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

TO: Towns Consolidated Enterprises, Inc.
Towns Financial Group
Covenant Financial Advisors
Carthel James Towns aka Carthel J. Towns, Sr.
23822 Valencia Blvd., Suite 208
Valencia, California 91355

DESIST AND REFRAIN ORDER

(For violations of Corporations Code sections 25210, 25230 & 25401)

The California Corporations Commissioner (“Commissioner”) finds that:

1. At all times relevant hereto, Towns Consolidated Enterprises, Inc. (“Towns Consolidated”) was a California corporation with a principal place of business at 23822 Valencia Blvd., Suite 208, Valencia, California 91355.

2. At all times relevant hereto, Towns Financial Group (“Towns Financial”) was a California business entity with a principal place of business at 23822 Valencia Blvd., Suite 208, Valencia, California 91355. Towns Financial is a division of Towns Consolidated.

3. At all times relevant hereto, Covenant Financial Advisors (“Covenant”) was a California business entity with a principal place of business at 23822 Valencia Blvd., Suite 208, Valencia, California 91355. Covenant is a division of Towns Consolidated.

4. At all relevant times hereto, Carthel James Towns aka Carthel J. Towns, Sr. (“Towns”) was an individual with a business address of 23822 Valencia Blvd., Suite 208, Valencia, California 91355. Towns is the Founder, Chief Executive Officer and President of Towns Consolidated, Towns Financial and Covenant.

5. Towns Consolidated, Towns Financial, Covenant and Towns maintain a web site at www.tce1986.com. The web site highlights their financial and investment services. For instance, the web site has asserted, “As an investment ‘broker’ we offer over 1,200 mutual funds . . .” and “highly

1 competent financial advisors . . . Advisors you can trust and depend on to provide scripturally-based
2 financial advise [sic].”

3 6. The site has also claimed, “All of our advisors are fully licensed and regulated by the
4 National Association of Securities Dealers (NASD), California Department of Insurance (CADOI),
5 Securities and Exchange Commission (SEC), and California continuing education requirements . . .
6 We have the requisite licenses and certifications to meet practically any financial need you may
7 have.”

8 7. Although Towns was registered as a broker-dealer with the National Association of
9 Securities Dealers (NASD), now the Financial Industry Regulatory Authority (FINRA), in or about
10 1996, Towns has not been registered as a broker-dealer since 2002.

11 8. Since at least in or about July 2007, Towns Consolidated, Towns Financial, Covenant and
12 Towns have engaged in the business of effecting transactions in securities, including without
13 limitation investment agreements.

14 9. In or about July 2007, Towns Consolidated, Towns Financial, Covenant and Towns sold
15 California residents (“Residents”) a security in the form of an investment agreement for \$50,000.

16 10. The agreement provided that Towns, as the “Broker,” would use the \$50,000 “for
17 investment purposes only.” The agreement further provided that Towns would maintain an accurate
18 and timely accounting of all funds and investment activity, but would not undertake any investment
19 activity without the Residents’ prior written consent, and would limit Residents’ loss so that they
20 would not risk the principal \$50,000 invested. The agreement also provided for a “Broker’s fee of
21 10% . . . as a result of facilitating the investment opportunity for the investor.”

22 11. The investment agreement constitutes a “security” under California Corporations Code
23 Section 25019.

24 12. A broker-dealer is any person engaged in the business of effecting transactions in
25 securities in this state for the account of others or for his own account.

26 13. The Department of Corporations has not issued a certificate authorizing Towns
27 Consolidated, Towns Financial, Covenant or Towns to act as a broker-dealer. Towns Consolidated,
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1 Towns Financial, Covenant and Towns are not exempt from the certification requirement under
2 section 25210 of the California Corporations Code.

3 14. Towns Consolidated, Towns Financial, Covenant and Towns offered and sold securities
4 by means of written and oral communications which included untrue statements of material fact and
5 omitted to state material facts necessary in order to make the statements made, in light of the
6 circumstances under which they were made, not misleading. The misrepresentations and omissions
7 of material fact include:

- 8 a) Towns is a broker-dealer, and is licensed to sell securities; in fact, Towns is
9 not licensed to sell securities and has no broker-dealer certification;
- 10 b) Towns Consolidated, Towns Financial, Covenant and Towns are fully
11 licensed to act as investment advisers; in fact, they are not certified to act in
12 this capacity;
- 13 c) The Residents' money would not be invested without the Residents' prior
14 written consent; in fact, the money was invested without the Residents' prior
15 consent, written or otherwise; and
- 16 d) The Residents would not risk the principal \$50,000 invested, and "at no time
17 shall [Residents] ever be in a position to receive less than the original
18 investment of \$50,000"; in fact, Residents lost their entire investment.

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20 15. Corporations Code section 25009 defines an investment adviser as any person who, for
21 compensation, engages in the business of advising others, either directly or through publications or
22 writings, as to the value of securities or as to the advisability of investing in, purchasing or selling
23 securities, and expressly includes any person meeting this definition and using the title "Financial
24 Planner."

25 16. Since at least in or about July 2007, and continuing thereafter, Towns Consolidated,
26 Towns Financial, Covenant and Towns have engaged in the business of advising others, either
27 directly or through publications or writings, as to the value of securities or as to the advisability of
28 investing in, purchasing or selling securities.

1 17. Towns Consolidated, Towns Financial, Covenant and Towns gave such advice through
2 informational and promotional brochures, through the web site www.tce1986.com, and through direct
3 communications.

4 18. For instance, in or about July 2007, Towns Consolidated, Towns Financial, Covenant
5 and Towns told the Residents that Towns was a “Certified Financial Planner,” and then advised the
6 Residents to purchase a security in the form of an investment agreement.

7 19. The Department of Corporations has not issued a certificate authorizing Towns
8 Consolidated, Towns Financial, Covenant or Towns to engage in the business of advising others,
9 either directly or through publications or writings, as to the value of securities or as to the advisability
10 of investing in, purchasing or selling securities.

11 Based on the foregoing findings, the Commissioner is of the opinion that Towns
12 Consolidated, Towns Financial, Covenant and Towns are subject to the laws regulating broker-
13 dealers under the California Corporate Securities Law of 1968, and have effected transactions in, or
14 induced or attempted to induce the purchase or sale of, securities as broker-dealers, without having
15 first applied for and secured from the Commissioner a certificate authorizing these persons to act in
16 that capacity, in violation of section 25210 of the Corporations Code. Pursuant to section 25532 of
17 the Corporations Code, Towns Consolidated Enterprises, Inc., Towns Financial Group, Covenant
18 Financial Advisors and Carthel James Towns aka Carthel J. Towns, Sr. are hereby ordered to desist
19 and refrain from effecting any transaction in, or inducing or attempting to induce the purchase or sale
20 of, any security, in this state, unless and until certification has been made under said law or unless
21 exempt.
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23 Further, based on the foregoing findings, the Commissioner is of the opinion that Towns
24 Consolidated, Towns Financial, Covenant and Towns have engaged in the business of advising
25 others, either directly or through publications or writings, as to the value of securities or as to the
26 advisability of investing in, purchasing or selling securities, without having first applied for and
27 secured from the Commissioner a certificate authorizing these persons to act in that capacity, in
28 violation of Corporations Code section 25230. Pursuant to section 25532 of the Corporations Code,

1 Towns Consolidated Enterprises, Inc., Towns Financial Group, Covenant Financial Advisors and
2 Carthel James Towns aka Carthel J. Towns, Sr. are hereby ordered to desist and refrain from
3 violating California Corporations Code section 25230 by conducting business as an investment
4 adviser in this state without first having applied for and secured from the commissioner a certificate,
5 then in effect, authorizing them to conduct business as an investment adviser.

6 In addition, based on the foregoing findings, the Commissioner is of the opinion that Towns
7 Consolidated, Towns Financial, Covenant and Towns offered and sold securities by means of written
8 and oral communications including untrue statements of material facts and omissions of material
9 facts necessary to make the statements, in light of the circumstances under which they were made,
10 not misleading, in violation of section 25401 of the Corporations Code. Pursuant to section 25532 of
11 the Corporations Code, Towns Consolidated Enterprises, Inc., Towns Financial Group, Covenant
12 Financial Advisors and Carthel James Towns aka Carthel J. Towns, Sr. are hereby ordered to desist
13 and refrain from offering or selling any security in the State of California by means of any written or
14 oral communication which includes an untrue statement of a material fact, or omits to state a material
15 fact necessary in order to make the statements made, in the light of the circumstances under which
16 they were made, not misleading.

17 This Order is necessary, in the public interest, for the protection of investors and consistent
18 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

19 Dated: June 1, 2009
20 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

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22 By _____
23 ALAN S. WEINGER
24 Acting Deputy Commissioner
25 Enforcement Division
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