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

12	In the Matter of	)	FILE NO. 9730
13		)	
14	THE COMMISSIONER OF THE	)	
15	DEPARTMENT OF BUSINESS OVERSIGHT	)	1) STATEMENT IN SUPPORT OF
16	OF THE STATE OF CALIFORNIA,	)	ORDER LEVYING ADMINISTRATIVE
17		)	PENALTIES PURSUANT TO
18	Complainant,	)	CORPORATIONS CODE
19	v.	)	SECTION 25252;
20		)	
21	Lighthouse Real Estate Consulting, LLC,	)	2) CLAIM FOR ANCILLARY RELIEF
22	dba Lighthouse Real Estate Consultants, LLC,	)	PURSUANT TO CORPORATIONS
23	dba LREC, LLC,	)	CODE SECTION 25254; and
24	dba Lighthouse Resort & Marina,	)	
25	dba Lighthouse Marina,	)	3) DESIST AND REFRAIN ORDER.
26	dba Light House Marina,	)	
27		)	
28	Applied Capital Group, Inc.,	)	
		)	
	VHL, Inc.,	)	
		)	
	Wayne Cortopassi,	)	
		)	
	and	)	
		)	
	Ronald Keith Cole	)	
		)	
	Respondents	)	

1 Jan Lynn Owen, the Commissioner of Business Oversight ("Commissioner") of the  
2 Department of Business Oversight ("Department"), collectively ("Complainant"), alleges and  
3 charges as follows:

4 **I.**

5 **STATEMENT OF FACTS**

6 1. At all relevant times herein, Lighthouse Real Estate Consulting, LLC, dba Lighthouse Real  
7 Estate Consultants, LLC, dba LREC, LLC, dba Lighthouse Resort & Marina, dba Lighthouse  
8 Marina, dba Light House Marina, ("Lighthouse"), was an Arizona Limited Liability Company with  
9 its primary place of business at 8863 Greenback Lane, #195, Orangevale, California 95661.

10 2. At all relevant times herein, Applied Capital Group, Inc. ("Applied Capital") held itself out  
11 as a Nevada corporation, Member of and signatory for Lighthouse. At all relevant times herein,  
12 Ronald Keith Cole ("Cole") held himself out as President of Applied Capital.

13 3. At all relevant times herein, VHL, Inc. ("VHL") held itself out as a Nevada corporation,  
14 Member of and signatory for Lighthouse. At all relevant times herein, Wayne Cortopassi  
15 ("Cortopassi") held himself out as President of VHL.

16 4. Cortopassi, Cole, Applied Capital, VHL, and Lighthouse are herein collectively referred to as  
17 "Respondents".

18 5. Whenever reference is made in this Statement in Support to "Respondents" doing any act, the  
19 allegation shall mean the act of each respondent acting individually, jointly and severally.

20 **VIOLATIONS OF CORPORATIONS CODE SECTION 25110**

21 **(UNQUALIFIED OFFERS AND SALES OF SECURITIES)**

22 6. Beginning on or about April 18, 2006, Respondents, by way of issuer transactions, offered  
23 and sold to investors K.H., R.F., R.S., M.E., D.P. and R.H. ("Investors"), who were each California  
24 residents, securities in the form of unsecured or inadequately secured promissory notes ("Notes").

25 The Notes promised a return on investment of eleven to fifteen percent (11-15%) interest on a  
26 monthly basis, with the entire principal balance payable upon the end of the term of the Note or upon  
27 default by Respondents. The offerings were made in person by Respondents and their agents.

28 7. The six Investors entered into Security Agreements with Respondents over multiple years

1 and for a total investment by all Investors of seven hundred thirty-four thousand and two hundred  
2 dollars (\$734,200) as follows:

3 K.H. - \$120,000

4 R.F. - \$35,000

5 R.S. - \$154,200

6 M.E. - \$100,000

7 D.P. - \$150,000

8 R.H. - \$175,000

9 8. The Notes offered and sold by Respondents are securities subject to qualification under the  
10 Corporations Code. Respondents did not have a qualification permit for these securities from the  
11 Commissioner, and the securities do not meet the requirements of an exemption.

12 9. Corporations Code section 25110 prohibits the offer and/or sale of non-exempt securities in  
13 this state.

14 **VIOLATIONS OF CORPORATIONS CODE SECTION 25401**

15 **(MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS)**

16 10. Respondents also sold the Notes to at least two accredited investors: J.P. and D.M  
17 (“Accredited Investors”). The Accredited Investors together invested a total of two hundred  
18 thousand dollars (\$200,000) as follows:

19 J.P. - \$100,000

20 D.M. - \$100,000

21 11. The Accredited Investors and the Investors (“All Investors”) invested a total amount of nine  
22 hundred and thirty-four thousand, two hundred dollars (\$934,200) in the Notes offered by  
23 Respondents.

24 12. In connection with the offer and sale of these securities to All Investors, Respondents, made,  
25 or caused to be made, misrepresentations of material facts, or omitted to state material facts  
26 necessary in order to make the statements made, in the light of the circumstances under which they  
27 were made, not misleading. These misrepresentations and omissions were the following:

28 a) Respondents omitted to inform All Investors that the Commissioner issued a desist

1 and refrain order against Cortopassi and Lighthouse on March 22, 2006 (“2006 Order”). The 2006  
2 Order prohibited Respondents from offering or selling securities in the State of California unless and  
3 until qualification had been made under this law or unless exempt.

4 b) Respondents omitted to inform All Investors that the Department of Real Estate  
5 (“DRE”) took an official action against Cole in July of 2002, where the DRE Commissioner found  
6 that Cole’s acts and omissions “constitute the making of substantial misrepresentations, and fraud  
7 and dishonest dealing”. Respondents omitted to inform All Investors that, related to this action, the  
8 DRE Commissioner revoked Cole’s real estate broker license and ordered him to pay restitution to  
9 his victim in November of 2002.

10 c) Respondents promised All Investors that their investment via the Notes was  
11 adequately secured by valid and perfected security interests in consumer receivables, and that the  
12 consumer receivables were free and clear of all liens, encumbrances, adverse claims, and any other  
13 security interests (“Liens”). In fact, the consumer receivables were not free and clear of all Liens  
14 and the Respondents failed to perfect the security interests for All Investors.

15 13. Corporations Code section 25401 prohibits the offer and/or sale of securities in this state by  
16 means of written or oral communications that include untrue statements of material facts, or omit  
17 material facts necessary in order to make the statements made, in the light of the circumstances  
18 under which they were made, not misleading.

19 **VIOLATION OF DESIST AND REFRAIN ORDER ISSUED BY**  
20 **THE COMMISSIONER AGAINST RESPONDENTS**

21 14. On March 22, 2006, the Commissioner issued the 2006 Order against Respondents as a result  
22 of the offer of unqualified, nonexempt securities in the form of ownership interests and notes secured  
23 by consumer receivables (“Interests”), in violation of Corporations Code section 25110.

24 15. The 2006 Order prohibits Respondents from further offering or selling securities in the State  
25 of California unless and until qualification has been made under this law or unless exempt.

26 16. The 2006 Order was personally served on Cortopassi as an individual and as a principal of  
27 Lighthouse on March 28, 2006.

28 17. Respondents violated the 2006 Order in the following ways:

1 a) Beginning on or around April 18, 2006 (less than three weeks after the 2006 Order  
2 was personally served), Respondents offered and sold securities to the Investors. Respondents did  
3 not have a qualification permit for these securities, nor did they claim an exemption for the  
4 securities with the Commissioner.

5 b) Following the issuance and service of the 2006 Order, Respondents failed to disclose  
6 to Investors that the State of California had found that they violated the California securities laws  
7 and had ordered them not to offer or sell securities to California residents.

8 **II.**

9 **ORDER LEVYING ADMINISTRATIVE PENALTIES**

10 **(For violations of Corporations Code sections 25110, 25401, and the Commissioner's Order)**

11 18. Complainant re-alleges and reincorporates by reference paragraphs 1-17 this Statement in  
12 Support as though fully set forth herein.

13 19. Corporations Code section 25252 authorizes the Commissioner to issue an order levying  
14 administrative penalties against any person for willful violations of any provision of the  
15 Corporations Code, and any rules promulgated thereunder or orders issued thereunder. Specifically,  
16 Corporations Code section 25252 provides, in relevant part:

17 The commissioner may, after appropriate notice and opportunity for  
18 hearing, by orders, levy administrative penalties as follows:

19 (a) Any person subject to this division, other than a broker-dealer or  
20 investment adviser, who willfully violates any provision of this  
21 division, or who willfully violates any rule or order adopted or  
22 issued pursuant to this division, is liable for administrative penalties  
23 of not more than one thousand dollars (\$1,000) for the first violation,  
and not more than two thousand five hundred dollars (\$2,500) for  
each subsequent violation.

24 20. Based on the foregoing findings of fact, as set forth above in paragraphs 1-17, Respondents  
25 willfully violated the following:

26 a) Corporations Code section 25110 by offering and selling securities that are not  
27 qualified by the Department or exempt to the following Investors:

28 i) K.H.

- 1           ii)     R.F.
- 2           iii)    R.S.
- 3           iv)     M.E.
- 4           v)      D.P.
- 5           vi)     R.H.

6           b)     Corporations Code section 25401 by misrepresenting and omitting material  
7 information in association with the offers and sales of securities to All Investors:

- 8           i)      K.H.
- 9           ii)     R.F.
- 10          iii)    R.S.
- 11          iv)     M.E.
- 12          v)      D.P.
- 13          vi)     R.H.
- 14          vii)    J.P.
- 15          viii)   D.M.

16          c)     the 2006 Order issued by the Commissioner as a result of the offers and sales of  
17 securities that are not qualified by the Department or exempt to the following Investors:

- 18          i)      K.H.
- 19          ii)     R.F.
- 20          iii)    R.S.
- 21          iv)     M.E.
- 22          v)      D.P.
- 23          vi)     R.H.

24           **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252,  
25 the Commissioner prays for an order levying administrative penalties against Respondents,  
26 jointly and severally, as follows:

27           A)     That pursuant to Corporations Code section 25252, the Commissioner levy  
28 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code

1 section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as  
2 listed below, for a total amount of thirteen thousand five hundred dollars (\$13,500).

- 3 1) K.H. - \$1,000
- 4 2) R.F. - \$2,500
- 5 3) R.S. - \$2,500
- 6 4) M.E. - \$2,500
- 7 5) D.P. - \$2,500
- 8 6) R.H. - \$2,500

9 B) That pursuant to Corporations Code section 25252, the Commissioner levy  
10 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations  
11 Code section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation,  
12 as listed below, for a total amount of eighteen thousand five hundred dollars (\$18,000).

- 13 1) K.H. - \$1,000
- 14 2) R.F. - \$2,500
- 15 3) R.S. - \$2,500
- 16 4) M.E. - \$2,500
- 17 5) D.P. - \$2,500
- 18 6) R.H. - \$2,500
- 19 7) J.P. - \$2,500
- 20 8) D.M. - \$2,500

21 C) That pursuant to Corporations Code section 25252, the Commissioner levy  
22 administrative penalties of one thousand dollars (\$1,000) for the first violation of the 2006 Order  
23 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as listed below, for  
24 a total amount of thirteen thousand five hundred dollars (\$13,500).

- 25 1) K.H. - \$1,000
- 26 2) R.F. - \$2,500
- 27 3) R.S. - \$2,500
- 28 4) M.E. - \$2,500

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- 5) D.P. - \$2,500
- 6) R.H. - \$2,500

D) The total amount of administrative penalties for violations of Corporations Code sections 25110, 25401, and the 2006 Order by Respondents is forty-five thousand dollars (\$45,000).

**III.  
CLAIM FOR ANCILLARY RELIEF**

**(For violations of Corporations Code sections 25110, 25401, and the Commissioner’s Order)**

21. Complainant re-alleges and reincorporates by reference paragraphs 1-17 of this Statement in Support as though fully set forth herein.

22. Corporations Code section 25254 authorizes the Commissioner to seek ancillary relief on behalf of any person injured by violations of any provision of the Corporations Code and any rules promulgated thereunder. Corporations Code section 25254 states:

- (a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this part a claim for ancillary relief, including, but not limited to, a claim for restitution or disgorgement or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief.
- (b) In an administrative action brought under this part, the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include an amount representing reasonable attorney’s fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

23. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-17, Respondents sold securities in violation of Corporations Code sections 25110, 25401, and the Commissioner’s 2006 Order, in the total amount of at least nine hundred thirty-four thousand two hundred dollars (\$934,200) to at least eight California investors, as follows:

- K.H. - \$120,000
- R.F. - \$35,000



1 R.S. - \$154,200

2 M.E. - \$100,000

3 D.P. - \$150,000

4 R.H. - \$175,000

5 J.P. - \$100,000

6 D.M. - \$100,000

7 **WHEREFORE**, good cause showing and the Commissioner’s determination that this  
8 action is in the public interest and necessary to effectuate the Department’s primary, legitimate,  
9 regulatory purpose based upon the Respondents’ violations of the Corporations Code, the  
10 Commissioner hereby prays for an order of ancillary relief pursuant to Corporation Code section  
11 25254, individually, jointly and severally against Respondents as follows:

12 A) full restitution, consisting of Investors’ investment principal, as set forth above, in  
13 the total amount of nine hundred thirty-four thousand two hundred dollars (\$934,200); and

14 B) interest accumulated on the investment principal or according to proof.

15 **IV.**

16 **DESIST AND REFRAIN ORDER**

17 24. Complainant re-alleges and reincorporates by reference paragraphs 1-17 of this Statement  
18 in Support as though fully set forth herein.

19 25. Corporations Code section 25532, in pertinent part, states:

20 (a) If, in the opinion of the commissioner, (1) the sale of a  
21 security is subject to qualification under this law and it is being  
22 or has been offered or sold without first being qualified, the  
23 commissioner may order the issuer or offeror of the security to  
desist and refrain from the further offer or sale of the security  
until qualification has been made under this law ...

24 (c) If, in the opinion of the commissioner, a person has violated  
25 or is violating Section 25401, the commissioner may order that  
26 person to desist and refrain from the violation.

27 26. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-17, the  
28 Commissioner is of the opinion that the securities in the form of promissory notes, offered and sold

1 by Respondents, are securities subject to qualification under the Corporations Code and are being or  
2 have been offered without being qualified, in violation of  
3 section 25110 of the Corporations Code.

4 27. Further, the Commissioner is of the opinion that the securities offered and sold by  
5 Respondents were offered and sold in this state by means of written or oral communications that  
6 included untrue statements of material facts, or omitted to state material facts necessary in order to  
7 make the statements made, in the light of the circumstances under which they were made, not  
8 misleading, in violation of section 25401 of the Corporations Code.

9 IT IS HEREBY ORDERED EFFECTIVE IMMEDIATELY THAT:

10 A) Pursuant to Section 25532 of the Corporations Code, Respondents desist and refrain  
11 from the further offer or sale in the State of California of securities, including but not limited to,  
12 promissory notes, unless and until qualification has been made under this law or unless exempt.

13 B) Pursuant to Section 25532 of the Corporations Code, Respondents desist and refrain  
14 from offering or selling any security in the State of California, including but not limited to,  
15 promissory notes, by means of any written or oral communication which includes an untrue  
16 statement of a material fact, or omits to state a material fact necessary in order to make the  
17 statements made, in the light of the circumstances under which they were made, not misleading.

18 This Order is necessary, in the public interest, for the protection of investors and consistent  
19 with the purposes, policies, and provisions of the Corporations Code.

20 Dated: September 16, 2013

JAN LYNN OWEN  
Commissioner of Business Oversight

21  
22  
23 By \_\_\_\_\_  
MARY ANN SMITH  
24 Deputy Commissioner  
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