PRESTON DuFAUCHARD
California Corporations Commissioner
ALAN S. WEINGER
Deputy Commissioner
MARLOU de LUNA (CA BAR NO. 162259)
Sr. Corporations Counsel
DEPARTMENT OF CORPORATIONS
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
Telephone: 213-576-7606
Facsimile: (213) 576-7181

Attorneys for Complainant

BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

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

Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the Department of Corporations ("Department"), collectively ("Complainant"), alleges and charges as follows:

I.

STATEMENT OF FACTS

1. At all relevant times herein, Estela Zavala ("Zavala" or "Respondent"), is a real estate agent licensed by the California Department of Real Estate. Zavala is located at 13238 Premiere Ave., Downey, California 90242.

///

State of California - Department of Corporations

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

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

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

VIOLATION OF CORPORATIONS CODE SECTION 25110

(UNQUALIFIED OFFER AND SALE OF SECURITIES)

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

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

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

VIOLATION OF CORPORATIONS CODE SECTION 25401

(MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS)

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

///

State of California - Department of Corporations

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

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

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

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

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

II.

ORDER LEVYING ADMINISTRATIVE PENALTIES

(For violations of Corporations Code sections 25110 and 25401)

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

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

> The commissioner may, after appropriate notice and opportunity for hearing, by orders, levy administrative penalties as follows:
>
> (a) Any person subject to this division, other than a broker-dealer or investment adviser, who willfully violates any provision of this division, or who willfully violates any rule or order adopted or issued 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.

State of California - Department of Corporations

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

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

i) M.S.

ii) N.A.

iii) R.A.

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

i) M.S.

ii) N.A.

iii) R.A.

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

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

1) First violation: M.S. – $1,000.00

2) Second violation: N.A. – $2,500.00

3) Third violation: R.A. – $2,500.00

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

1) First violation: M.S. – $1,000.00

2) Second violation: N.A. – $2,500.00

State of California - Department of Corporations

3) Third violation: R.A. – $2,500.00

C. The total amount of administrative penalties for Respondent's violations of Corporations Code sections 25110 and 25401 is twelve thousand dollars ($12,000), or according to proof.

III.

CLAIM FOR ANCILLARY RELIEF

(For violations of Corporations Code sections 25110 and 25401)

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

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

> (a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this part a claim for ancillary relief, including, but not limited to, a claim for restitution or disgorgement or damages on behalf of the 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.
>
> (b) In an administrative action brought under this part, the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include an amount representing 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.

16. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1 – 10, Respondent sold unqualified securities in an amount of at least twelve thousand dollars ($12,000), to at least 3 investors, in violation of Corporations Code sections 25110 and 25401.

WHEREFORE, good cause showing and the Commissioner's determination that this action is in the public interest and necessary to effectuate the Department's primary, legitimate, regulatory purpose based upon the Respondent's violations of the CSL, the Commissioner hereby prays for an order of ancillary relief pursuant to Corporation Code section 25254 against

State of California - Department of Corporations

Respondent, as follows:

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

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

IV.

DESIST AND REFRAIN ORDER

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

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

> (a) If, in the opinion of the commissioner, (1) the sale of a security is subject to qualification under this law and it is being or has been offered or sold without first being qualified, the 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 …
>
> (c) If, in the opinion of the commissioner, a person has violated or is violating Section 25401, the commissioner may order that person to desist and refrain from the violation.

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

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

///

State of California - Department of Corporations

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

State of California - Department of Corporations