

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

BEFORE THE  
SECURITIES COMMISSIONER

In the Matter of California Laser <sup>47392</sup> )  
Company, and their officers, )  
directors, agents and employees )  
 )  
Respondents. )

**CEASE AND DESIST ORDER,  
NOTICE OF CIVIL PENALTY,  
AND NOTICE OF RIGHT TO  
REQUEST A HEARING**

.....

**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO  
CALIFORNIA LASER COMPANY, AND THEIR OFFICERS, DIRECTORS,  
AGENTS AND EMPLOYEES:**

The Securities Commissioner has reason to believe that the respondents have engaged in, are engaging in, or are about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.). It is necessary and appropriate in the public interest and for the protection of investors to restrain these acts, practices, or transactions of the Respondents.

1. The respondents have offered for sale and/or sold investments in California Laser Company or are in the process of offering for sale or selling the same investments, which are securities as defined in §10-04-02(13) N.D.C.C.
2. On November 20, 1998, respondents filed notice with the Commissioner that respondents were offering securities, which were exempt from federal securities registration under §506 of Regulation D.
3. §18(a)(1) of the Securities Act of 1933 (15 U.S.C. 77r) provides that states may not require registration or qualification for securities transactions involving a "covered security".
4. §18 (b)(4)(D) of the Securities Act of 1933 (15 U.S.C. 77r) provides that a "covered security" includes securities that are exempt from registration pursuant to rules or regulations promulgated under section 4(2). §506 of Regulation D was promulgated under section 4(2).
5. On March 17, 1999, the Commissioner received notice that the respondents have conducted general solicitations for their securities offerings in the State of Missouri. §506 of Regulation D does not permit general solicitations. As such, the securities offering does not fall within the exemption granted under

§506 of regulation D and the federal preemption of state law does not apply in this instance.

6. The subject investments have not been registered with the Securities Commissioner under §10-04-07; §10-04-07.1; §10-04-08; or §10-04-08.1 N.D.C.C.; are not exempt securities under §10-04-05 N.D.C.C.; and have not been offered for sale or sold in exempt transactions under §10-04-06 N.D.C.C. As such, the securities offers and/or sales in North Dakota were made in violation of §10-04-04 N.D.C.C.

7. The respondents have failed to register as dealers in violation of §10-04-10(1) N.D.C.C.

8. The respondents have failed to register any salesman in violation of §10-04-10(2) N.D.C.C.

**NOW, THEREFORE, IT IS ORDERED**, pursuant to §10-04-16 N.D.C.C., that the respondent immediately shall **CEASE AND DESIST**:

1. From offering for sale or selling in North Dakota the subject investment, or any other investment interest however denominated, unless and until such investment interests have been registered with the Securities Commissioner.

2. From offering for sale or selling investments in North Dakota unless and until they have registered with the Securities Commissioner as dealers or salesmen.

This order does not prohibit the offer or sale of securities through exempt securities transactions under §10-04-16(1) N.D.C.C., nor does it prohibit registered dealers and salesmen from offering or selling exempt securities under §10-04-05 N.D.C.C.

### **NOTICE OF CIVIL PENALTIES**

**YOU ARE NOTIFIED** that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to §10-04-16(1) N.D.C.C. The Commissioner does not assess civil penalties herein but expressly reserves the authority to assess civil penalties against respondents regarding the violations outlined above, any other violations subsequently discovered, or any future securities violations or violations of this order.

**NOTICE OF RIGHT TO REQUEST A HEARING**

**YOU ARE NOTIFIED** that pursuant to §10-04-12 N.D.C.C. you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN TEN (10) DAYS AFTER THE RECEIPT OF THIS ORDER. The respondent has the right to be represented by Legal counsel at the hearing.

**IN TESTIMONY THEREOF**, witness my hand and seal this 31<sup>st</sup> day of March, 1999.



A handwritten signature in black ink that reads "Syver Vinje". The signature is written in a cursive style and is positioned above a horizontal line.

Syver Vinje, Securities Commissioner  
Office of the Securities Commissioner  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

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Respondents. )

**SUBPOENA DUCES TECUM**

.....  
**TO: CALIFORNIA LASER COMPANY.**

**SUBPOENA DUCES TECUM**

Pursuant to the authority of the Securities Commissioner under §10-04-16.1 N.D.C.C. and rule 45 of the North Dakota Rules of Civil Procedure, you are hereby ordered to provide the following documents and records to the Office of the Securities Commissioner on or before Monday, April 26, 1999. If you claim a privilege for any of the materials requested in this Subpoena, list the document or documents which you believe are privileged, and state the specific privilege. If you claim that any request is unclear or burdensome, provide the materials which you believe can be fairly requested and state in specific detail the reason why you believe any other relevant materials in your possession should not be included in your response to this request.

**Pursuant to §12.1-19-03 N.D.C.C., a person is guilty of a criminal offense if he intentionally "alters, destroys, mutilates, conceals, or removes a record, document, or thing with intent to impair its verity or availability" in an official proceeding. As such, intentional destruction of any documents requested in this Subpoena Duces Tecum may result in criminal prosecution.**

1. Provide the name, address and telephone number of each North Dakota resident who was solicited to invest, or did invest, in California Laser Company or any of its affiliates, subsidiaries, or related companies. For each person required to be listed above, provide the amount of money invested, the date of the investment(s), and the amount of money returned on the investment(s).
2. Provide copies of all sales literature, offering materials, sales packets, and any other documents which were provided to residents of North Dakota during the offer and/or solicitation of the above-referenced investments in California Laser Company.
3. Provide copies of all correspondence with state or federal regulatory authorities regarding the applicability of the exemption §506 of Regulation D or any other matter relating to the securities offering of California Laser Company. If California Laser Company has filed for an exemption under §506 of Regulation D, kindly provide proof of that.

You may object to this subpoena by mailing or delivering a written objection, stating your valid reason, to Matthew Bahrenburg, Office of the Securities Commissioner, State Capitol—Fifth Floor, 600 East Boulevard Ave., Bismarck, ND 58505-0510. Any objection must be received within 10 days after you receive the subpoena. If the time specified in the subpoena for compliance is less than 10 days, any objection must be received at least 24 hours before the time specified for compliance.

If you make a timely objection, you do not need to comply with this subpoena unless the court orders otherwise. You will be notified if the party serving the subpoena seeks a court order compelling compliance with this subpoena. You will then have the opportunity to contest enforcement.

Failure to obey this subpoena, without making a timely objection, and stating a valid reason, may be contempt of court.

This subpoena is authorized and enforced by the Authority of the North Dakota Securities Commissioner and is effective as indicated by the Commissioner's signature and seal below. Failure to respond to this Subpoena is a violation of North Dakota law and this subpoena can be enforced by court action.

Subscribed by my Hand and Seal on Tuesday, March 30, 1999



A handwritten signature in black ink, appearing to read "Syver Vinje", written over a horizontal line.

Syver Vinje  
North Dakota Securities Commissioner  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

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Company, and their officers, )  
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Respondents )

**AFFIDAVIT OF MAILING**

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I, Jacqui Ferderer, being first duly sworn, state that I am a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

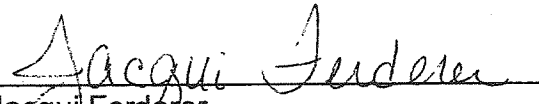
On this 31 day of March, 1999, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, a true and correct copy of each of the following documents:

**CEASE AND DESIST ORDER, NOTICE OF CIVIL PENALTY,  
AND NOTICE OF RIGHT TO REQUEST A HEARING  
AND  
SUBPOENA DUCES TECUM**

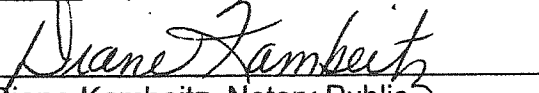
A copy of the above document was securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, and addressed to each of the following:

California Laser Company  
16461 Sherman Way, Suite 275  
Van Nuys, CA 91406

To the best of my knowledge, information, and belief, the address given above is the actual mailing address for the party intended to be served.

  
Jacqui Ferderer

Subscribed and sworn to before me this 31st day of March, 1999.

  
Diane Kambeitz, Notary Public  
Burleigh County, North Dakota  
My commission expires 03/10/2000