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7
8 Attorneys for Complainant

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

11 In the Matter of)	CASE NO.
)	
12 THE CALIFORNIA CORPORATIONS)	
13 COMMISSIONER,)	1) STATEMENT IN SUPPORT OF
)	ORDER LEVYING ADMINISTRATIVE
14 Complainant,)	PENALTIES PURSUANT TO
)	CORPORATIONS CODE
15 v.)	SECTION 25252;
)	
16 ON LEGAL GROUNDS, INC.; LIKE NEW,)	2) CLAIM FOR ANCILLARY RELIEF
17 INC.; ROBERT GREENBERG.)	PURSUANT TO CORPORATIONS
)	CODE SECTION 25254;
18 Respondents.)	3) DESIST AND REFRAIN ORDER
)	

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20 Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the
21 Department of Corporations ("Department"), collectively ("Complainant"), alleges and charges
22 as follows:

23 **I.**
24 **STATEMENT OF FACTS**

25 1. At all relevant times herein, On Legal Grounds, Inc. ("On Legal Grounds") was a
26 Nevada corporation with its primary place of business at 29729 Niguel Road Apt. C, Laguna Niguel,
27 California 92677.

1 2. At all relevant times herein, Like New, Inc. (“Like New”) was a California
2 corporation with its primary place of business at 24633 Santa Clara Ave., Dana Point, California
3 92629 and a wholly owned subsidiary of On Legal Grounds.

4 3. At all relevant times herein, Robert Greenberg (“Greenberg”) was President,
5 Treasurer, and Secretary of On Legal Grounds and President of Like New.

6 4. Like New, On Legal Grounds, and Greenberg are herein collectively referred to as
7 “Respondents.”

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

10 **VIOLATION OF CORPORATIONS CODE SECTION 25110**

11 **(UNQUALIFIED OFFER AND SALE OF SECURITIES)**

12 6. On or about July 31, 2007 in California, Greenberg, by way of an issuer transaction,
13 offered and sold to A.B. and C.D. (“Investors”) securities in the form of his company, On Legal
14 Grounds. The purpose of the offering was to seek long term capital appreciation and generate
15 revenue through products marketed by its wholly owned subsidiary, Like New. Investors had no
16 pre-existing relationship with Greenberg and were not accredited purchasers. Greenberg sold A.B.
17 thirty thousand (30,000) shares for a total of thirty thousand dollars (\$30,000) and C.D. ten thousand
18 (10,000) shares for a total of ten thousand dollars (\$10,000). Investors and Greenberg signed a
19 “Stock Purchase Agreement” to this effect. At the same time, Greenberg had Investors sign a
20 “Confidential Private Placement Memorandum,” which despite being signed on or about July 31,
21 2007, was dated December 25, 2006. The shares offered and sold by Greenberg are securities
22 subject to qualification under the California Corporations Code (“Corporations Code”).

23 7. Corporations Code section 25110 prohibits the offer and/or sale of non-exempt
24 securities in this state that are subject to qualification.

25 **VIOLATION OF CORPORATIONS CODE SECTION 25401**

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

27 8. In connection with the offer and sale of these securities, Respondents, made, or
28 caused to be made, misrepresentations of material fact or omitted to state material facts necessary in

1 order to make the statements made, in the light of the circumstances under which they were made,
2 not misleading. These misrepresentations and omissions were the following:

3 a) Respondents omitted to inform Investors that the Commissioner issued a desist and
4 refrain order (“2006 Order”) against Like New, On Legal Grounds, and Greenberg on December 1,
5 2006, prohibiting them from offering or selling securities in the State of California unless and until
6 qualification has been made under this law or unless exempt.

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

11 **VIOLATION OF CORPORATIONS CODE SECTION 25532**
12 **(VIOLATION OF DESIST AND REFRAIN ORDER ISSUED BY THE COMMISSIONER**
13 **AGAINST RESPONDENTS)**

14 10. On December 1, 2006, the Commissioner issued the 2006 Order against
15 Respondents as a result of:

16 a) The offer and sale of unqualified, nonexempt securities in the form of On Legal
17 Grounds common stock in violation of Corporations Code section 25110.

18 b) The omission of the material fact that the Commissioner issued a cease and desist
19 order on December 31, 1986 against Greenberg’s company, Eagle Power Systems, Inc., in
20 violation of Corporations Code section 25401.

21 11. The 2006 Order prohibits Respondents from:

22 a) Further offering or selling securities in the State of California unless and until
23 qualification has been made under this law or unless exempt and;

24 b) Offering or selling or buying or offering to buy any security in the state of
25 California, including but not limited to common stock, by means of any written or oral
26 communication which includes an untrue statement of a material fact or omits to state a
27 material fact necessary in order to make the statements made, in light of the circumstances
28 under which they were made, not misleading.

12. The 2006 Order was served on Respondents on January 7, 2007.

13. Respondents violated the 2006 Order in the following ways:

1 a) In or around July of 2007, (only five months after the 2006 Order was
2 served on Respondents) Respondents offered and sold securities to nonaccredited Investors,
3 raising a total of \$40,000. These securities were not qualified or exempt from qualification.

4 b) Following the issuance and service of the 2006 Order, Respondents failed
5 to disclose to Investors that they were subjects of the 2006 Order.

6 **II.**

7 **ORDER LEVYING ADMINISTRATIVE PENALTIES**

8 **(For violations of Corporations Code sections 25110, 25401, and 25532)**

9 14. Complainant re-alleges and reincorporates by reference paragraphs 1-13 of this
10 Statement in Support as though fully set forth herein.

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

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

17 (a) Any person subject to this division, other than a broker-dealer or
18 investment adviser, who willfully violates any provision of this
19 division, or who willfully violates any rule or order adopted or
20 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.

21 16. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-13,
22 Respondents willfully violated the following provisions:

23 a) Corporations Code section 25110 by offering and selling securities that are not
24 qualified by the Department or exempt to the following investors:

- 25 i) A.B.
- 26 ii) C.D.

27 b) Corporations Code section 25401 by making untrue statements in association with
28 the offer and sale of shares to the following investors:

- i) A.B. 4

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ii) C.D.

c) Corporations Code section 25532 by violating the 2006 Order issued by the

Commissioner as a result of both the omission of a material fact in the offer and sale of securities and the offer and sale of securities that are not qualified by the Department or exempt.

Respondents made the material omission, offer, and sale to the following investors:

i) A.B.

ii) C.D.

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

A) That pursuant to Corporations Code section 25252, the Commissioner levy administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as listed below, for a total amount of three thousand five hundred dollars (\$3,500).

1) A.B. - \$1,000

2) C.D. - \$2,500

B) That pursuant to Corporations Code section 25252, the Commissioner levy administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as listed below, for a total amount of three thousand five hundred dollars (\$3,500).

1) A.B. - \$1,000

2) C.D. - \$2,500

C) That pursuant to Corporations Code section 25252, the Commissioner levy administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code section 25532 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as listed below, for a total amount of three thousand five hundred dollars (\$3,500).

1) A.B. - \$1,000

2) C.D. - \$2,500

1 D) The total amount of administrative penalties for violations of Corporations Code
2 sections 25110, 25401, and 25532 by Respondents is ten thousand, five hundred dollars (\$10,500).

3 **III.**

4 **CLAIM FOR ANCILLARY RELIEF**

5 **(For violations of Corporations Code sections 25110, 25401, and 25532)**

6 17. Complainant re-alleges and reincorporates by reference paragraphs 1-13 of this
7 Statement in Support as though fully set forth herein.

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

11 (a) If the commissioner determines it is in the public interest, the
12 commissioner may include in any administrative action brought under
13 this part a claim for ancillary relief, including, but not limited to, a
14 claim for restitution or disgorgement or damages on behalf of the
15 persons injured by the act or practice constituting the subject matter of
16 the action, and the administrative law judge shall have jurisdiction to
17 award additional relief.

18 (b) In an administrative action brought under this part, the
19 commissioner is entitled to recover costs, which in the discretion of the
20 administrative law judge may include an amount representing
21 reasonable attorney’s fees and investigative expenses for the services
22 rendered, for deposit into the State Corporations Fund for the use of
23 the Department of Corporations.

24 19. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-13,
25 Respondents sold unqualified, nonexempt securities in an amount of forty thousand dollars (\$40,000)
26 to two (2) California investors in violation of Corporations Code sections 25110, 25401, and 25532.

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

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shares of common stock, unless and until qualification has been made under this law or unless exempt.

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

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

Dated: June 15, 2011

PRESTON DUFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Deputy Commissioner