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7
8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10 In the Matter of	)	CASE NO.
)	
11 THE COMMISSIONER OF BUSINESS	)	1) STATEMENT IN SUPPORT OF
12 OVERSIGHT OF THE STATE OF	)	ORDER LEVYING ADMINISTRATIVE
13 CALIFORNIA,	)	PENALTIES PURSUANT TO
	)	CORPORATIONS CODE
14 Complainant,	)	SECTION 25252;
15 v.	)	2) CLAIM FOR ANCILLARY RELIEF
16 ZENAIDA C. SPRADLIN,	)	PURSUANT TO CORPORATIONS
	)	CODE SECTION 25254;
17 Respondent.	)	3) DESIST AND REFRAIN ORDER

18
19 Jan Lynn Owen, the Commissioner of Business Oversight of the State of California
20 (“Commissioner”), alleges and charges as follows:

21 **I.**
22 **STATEMENT OF FACTS**

- 23 1. Respondent Zenaida C. Spradlin (“Respondent”) is an individual doing business in
- 24 the state of California. At all relevant times, the Respondent resided in Granada Hills, California.
- 25 2. Complainant, the Commissioner of Business Oversight (“Complainant”), is the
- 26 head of the Department of Business Oversight. The Department of Business Oversight is the state
- 27 agency responsible for investigating and prosecuting violations of state securities laws. Pursuant

1 to Financial Code section 321, on July 1, 2013, the Department of Business Oversight succeeded
2 the Department of Corporations.

3 3. On July 21, 2009, the California Corporations Commissioner, as head of the former
4 Department of Corporations, issued a Desist and Refrain Order against Respondent. The Desist
5 and Refrain Order alleged that the Respondent and others violated Corporations Code section
6 25110 by offering and selling unqualified, non-exempt securities. The Desist and Refrain Order
7 also alleged that the Respondent and others violated Corporations Code section 25401 by making
8 misrepresentations or omissions of material fact in connection with the offer and sale of securities.

9 4. A hearing was held on the Desist and Refrain Order and the Respondent testified.
10 After the hearing, the Administrative Law Judge issued a Proposed Decision affirming the Desist
11 and Refrain Order. On September 15, 2010, the California Corporations Commissioner issued a
12 Decision adopting the Proposed Decision.

13 5. The Decision on the Desist and Refrain Order became final on September 16, 2010.

14 **VIOLATION OF CORPORATIONS CODE SECTION 25110**

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

16 6. After the Desist and Refrain Order was issued, the Respondent continued to offer
17 and sell securities in the form of investment contracts. The Respondent accepted money from at
18 least one California resident and told the investor the investment funds would be used to invest in
19 real estate.

20 7. The investment contract offered and sold by the Respondent is a “security” subject
21 to qualification under the Corporate Securities Law of 1968 (Corp. Code § 25000 et seq.).

22 8. Corporations Code section 25110 prohibits the offer and sale of unqualified, non-
23 exempt securities in this state.

24 9. The security, in the form of an investment contract, offered and sold by the
25 Respondent was not qualified or exempt.

26 **VIOLATION OF CORPORATIONS CODE SECTION 25401**

27 **(MISREPRESENTATIONS OR OMISSIONS OF MATERIAL FACT)**

1 a) Corporations Code section 25110 by offering and selling securities that are not
2 qualified by the Department or exempt to at least one investor or according to proof.

3 b) Corporations Code section 25401 by making misrepresentations and omissions of
4 material fact in connection with the offer and sale of securities to at least one investor or according
5 to proof.

6 **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252,
7 the Commissioner prays for an order levying administrative penalties against the Respondent
8 Zenaida C. Spradlin as follows:

9 A) That pursuant to Corporations Code section 25252, the Commissioner levy
10 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations
11 Code section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation,
12 for a total amount of \$1,000.00 or according to proof.

13 B) That pursuant to Corporations Code section 25252, the Commissioner levy
14 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations
15 Code section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation,
16 for a total amount of \$1,000.00 or according to proof.

17 C) The total amount of administrative penalties for the Respondent's violations of
18 Corporations Code sections 25110 and 25401 is \$2,000.00.

19 **III.**

20 **CLAIM FOR ANCILLARY RELIEF**

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

22 20. The Complainant re-alleges and reincorporates by reference paragraphs 1-12 of this
23 Statement in Support as though fully set forth herein.

24 21. Corporations Code section 25254 authorizes the Commissioner to seek ancillary
25 relief on behalf of any person injured by violations of any provision of the Corporate Securities
26 Law of 1968 and any rules promulgated thereunder. Corporations Code section 25254 states:

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

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

9 22. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-12,
10 the Respondent sold unqualified securities in an amount of at least \$25,000.00 to at least one
11 California resident in violation of Corporations Code sections 25110 and 25401.

12 **WHEREFORE**, good cause showing and the Commissioner having determined that this
13 action is in the public interest and necessary to effectuate the Department’s regulatory purpose
14 based upon the Respondent’s violations of the Corporate Securities Law, the Commissioner
15 hereby prays for an order of ancillary relief pursuant to Corporation Code section 25254 against
16 the Respondent Zenaida C. Spradlin as follows:

17 A) Full restitution, consisting of the investors’ investment principal in an amount of at
18 least \$25,000.00 and the legal rate of interest accumulated on the investment principal or
19 according to proof;

20 B) Recovery of attorney’s fees, investigative expenses, and costs in an amount of at
21 least \$3,000.00, or according to proof.

22 **IV.**

23 **DESIST AND REFRAIN ORDER**

24 23. The Complainant re-alleges and reincorporates by reference paragraphs 1-12 of this
25 Statement in Support as though fully set forth herein.

26 24. Corporations Code section 25532, in pertinent part, states:

27 (a) If, in the opinion of the commissioner, (1) the sale of a security is subject to
28 qualification under this law and it is being or has been offered or sold without first
being qualified, the commissioner may order the issuer or offeror of the security to

1 desist and refrain from the further offer or sale of the security until qualification has
2 been made under this law

3 (c) If, in the opinion of the commissioner, a person has violated or is violating
4 Section 25401, the commissioner may order that person to desist and refrain from
5 the violation.

6 25. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-12,
7 the Commissioner is of the opinion that the investment contracts offered and sold by the
8 Respondent are securities subject to qualification under the Corporate Securities Law and are
9 being or have been offered and sold without being qualified, in violation of Corporations Code
10 section 25110.

11 26. Further, the Commissioner is of the opinion that the securities offered and sold by
12 the Respondent were offered and sold in this state by means of written or oral communications
13 that included untrue statements of material fact or omitted to state material facts necessary in order
14 to make the statements made, in the light of the circumstances under which they were made, not
15 misleading, in violation of Corporations Code section 25401.

16 **IT IS HEREBY ORDERED EFFECTIVE IMMEDIATELY THAT:**

17 A) Pursuant to Corporations Code section 25532, Zenaida C. Spradlin desist and
18 refrain from the further offer or sale in the State of California of securities, including but not
19 limited to investment contracts, unless and until qualification has been made under this law or
20 unless exempt.

21 B) Pursuant to Corporations Code section 25532, Zenaida C. Spradlin desist and
22 refrain from offering and selling securities, including but not limited to investment contracts, by
23 means of any written or oral communication which includes an untrue statement of a material fact
24 or omits to state a material fact necessary in order to make the statements made, in the light of the
25 circumstances under which they were made, not misleading.

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

Dated: August 14, 2013

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner