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8  
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
10 OF THE STATE OF CALIFORNIA

11 In the Matter of THE COMMISSIONER OF )  
12 BUSINESS OVERSIGHT OF THE STATE OF )  
13 CALIFORNIA, )  
14 Complainant, )  
15 vs. )  
16 JALAPENOS LEADERSHIP INDUSTRIES, )  
L.L.C.; and KENNETH WESLEY PORTER )  
17 Respondents. )  
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STATEMENT IN SUPPORT OF ORDER  
LEVYING ADMINISTRATIVE PENALTIES  
PURSUANT TO CORPORATIONS CODE  
SECTION 25252

19  
20 Jan Lynn Owen, the Commissioner of Business Oversight ("Commissioner"), brings this  
21 action in the public interest and alleges and charges as follows:

22 **I.**

23 **STATEMENT OF FACTS**

24 1. At all relevant times, Jalapenos Leadership Industries, L.L.C. ("JLI") is a limited  
25 liability company with a primary place of business located at 1015 Amador Street, Suite 4624,  
26 Vallejo, CA, 94590.

27 2. At all relevant times, Kenneth Wesley Porter ("Porter") is the managing member and a  
28 representative of JLI. Porter's primary place of business is located at JLI. Porter and JLI also transact

1 business by way of email at jalapenosllc@gmail.com and via telephone at (707) 373-0266. JLI and  
2 Porter are herein collectively referred to as “Respondents.” Whenever reference is made herein to  
3 “Respondents” doing any act, the allegation shall mean the act of each respondent acting  
4 individually, jointly and severally.

5 3. Beginning in February 2013, Respondents offered and sold investment agreements and  
6 promissory notes relating to real estate investments to at least one (1) California investor. On  
7 February 26, 2013, investor J.C., a resident of Sacramento, paid to Respondents capital to invest. The  
8 terms of the investment are as follows: Investor J.C. pays to Respondents a capital investment amount  
9 of fifty-five thousand dollars (\$55,000) for the purpose of investing in the purchase of at least one (1)  
10 foreclosed or distressed investment real estate parcel, in exchange for a profit on capital invested.  
11 Investor J.C. is to receive profits ranging from at least five percent (5%) to fifty percent (50%) of any  
12 net profits made from the resale of the distressed or foreclosed investment properties.

13 4. Beginning in 2013, Respondents offered and sold the above described securities in  
14 issuer transactions. The Department of Business Oversight has not issued a permit or other form of  
15 qualification authorizing any person to offer and sell these securities in the form of investment  
16 agreements and promissory notes relating to real estate investments in California.

17 5. Beginning in 2013, in connection with the offer and sale of these securities,  
18 Respondents, made, or caused to be made, misrepresentations of material fact or omitted to state  
19 material facts necessary in order to make the statements made, in the light of the circumstances under  
20 which they were made, not misleading.

21 6. Specifically, Respondents misrepresented to investor J.C. that investor J.C. would  
22 receive a profitable return on any investment. Respondents also misrepresented to investor J.C. that  
23 investor J.C. would, at the minimum, receive the initial principal amount invested back at the  
24 termination of the investment. Investor J.C.’s initial principal amount invested was fifty-five  
25 thousand dollars (\$55,000), tendered to Respondents on February 26, 2013. To date, investor J.C. has  
26 not received investor J.C.’s principal amount, despite repeatedly requesting the amount to be  
27 returned.  
28

7. Corporations Code section 25110 prohibits the offering and/or selling securities that are not qualified by the Department or exempt.

8. Corporations Code section 25401 prohibits the offer and/or sale of securities in California by means of written or oral communications that include untrue statements of material fact or omits material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

**II.**

**ORDER LEVYING ADMINISTRATIVE PENALTIES**

**(For violations of Corporations Code sections 25110 and 25401)**

9. The Commissioner re-alleges and reincorporates by reference paragraphs 1-8 of this Statement in Support as though fully set forth herein.

10. Corporations Code section 25252 authorizes the Commissioner to issue an order levying administrative penalties against any person for willful violations of any provision of the Corporate Securities Law of 1968 and any rules promulgated thereunder. Specifically, Corporations Code section 25252 provides, in relevant part:

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

- (a) Any person subject to this division, other than a broker-dealer or investment adviser, who willfully violates any provision of this division, or who willfully violates any rule or order adopted or issued pursuant to this division, is liable for administrative penalties 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.

11. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-8, Respondents willfully violated Corporations Code section 25110 by offering and/or selling securities that are not qualified by the Department or exempt. Respondents also willfully violated Corporations Code section 25401 by making untrue statements or omissions in association with the offer and sale of investment agreements in California.

1           **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252, the  
2 Commissioner prays for an order levying administrative penalties against Respondents Jalapenos  
3 Leadership Industries, L.L.C. and Kenneth Welsey Porter, jointly and severally, as follows:

4           That pursuant to Corporations Code section 25252, the Commissioner levy administrative  
5 penalties of one thousand dollars (\$1,000.00) for the first violation of Corporations Code section  
6 25401 and two thousand five hundred dollars (\$2,500.00) for each subsequent violation, as listed  
7 below:

8                   (a)     First violation: \$1,000.00 for one (1) violation of California Corporations  
9 Code section 25110 as follows: Beginning in 2013, Respondents offered and sold the above  
10 described securities in California in issuer transactions. The Department of Business Oversight has  
11 not issued a permit or other form of qualification authorizing any person to offer and sell these  
12 securities in the form of investment agreements in California;

13                   (b)     Second violation: \$2,500.00 for one (1) violation of California Corporations  
14 Code section 25401 as follows: Beginning in 2013, Respondents misrepresented to investor J.C.  
15 that investor J.C. would receive a profitable return on investor J.C.’s investment. To date, investor  
16 J.C. has not received a profitable return on investor J.C.’s investment from Respondents; and

17                   (c)     Third violation: \$2,500.00 for a second violation of California Corporations  
18 Code section 25401, as follows: Beginning in 2013, Respondents misrepresented to investor J.C.  
19 that investor J.C. would, at the minimum, receive the initial principal amount invested back at the  
20 termination of the investment. Investor J.C.’s initial principal amount invested was fifty-five  
21 thousand dollars (\$55,000), tendered to Respondents on February 26, 2013. To date, investor J.C.  
22 has not received investor J.C.’s principal amount, despite repeatedly requesting the amount to be  
23 returned.

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The total amount of administrative penalties for Respondents' violations of Corporations Code sections 25110 and 25401 is six thousand dollars (\$6,000.00). These administrative penalties are necessary in the public interest for the protection of consumers and are consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: December 4, 2015  
Sacramento, California

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
MARISA I. URTEAGA-WATKINS  
Counsel  
Enforcement Division