

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
4 MARY ANN SMITH (CA BAR NO. 230943)
Senior Corporations Counsel
5 Department of Corporations
1515 K Street, Suite 2090
6 Sacramento, California 95814
Telephone: (916) 322-6067
7 Facsimile: (916) 445-6985

8 Attorneys for Complainant

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

12	In the Matter of)	CASE NO.
13	THE CALIFORNIA CORPORATIONS)	FILE NO. 506-2484
14	COMMISSIONER,)	
15	Complainant,)	
16	v.)	ACCUSATION
17	ESTATE FINANCIAL MORTGAGE FUND,)	
18	LLC.,)	
19	Respondent.)	
20)	
21)	

22 Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the
23 Department of Corporations ("Department") alleges and charges as follows:

- 24 1. Estate Financial Mortgage Fund, LLC. is a California limited liability company located at
25 806 9th Street, Suite 1A, Paso Robles, California 93446.
- 26 2. On May 21, 2007, the Commissioner issued a permit under Corporations Code section 25113
27 to Estate Financial Mortgage Fund, LLC. to offer and sell securities in the form of membership
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1 interests in Estate Financial Mortgage Fund, LLC (“The Fund”). The Fund invests its capital in
2 promissory notes secured by deeds of trust and related security documents and instruments
3 encumbering one or more parcels of developed or undeveloped real property in California. The
4 permit expires on May 21, 2008.

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6 3. The permit was issued under a limited offering qualification authorizing the offer and sale of
7 Respondent’s securities only to investors with (a) a net worth (exclusive of home, furnishings and
8 automobiles) of at least \$250,000 and an annual gross income of at least \$65,000; or (b) a net worth
9 (exclusive of home, furnishings and automobiles) of at least \$500,000 and the amount of each
10 investor’s investment must not exceed 25% of such investor’s net worth (exclusive of home,
11 furnishings and automobiles.)
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13 4. In April 2008, the Department determined that Respondent was violating the terms of the
14 Permit in the following manner:

15 a. Failing to disclose that Respondent was no longer making monthly interest payments
16 to investors in the Fund in direct contradiction of the representations made in the Offering Circular.
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18 b. Failing to provide prospective investors with the subscription agreement, operating
19 agreement and suitability questionnaire prior to accepting investment funds.

20 c. Failing to disclose that loans to affiliated companies exceeded 15% of the Fund’s
21 total assets in direct contradiction of the representations made in the Offering Circular.
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23 d. Failing to disclose that as of December 31, 2006, more than 5% of the Fund’s loans
24 were to affiliated companies of the Fund Manager: Republic Properties, Inc., First Press Partners,
25 LLC, and Second Press Partners, LLC in direct contradiction of the representations made in the
26 Offering Circular.

27 5. Corporations Code section 25140(a)(1) provides in pertinent part as follows:
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The commissioner . . . may suspend or revoke any permit issued under Section 25113 or 25122 if he or she finds (A) that the order is in the public interest and (B) that the proposed plan of business of the issuer or the proposed issuance or sale of securities is not fair, just, or equitable, or that the issuer does not intend to transact its business fairly and honestly, or that the securities proposed to be issued or the method to be used in issuing them will tend to work a fraud upon the purchaser thereof.

6. Corporations Code section 25143(a) provides in pertinent part as follows:

The commissioner may by order summarily postpone or suspend the effectiveness of any qualification pending final determination of any proceeding under this chapter. Upon the entry of the order, the commissioner shall promptly notify each person specified in subdivision (b) of this section that is has been entered and of the reasons therefor and that upon receipt of a written request the matter will be set down for hearing to commence within 15 business days after such receipt unless the applicant consents to a later date. If no hearing is requested and none is ordered by the commissioner, the order will remain in effect until it is modified or vacated by the commissioner. If a hearing is requested or ordered, the commissioner, after notice and hearing in accordance with subdivision (b) of this section, may modify or vacate the order or extend it until final determination.

7. The Commissioner finds that summarily suspending the permit issued to Respondent is in the public interest and that Respondent's proposed plan of business and proposed issuance of securities is no longer fair, just and equitable because the Respondent's Offering Circular contains material misrepresentations about the investment and the Respondent is not conducting business as disclosed in the Offering Circular.

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8. The Commissioner finds that revoking the permit issued to Respondent is in the public interest and that Respondent's proposed plan of business and proposed issuance of securities is no longer fair, just and equitable because the Respondent's Offering Circular contains material misrepresentations about the investment and the Respondent is not conducting business as disclosed in the Offering Circular.

WHEREFORE, IT IS PRAYED that the permit issued under Corporations Code section 25113 to Estate Financial Mortgage Fund, LLC. is summarily suspended as of this date.

WHEREFORE, IT IS PRAYED that the permit issued under Corporations Code section 25113 to Estate Financial Mortgage Fund, LLC. be revoked.

Dated: April 28, 2008
Sacramento, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Mary Ann Smith
Senior Corporations Counsel
Enforcement Division