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

TO: Richard E. King, Jr.
Gerald L. Friede
8910 University Center Lane, Ste. 400
San Diego, CA 92122

Donald G. Ryan
Josh Craig
Richard McGill
19800 MacArthur Blvd., Suite 300
Irvine, CA 92612

DESIST AND REFRAIN ORDER

(For violations of sections 25110, 25120 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Richard E. King, Jr. was Chairman and Chief Executive Officer and Gerald L. Friede was President and Chief Operating Officer of several Limited Liability Companies (“LLCs”) that acted as trustees and managers of various Vital Imaging and Health Scan Unit Investment Trusts (“UITs”). Beginning in around 1998 these LLCs and trustees did business out of 620 Newport Center Drive, Suite 1100, Newport Beach, CA 92660. In around December 2001 Richard E. King, Jr. and Gerald L. Friede caused the exchange of units of these UITs for common stock in Vital Imaging, Inc., a Nevada corporation with its principle place of business at 8910 University Center Lane, Ste. 400, San Diego, CA 92122. Richard E. King, Jr. was the Chairman and Chief Executive Officer and Gerald L. Friede was President and Chief Operating Officer of Vital Imaging, Inc. In January of 2004 Vital Imaging Inc. filed for bankruptcy.

1 2. At all times discussed below, Donald G. Ryan, Josh Craig, and Richard McGill were
2 agents of the LLCs working out of 19800 MacArthur Blvd., Suite 300, Irvine, CA 92612.

3 3. Beginning in or around 1998 Richard E. King, Jr., Gerald L. Friede, Donald G. Ryan,
4 Josh Craig, and Richard McGill offered and sold securities in the form of investment contracts in
5 trust units issued by the LLCs for various Vital Imaging and Health Scan Unit Investment Trusts.
6 The purported purpose of the offering was to raise funds to finance, develop, build and operate
7 medical imaging centers in California and elsewhere.

8 6. Richard E. King, Jr., Gerald L. Friede, Donald G. Ryan, Josh Craig, and Richard
9 McGill engaged in general solicitations to the public to offer and sell these securities.

10 7. These securities were offered and sold in California in issuer transactions. The
11 Department of Corporations has not issued a permit or other form of qualification authorizing any
12 person to offer and sell these securities in this state.

13 8. In connection with these offers and sales, Richard E. King, Jr. Gerald L. Friede and
14 Richard McGill misrepresented that less than 10 percent of the capital raised would be spent on
15 selling costs or sales commissions when in fact the true amount was around 40 percent.

16 9. In around December 2001 Richard E. King, Jr. and Gerald L. Friede, acting as officers
17 of the LLCs of various UITs and of Vital Imaging, Inc., caused the exchange of securities in the form
18 of investment contracts in trust units for securities in the form of common stock in Vital Imaging, Inc.
19 The Department of Corporations has not issued a permit or other form of qualification authorizing
20 any such offer, sale, or exchange in this state.

21 Based upon the foregoing findings the California Corporations Commissioner is of the
22 opinion that the investment contracts in the form of trust units issued by the LLCs of the various Vital
23 Imaging and Health Scan Unit Investment Trusts are securities and are subject to qualification under
24 the California Corporate Securities Law of 1968, and that these securities have been offered and sold
25 without being qualified in violation of Corporations Code section 25110 and are not exempt.
26 Pursuant to section 25532 of the Corporate Securities Law of 1968, Richard E. King, Jr., Gerald L.
27 Friede, Donald G. Ryan, Josh Craig, and Richard McGill are hereby ordered to desist and refrain
28

