

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
Deputy Commissioner
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Senior Corporations Counsel
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6 Sacramento, CA 95814
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8 Attorneys for Complainant

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

| | | |
|--------------------------------------|---|----------------------------------|
| 11 In the Matter of |) | FILE NO. ----- |
| |) | OAH No. ----- |
| 12 THE CALIFORNIA CORPORATIONS |) | |
| 13 COMMISSIONER, |) | SETTLEMENT AGREEMENT AND |
| |) | STIPULATION TO FINAL ORDER TO |
| 14 Complainant, |) | REVOKE MALORY INVESTMENTS, LLC'S |
| |) | BROKER-DEALER CERTIFICATE AND TO |
| 15 v. |) | BAR RONALD STEIN FROM ANY |
| |) | POSITION OF EMPLOYMENT, |
| 16 MALORY INVESTMENTS, LLC, RONALD |) | MANAGEMENT, OR CONTROL OF ANY |
| 17 STEIN, STEVEN STRAUS, KENNETH |) | INVESTMENT ADVISER OR BROKER- |
| 18 EUGENE ZELLMER and SEAN ZARINEGAR |) | DEALER |
| |) | |
| 19 Respondents. |) | |

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21 IT IS HEREBY STIPULATED AND AGREED BY AND BETWEEN RESPONDENTS
22 RONALD STEIN AND MALORY INVESTMENTS, LLC, AND COMPLAINANT PRESTON
23 DuFAUCHARD, THE CALIFORNIA CORPORATIONS COMMISSIONER, AS FOLLOWS:

24 **RECITALS**

25 A. Ronald Stein ("Stein")(Central Registration Depository, or "CRD," #434761) is the
26 reported "owner" (at least 75% ownership) of Malory Investments, LLC ("Malory")(CRD #110936).
27 CRD records indicate that Stein holds series 1, 27, 40 and 63 designations. Stein's address is 10937
28 Wilkins Avenue #304, Los Angeles, CA, which is also the listed business address for Malory.

1 Malory is a registered securities dealer in the state of California pursuant to Corporations Code
2 section 25211 with a current business address of 10937 Wilkins Avenue, #304, Los Angeles, CA.
3 Previous addresses for Malory are 6345 Balboa Blvd., Suite 259 Bldg. 3, Encino, CA 91316; 12966
4 Euclid, #150 Garden Grove, CA; 1351 Westwood Blvd., #102, Los Angeles, CA; and 520 S.
5 Sepulveda Blvd., Suite 308, Los Angeles, CA 90049.

6 B. On July 26, 2007, the Commissioner issued (1) a Notice of Intention to Issue an
7 Order Revoking Malory Investments, LLC's Broker-Dealer Certificate Pursuant to Corporations
8 Code section 25212; (2) Notice of Intention to Issue an Order Barring Respondents, Ronald Stein,
9 Steven Strauss, Kenneth Eugene Zellmer and Sean Zarinigar, from any position of employment,
10 management or control of any broker-dealer or investment adviser; (3) Statement to Respondents;
11 (4) Accusation; (5) Government Code Sections 11507.5, 11507.6 and 11507.7; and (6) a Notice of
12 Defense form. (All attached as exhibit "A").

13 C. Respondents issued a timely request for an administrative hearing to contest the
14 orders and the Notice of Intent to Issue Orders referred to above, and waived the right to a hearing
15 within 15 days. To date, no hearing has been set before the Office of Administrative Hearings.

16 D. It is the intention and the desire of all of the parties at this time to resolve this matter
17 without the need for a hearing or other litigation.

18 THEREFORE, in consideration of the foregoing, and the terms and conditions set for herein,
19 the parties agree and stipulate as follows.

20 **TERMS AND CONDITIONS**

21 1. This Settlement Agreement is entered into for the purpose of judicial economy and
22 expediency, and to avoid the expense of a hearing, and possible further court proceedings.

23 2. Stein and Malory admit to the jurisdiction of the Department of Corporations over
24 them and over the subject matter hereof. Stein and Malory neither admit nor deny the allegations
25 contained in the Order and Accusation referred to above and attached hereto. However, if Stein or
26 Malory (i) apply to vacate the bar or revocation imposed by the orders contemplated herein; (ii)
27 apply for any license under the Department of Corporation's current or future jurisdiction, or (iii) are
28 the subject of an action by the Commissioner to enforce the orders contemplated herein, then the

1 allegations contained in the Orders and Accusation shall be admitted for the purpose of such
2 application or enforcement proceeding.

3 3. Stein and Malory hereby agree to the issuance by the Commissioner of a final order
4 barring Ronald Stein from any position of employment, management or control of any broker-dealer
5 or investment adviser and revoking Malory Investment, LLC’s Broker-Dealer certificate. A copy of
6 the Bar and Revocation Order to be issued is attached hereto as Exhibit “B.”

7 4. Stein and Malory hereby agree to withdraw their notice of request for a hearing to
8 contest the orders and the Notice of Intent to Issue Orders referred to above and stipulate that those
9 orders are final.

10 5. The absence of financial remedies in this agreement is based on a demonstrated lack
11 of assets and ability to pay by Stein and Malory and not on the Commissioner’s view of the merits of
12 the claims or allegations against him contained in the attached Orders or Accusation.

13 6. The Commissioner shall cause this Settlement Agreement to be filed with the Office
14 of Administrative Hearings within seven business days of its execution. Moreover, the
15 Commissioner will withdraw the orders and Notice of Intent to Issue Orders referred to above as to
16 Respondents Steven Strauss, Kenneth Zellmer, and Sean Zarinegar within a reasonable time after the
17 execution of this Settlement Agreement.

18 7. The parties hereby acknowledge and agree that this Settlement Agreement is intended
19 to constitute a full, final and complete resolution of this matter and that the Commissioner agrees not
20 to take any administrative or civil actions against Stein or Malory based on information known to the
21 Commissioner or his agents or employees at the time of this Agreement or based on any act or
22 omission alleged in this proceeding. However, nothing shall limit the ability of the Commissioner to
23 bring any administrative or civil action to enforce compliance with the orders attached hereto, to
24 seek penalties for their violation, or to fulfill his/her statutory obligations to enforce the laws under
25 the Commissioner’s jurisdiction against Respondents, and any of them, should new and different
26 facts come to light. In the event of such an action, the admissions by Stein and Malory, referred to
27 in paragraph 2, above will apply in any action against either of them. The parties further
28 acknowledge and agree that nothing contained in this Settlement Agreement shall operate to limit the

1 Commissioner's ability to assist any other agency, (county, state or federal) with any prosecution,
2 administrative, civil or criminal, brought by any such agency against Stein and Malory based upon
3 any of the activities alleged in this matter or otherwise.

4 8. Each of the parties represents, warrants, and agrees that it has received independent
5 advice from its attorney(s) and/or representatives with respect to the advisability of executing this
6 Settlement Agreement.

7 9. Each of the parties represents, warrants, and agrees that in executing this Settlement
8 Agreement it has relied solely on the statements set forth herein and the advice of its own counsel
9 and/or representative. Each of the parties further represents, warrants, and agrees that in executing
10 this Settlement Agreement it has placed no reliance on any statement, representation, or promise of
11 any other party, or any other person or entity not expressly set forth herein, or upon the failure of any
12 party or any other person or entity to make any statement, representation or disclosure of anything
13 whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in
14 any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude the
15 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this
16 Settlement Agreement.

17 10. This Settlement Agreement is the final written expression and the complete and
18 exclusive statement of all the agreements, conditions, promises, representations, and covenants
19 between the parties with respect to the subject matter hereof, and supercedes all prior or
20 contemporaneous agreements, negotiations, representations, understandings, and discussions
21 between and among the parties, their respective representatives, and any other person or entity, with
22 respect to the subject matter covered hereby.

23 11. In that the parties have had the opportunity to draft, review and edit the language of
24 this Settlement Agreement, no presumption for or against any party arising out of drafting all or any
25 part of this Settlement Agreement will be applied in any action relating to, connected, to, or
26 involving this Settlement Agreement. Accordingly, the parties waive the benefit of California Civil
27 Code section 1654 and any successor or amended statute, providing that in cases of uncertainty,
28 language of a contract should be interpreted most strongly against the party who caused the

1 uncertainty to exist.

2 12. This Settlement Agreement may be executed in one or more counterparts, each of
3 which shall be an original but all of which, together, shall be deemed to constitute a single
4 document.

5 13. Each signator hereto covenants that he/she possesses all necessary capacity and
6 authority to sign and enter into this Settlement Agreement.

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8 Dated: 2/29/08

PRESTON DuFAUCHARD
California Corporations Commissioner

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10 By /s/ Alan S. Weinger
ALAN S. WEINGER
11 Lead Corporations Counsel
12 Enforcement Division

13 Dated: 2/14/08

MALORY INVESTMENTS, LLC

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15 By /s/ Ronald Stein
16 RONALD STEIN, Owner

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18 Dated: 2/14/08

By /s/ Ronald Stein
19 RONALD STEIN, an individual

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21 APPROVED AS TO FORM AND CONTENT:

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24 By /s/ Sylvia M. Scott
Sylvia M. Scott
25 Freeman, Freeman, and Smiley, LLP, Attorneys for
26 RONALD STEIN and MALORY INVESTMENTS, LLC

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