediate sale of the investors stock to fund the loans to the investors. As a result
25 Derivium was unable to return the stock at the end of the loan if it increased in value beyond the
26 amount due on the loan. The Derivium non-recourse stock loan transactions were determined to be
27 the common law sale of the stock for tax purposes by State and Federal tax authorities, contrary to
28 Derivium's representations to its customers.

