

1 MARY ANN SMITH
Deputy Commissioner
2 DOUGLAS M. GOODING
Assistant Chief Counsel
3 MARISA I. URTEAGA-WATKINS (State Bar No. 236398)
Counsel
4 Department of Business Oversight
1515 K Street, Suite 200
5 Sacramento, California 95814
6 Telephone: (916) 445-9626
Facsimile: (916) 445-6985

7 Attorneys for Complainant

8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:
12 THE COMMISSIONER OF BUSINESS
13 OVERSIGHT,

14 Complainant,

15 v.

16 D. STEPHENS MANAGEMENT AND
CONSULTING L.L.C., DERRICK STEPHENS,
17 AND OLENA KORNEEVETS, also known as
18 LOLA KORNEEVETS,

19 Respondents.
20

) STATEMENT IN SUPPORT OF ORDER
) LEVYING ADMINISTRATIVE PENALTIES
) PURSUANT TO CORPORATIONS CODE
) SECTION 25252

21 Jan Lynn Owen, the Commissioner of Business Oversight ("Commissioner"), brings this
22 action in the public interest and alleges and charges as follows:

23 **I.**

24 **STATEMENT OF FACTS**

25 1. At all relevant times, D. Stephens Management and Consulting, L.L.C.
26 ("Management") is an Arkansas limited liability company with a primary place of business located at
27 6601 Center Drive West, Suite 500, Los Angeles, California, 90045 and at 1805 Thayer Street, Little
28

1 Rock, Arkansas, 72202. Management transacts business by email at dstephens10@live.com, by
2 telephone at (310) 756-9720, and by facsimile at (770) 489-4916.

3 2. On September 11, 2008, the Department of Business Oversight (“Department”) issued
4 a Desist and Refrain Order against Management for violations of Corporation Code sections 25110,
5 25401, 25210, 29535, and 29536 (“2008 Order”).

6 3. At all relevant times, Derrick Stephens (“Stephens”) is the managing member of and a
7 representative for Management. Stephen transacts business at 6601 Center Drive West, Suite 500,
8 Los Angeles, California, 90045. Stephens also transacts business by email at dstephens10@live.com,
9 by telephone at (310) 756-9720, and by facsimile at (770) 489-4916.

10 4. At all relevant times, Olena Korneevets, also known as Lola Korneevets,
11 (“Korneevets”) is an individual doing business as a representative and agent for service of process for
12 Management. Korneevets transacts business at 127 Whitney Street, Unit 1, El Segundo, California,
13 90245 or at 6601 Center Drive West, Suite 500, Los Angeles, California, 90045. Korneevets also
14 transacts business by telephone at (310) 980-1940.

15 5. Management, Stephens and Korneevets are herein collectively referred to as
16 “Respondents.” Whenever reference is made herein to “Respondents” doing any act, the allegation
17 shall mean the act of each respondent acting individually, jointly and severally.

18 6. Beginning in February 2015, Respondents offered and sold investment agreements to
19 investor V.L.V. domiciled in Rancho Cucamonga, Los Angeles County in violation of the 2008
20 Order. The terms of the investment were as follows: Investor V.L.V. paid to Respondents a capital
21 investment amount of two hundred ninety thousand dollars (\$290,000.00) for the purpose of investing
22 in Management and other related business enterprises in exchange for a profit on the capital
23 investment. Management sometimes referred to this investment as a “stand by letter of credit” in or
24 with Management. Investor V.L.V. was to receive in return from Respondents, the entire principal
25 capital investment of two hundred ninety thousand dollars (\$290,000.00), and an additional sixty
26 three thousand dollars (\$63,800.00) as twenty two percent (22%) interest profit on the capital
27 investment. Respondents referred to this first phase of investment as the “first tranche.” The second
28 phase or “second tranche” of the investment was to consist of investor V.L.V. reinvesting the three
hundred fifty three thousand eight hundred dollars (\$353,800.00) from the “first tranche” for an
additional number of days. Investor V.L.V. was to receive a profit on the amount from the “second
tranche” of one million eight hundred seventy one thousand and two hundred dollars (\$1,871,200.00).

1 In all, investor V.L.V. was promised a sum of one million nine hundred thirty five thousand dollars
2 (\$1,935,000.00) total as profit on the capital investment of two hundred ninety thousand dollars
3 (\$290,000.00). At all times during the investment, Respondents guaranteed the return of investor
4 V.L.V.'s initial principal investment.

5 7. Beginning in 2015, Respondents offered and sold the above described securities in
6 California in issuer transactions. The Department has not issued a permit or other form of
7 qualification authorizing any person to offer and/or sell these securities in the form of investment
8 agreements in California. Respondents are not exempt from the qualification requirements set forth
9 in the Corporate Securities Law of 1968.

10 8. Beginning in 2015, in connection with the offer and sale of these securities,
11 Respondents made, or caused to be made, misrepresentations of material fact or omitted to state
12 material facts necessary in order to make the statements made, in the light of the circumstances under
13 which they were made, not misleading. Specifically, Respondents misrepresented to investor V.L.V.
14 that investor V.L.V. would receive a profitable return on investor V.L.V.'s investment, and would, at
15 the minimum, receive the principal amount invested at the termination of the investment.
16 Respondents also represented that "this investment had little or no risk only if the entire US financial
17 system collapsed would the investment be at risk" [sic]. To date, investor V.L.V. has not received
18 the principal amount or profits from the principal investment, despite repeatedly requesting the
19 amount to be returned.

20 9. In addition, Respondents, in connection with the offer and sale of the security offered,
21 omitted to state material facts necessary as follows: Respondents failed to disclose to investor V.L.V.
22 the existence of the 2008 Order.

23 10. Corporations Code section 25110 prohibits the offering and/or selling securities that
24 are not qualified by the Department or exempt.

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

II.

**ORDER LEVYING ADMINISTRATIVE PENALTIES
(For violations of Corporations Code sections 25110 and 25401)**

12. The Commissioner re-alleges and reincorporates by reference paragraphs 1-11 of this Statement in Support as though fully set forth herein.

13. 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 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.

14. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-13, Respondents willfully violated Corporations Code section 25110 by offering and/or selling securities that are not qualified by the Department or exempt. Respondents also willfully violated Corporations Code section 25401 by making untrue statements or omissions in association with the offer and sale of investment agreements in California.

WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252, the Commissioner prays for an order levying administrative penalties against Respondents D. Stephens Management and Consulting, L.L.C., Derrick Stephens, and Olena Korneevets, also known as Lola Korneevets, jointly and severally, as follows:

That pursuant to Corporations Code section 25252, the Commissioner levy administrative penalties of one thousand dollars (\$1,000.00) for the first violation of the Corporate Securities Law of 1968 and two thousand five hundred dollars (\$2,500.00) for each subsequent violation:

1 (a) First violation: \$1,000.00 for one (1) violation of Corporations Code section
2 25110 as follows: Beginning in 2015, Respondents offered and sold the above described securities
3 in California in issuer transactions. The Department of Business Oversight has not issued a permit
4 or other form of qualification authorizing any person to offer and sell these securities in the form of
5 investment agreements in California.

6 (b) Second violation: \$2,500.00 for one (1) violation of Corporations Code
7 section 25401 as follows: Respondents misrepresented to investor V.L.V. that investor V.L.V.
8 would receive a profitable return on investor V.L.V.'s investment. To, date investor V.L.V. has not
9 received a profitable return on investor V.L.V.'s investment from Respondents. Respondents also
10 represented that "this investment had little or no risk only if the entire US financial system
11 collapsed would the investment be at risk" [sic] for the investor. To date, investor V.L.V. has not
12 received investor V.L.V.'s principal amount, despite repeatedly requesting the amount to be
13 returned.

14 (c) Third violation: \$2,500.00 for one (1) violation of Corporations Code section
15 25401 as follows: Beginning in 2015, Respondents, in connection with the offer and sale of the
16 security offered, failed to disclose to investor V.L.V. the existence of the 2008 Order in violation of
17 the Corporate Securities Law of 1968.

18 The total amount of administrative penalties for Respondents' violations of Corporations
19 Code sections 25110 and 25401 is six thousand dollars (\$6,000.00). These administrative penalties
20 are necessary in the public interest for the protection of consumers and are consistent with the
21 purposes, policies, and provisions of the Corporate Securities Law of 1968.

22
23 Dated: June 22, 2016
24 Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

25
26 By _____
27 MARISA I. URTEAGA-WATKINS
28 Counsel
Enforcement Division