BEFORE THE
DEPARTMENT OF BUSINESS OVERSIGHT
STATE OF CALIFORNIA

In the Matter of the Desist and Refrain Order: MARIA BELINDA FLORES-MARTINEZ; FLORES SHIELD GROUP, INC.; THE PENNINGTON ALEXANDER GROUP, INC.; and FUN LIFE LE'CHRIS ENTERTAINMENT & VISION, INC. Respondents.	Case No. 9074 OAH No. 2010090547 FINAL DECISION (AFTER REJECTION OF PROPOSED DECISION) AND ORDER

DECISION

Administrative Law Judge Coren D. Wong, Office of Administrative Hearings, State of California, heard this matter on August 13, 2012, and January 11, 2013, in Sacramento, California.

Marisa Urteaga-Watkins, Corporations Counsel, represented Complainant, California Commissioner of Corporations, Preston DuFauchard, and Jan Lynn Owen.

Respondent Maria Belinda Flores-Martinez represented herself, as well as Respondents Flores Shield Group, Inc., The Pennington Alexander Group, Inc., and Fun Life Le'Chris Entertainment & Vision, Inc.

Oral and documentary evidence was received at the hearing, the record was closed, and the matter was submitted for decision on January 11, 2013.

The Proposed Decision was issued by the Administrative Law Judge on January 16, 2013. In accordance with Government Code Section 11517(c)(2)(E), all parties were served on May 3, 2013, with notice of determination not to adopt and order of rejection of the Proposed Decision of the ALJ and notified that the case would be decided by the California Commissioner of Corporations Jan Lynn Owen (Commissioner) upon the record, and upon any written argument offered by the parties.

The parties were permitted to submit written arguments by June 3, 2013. The Complainant submitted timely written arguments. The Respondent submitted by facsimile, a request for extension for reason of medical illness until July 3, 2013. The request was granted by the Department. The Respondent submitted written arguments by facsimile on July 3, 2013.

The record in this case, including the transcripts of the proceedings of August 13, 2012 and January 11, 2013, has been given careful consideration. The following shall constitute the Decision of the California Commissioner of Business Oversight in the above-entitled matter.

FACTUAL FINDINGS

1. On April 27, 2010, Complainant issued a Desist and Refrain Order ordering Respondents to desist and refrain from (1) offering or selling or buying or offering to buy any security in the State of California, including but not limited to promissory notes, debentures or evidences of indebtedness, and stock by means of any written or oral communications which include untrue statements of material facts or omits to state material facts necessary in order to make the statements made, in the light of circumstances under which they were made, not misleading, and (2) the further offer or sale in the State of California of securities, including, but not limited to, promissory notes, debentures, or evidences of indebtedness and stock in Flores Shield Group, Inc.; The Pennington Alexander Group, Inc.; and Fun Life Le'Chris Entertainment & Vision, Inc., unless and until qualification has been made under California law or such securities are exempt from qualification.

2. The Desist and Refrain Order was served on Ms. Flores-Martinez as well as well as Respondents Flores Shield Group, Inc., The Pennington Alexander Group, Inc., and Fun Life Le'Chris Entertainment & Vision, Inc. on July 28, 2010.

3. On August 5, 2010, Ms. Flores-Martinez requested an evidentiary hearing on the Desist and Refrain Order. In Ms. Flores-Martinez's request for hearing, she did not specifically state that she was requesting a hearing for herself and each of the corporate respondents.

Ms. Flores-Martinez's request stated:

> Reference to the letter from the Department of Corporations dated April 28, 2010, and reference to the above Desist and Refrain Order for Maria Belinda Flores-Martinez, Flores Shield Group, Inc., The Pennington Alexander Group, Inc., I hereby acknowledge receipt of documents served to me at the Fairfield Detention Facility Center, 500 Union Avenue, Fairfield, CA. 94533, on July 28, 2010, approximately 1400 hrs by two female Dept. of Corporations representatives. I hereby request an Administrative Hearing in accordance with provisions of the Administrative Procedures Act… [sic]

Therefore, it can be inferred that Ms. Flores-Martinez was requesting a hearing for herself and on behalf of the Flores Shield companies.

4. This matter was originally called for hearing on February 6, 2012, but Ms. Flores-Martinez requested an extension for the hearing to be held on or before August 1, 2012. The hearing was rescheduled for August 13, 2012, but was continued again to January 11, 2013, due to a medical emergency Ms. Flores-Martinez suffered at the hearing. On December 10, 2012, Ms. Flores-Martinez requested another extension for hearing until June 11, 2013. On December 14, 2012, an Order Denying Continuance was issued by Karen J. Brand, Presiding Administrative Law Judge.

5. At all times relevant, Ms. Flores-Martinez was the chief executive officer of Flores Shield Group, Inc.; The Pennington Alexander Group, Inc.; and Fun Life Le-Chris Entertainment & Vision, Inc. She represented to others that she was the President of the corporate entities. When conducting business, however, she treated the corporations as if they were one and the same such that when she acted on behalf of one, she was acting on behalf of them all.

6. Ms. Flores-Martinez made representations that she was a real estate developer. Sometime prior to December 2006, she represented to others that she was attempting to construct an amusement park in Vacaville, California. But neither she nor any of her corporations had sufficient funds to finance the project, and she began looking for investors.

7. Ms. Flores-Martinez was introduced to Dwight Daguman through a mutual acquaintance in late 2006. Mr. Daguman did not know Ms. Flores-Martinez prior to the introduction. A meeting between the two of them was held in San Francisco, California in December 2006. At this meeting, Ms. Flores-Martinez offered Mr. Daguman an opportunity to invest money in the Flores Shield Group and in the amusement park development. Ms. Flores-Martinez offered Mr. Daguman securities in the form of a promissory note and stock in the Flores Shield Group in exchange for money. Ms. Flores-Martinez further promised profitable interest on his capital investment.

Mr. Daguman accepted Ms. Flores-Martinez's investment opportunity in December 2006. Between April 7 and August 30, 2007, Mr. Daguman gave Ms. Flores-Martinez $69,921.52 to invest in her corporations. Mr. Daguman gave Ms. Flores-Martinez money because she told him that the respondent corporations were stable and profitable and that he would receive a profitable return on his investment.

Ms. Flores-Martinez and Mr. Daguman entered into an agreement whereby Mr. Daguman agreed to work for Ms. Flores-Martinez in exchange for an annual salary, medical and dental benefits, life insurance, a company vehicle, and 221.66 shares of stock in Flores Shield Group, Inc. Ms. Flores-Martinez asked Mr. Daguman to provide leads to investors in order to raise more investments. Their agreement was memorialized in a written Memorandum of Understanding dated April 3, 2007. The agreement was reaffirmed in a second Memorandum of Understanding dated October 25, 2007, which was signed by Ms. Flores-Martinez on October 26, 2007.

8. Testimonial and documentary evidence was introduced to show that Ms. Flores-Martinez, acting on behalf of herself and on behalf of the respondent corporations, sold or offered to sell Mr. Daguman promissory notes, debentures, evidence of indebtedness, or shares of stock in Flores Shield Group, Inc.

9. On May 14, 2007, Ms. Flores-Martinez signed a Promissory Note which listed the capital investments Mr. Daguman made on behalf of the Flores Shield Group, Inc., Pennington Alexander Group, Inc., and FunLife USA, FunLife USA California, Inc., FunLife Le' Chris Entertainment and Vision, Inc. This Promissory Note showed that between April 2007

and May 2007, Mr. Daguman invested close to $40,000 to fund the company operations.

On September 12, 2007, Ms. Flores-Martinez signed another Promissory Note dated September 11, 2007, which listed all the capital investments made by Mr. Daguman on behalf of the previously mentioned entities. Between April 7 and August 30, 2007, Mr. Daguman invested a total of $69,921.52 to Ms. Flores-Martinez and her corporations. The capital investments were used to pay various business expenses for one or more of the corporations, such as rent, the purchase of furniture, the purchase of office supplies, the purchase of meals with government officials when proposing the amusement park development project, and repayment of debts when the corporations did not have sufficient funds to repay. On October 26, 2007, Ms. Flores-Martinez reaffirmed the investments made and signed the Promissory Note.

10. On February 8, 2007, Carol Choi invested $20,000 in Flores Shield Group, Inc. and FunLife USA, Inc., and received a promissory note/guaranty. The promissory note required repayment of the principal, plus interest, within one year for a total return of $40,000, and provided 166 shares of stock in Flores Shield Group, Inc. Ms. Choi did not know Ms. Flores-Martinez prior to being introduced by Mr. Daguman.

11. Evidence that Ms. Flores-Martinez, acting on behalf of herself and on behalf of respondent corporations, sold or offered to sell Carol Choi promissory notes, debentures, evidence of indebtedness, or shares of stock in Flores Shield Group, Inc., was introduced.

12. On March 19, 2007, Allen Ling invested $10,000 in Flores Shield Group, Inc. and received a promissory note that was due and payable within 60 days. The note required repayment of the principal with interest, at a rate of $10,000 plus ($850,000 times 0.50%) for a total amount due of $14,250. In September 2007, Mr. Ling sent an email to Ms. Flores-Martinez demanding payment of $20,000 by September 15, 2007. Mr. Ling did not know Ms. Flores-Martinez prior to being introduced by Mr. Daguman.

13. Evidence that Ms. Flores-Martinez, acting on behalf of herself and on behalf of the respondent corporations, sold or offered to sell Mr. Ling promissory notes, debentures, evidence of indebtedness, or shares of stock in Flores Shield Group, Inc., was introduced.

14. On March 19, 2007, Fif Ghobadian invested $10,000 in Flores Shield Group, Inc. and received a promissory note. The promissory note required repayment of principal within 30 days, plus interest in the total sum of $3,375. If payment was not received within 30 days, additional interest accrued at the daily rate of $112.50. Ms. Ghobadian did not know Ms. Flores-Martinez prior to being introduced by Mr. Daguman.

15. Evidence that Ms. Flores-Martinez, acting on behalf of herself and on behalf of the respondent corporations, sold or offered to sell Ms. Ghobadian promissory notes, debentures, evidence of indebtedness, or shares of stock in Flores Shield Group, Inc., was introduced.

16. While Mr. Daguman testified at hearing that he was an "investor" in Flores Shield Group, Inc., the evidence also established that he was in an employment relationship

with Ms. Flores-Martinez after the initial offer and sale of the securities. During that time, the money he invested in the Flores Shield Group corporations was used to fund the business operations. Moreover, Mr. Daguman expected a return on his investment. Question 8 on the Department of Corporation's complaint form asked: "What do you believe would be a fair resolution to this matter? Mr. Daguman responded, "REPAYMENT OF CAPITAL BORROWED PLUS AGREED UPON INTEREST, SALARY PAST-DUE + BONUS."

17. Mr. Daguman also described Mr. Ling, Ms. Choi, and Ms. Ghobadian as "investors" in Flores Shield Group, Inc. On April 9, 2007, Ms. Ghobadian wrote a letter to him demanding repayment of the $10,000 she had loaned Flores Shield Group, Inc., plus the agreed-upon interest.

18. Ms. Flores-Martinez, either individually or on behalf of one of the respondent corporations as the issuer, did in fact sell corporate securities to Mr. Daguman, Mr. Ling, Ms. Choi, and Ms. Ghobadian.

19. At all times relevant, the Department has not issued a permit or other form of qualification authorizing any person to offer and sell securities of the Flores Shield Group or any of the other respondent corporations in California.

20. Ms. Flores-Martinez on behalf of herself and respondent corporations did not prove that the offer and sale of the securities were exempt under the Corporate Securities Law.

LEGAL CONCLUSIONS

Burden of Proof

1. The parties agreed at hearing that the Commissioner has the burden of proving that grounds for issuing the Desist and Refrain Order existed on April 27, 2010.

Corporations Code Section 25163 provides that the burden of proving an exemption is on the party claiming it.

Applicable Law

2. The applicable body of law is commonly referred to as the Corporate Securities Law of 1968. (Corp. Code, §25000.)

3. As is relevant here, Corporations Code Section 25532 provides the Corporations Commissioner with authority to issue an order to desist and refrain from the offer or sale of securities as follows:

> (a) If, in the opinion of the commissioner, (1) the sale of a security is subject to 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 desist and refrain from the further offer or sale of the security until qualification has been made under this law or (2) the sale of a security is subject to the requirements of Section 25100.1, 25101.1, or 25102.1 and the security is being or has been offered or sold without first meeting the requirements of those sections, the commissioner may order the issuer or offeror of that security to desist and refrain from the further offer or sale of the security until those requirements have been met.

[¶] . . . [¶]

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

4. Corporations Code section 25017 defines "sales," "sell," "offer," and "offer to sell" as follows:

(a) "Sale" or "sell" includes every contract of sale of, contract to sell, or disposition of, a security or interest in a security for value. "Sale" or "sell" includes any exchange of securities and any change in the rights, preferences, privileges, or restrictions of or on outstanding securities.

(b) "Offer" or "offer to sell" includes every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security for value.

(c) Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing constitutes a part of the subject of the purchase and is considered to have been offered and sold for value.

(d) A purported gift of assessable stock involves an offer and sale.·

(e) Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, as well as every sale or offer of a security which gives the holder a present or future right or privilege to convert the security into another security of the same or another issuer, includes an offer and sale of the other security only at the time of the offer or sale of the warrant or right or convertible security; but neither the exercise of the right to purchase or subscribe or to convert nor the issuance of securities pursuant thereto is an offer or sale.

(f) The terms defined in this section do not include: (1) any bona fide secured transaction in or loan of outstanding securities; (2) any stock dividend payable with respect to common stock of a corporation solely (except for any cash or scrip paid for fractional shares) in shares of such common stock, if the corporation has no other class of voting stock outstanding; provided, that shares issued in any such dividend shall be subject to any conditions previously

imposed by the commissioner applicable to the shares with respect to which they are issued; or (3) any act incident to a transaction or reorganization approved by a state or federal court in which securities are issued and exchanged for one or more outstanding securities, claims, or property interests, or partly in that exchange and partly for cash, and nothing in this division shall be construed to prohibit a court from applying the protections described in Section 25014.7 or 25140 and the regulations adopted thereunder when approving any transaction involving a rollup participant.

5. Corporations Code section 25019 defines a "security" as follows:

"Security" means any note; stock; treasury stock; membership in an incorporated or unincorporated association; bond;debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; viatical settlement contract or a fractionalized or pooled interest therein; life settlement contract or a fractionalized or pooled interest therein; voting trust certificate; certificate of deposit for a security; interest in a limited liability company and any class or series of those interests (including any fractional or other interest in that interest), except a membership interest in a limited liability company in which the person claiming this exception can prove that all of the members are actively engaged in the management of the limited liability company; provided that evidence that members vote or have the right to vote, or the right to information concerning the business and affairs of the limited liability company, or the right to participate in management, shall not establish, without more, that all members are actively engaged in the management of the limited liability company; certificate of interest or participation in an oil, gas or mining title or lease or in payments out of production under that title or lease; put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof); or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; any beneficial interest or other security issued in connection with a funded employees' pension, profit sharing, stock bonus, or similar benefit plan; or, in general, any interest or instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. All of the foregoing are securities whether or not evidenced by a written document. "Security" does not include: (1) any beneficial interest in any voluntary inter vivos trust which is not created for the purpose of carrying on any business or solely for the purpose of voting, or (2) any beneficial interest in any testamentary trust, or (3) any insurance or endowment policy or annuity contract under which an insurance company admitted in this state promises to pay a sum of money (whether or not based upon the investment performance of a segregated fund) either in a lump sum or periodically for life or some other specified period, or (4) any franchise subject to registration under the Franchise

> Investment Law (Division 5 (commencing with Section 31000)), or exempted from registration by Section 31100 or 31101. (Emphasis added.)

Therefore, Section 25019 defines "security" to include any note, stock, evidence of indebtedness, investment contract, or in general, any interest or instrument commonly known as a security.

Moreover, California also follows the "Risk Capital Test" to determine whether an investment is a security. (*Silver Hills Country Club v. Sobieski* (1961) 55 Cal.2d 811, 815.) The Risk Capital Test provides that an investment is a security if: (1) funds are being raised for a business venture or enterprise; (2) the transaction is offered indiscriminately to the public at large; (3) the investors are substantially powerless to affect the success of the enterprise; and (4) the investors' money is substantially at risk because it is inadequately secured.

California also follows the federal test to determine what is a security as provided by the U.S. Supreme Court in *SEC v. W. J. Howey Co*. (1946) 328 U.S. 293. With respect to *Howey*, the court set forth the following test to determine whether a scheme involves an investment contract: (1) the investment of money, (2) in a common enterprise, (3) with the expectation of profits, and (4) derived from the efforts of others.

6. The Legislature intended that the term "security" be broadly interpreted in order to protect the public against spurious schemes, however ingeniously devised, to attract risk capital. (*People v. Graham* (1985) 163 Cal.App.3d 1159, 1164).

The court must look at the substance and not the form of the transaction to determine its character. *(People v. Smith* (1960) 180 Cal.App.2d 420, 423-424 [concluding that the promissory notes constituted corporate securities rather than a loan].)

7. The Corporate Securities Law of 1968 provides the following regarding the qualification of securities:

> It is unlawful for any person to offer or sell in this state any security in an issuer transaction (other than in a transaction subject to Section 25120), whether or not by or through underwriters, unless such sale has been qualified under Section 25111, 25112 or 25113 (and no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification) or unless such security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with Section 25100) of this part. The offer or sale of such a security in a manner that varies or differs from, exceeds the scope of, or fails to conform with either a material term or material condition of 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.

(Corp. Code § 25110.)

(a) Except as provided in subdivision (b), it is unlawful for any person to offer or sell in this state any security in any of the following manners:

(1) In an issuer transaction in connection with any change in the rights, preferences, privileges, or restrictions of or on outstanding securities.

(2) In any exchange of securities by the issuer with its existing security holders exclusively.

(3) In any exchange in connection with any merger or consolidation or purchase of assets in consideration wholly or in part of the issuance of securities.
(4) In an entity conversion transaction.

(b) Subdivision (a) shall not apply to a security if the security is qualified for sale under this chapter (and no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to the qualification) or if the security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with Section 25100) of this part.

(Corp. Code § 25120.)

It is unlawful for any person to offer or sell any security in this state in any nonissuer transaction unless it is qualified for such sale under this chapter or under Section 25111 or 25113 of Chapter 2 (commencing with Section 25110) of this part (and no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification) or unless such security or transaction is exempted or not subject to qualification under Chapter 1 (commencing with Section 25100) of this part.

(Corp. Code, § 25130.)

8. Corporations Code section 25401 provides:

It is unlawful for any person to offer or sell a security in this state or buy or offer to buy a security in this state 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.

Cause Exists to Issue the Desist and Refrain Order

9. Although Ms. Flores-Martinez sought to characterize her capital raising activities as simply receiving loans from Mr. Daguman and others, there was sufficient evidence introduced by Complainant to show that the promissory notes and stock were securities subject to qualification. In fact, during the hearing, she freely admitted to offering stocks in her company and seeking investments for the amusement park development project. Moreover,

Corporations Code section 25163 places the burden of proving the existence of an exemption from qualification on the party seeking such exemption, and Ms. Flores-Martinez did not sustain the burden.

The statute authorizing the issuance of desist and refrain orders states that if in the opinion of the Commissioner "the sale of a security is subject to 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 to desist and refrain. (Corp. Code § 25532, subd. (a).)

Because a promissory note is a security, and evidence was proffered that the security was offered and sold, the Department's Desist and Refrain Order was appropriate. (Factual Findings 8, 11, 13, and 15, and 18.) Indeed, the evidence established that Mr. Daguman, Mr. Ling, Ms. Choi, and Ms. Ghobadian each received a promissory note and stock in exchange for money loaned to Ms. Flores- Martinez and her corporations with the expectation that they would receive a profit and be repaid, with interest. (Factual Findings 7 through 18.)

10. Moreover, a promissory note is a security under the Risk Capital Test. Here, Ms. Flores-Martinez asked for capital in return for a promissory note which provided for the repayment of principal plus interest. The funds raised by Ms. Flores-Martinez were raised for the Flores Shields Group, Inc., and for the amusement park development. Ms. Flores-Martinez offered the transaction to various members of the public, including to those investors who she did not know prior to being introduced by various individuals. Indeed, Mr. Daguman did not know Ms. Flores-Martinez or her companies prior to being introduced by a mutual acquaintance. Moreover, Ms. Flores-Martinez offered the transaction to Mr. Daguman's friends and to various city government officials. Mr. Daguman and the other investors were powerless to affect the success of the enterprise because Ms. Flores-Martinez controlled the business. Lastly, although Ms. Flores-Martinez claimed that the business was stable and profitable, and that she was waiting for the release of funds from various overseas banks, it was apparent that she and respondent companies were not adequately capitalized. Mr. Daguman paid for the office furniture, the office rent, and various other expenses. Moreover, Ms. Flores-Martinez was not able to pay the investors their promised returns, nor was she able to purchase the land or begin the amusement park development project. This shows that the security was inadequately capitalized. Indeed, Mr. Daguman did not receive any return on his investment. Thus, under the Risk Capital Test, the promissory note was a security.

11. A promissory note is a security under the federal *Howey* test. Ms. Flores-Martinez asked Mr. Daguman for capital in order to invest in Flores Shield Group and in the amusement park development project. In exchange, Ms. Flores-Martinez promised a profitable return of interest and stock in the various Flores Shield companies. The Flores Shield companies and the amusement park development project was the common enterprise that Ms. Flores-Martinez and Mr. Daguman were involved with. Additionally, there was an expectation of profits—Mr. Daguman believed that he would receive various compensation and bonuses, as evidenced by the Memorandum of Understanding. He also believed that he would receive interest payments and the repayment of principal under the terms of the promissory notes executed by Ms. Flores-Martinez. Ms. Flores-Martinez did not provide any return on Mr. Daguman's investments. Lastly, Mr. Daguman had the expectation that the profits would come

from the efforts of Ms. Flores-Martinez and others who were officers of the Flores Shield companies. Under the Howey test, the promissory note is a security.

12. Under Corporations Code sections 25110, 25120, or 25130, cause exists to issue a Desist and Refrain Order when unqualified securities are being offered or sold in California, and a claim of exemption for such securities has not been proved. Therefore, cause existed to issue the Desist and Refrain Order based on Ms. Flores-Martinez and Flores Shield Group, Inc., having offered and sold unqualified securities in the form of promissory notes, debentures, or evidence of indebtedness and shares of stock in Flores Shield Group, Inc., in issuer transactions.

13. Cause existed to issue the Desist and Refrain Order based on Ms. Flores-Martinez, either acting on behalf of herself or one of the respondent corporations, having made false statements or omitted material facts when selling or offering to sell Mr. Daguman, Mr. Ling, Ms. Choi, or Ms. Ghobadian promissory notes, debentures, evidence of indebtedness, or shares of stock in Flores Shield Group, Inc. As discussed in Factual Findings Factual Findings 8, 11, 13, and 15, and 18, evidence was introduced that Ms. Flores-Martinez sold or offered to sell Mr. Daguman, Mr. Ling, Ms. Choi, or Ms. Ghobadian promissory notes, debentures, evidence of indebtedness, or shares of stock in the Flores Shield Group, Inc. When making the offers and sales of the securities, Ms. Flores-Martinez falsely stated that the respondent companies were stable and profitable. Moreover, she told the investors that they would make a profitable return and that the monies invested would be returned. Therefore, any false statements or omissions Ms. Flores-Martinez made to Mr. Daguman, Mr. Ling, Ms. Choi, or Ms. Ghobadian were made while selling or offering to sell a security, and therefore, constitute a violation of Corporations Code section 25401.

14. Because Complainant proved that Ms. Flores-Martinez and Flores Shield Group, Inc., sold or offered for sale securities that were subject to qualification under the Corporate Securities Law of 1968 without first being qualified, cause existed to issue the Desist and Refrain Order pursuant to Corporations Code section 25532, subdivision (a). In addition, Complainant proved that Ms. Flores-Martinez, either acting on behalf of herself or on behalf of the respondent corporations, made false statements or omissions of material facts while selling or offering to sell a security as explained in Legal Conclusion 10 and 11. Therefore, cause existed to issue the Desist and Refrain Order pursuant to subdivision (c) of Corporations Code section 25532.

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ORDERS

1. Respondents Maria Belinda Flores-Martinez, Flores Shield Group, Inc., The Pennington Alexander Group, Inc., Fun Life Le'Chris Entertainment & Vision, Inc., jointly and severally, shall desist and refrain from offering or selling unqualified, non-exempt securities in the State of California.

2. Respondents Maria Belinda Flores-Martinez, Flores Shield Group, Inc., The Pennington Alexander Group, Inc., Fun Life Le'Chris Entertainment & Vision, Inc., jointly and

severally, shall desist and refrain from offering, selling, or buying any security in the State of California which includes an untrue statement of a material fact or omits a material fact.

This Decision shall become effective on September 11, 2013.

IT IS SO ORDERED.

DATED: August 12, 2013

/s/
JAN LYNN OWEN
Commissioner of Business Oversight
California Department of Business Oversight