

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, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: Cornerstone Realty Group, Inc. a.k.a. CRG Properties LLC, CRG
Rourke Oakland
John Francis Itzel

11 Tall Oak
Irvine, California 92603

3152 Red Hill Avenue, Suite 110
Costa Mesa, California 92626

<https://cornerstonerealtygroupinc.com>

DESIST AND REFRAIN ORDER

(For violations of section 25401 of the Corporations Code)

The Commissioner of Business Oversight finds that:

1. At all relevant times, Cornerstone Realty Group, Inc. a.k.a. CRG Properties LLC, CRG (Cornerstone) was a California corporation formed on April 24, 2013. Cornerstone maintained business addresses at 11 Tall Oak, Irvine, California 92603 and 3152 Red Hill Avenue, Suite 110, Costa Mesa, California 92626. Cornerstone was a corporation licensed (license no. 01949422) with the California Bureau of Real Estate (BRE). Cornerstone operated and maintained an internet website located at <https://cornerstonerealtygroupinc.com>.

2. According to Cornerstone’s offering materials, Cornerstone was a privately held real estate investment firm which “specializes in the acquisition of value-added commercial properties as well as fractal interest in tenancies in common purchased at discounted prices.” Through its subscription based national platform, 1031NetEx.com, Cornerstone planned to “sell off other tenancies-in-common interests for short-term profits” for its investors.

3. At all relevant times, Rourke Oakland (Oakland) was the CEO, founder, and control person of Cornerstone.

1 4. At all relevant times, John Francis Itzel (Itzel) was the president, control person, and
2 registered agent for service of process of Cornerstone. At all relevant times, Itzel was a licensed
3 broker (licensed no. 00792890) with the BRE.

4 5. At all relevant times, Cornerstone, Oakland, and Itzel and each of them, directly or
5 indirectly controlled one another or provided substantial assistance to one another within the meaning
6 of Corporations Code section 25403.

7 6. Beginning on or about March 2014, Cornerstone, Oakland, and Itzel offered and sold
8 securities to investors in the form of investment contracts called “Stock Purchase Agreement” in
9 Cornerstone to at least one California resident. These securities were offered through general
10 solicitations, including advertisements mailed to members of the public and cold-calls via telephone.

11 7. Cornerstone, Oakland, and Itzel told investors that the investment funds would be used
12 to “purchase under-valued, under-performing properties, and reposition them into fully performing,
13 value-added real estate.” The purported purpose of the securities offering was to raise funds to buy
14 real estate properties and leverage the assets for short and long term returns for its investors.

15 8. In order to invest in Cornerstone, each investor was told they would be required to
16 sign: a “Stock Purchase Agreement”; a “U.S. Person Subscription Agreement”; and make a check out
17 to, or wire transfer their investment money to Cornerstone’s bank.

18 9. At least one California resident paid \$35,000.00 to Cornerstone, Oakland, and Itzel. In
19 return, the California resident received a stock certificate issued by Cornerstone. The stock certificate
20 represented the California resident’s equity ownership interest in Cornerstone.

21 10. In connection with the offer and sale of these securities, Cornerstone, Oakland, and
22 Itzel made, or caused to be made, misrepresentations of material fact or omitted to state material facts
23 necessary in order to make the statements made, in the light of the circumstances under which they
24 were made, not misleading. These misrepresentations and omissions included, but are not limited to
25 the following:

26 (a) Cornerstone, Oakland, and Itzel misrepresented to investors their investment
27 funds would be used to purchase real estate property. In fact, Cornerstone, Oakland, and Itzel did not
28 buy any real estate property with investors’ funds and investors lost their principal.

1 (b) Cornerstone, Oakland, and Itzel failed to disclose to investors that their
2 investment funds would be used to market and solicit additional investors. Cornerstone, Oakland, and
3 Itzel never told investors their investment funds would be used to solicit new investors.

4 Based on the foregoing findings, the Commissioner of Business Oversight is of the opinion
5 that the securities offered by Cornerstone Realty Group, Inc. a.k.a. CRG Properties LLC, CRG,
6 Rourke Oakland, and John Francis Itzel were offered in this state by means of written or oral
7 communications that included untrue statements of material fact or omitted to state material facts
8 necessary in order to make the statements made, in the light of the circumstances under which they
9 were made, not misleading, in violation of section 25401 of the Corporate Securities Law of 1968.

10 Pursuant to section 25532 of the Corporate Securities Law of 1968, Cornerstone Realty
11 Group, Inc. a.k.a. CRG Properties LLC, CRG, Rourke Oakland, and John Francis Itzel, are hereby
12 ordered to desist and refrain from offering or selling or buying or offering to buy any security in the
13 State of California, including but not limited to, investment contracts, by means of any written or oral
14 communication which includes an untrue statement of a material fact or omits to state a fact
15 necessary in order to make the statements made, in the light of the circumstances under which they
16 were made, not misleading.

17 Pursuant to Corporations Code section 25403, any person who controls or induces another
18 person to violate a provision of the Corporate Securities Law of 1968, or any person who provides
19 substantial assistance to another person in violation of the Corporate Securities Law of 1968, shall be
20 liable for the violation.

21 This Order is necessary, in the public interest, for the protection of investors and consistent
22 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

23

24 Dated: June 13, 2018

JAN LYNN OWEN
Commissioner of Business Oversight

25

26

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

27

28