

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 MARLOU de LUNA (CA BAR NO. 162259)
Sr. Corporations Counsel
4 DEPARTMENT OF CORPORATIONS
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7 Attorneys for Complainant

8
9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11	In the Matter of	)	CASE NO.: Alpha
)	
12	THE CALIFORNIA CORPORATIONS	)	AMENDED
13	COMMISSIONER,	)	1) STATEMENT IN SUPPORT OF
		)	ORDER LEVYING ADMINISTRATIVE
14	Complainant,	)	PENALTIES PURSUANT TO
		)	CORPORATIONS CODE
15	v.	)	SECTION 25252;
)	
16	ESTELA ZAVALA,	)	2) CLAIM FOR ANCILLARY RELIEF
		)	PURSUANT TO CORPORATIONS
17	Respondent.	)	CODE SECTION 25254; and
)	
18		)	3) DESIST AND REFRAIN ORDER
)	

19
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, Estela Zavala ("Zavala" or "Respondent"), is a real estate
26 agent licensed by the California Department of Real Estate. Zavala is located at 13238 Premiere
27 Ave., Downey, California 90242.

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1 2. Since at least March 2009, Zavala, by word of mouth, offered and sold securities in
2 California in the form of investment contracts in a real estate program. This real estate program is
3 purportedly comprised of one hundred (100) investors wherein the investors made a monthly
4 payment of one thousand dollars (\$1,000) for the opportunity to purchase a house. Each month the
5 monies were allegedly combined for a monthly total of one hundred thousand dollars (\$100,000).
6 Each investor was entitled to take from this combined total of one hundred thousand dollars
7 (\$100,000) on a first-come, first-served basis, to purchase a house. Each investor was required to
8 make the one thousand dollars (\$1,000) payment every month until each investor had purchased a
9 house. Zavala claimed that it would take about eight years for all investors to purchase a house. At
10 least two investors were shown houses that would be available to them to purchase.

11 3. At least three California investors invested in Zavala’s real estate program, their
12 combined investment totaling fourteen thousand dollars (\$14,000). No written documents
13 describing the investment opportunity in this real estate program were ever provided to the investors.

14 4. Zavala targeted members of the Hispanic community, many of whom were low-
15 income and unsophisticated investors.

16 **VIOLATION OF CORPORATIONS CODE SECTION 25110**
17 **(UNQUALIFIED OFFER AND SALE OF SECURITIES)**

18 5. Complainant re-alleges and reincorporates by reference paragraphs 1 – 4 of this
19 Statement in Support as though fully set forth herein.

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

22 7. The Commissioner has not issued a permit or other form of qualification authorizing
23 the offer and sale of the securities referred to herein in the state of California.

24 **VIOLATION OF CORPORATIONS CODE SECTION 25401**
25 **(MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS)**

26 8. Complainant re-alleges and reincorporates by reference paragraphs 1 – 4 of this
27 Statement in Support as though fully set forth herein.

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1 9. In connection with the offer and sale of these securities, Zavala made, or caused to be
2 made, misrepresentations of material fact or omitted to state material facts necessary in order to
3 make the statements made, in the light of the circumstances under which they were made, not
4 misleading. These misrepresentations and/or omissions include the following:

5 a. Zavala misrepresented to investors that they would own a home through the real
6 estate program she offered;

7 b. Zavala misrepresented to at least one investor that the real estate program she offered
8 comprised of one hundred investors; and

9 c. Zavala failed to disclose the risks associated with the real estate program she offered.

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

14 **II.**

15 **ORDER LEVYING ADMINISTRATIVE PENALTIES**

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

17 11. Complainant re-alleges and reincorporates by reference paragraphs 1 – 10 of this
18 Statement in Support as though fully set forth herein.

19 12. Corporations Code section 25252 authorizes the Commissioner to issue an order
20 levying administrative penalties against any person for willful violations of any provision of the
21 Corporate Securities Law of 1968 (“CSL”) and any rules promulgated thereunder. Specifically,
22 Corporations Code section 25252 provides, in relevant part:

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

25 (a) Any person subject to this division, other than a broker-dealer or
26 investment adviser, who willfully violates any provision of this
27 division, or who willfully violates any rule or order adopted or issued
28 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.

1 13. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1 – 10,
2 Respondent willfully violated the following provisions:

3 a. Corporations Code section 25110 by offering and selling investment contracts that
4 are not qualified by the Department or exempt to the following investors:

5 i) M.S.

6 ii) N.A.

7 iii) R.A.

8 b. Corporations Code section 25401 by making untrue statements in association with
9 the offer and sale of investment contracts to the following investors:

10 i) M.S.

11 ii) N.A.

12 iii) R.A.

13 **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252,
14 the Commissioner prays for an order levying administrative penalties against Respondent Estela
15 Zavala, as follows:

16 A. Pursuant to Corporations Code section 25252, the Commissioner shall levy
17 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code
18 section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as
19 shown below, for a total amount of six thousand dollars (\$6,000) or according to proof.

20 1) First violation: M.S. – \$1,000.00

21 2) Second violation: N.A. – \$2,500.00

22 3) Third violation: R.A. – \$2,500.00

23 B. Pursuant to Corporations Code section 25252, the Commissioner shall levy
24 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations
25 Code section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation,
26 as shown below, for a total amount of six thousand dollars (\$6,000) or according to proof.

27 1) First violation: M.S. – \$1,000.00

28 2) Second violation: N.A. – \$2,500.00

1 Respondent, as follows:

2 A) Full restitution, consisting of the investors' investment principal in an amount of a
3 least twelve thousand dollars (\$12,000) and interest accumulated on the investment principal or
4 according to proof;

5 B) Recovery of attorney's fees, investigative expenses, and costs in an amount of at
6 least six thousand dollars (\$6,000), or according to proof.

7 **IV.**

8 **DESIST AND REFRAIN ORDER**

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

11 18. Corporations Code section 25532, in pertinent part, states:

12 (a) If, in the opinion of the commissioner, (1) the sale of a
13 security is subject to qualification under this law and it is being
14 or has been offered or sold without first being qualified, the
15 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 ...

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

19 Based on the foregoing findings of fact as set forth fully above in paragraphs 1 – 10, the
20 Commissioner is of the opinion that the investment contracts in Respondent's real estate program are
21 securities subject to qualification under the CSL and are being or have been offered and sold without
22 being qualified, in violation of section 25110 of the CSL.

23 Further, the Commissioner is of the opinion that the securities offered by Zavala were
24 offered in this state by means of written or oral communications that included untrue statements of
25 material fact or omitted to state material facts necessary in order to make the statements made, in
26 the light of the circumstances under which they were made, not misleading, in violation of section
27 25401 of the CSL.

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IT IS HEREBY ORDERED EFFECTIVE IMMEDIATELY THAT:

A) Pursuant to Corporations Code section 25532, Estela Zavala desist and refrain from the further offer or sale in the State of California of securities, including but not limited to, the investment contracts as stated above, unless and until qualification has been made under this law or unless exempt.

B) Pursuant to Corporations Code section 25532, Estela Zavala desist and refrain from offering or selling or buying or offering to buy any security in the State of California, including but not limited to the investment contracts in Estela Zavala’s real estate program, 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 CSL.

Dated: October 27, 2011

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____

ALAN S. WEINGER
Deputy Commissioner
Enforcement Division

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 MARLOU de LUNA (CA BAR NO. 162259)
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13	COMMISSIONER,)	ORDER LEVYING ADMINISTRATIVE
)	PENALTIES PURSUANT TO
14	Complainant,)	CORPORATIONS CODE
)	SECTION 25252;
15	v.)	
)	2) CLAIM FOR ANCILLARY RELIEF
16	ESTELA ZAVALA,)	PURSUANT TO CORPORATIONS
)	CODE SECTION 25254; and
17	Respondent.)	3) DESIST AND REFRAIN ORDER
18)	

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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, Estela Zavala ("Zavala" or "Respondent"), is a real estate
26 agent licensed by the California Department of Real Estate. Zavala is located at 13238 Premiere
27 Ave., Downey, California 90242.

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1 2. Since at least March 2009, Zavala, by word of mouth, offered and sold securities in
2 California in the form of investment contracts in a real estate program. This real estate program is
3 purportedly comprised of one hundred (100) investors wherein the investors made a monthly
4 payment of one thousand dollars (\$1,000) for the opportunity to purchase a house. Each month the
5 monies were allegedly combined for a monthly total of one hundred thousand dollars (\$100,000).
6 Each investor was entitled to take from this combined total of one hundred thousand dollars
7 (\$100,000) on a first-come, first-served basis, to purchase a house. Each investor was required to
8 make the one thousand dollars (\$1,000) payment every month until each investor had purchased a
9 house. Zavala claimed that it would take about eight years for all investors to purchase a house. At
10 least two investors were shown houses that would be available to them to purchase.

11 3. At least three California investors invested in Zavala’s real estate program, their
12 combined investment totaling fourteen thousand dollars (\$14,000). No written documents
13 describing the investment opportunity in this real estate program were ever provided to the investors.

14 4. Zavala targeted members of the Hispanic community, many of whom were low-
15 income and unsophisticated investors.

16 **VIOLATION OF CORPORATIONS CODE SECTION 25110**
17 **(UNQUALIFIED OFFER AND SALE OF SECURITIES)**

18 5. Complainant re-alleges and reincorporates by reference paragraphs 1 – 4 of this
19 Statement in Support as though fully set forth herein.

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

22 7. The Commissioner has not issued a permit or other form of qualification authorizing
23 the offer and sale of the securities referred to herein in the state of California.

24 **VIOLATION OF CORPORATIONS CODE SECTION 25401**
25 **(MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS)**

26 8. Complainant re-alleges and reincorporates by reference paragraphs 1 – 4 of this
27 Statement in Support as though fully set forth herein.

28 ///

1 9. In connection with the offer and sale of these securities, Zavala made, or caused to be
2 made, misrepresentations of material fact or omitted to state material facts necessary in order to
3 make the statements made, in the light of the circumstances under which they were made, not
4 misleading. These misrepresentations and/or omissions include the following:

5 a. Zavala misrepresented to investors that they would own a home through the real
6 estate program she offered; and

7 b. Zavala failed to disclose the risks associated with the real estate program she offered.

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

12 **II.**

13 **ORDER LEVYING ADMINISTRATIVE PENALTIES**

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

15 11. Complainant re-alleges and reincorporates by reference paragraphs 1 – 10 of this
16 Statement in Support as though fully set forth herein.

17 12. Corporations Code section 25252 authorizes the Commissioner to issue an order
18 levying administrative penalties against any person for willful violations of any provision of the
19 Corporate Securities Law of 1968 (“CSL”) and any rules promulgated thereunder. Specifically,
20 Corporations Code section 25252 provides, in relevant part:

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

23 (a) Any person subject to this division, other than a broker-dealer or
24 investment adviser, who willfully violates any provision of this
25 division, or who willfully violates any rule or order adopted or issued
26 pursuant to this division, is liable for administrative penalties of not
27 more than one thousand dollars (\$1,000) for the first violation, and not
28 more than two thousand five hundred dollars (\$2,500) for each
subsequent violation.

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1 13. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1 – 10,
2 Respondent willfully violated the following provisions:

3 a. Corporations Code section 25110 by offering and selling investment contracts that
4 are not qualified by the Department or exempt to the following investors:

- 5 i) M.S.
- 6 ii) N.A.
- 7 iii) R.A.
- 8 iv) Investors 4 through 100

9 b. Corporations Code section 25401 by making untrue statements in association with
10 the offer and sale of investment contracts to the following investors:

- 11 i) M.S.
- 12 ii) N.A.
- 13 iii) R.A.
- 14 iv) Investors 4 through 100

15 **WHEREFORE**, good cause showing, and pursuant to Corporations Code section 25252,
16 the Commissioner prays for an order levying administrative penalties against Respondent Estela
17 Zavala, as follows:

18 A. Pursuant to Corporations Code section 25252, the Commissioner shall levy
19 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations Code
20 section 25110 and two thousand five hundred dollars (\$2,500) for each subsequent violation, as
21 shown below, for a total amount of two hundred forty eight thousand five hundred dollars
22 (\$248,500) or according to proof.

- 23 1) First violation: M.S. – \$1,000.00
- 24 2) Second violation: N.A. – \$2,500.00
- 25 3) Third violation: R.A. – \$2,500.00
- 26 4) Fourth through 100th violations: (97 x \$2,500) = \$242,500.00

27 B. Pursuant to Corporations Code section 25252, the Commissioner shall levy
28 administrative penalties of one thousand dollars (\$1,000) for the first violation of Corporations

1 Code section 25401 and two thousand five hundred dollars (\$2,500) for each subsequent violation,
2 as shown below, for a total amount of two hundred forty eight thousand five hundred dollars
3 (\$248,500) or according to proof.

- 4 1) First violation: M.S. – \$1,000.00
- 5 2) Second violation: N.A. – \$2,500.00
- 6 3) Third violation: R.A. – \$2,500.00
- 7 4) Fourth through 100th violations: (97 x \$2,500) = \$242,500.00

8 C. The total amount of administrative penalties for Respondent’s violations of
9 Corporations Code sections 25110 and 25401 is four hundred ninety-seven thousand dollars
10 (\$497,000), or according to proof.

11 **III.**

12 **CLAIM FOR ANCILLARY RELIEF**

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

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

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

19 (a) If the commissioner determines it is in the public interest, the
20 commissioner may include in any administrative action brought under
21 this part a claim for ancillary relief, including, but not limited to, a
22 claim for restitution or disgorgement or damages on behalf of the
23 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.

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

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1 Based on the foregoing findings of fact as set forth fully above in paragraphs 1 – 10, the
2 Commissioner is of the opinion that the investment contracts in Respondent’s real estate program are
3 securities subject to qualification under the CSL and are being or have been offered and sold without
4 being qualified, in violation of section 25110 of the CSL.

5 Further, the Commissioner is of the opinion that the securities offered by Zavala were
6 offered in this state by means of written or oral communications that included untrue statements of
7 material fact or omitted to state material facts necessary in order to make the statements made, in
8 the light of the circumstances under which they were made, not misleading, in violation of section
9 25401 of the CSL.

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

11 A) Pursuant to Corporations Code section 25532, Estela Zavala desist and refrain from
12 the further offer or sale in the State of California of securities, including but not limited to, the
13 investment contracts as stated above, unless and until qualification has been made under this law
14 or unless exempt.

15 B) Pursuant to Corporations Code section 25532, Estela Zavala desist and refrain from
16 offering or selling or buying or offering to buy any security in the State of California, including but
17 not limited to the investment contracts in Estela Zavala’s real estate program, by means of any
18 written or oral communication which includes an untrue statement of a material fact or omits to
19 state a material fact necessary in order to make the statements made, in the light of the
20 circumstances under which they were made, not misleading.

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

23 Dated: May 9, 2011

PRESTON DuFAUCHARD
California Corporations Commissioner

24
25
26 By _____

ALAN S. WEINGER
Deputy Commissioner
Enforcement Division