

1 notes, investors could convert their promissory notes into “net profit interest shares” or “voting
2 shares” in the insurance marketing organization that Schnorenberg was currently involved with at the
3 time a promissory note was executed by Schnorenberg.

4 5. Through general solicitations, in the form of an investor recruitment network and in-
5 person seminars attended by potential investors, Schnorenberg and his agents offered and sold these
6 securities in the State of California.

7 6. The purported purpose of the securities offering was to raise funds for the growth of
8 the various insurance marketing organizations.

9 7. These securities were offered or sold in this state in issuer transactions. The
10 Department of Business Oversight has not issued a permit or other form of qualification authorizing
11 any person to offer or sell these securities in this state.

12 8. In connection with the offer and sale of securities, Schnorenberg made, or caused to be
13 made, misrepresentations of material fact or omitted to state material fact necessary in order to make
14 the statements made, in the light of the circumstances under which they were made, not misleading.
15 The misrepresentations and omissions included, but are not limited to the following:

16 a. In 2001, Schnorenberg was permanently enjoined from selling securities in
17 Colorado by the District Court, City and County of Denver, Colorado in a case brought by the
18 Securities Commissioner for the State of Colorado, styled *Joseph v. Global Link Communications*
19 *Corp et al.* (Case No. 99CV7374);

20 b. In 2003, Schnorenberg filed for bankruptcy in United States Bankruptcy Court,
21 District of Colorado. On November 5, 2003 debts were discharged;

22 c. In 2005, Schnorenberg was permanently enjoined from selling securities in
23 Colorado by the District Court, City and County of Denver, Colorado in a case brought by the
24 Securities Commissioner for the State of Colorado, styled *Joseph v. Kelly Schnorenberg* (Case No.
25 05CV4819);

26 d. Schnorenberg founded and was involved with various failed insurance
27 marketing organizations. When one of the insurance marketing organizations encountered problems,
28 Schnorenberg would move on to the next organization; and

1 e. In the promissory notes, Schnorenberg promised high rates of returns to
2 potential investors, sometimes as high as 12 percent per year. However, Schnorenberg failed to
3 disclose to potential investors that prior investors who received promissory notes did not receive their
4 promised rates of returns.

5 Based on the foregoing findings, the Commissioner of Business Oversight is of the
6 opinion that the convertible promissory notes sold by Kelly James Schnorenberg are securities
7 subject to qualification under the California Corporate Securities Law of 1968 (CSL) and are being or
8 have been offered or sold without being qualified or exempt, in violation of section 25110 of the
9 CSL.

10 Pursuant to section 25532 of the CSL, Kelly James Schnorenberg is hereby ordered to desist
11 and refrain from the further offer or sale in the State of California of securities, including, but not
12 limited to convertible promissory notes, unless and until qualification has been made under said law
13 or unless exempt.

14 Further, the Commissioner of Business Oversight is of the opinion that the securities offered
15 by Kelly James Schnorenberg were offered in this state by means of written or oral communications
16 that included untrue statements of material fact or omitted to state material facts necessary in order to
17 make the statements made, in the light of the circumstances under which they were made, not
18 misleading, in violation of section 25401 of the CSL.

19 Pursuant to section 25532 of the CSL, Kelly James Schnorenberg is hereby ordered to desist
20 and refrain from offering or selling any security in the State of California, including, but not limited
21 to convertible promissory notes by means of any written or oral communication which includes an
22 untrue statement of a material fact or omits to state a material fact necessary in order to make the
23 statements made, in the light of the circumstances under which they were made, not misleading.

24 Pursuant to section 25403 of the CSL, any person who controls or induces another person to
25 violate a provision of the CSL, or any person who provides substantial assistance to another person in
26 the violation of the CSL, shall be liable for the violation.

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: January 8, 2020
San Diego, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division