

1 MARY ANN SMITH  
Deputy Commissioner  
2 DOUGLAS M. GOODING  
Assistant Chief Counsel  
3 MIRANDA LEKANDER (CA BAR NO. 210082)  
4 Senior Corporations Counsel  
Department of Corporations  
5 1515 K Street, Ste. 200  
6 Sacramento, California 95814  
Telephone: (916) 322-8730  
7 Facsimile: (916) 445-6985  
8 Attorneys for Complainant

9  
10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
11 OF THE STATE OF CALIFORNIA  
12

13 In the Matter of THE COMMISSIONER OF ) STIPULATION TO ENTRY OF DESIST AND  
BUSINESS OVERSIGHT, ) REFRAIN ORDER  
14 )  
15 Complainant, )  
16 vs. )  
17 PELAGIUS ENTERTAINMENT, INC., )  
18 JOSHEPH H. FRIES, and NATALIE )  
KHOURY, )  
19 Respondents. )  
20 )  
21 )

22 In resolution of an inquiry into the offer and sale of unqualified, nonexempt securities within  
23 the State of California, and without denying such activities, this Stipulation to Entry of Desist and  
24 Refrain Order ("Stipulation") is entered into by and between the California Department of Business  
25 Oversight ("Department") through the Commissioner of Business Oversight ("Commissioner"), on  
26 the one hand, and Pelagius Entertainment, Inc. ("Pelagius"), Joseph H. Fries ("Fries"), and Natalie  
27 Khoury ("Khoury") (collectively, "Respondents"), on the other hand (hereafter, "Parties").  
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RECITALS

This Stipulation is made with reference to the following facts:

A. Pelagius is a corporation in good standing, duly formed and existing pursuant to the laws of the State of California, and is authorized to conduct business in this State. Pelagius has its principal place of business located at 23548 Calabasas Road, Suite 206 East, Calabasas, California, 91302.

B. Joseph H. Fries is the president and a control person of Pelagius and, as such, is authorized to enter into this Stipulation on behalf of Pelagius.

C. Natalie Khoury is the executive vice president and a control person of Pelagius and, as such, is authorized to enter into this Stipulation on behalf of Pelagius.

D. Beginning in or about November 2012, Respondents offered and sold securities in the form of investment contracts in this state without having first qualified the securities or taken reasonable steps to assure the securities were exempt from qualification under the California Corporate Securities Law of 1968 (Corp. Code, §§ 25000 *et seq.*). Further, Respondents did not file with the Department a notice of exempt transaction under Corporations Code section 25102.

E. It is the intention and desire of the Parties to resolve this matter without the necessity of a hearing and/or other litigation.

NOW, THEREFORE, for good and valuable consideration, and the terms and conditions set forth herein, the Parties agree as follows:

TERMS AND CONDITIONS

1. Respondents stipulate to the issuance of the Desist and Refrain Order, in the form attached hereto as Exhibit A, directing Respondents to desist and refrain from the further offer or sale in the State of California of securities, including but not limited to investment contracts, unless and until qualification has been made under the California Corporate Securities Law of 1968 or unless exempt. Respondents agree that the delivery by certified mail of the executed Desist and Refrain Order issued by the Commissioner to the address set forth in Paragraph A above shall constitute valid service of the Order.

1           2.       Respondents hereby waive all rights to any hearing or appeal of the Desist and Refrain  
2 Order.

3           3.       Respondents agree to pay an administrative penalty pursuant to Corporations Code  
4 section 25532, subdivision (a), to the Commissioner in the amount of \$2500 (two thousand five  
5 hundred dollars) for violation of Corporations Code section 25110.

6           4.       Respondents acknowledge that remedies for violations of the California Corporate  
7 Securities Law of 1968 are not exclusive and may be sought and employed in any combination to  
8 enforce the purpose and provisions of this law.

9           5.       Respondents agree that nothing in this Stipulation shall preclude the Commissioner, or  
10 her agents or employees, to the extent authorized by law, from assisting or cooperating in any  
11 investigation and/or action brought by any other federal, state or county agency. Respondents further  
12 agree that this Stipulation shall not bind or otherwise prevent any other federal, state or county  
13 agency from the performance of its duties.

14           6.       Respondents enter into this Stipulation voluntarily and without coercion and  
15 acknowledge that no promises, threats or assurances have been made by the Commissioner or any  
16 officer, or agent thereof, about this Stipulation.

17           7.       Respondents acknowledge that this Stipulation and the Exhibit attached thereto are a  
18 public record.

19           8.       Respondents and the Commissioner agree that this Stipulation may be executed in one  
20 or more separate counterparts, each of which when so executed, shall be deemed an original. Such  
21 counterparts shall together constitute and be one and the same instrument.

22           9.       This Stipulation shall not become effective until the administrative penalty specified in  
23 Paragraph 3 above has been received by the Commissioner and this Stipulation signed by all parties  
24 and delivered by the Commissioner's counsel to Respondents via certified mail.

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1 Dated: 10/16/14

JAN LYNN OWEN  
Commissioner of Business Oversight

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By \_\_\_\_\_  
Mary Ann Smith  
Deputy Commissioner

PELAGIUS ENTERTAINMENT, INC.

Dated: 10/14/14

By \_\_\_\_\_  
Joseph H. Fries, President  
Individually and on behalf of Pelagius Entertainment, Inc.

Dated: 10/14/14

By \_\_\_\_\_  
Natalie Khoury, Executive Vice President  
Individually and on behalf of Pelagius Entertainment, Inc.

Approved as to Form and Content

Dated: 10/14/14

By \_\_\_\_\_  
William M. Margolin, Esq.  
Attorney on behalf of Pelagius Entertainment, Inc., Joseph H. Fries, and Natalie Khoury