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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Lyman Ray Warnock, President
Paul Nelson, Chief Financial Officer
The Rose Fund, Inc.
12526 High Bluff Drive, Ste. 300
San Diego, California 92136

William Wright
The Rose Fund LLC
12526 High Bluff Drive, Ste. 300
San Diego, California 92136

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. The Rose Fund LLC is a California limited liability company whose articles of organization were filed with the Secretary of State on October 4, 2002. Its manager is The Rose Fund, Inc., a California corporation whose articles of incorporation were also filed with the Secretary of State on October 4, 2002. The offices of both companies are located at 12526 High Bluff Drive, Suite 300, in San Diego, California 92130.

2. Lyman Ray Warnock is the president of The Rose Fund, Inc.

3. Paul Nelson is the Chief Financial officer of The Rose Fund, Inc.

4. William Wright is the registered agent of The Rose Fund LLC.

1 5. Beginning in approximately November, 2002, and continuing to the present, The
2 Rose Fund LLC, The Rose Fund, Inc., Lyman Ray Warnock, Paul Nelson and William
3 Wright have offered securities of The Rose Fund LLC in issuer transactions in the form of
4 12% Participating Units (or Shares) of Limited Liability Company Interest. The securities
5 are offered in units, or shares, of \$1,000, with a required minimum investment of \$10,000.
6 Investors are promised an annual yield of 12%, payable monthly. The Rose Fund LLC
7 represents itself to be a new business engaged in the organization, funding, purchase and
8 sale of loans secured by real property.

9
10 6. The Rose Fund LLC 12% Participating Units (or Shares) of Limited Liability
11 Company Interest have been and are being offered by means of general solicitation in the
12 form of advertisements placed in newspapers throughout California, including the Los
13 Angeles Times, the San Francisco Chronicle, the Sacramento Bee, the Orange County
14 Register, the Contra Costa Times and the Hayward Daily Review.

15
16 7. The newspaper advertisements have contained and continue to contain untrue
17 statements of material fact. As one example, the advertisements have represented that the
18 securities issued by The Rose Fund LLC are “safe” and “secured by CA real estate” when in
19 fact the securities are unsecured and involve a high degree of risk. Some of the
20 advertisements also include the phrase “CA DRE Lic. #01361102,” implying that The Rose
21 Fund LLC holds a license from the California Department of Real Estate. In fact, however,
22 license number 01361102 was issued by the California Department of Real Estate to The
23 Rose Fund, Inc., not to The Rose Fund LLC, and its securities have neither been reviewed
24 nor approved by any governmental agency.

25
26 8. Advertisements of The Rose Fund LLC have also stated that its securities are
27 “approved for 401(k)/IRA.” This statement is at best misleading since the advertisements
28 fail to state who has approved the securities for 401(k) and IRA accounts, and since no

1 governmental agency “approves” particular securities as being generally suitable for
2 retirement accounts.

3
4 9. The Department of Corporations has not issued a permit or other form of
5 qualification authorizing any person to offer or sell securities of The Rose Fund LLC in this
6 state.

7
8 Based upon the foregoing findings, the California Corporations Commissioner is of
9 the opinion that the 12% Participating Units (or Shares) of Limited Liability Company Interest
10 issued by The Rose Fund LLC are securities subject to qualification under the California
11 Corporate Securities Law of 1968 which are being and have been offered without being
12 qualified, in violation of California Corporations Code section 25110.

13
14 Based upon the foregoing findings, the California Corporations Commissioner is of
15 the further opinion that securities of The Rose Fund LLC, in the form of 12% Participating
16 Units (or Shares) of Limited Liability Company Interest, have been and are being offered in
17 this state by means of written communications which include untrue statements of material
18 fact and which omit to state material facts necessary in order to make the statements made,
19 in the light of the circumstances under which they were made, not misleading, in violation of
20 section 25401 of the Corporate Securities Law of 1968.

21
22 Pursuant to section 25532 of the Corporate Securities Law of 1968, The Rose Fund
23 LLC, The Rose Fund, Inc., Lyman Ray Warnock, Paul Nelson and William Wright are
24 hereby ordered to desist and refrain from the further offer or sale in the State of California of
25 securities issued by The Rose Fund LLC in the form of 12% Participating Units (or Shares)
26 of Limited Liability Company Interest unless and until qualification has been made pursuant
27 to the Corporate Securities Law of 1968.

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Pursuant to section 25532 of the Corporate Securities Law of 1968, The Rose Fund LLC, The Rose Fund, Inc., Lyman Ray Warnock, Paul Nelson and William Wright are hereby further ordered to desist and refrain from offering or selling any security in the State of California, including but not limited to securities issued by The Rose Fund LLC, 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 Corporate Securities Law of 1968.

Dated: September 30, 2003
Sacramento, California

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

By _____
VIRGINIA JO DUNLAP
Deputy Commissioner