

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
4 BRENT LINDGREN (CA BAR NO. 170306)
Senior Corporations Counsel
5 Department of Corporations
1515 K Street, Suite 200
6 Sacramento, California 95814
Telephone: (916) 322-8778
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. 506-2650
	COMMISSIONER,)	
14)	
	Complainant,)	
15	v.)	ACCUSATION
)	
16	REAL PROPERTY LENDERS, INC.,)	
)	
17	Respondent.)	
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20)	
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22 Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the Department
23 of Corporations ("Department") alleges and charges as follows:

- 24 1. Real Property Lenders, Inc. is a California corporation located at 630 10th Street, Paso Robles,
25 California 93446.
- 26 2. On June 25, 2007, the Commissioner issued a permit under Corporations Code section 25113 to Real
27 Property Lenders, Inc. to offer and sell securities in the form of fractional interests in notes secured by deeds
28 of trust in California. The permit expires on June 25, 2008.

1 3. The permit was issued under a limited offering qualification authorizing the offer and sale of
2 Respondent's securities only to:

3 a. Investors with (i) a net worth (exclusive of home, furnishings and automobiles) of at least \$250,000
4 and an annual gross income of at least \$65,000; or (ii) a net worth (exclusive of home, furnishings and
5 automobiles) of at least \$500,000; and

6 b. The amount of each investor's investment must not exceed ten percent (10%) of such investor's net
7 worth (exclusive of home, furnishings and automobiles).
8

9 4. In May 2008, the Department determined that Respondent was violating the terms of the permit in the
10 following manner:

11 a. Failing to disclose that Respondent was no longer making monthly interest payments to
12 investors in direct contradiction of the representations made in the offering circular.

13 b. Selling fractional interests to investors who did not qualify or meet the suitability standards
14 outlined in the offering circular.

15 5. Respondent also violated the terms of a prior permit which expired on March 14, 2007 in a similar
16 manner. Furthermore, under the prior permit, Respondent failed to provide offering circulars or subscription
17 agreements to certain investors prior to the date of investment.
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19 6. Records from the San Luis Obispo County Recorder document 52 notices of default filed between
20 February 22, 2007 and February 20, 2008 on properties in which Respondent is the "first grantor/grantee."
21 These defaults were not disclosed in the offering circulars.

22 7. Corporations Code section 25140(a)(1) provides in pertinent part as follows:

23 The commissioner . . . may suspend or revoke any permit issued under Section
24 25113 or 25122 if he or she finds (A) that the order is in the public interest and
25 (B) that the proposed plan of business of the issuer or the proposed issuance or
26 sale of securities is not fair, just, or equitable, or that the issuer does not intend to
27 transact its business fairly and honestly, or that the securities proposed to be
28 issued or the method to be used in issuing them will tend to work a fraud upon
the purchaser thereof.

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

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

9 9. The Commissioner finds that summarily suspending the permit issued to Respondent is in the public
10 interest and that Respondent's proposed plan of business and proposed issuance of securities is no longer fair,
11 just and equitable, or that the issuer did not intend to transact its business fairly and honestly, or that the
12 securities proposed to be issued or the method to be used in issuing them would tend to work a fraud upon the
13 purchaser in violation of Corporations Code section 25140(a)(1) because the Respondent's Offering Circular
14 contains material misrepresentations and omissions about the investment and the Respondent is not
15 conducting business as disclosed in the Offering Circular.

17 10. The Commissioner finds that revoking the permit issued to Respondent is in the public interest and
18 that Respondent's proposed plan of business and proposed issuance of securities is no longer fair, just and
19 equitable, or that the issuer did not intend to transact its business fairly and honestly, or that the securities
20 proposed to be issued or the method to be used in issuing them would tend to work a fraud upon the purchaser
21 in violation of Corporations Code section 25140(a)(1) because the Respondent's Offering Circular contains
22 material misrepresentations and omissions about the investment and the Respondent is not conducting
23 business as disclosed in the Offering Circular.

25 11. Corporations Code section 25110 states in pertinent part as follows:

26 The offer or sale of such a security in a manner that varies or differs from, exceeds the
27 scope of, or fails to conform with either a material term or material condition of
28 qualification of the offering as set forth in the permit or qualification order, or a material
representation as to the manner of offering which is set forth in the application for
qualification, shall be an unqualified offer or sale.

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The Commissioner finds that the offer or sale of securities by Respondent did indeed vary or differ from, exceed the scope of, or failed to conform with material terms or conditions of the offering as set forth in the permit, or material representations as to the manner of offering as set forth in the application for qualification, and therefore deems the offer or sale of such securities as “unqualified.”

WHEREFORE, the permit issued under Corporations Code section 25113 to Real Property Lenders, Inc. is summarily suspended as of this date.

WHEREFORE, IT IS PRAYED that the permit issued under Corporations Code section 25113 to Real Property Lenders, Inc. be revoked.

Dated: May 20, 2008
Sacramento, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Brent Lindgren
Senior Corporations Counsel
Enforcement Division