

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: DOWNLINE BUILDERS
INTERNATIONAL
ITS OFFICERS, DIRECTORS,
EMPLOYEES, AGENTS, AFFILIATES,
SUCCESSORS AND ASSIGNS AND
BRUCE BEARE AND JOHN BOLTON

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) File No.C0200249
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ORDER OF PROHIBITION

TO THE RESPONDENTS: Downline Builders International
Bruce Beare and John Bolton
c/o Thayer C. Lindauer
5655 Lindero Canyon Road, Suite 425
Westlake Village, CA 91362

WHEREAS, the above-captioned matter came on to be heard on January 15, 2003 and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendation of the Hearing Officer, Tom Londrigan, in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are adopted as the Findings of Fact of the Secretary of State and renumbered, as follows:

1. The evidence, exhibits and testimony have been offered and received from all parties and a proper record of all proceedings has been made and preserved as required.
2. The Hearing Officer has ruled on all motions and objections timely made and submitted.

3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and the subject matter dealt with herein, due and proper notice having been previously given as required by statute in this case.
4. As no Answer was filed, the Respondents are therefore deemed to be in default.
5. That all times relevant hereto, the Respondent, Downline Builders International, is a purported business entity which maintained a last known business address of 2121 Newcastle Ave., Suite B, Cardiff by the Sea, CA 92007 and that Respondents Bruce Beare and John Bolton conduct business with and for Downline Builders International from the same address.
6. That 815 ILCS 5/2.1 defines the term "security" as any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit sharing agreement, collateral trust certificate, preorganization certificate or subscription, transferable share, investment contract, investment fund share, face-amount certificate, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral lease, right or royalty, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not mean a mineral investment contract or a mineral deferred delivery contract; provided, however, the Department shall have authority to regulate these contracts as hereinafter provided.
7. That 815 ILCS 5/2.5 defines the term "offer" to include every offer to sell or otherwise dispose of, or solicitation of an offer to purchase, a security or interest in a security for value; provided that the term "offer" shall not include preliminary negotiations or agreements between an issuer and any underwriter or among underwriters who are or are to be in privity of contract with an issuer, or the circulation or publication of an identifying statement or circular or preliminary prospectus, as defined by rules or regulations of the Secretary of State.
8. That 815 ILCS 5/5 provides, inter alia, that all securities except these set forth under Section 2a of this Act, or those exempt under Section 3 of this

Act, or those offered or sold in transactions exempt under Section 4 of this Act, or face amount certificate contracts required to be registered under Section 6 of this Act, or investment fund shares required to be registered under Section 7 of this Act, shall be registered either by coordination or by qualification, as hereinafter in this Section provided, prior to their offer or sale in this State.

9. That on May 3, 2002, the Respondents offered to sell securities to an Illinois investor as defined by the Act.
10. That at all times relevant hereto, the Respondents offered to sell securities without first having registered the security with the Illinois Secretary of State as is required under the Section 5 of the Act.
11. That 815 ILCS 5/12.A provides, inter alia, that it shall be a violation of the provisions of this Act for any person to offer or sell any security except in accordance with this Act.
12. That 815 ILCS 5/12.D provides, inter alia, that it shall be a violation of the provisions of this Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
13. That by virtue of the foregoing, the Respondents have violated Sections 12.A and 12.D of the Act.
14. That 815 ILCS 5/11.E (2) provides that if the Secretary of State shall find that any person has violated subsection C, D, E, F, G, H, I, J, or K of Section 12 of this Act, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling any securities, any mineral investment contract, or any mineral deferred delivery contract in this State, provided that any person who is the subject of an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change of circumstances justifying the amendment or termination of the order of permanent prohibition.
15. That 815 ILCS 5/11.E (4) provides that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, and may issue an order of public censure against the violator.

16. That the Respondents violated the Act on two separate occasions. Specifically, the Respondents offered to sell unregistered securities to an Illinois resident on one occasion and the Respondents failed to register the security.
17. The entry of a Final Order of Prohibition and fine up to \$10,000 per violation is proper in this case, given the conduct of the Respondents as described in Secretary of State Exhibits No. 1-13, as well as the fact that the Respondents failed to appear at the hearing and properly answer the charges.

WHEREAS, the proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. After proper notification, the Complainant may proceed with a hearing in the Respondent's absence. (735 ILCS 5/1-105 and 5/2-1301; Ryan v. Bening, 1978, 22 Ill. Dec. 873, 66 Ill. App. 3d 127, 383 N.E. 2d 681; Koenig v. Nardullo, 1968, 99 Ill. App. 2d 480, 241 N.E. 2d 567; In Re the Marriage of Garde, 1983, 73 Ill. Dec. 816, 118 Ill. App. 3d 303, 454 N.E. 2d 1065.) Significantly, the Notice of Hearing outlines that a default judgment may be entered against a Respondent who fails to appear or answer the charges.
2. That Respondents failed to register a security prior to its offer to sell said security as defined by 815 ILCS 5/2.1, 815 ILCS 5/2.5 and 815 ILCS 5/5. The Respondents' failure to register a security is a violation of 815 ILCS 5/12.D. The Respondents' offer to sell an unregistered security is in violation of 815 ILCS 12.A.
3. That by virtue of the foregoing, the Respondents are subject to an Order of Prohibition in the State of Illinois, a \$10,000 fine for each violation of the Act, and/or granting such other relief as may be authorized under the Act.
4. Because of the findings of the Order, the evidence admitted as Secretary of State Exhibits #1-13, as well as the fact that the Respondents failed to answer the charges or appear at the hearing, the entry of a written Order of Prohibition pursuant to 815 ILCS 5/11.E (2) which permanently prohibits the offer or sale of securities by the Respondents, in the State of Illinois, and a \$20,000 fine pursuant to 815 ILCS 5/11.E (4) based upon two individual violations of the Act is proper in this case.

WHEREAS, the Secretary of State adopts the Hearing Officer's Recommendation that a fine of \$20,000.00 be entered against the Respondents, and that the Respondents be permanently prohibited from offering or selling securities in the State of Illinois.

NOW THEREFORE IT IS HEREBY ORDERED that, Respondents, Downline Builders International, its officers, directors, employees, agents, affiliates, successors, assigns, and Bruce Beare and John Bolton, pursuant to the authority provided under section 11.E(2) and 11.E(4) of the Act:

- (1) pay a fine in the amount of \$20,000.00 (\$10,000.00 for 2 (two) violations);
- (2) are permanently prohibited from offering or selling securities in the State of Illinois.

Entered: This 5th day of August, 2003.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be violation of 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.