

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

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

TO: Gary Lynn Mountain
California Star Properties, Inc.
Coos Bay Central Avenue Property, LLC
15460 Union Avenue
San Jose, CA, 95124

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

The California Corporations Commissioner finds that:

1. Gary Lynn Mountain (“Gary Mountain”) was at all relevant times licensed in California as a real estate agent to operate under the real estate broker’s license of California Star Properties, Inc. (“California Star Properties”). Gary Mountain was a founder of California Star Properties, a California corporation formed on April 15, 1997 and located at a series of addresses including 15460 Union Avenue, San Jose, CA, 95124. Gary Mountain and California Star Properties purport to conduct the following real estate based business: sales, loans and investments.

2. Coos Bay Central Avenue Property, LLC, (“Coos Bay LLC”) is a California limited liability company formed on May 13, 2005, and located at a series of addresses including 15460 Union Avenue, San Jose, CA, 95124. Gary Mountain at all relevant times was the sole managing member of Coos Bay LLC. The stated general business purpose of Coos Bay LLC was to acquire, own, refurbish, manage, lease and operate commercial real property at 335 Central Avenue, Coos Bay, Oregon, 97420.

3. Beginning around May 2005, Gary Mountain, California Star Properties, and Coos Bay LLC offered and sold securities in the form of membership interests in a limited liability company, specifically Coos Bay LLC. A total of \$950,000 was raised for Coos Bay LLC from over ten California investors, many of whom believed that Gary Mountain’s connection with their church

1 made him credible and at least one of whom was elderly, had minimal net worth, and did not have the
2 capacity to protect her own interest. It was represented by Gary Mountain that these funds would be
3 used to purchase a 10,000 square foot commercial building at 335 Central Avenue, Coos Bay,
4 Oregon, repair conditions, build out or remodel three floors, and add 15,000 square feet of rentable
5 space. It was represented that investors could anticipate gross rental returns of about 18% per year.
6 However, contrary to these representations, none of the promised property repairs, renovations or
7 additions have occurred, \$400,000 of the funds was invested and approximately \$160,000 was lost in
8 unauthorized and speculative futures and option trading, and on June 23, 2008 the City of Coos Bay
9 posted a "Notice of Substandard Building and Order" because of the building's still un-repaired
10 unsafe conditions resulting in the eviction of all tenants. Despite having spent nothing on repairs, on
11 July 30, 2008 Gary Mountain told Coos Bay LLC investors that no funds were left and that if they
12 did not provide \$120,000 to repair the unsafe conditions that the initial funding was supposed to
13 cover, they were likely to lose their entire investment.

14 4. In addition, in connection with these offers and sales, Gary Mountain, California Star
15 Properties, and Coos Bay LLC misrepresented or omitted to disclose the following material facts:

16 a.) Gary Mountain sold the commercial property to the Coos Bay LLC for
17 \$400,000 and told investors that this was the price he had paid to purchase the property, when in fact
18 he purchased the property for \$215,000 only a few months before he sold it to Coos Bay LLC for
19 \$400,000, for a profit of \$185,000;

20 b.) Gary Mountain omitted to disclose that a substantial amount of the investors'
21 funds was to be used to trade in extremely risky commodities and futures and option markets;

22 c.) Gary Mountain omitted to disclose that he filed for bankruptcy in the United
23 States Bankruptcy Court, Northern District of California, Petition No. 98-55461 on July 8, 1998.

24 5. In offering these securities for sale to the public, Gary Mountain, California Star
25 Properties, and Coos Bay LLC engaged in general solicitations.

26 6. These securities were offered and sold in this state in issuer transactions. The
27 Department of Corporations has not issued a permit or other form of qualification authorizing any
28 person or entity to offer and sell these securities in this state.

