

In the Matter:

OAH No.: 2012070150

THE CALIFORNIA CORPORATIONS
COMMISSIONER,

Complainant,

vs.

ANDREW CORDOVA,

Respondent.

DECISION

The attached Proposed Decision of the Administrative Law Judge is hereby adopted by the Commissioner of Corporations as its Decision in the above-entitled matter.

This Decision shall become effective on November 27, 2012 .

IT IS SO ORDERED November 27, 2012 .

COMMISSIONER OF CORPORATIONS

Jan Lynn Owen

**BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA**

In the Matter of:

THE CALIFORNIA CORPORATIONS
COMMISSIONER,

Complainant,

vs.

ANDREW CORDOVA,

Respondent.

OAH Case No. 2012070150

PROPOSED DECISION

Administrative Law Judge Jankhana Desai, Office of Administrative Hearings, State of California, heard this matter on July 19, 2012, in Los Angeles, California.

Erik Brunkal, Senior Corporations Counsel, appeared on behalf of Jan Lynn Owen (Complainant), California Corporations Commissioner, Department of Corporations (Department).

Jonathan Schwartz, Attorney at Law, appeared on behalf of Andrew Cordova (Respondent), who was not present at hearing.

Oral and documentary evidence was received and argument heard. The record was closed and the matter submitted on July 19, 2012.

Complainant issued a Desist and Refrain Order (Order) on January 13, 2012, finding that Respondent offered and sold unqualified, non-exempt securities in the State of California, in violation of California Corporations Code¹ section 25130, and that Respondent was effecting transactions in securities as a broker-dealer without having a certificate to do so in violation of section 25210, and directing Respondent to desist and refrain from the further offer and sale of unqualified, non-exempt securities and from effecting transactions in securities without having a certificate to do so. Respondent thereafter requested a hearing.

¹ Unless otherwise stated, all further references are to the California Corporations Code.

FACTUAL FINDINGS

1. Alan S. Weinger, in his official capacity as Deputy Commissioner, Enforcement Division, and on behalf of Jan Lynn Owen, California Corporations Commissioner, issued the Order.
2. Respondent failed to appear at the hearing despite all due and proper notice and process.
3. At all times relevant, Legacy Group Recovery, Inc. (Legacy) was a California corporation. Legacy's primary business was debt collection. Tom Fallon (Fallon) was the sole owner and president of Legacy from January 2009 through October 2010.
4. In approximately September 2009, Legacy acquired working interests in five oil wells in Texas called the "Lauster 1A SW 5 Well Prospect" (Lauster) from Flintrock Resources Management, Inc. (Flintrock). The working interests in Lauster were securities that were not qualified for the sale in the State of California and were not exempt from qualification.
5. From approximately October 2009 to October 2010, Legacy offered and sold the Lauster working interests through a network of "independent contractors" who offered and sold the securities via telemarketing. In total, Legacy sold \$538,718 worth of Lauster's working interests to investors, some of which were in California.
6. Respondent was employed by Legacy from October 1, 2009 through April 1, 2010 as an independent contractor to offer and sell the Lauster working interests to investors.
7. Respondent offered and sold the Lauster securities for Legacy for compensation in the State of California. Respondent made approximately 100 phone calls from the Legacy office location to solicit potential investors. He worked collaboratively with other independent contractors to offer and sell the securities to investors. Legacy paid Respondent \$14,300 as commission for Respondent's sale of the Lauster securities.
8. At all times relevant, Respondent was not certified to act as a broker-dealer in the State of California.

LEGAL CONCLUSIONS

1. California Corporations Code section 25130 provides:

It is unlawful for any person to offer or sell a security in this state in any nonissuer transaction unless it is qualified for such sale under this chapter or under Section 25111 or 25113 of

Chapter 2 (commencing with Section 25110) of this part (and no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification) or unless such security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with Section 25100) of this part.

2. California Corporations Code section 25210 provides:

(a) Unless exempted under the provisions of Chapter 1 (commencing with Section 25200) of this part, no broker-dealer shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless the broker-dealer has first applied for and secured from the commissioner a certificate, then in effect, authorizing that person to act in that capacity.

(b) No person shall, on behalf of a broker-dealer licensed pursuant to Section 25211, or on behalf of an issuer, effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless that broker-dealer and agent have complied with any rules as the commissioner may adopt for the qualification and employment of those agents.

(c) The commissioner shall, consistent with Section 25213, review the disciplinary histories of agents upon the filing of notice of (1) the employment or transfer of an agent for a broker-dealer, (2) an amendment to the information filed by the agent at the time of employment or transfer, and (3) the termination of employment of the agent from the broker-dealer.

3. California Corporations Code section 25532 provides in part:

(a) If, in the opinion of the commissioner, (1) the sale of a security is subject to qualification under this law and it is being or has been offered or sold without first being qualified, the 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 or (2) the sale of a security is subject to the requirements of Section 25100.1, 25101.1, or 25102.2 and the security is being or has been offered or sold without first meeting the requirements of those sections, the commissioner may order the issuer or offeror of that security to desist and refrain from the further offer or sale of the security until those requirements have been met.

(b) If, in the opinion of the commissioner, a person has been or is acting as a broker-dealer or investment adviser, or has been or is engaging in broker-dealer or investment adviser activities, in violation of Section 25210, 25230, or 25230.1, the commissioner may order that person to desist and refrain from the activity until the person has been appropriately licensed or the required filing has been made under this law.

4. Cause exists to uphold the Order under sections 25532 and 25130, because Respondent offered and sold unqualified, non-exempt securities in the State of California, by reason of Factual Findings 1 through 8, and Legal Conclusions 1 and 3.

5. Cause exists to uphold the Order under sections 25532 and 25210, because Respondent was effecting transactions in securities as a broker-dealer without being certified to act as a broker-dealer in the State of California, by reason of Factual Findings 1 through 8, and Legal Conclusions 2 and 3.

ORDER

The Order was properly issued and shall remain in effect.

DATED: August 20, 2012

JANKHANA DESAI
Administrative Law Judge
Office of Administrative Hearings