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California Corporations Commissioner  
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8 BEFORE THE DEPARTMENT OF CORPORATIONS  
9 OF THE STATE OF CALIFORNIA

10	In the Matter of	)	CASE NO.
11	THE CALIFORNIA CORPORATIONS	)	FILE NO. 603-E148
12	COMMISSIONER,	)	
13	Complainant,	)	
14	v.	)	ACCUSATION
15	HURST FINANCIAL CORPORATION,	)	
16	Respondent.	)	
17		)	

18 The Complainant is informed and believes, and based upon such information and belief,  
19 alleges and charges Respondent as follows:

20 I. FACTS

21 Respondent, Hurst Financial Corporation (hereinafter referred to as “Hurst” or  
22 “Respondent”) is a finance lender licensed by the California Corporations Commissioner  
23 (“Commissioner”) pursuant to the California Finance Lenders Law of the State of California  
24 (California Financial Code § 22000 et seq.) (“CFLL”). Hurst currently holds a license issued under  
25 the CFLL for the location of 7035 Morro Road, Atascadero, California 93422, and is owned and  
26 operated by James H. Miller. On August 15, 2008, Hurst moved its offices to 1502 Spring Street,  
27 Suite D, Paso Robles, California 93446 without notifying the Department of Corporations as  
28 required pursuant to Financial Code section 22153.

1 II. HURST’S VIOLATIONS OF THE CALIFORNIA CORPORATE SECURITIES LAW ARE  
2 GROUNDS TO REVOKE HURST’S CALIFORNIA FINANCE LENDER LICENSE

3 On July 18, 2008 the Department of Corporations issued to Hurst, a Notice of Intention to  
4 Enter an Order Revoking Permit Issued Under Section 25113 of the Financial Code, and an Order  
5 Summarily Suspending Permit Issued Under Section 25113 (hereinafter referred to as  
6 “administrative actions”). The Commissioner issued these administrative actions against Hurst  
7 because he found that summarily suspending the permit issued to Respondent was in the public  
8 interest and that Respondent’s proposed plan of business and proposed issuance of securities was no  
9 longer fair, just and equitable because the Respondent’s Offering Circular contained material  
10 misrepresentations about the investment. Additionally, the Commissioner found that the  
11 Respondent failed to conduct business as disclosed in the Offering Circular, and that the securities  
12 proposed to be issued or the method to be used in issuing them would tend to work a fraud upon the  
13 purchaser thereof.  
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15  
16 Specifically the Commissioner found that from 2004 through the present, Respondent  
17 operated business in the following ways:  
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- 19 1. Respondent disbursed to borrowers “all net proceeds” on loans instead of using the “draw  
20 system” in contradiction of the Offering Circular. Additionally, when deciding whether  
21 to invest in the securities offered by Respondent, investors relied on oral representations  
22 made by Respondent that the loan money would be disbursed to borrowers using a “draw  
23 system.”
- 24 2. Respondent extended loans after the maturity date without the approval of investors.
- 25 3. Respondent failed to return investor principle when requested, after the loan maturity  
26 date.
- 27 4. Respondent permitted investors that were not California residents to purchase the  
28 securities offered by Respondent, in violation of the condition in which the permit was  
issued by the Department of Corporations.

1           5. Respondent told investors that construction was starting on certain projects and investors  
2           relied on this representation when deciding whether to invest in the securities offered by  
3           Respondent. In fact no construction was started on these projects.

4           Based on the above, Hurst committed an act involving dishonesty, fraud or deceit that is  
5           substantially related to the qualifications, functions or duties of a person engaged in business of a  
6           finance lender is grounds to deny an application under California Financial Code Section 22109 and  
7           therefore revoke Hurst’s license under section 22714(a)(3) of the CFLL.

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9                           III.     HURST VIOLATED FINANCIAL CODE SECTION 22153

10           The Department of Corporations issued Hurst a license pursuant to the CFLL on November  
11           6, 2006. Pursuant to Financial Code section 22700, the license does not expire unless surrendered,  
12           revoked, or suspended. Hurst is required to maintain only one place of business under an original  
13           license pursuant to Financial Code section 22152. If a licensee desires to change its place of  
14           business, the licensee is required to notify the Commissioner at least ten days prior to the change.  
15           (Financial Code section 22153)

16           Hurst currently holds a license issued under the CFLL for the location of 7035 Morro Road,  
17           Atascadero, California 93422. On August 15, 2008, Hurst moved its offices to 1502 Spring Street,  
18           Suite D, Paso Robles, California 93446. Hurst failed to notify the Department of Corporations that it  
19           moved its place of business, as required by Financial Code section 22153.

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21                           IV.     GROUNDS FOR REVOCATION OF CFLL LICENSE

22           A.     California Financial Code section 22714 provides in pertinent part:

23                   (a) The commissioner shall suspend or revoke any license, upon notice and reasonable  
24                   opportunity to be heard, if the commissioner finds any of the following:

25                           (1) The licensee has failed to comply with any demand, ruling or requirement of the  
26                           commissioner made pursuant to and within the authority of this division.

27                           (2) The licensee has violated any provision of this division or any rule or regulation  
28                           made by the commissioner under and within the authority of this division.

                         (3) A fact or condition exists that, if it had existed at the time of the original

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application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.

B. California Financial Code section 22109 provides in pertinent part:

(a) Upon reasonable notice and opportunity to be heard, the commissioner may deny the application for any of the following reasons:

(2) Any officer, director, general partner, or person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interest or equity securities of the applicant has, within the last 10 years ... (B) committed any act involving dishonesty, fraud, or deceit, if the ... act is substantially related to the qualifications, functions or duties of a person engaged in business in accordance with this division.

C. California Financial Code section 22153 provides in pertinent part:

(a) If a licensee desires to change its place of business to a street address other than that designated in its license, the licensee shall give written notice to the commissioner on a form provided by the commissioner at least 10 days prior to the change. . .

VI. CONCLUSION

Complainant finds that, by reason of the foregoing, that facts or conditions now exist, that if they had existed at the time of original licensure, it reasonably would have warranted the Commissioner in refusing to issue the license to Hurst, and based thereon, grounds exist to revoke the finance lenders license of Hurst. Additionally, Hurst failed to notify the Commissioner of its change of business location, therefore violating a provision of the CFFL. This creates an additional grounds to revoke the finance lenders license of Hurst.

WHEREFORE, IT IS PRAYED that the finance lender license of Hurst Financial Corporation be revoked.

Dated: September 8, 2008  
Sacramento, California

California Corporations Commissioner

By \_\_\_\_\_  
Mary Ann Smith  
Senior Corporations Counsel