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10 BEFORE THE DEPARTMENT OF CORPORATIONS
11 OF THE STATE OF CALIFORNIA

Case No. 8561

12 In the Matter of

**ACCUSATION AND STATEMENT IN
SUPPORT:**

13 THE CALIFORNIA CORPORATIONS
14 COMMISSIONER,

1. REVOKING THE FINANCE LENDERS
LICENSES OF LCM HIGH INCOME FUND LLC
AND LCM STRATEGIC INCOME FUND LLC
PURSUANT TO FINANCIAL CODE 22714

15 Complainant,

2. REVOKING SECURITIES PERMIT ISSUED
TO LCM STRATEGIC INCOME FUND LLC
PURSUANT TO CORPORATIONS CODE
SECTIONS 25140(a)(1).

16 v.

17 PAUL ZUPAN; SUZIE ZUPAN; LATITUDE
18 CAPITAL MANAGEMENT INC.; LCM HIGH
19 INCOME FUND LLC; LCM STRATEGIC
20 INCOME FUND LLC,

3. SUMMARILY SUSPENDING SECURITIES
PERMIT ISSUED TO LCM STRATEGIC INCOME
FUND LLC PURSUANT TO CORPORATIONS
CODE SECTION 25143(a).

21 Respondents.

4. BARRING PAUL ZUPAN FROM ANY
POSITION OF EMPLOYMENT, MANAGEMENT
OR CONTROL OF ANY FINANCE LENDER
PURSUANT TO FINANCIAL CODE SECTION
21169(a)(1) and 21169(a)(2).

5. BARRING SUZIE ZUPAN FROM ANY
POSITION OF EMPLOYMENT, MANAGEMENT
OR CONTROL OF ANY FINANCE LENDER
PURSUANT TO FINANCIAL CODE SECTION
22169(a)(1)

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6. REVOKING INVESTMENT ADVISER
CERTIFICATE OF LATITUDE CAPITAL
MANAGEMENT INC. PURSUANT TO
CORPORATIONS CODE SECTIONS 25232

7. BARRING PAUL ZUPAN FROM ANY
POSITION OF EMPLOYMENT, MANAGEMENT
OR CONTROL PURSUANT TO CORPORATIONS
CODE SECTION 25232.1

8. BARRING SUZIE ZUPAN FROM ANY
POSITION OF EMPLOYMENT, MANAGEMENT
OR CONTROL PURSUANT TO CORPORATIONS
CODE SECTION 25232.1

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

I
JURISDICTION

1. Respondents LCM High Income Fund LLC and LCM Strategic Income Fund LLC (“High Income Fund” and “Strategic Income Fund” respectively) are California corporations and are lenders/brokers licensed by the California Corporations Commissioner (“Commissioner”) pursuant to the California Finance Lenders Law of the State of California (California Financial Code section 22000 et seq.). (“CFLL”) The High Income Fund has been licensed as a lender/broker under the CFLL since on or about November 16, 2004, and the license granted was # 605-2901. High Income Fund has its principal place of business at 1505 Bridgeway #110, Sausalito, CA 94965. The Strategic Income Fund was licensed as a lender/broker under the CFLL on or about February 23, 2007 and the license granted was #605-3638. The Strategic Income Fund has its principal place of business at 1505 Bridgeway, #110, Sausalito, CA 94965.

2. Respondent Latitude Capital Management Inc. (“Latitude Capital”) is a California corporation and has been issued a certificate by the Department of Corporations as an investment adviser since June 8, 2005. Latitude Capital is the general member and manager of the High Income Fund and the Strategic Income Fund.

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3. Respondent Suzie Zupan (CRD # 4922732) is an investment adviser representative, and President and sole shareholder of Latitude Capital, and a resident of California.

4. Respondent Paul Zupan (CRD # 5180735) is an investment adviser representative and the de facto chief operating officer of Respondents Latitude Capital, High Income Fund and Strategic Income Fund, and a resident of California.

5. The Department issued a securities permit on July 5, 2007 to Strategic Income Fund to offer and sell securities pursuant to an application filed with the Department of Corporations and this permit expires on July 5, 2008.

**II
STATEMENT OF FACTS**

A. CALIFORNIA FINANCE LENDERS LICENSES FOR HIGH INCOME FUND AND STRATEGIC INCOME FUND

6. California Financial Code section 22101 provides that an application for a CFLL license shall be in the form and contain the information that the Commissioner may by rule require. California Financial Code section 22101 and California Code of Regulations, title 10, section 1422, requires corporate applicants to disclose to the Commissioner in the application all officers, directors, any person owning or controlling, directly or indirectly, 10% or more of the applicant, and all person(s) who would be in charge of the business.

7. On or about August 17, 2004, High Income Fund filed its application for a lender/broker license with the Commissioner pursuant to California Financial Code section 22101 (File No. 605-2901, hereinafter the “application”). The application identified Respondent Suzie Zupan as the President, one of two directors, and the person in charge of Latitude Capital, the manager of the High Income Fund, and the license under the CFLL was issued on November 16, 2004. Strategic Income Fund was issued a license under the CFLL in February, 2007.

8. Section 1422 of the California Code of Regulations requires, and the application for High Income Fund included a Statement of Identity and Questionnaire (“SIQ”) for Suzie Zupan and for a Dois Bock as directors of Latitude Capital. Section 1422 requires CFLL applications to include an SIQ for all officers, directors, any person owning or controlling,

1 directly or indirectly, 10% or more of the applicant, and all person(s) who would be in charge of
2 the business. Paul Zupan was not listed as a person who would be in charge of the business and
3 did not complete a SIQ. Suzie Zupan executed the application under penalty of perjury as
4 president of Latitude Capital

5 9. A review of the CFLL files in conjunction with the results of a Department field
6 examination of Latitude Capital showed that Paul Zupan who had not been disclosed to the
7 Department of Corporations in the CFLL applications, was in fact the manager and controlling
8 person of both CFLL licensees, the High Income Fund and the Strategic Income Fund and also
9 the controlling person of Latitude Capital. Further, due to disclosures made during the
10 examination it became apparent that Paul Zupan would not have been approved for a lender/
11 broker CFLL license if full and transparent disclosure had been made by the applicant and
12 alleged controlling person, Suzie Zupan and by her spouse, the de facto controlling person of
13 High Income Fund, and Strategic Income Fund, Paul Zupan.

14 10. A further review of the Department's files relating to the application for a CFLL
15 license for High Income Fund and Strategic Income Fund reveal that Suzie Zupan, President of
16 Latitude Capital never disclosed at any time that in fact her husband, Paul Zupan, would be the
17 de facto controlling person in the High Income Fund and Strategic Income Fund. His role
18 covered a wide range of activities, including marketing of securities, choosing investments for
19 the Funds, dealing with all investors and signing correspondence on behalf of the Manager of the
20 Funds, Latitude Management Capital Inc. For all practical purposes the High Income Fund and
21 Strategic Income Fund were the alter egos of Paul Zupan.

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23 **B. INVESTMENT ADVISER AND ADVISER REPRESENTATIVE APPLICATIONS**

24 11. Latitude Capital has been issued a certificate on June 8, 2005 as an investment
25 adviser by the Department of Corporations. Suzie Zupan is the President and sole shareholder of
26 Latitude Capital. In the application for the investment adviser certificate on behalf of Latitude
27 Capital there is no reference made to any role in Latitude Capital for Paul Zupan. There were
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1 two directors at the time of the application, and the two directors were Suzie Zupan and Dois
2 Bock.

3 12. On July 18, 2006 in a filing with the Department of Corporations in reference to
4 an application for a certificate as an Investment Adviser Representative Paul Zupan answered
5 yes to three disclosure questions on a Form U4, and these disclosures indicated:

6 a) At Items 14 A(1)(a) and 14 (b) that Paul Zupan had pled to two felony counts of Grand
7 Theft property, (PC 487.1) and on November 18, 1992 he was sentenced to 16 months in state
8 prison.

9 b) At Item 14 F that Zupan had his license to practice law suspended with prejudice and
10 resigned from the California State Bar with disciplinary proceedings pending for a crime of
11 moral turpitude.

12 c) Item 14K(1) that Paul Zupan had one or more declarations of bankruptcy, the last
13 discharge in bankruptcy concluding in the year 2000.

14 Since June 8, 2005, Latitude Capital has been licensed with the Department of Corporations as
15 an investment adviser. Suzie Zupan is an investment adviser representative and is President and
16 sole shareholder of Latitude Capital On July 18, 2006 Paul Zupan filed a Form U4 on the Web
17 CRD for investment adviser representative status, in the capacity of an employee of Latitude
18 Capital , listing his position with the company as “clerk”. This was a patently false statement.

19 13. Paul Zupan was granted investment adviser representative status by the Department
20 on August 23, 2006, based on his representation that he would employed as a clerk. The
21 Department has now concluded that the granting of that status to Paul Zupan should not have
22 been permitted given his actual responsibilities as de facto controlling person of Latitude Capital.

23 14. While licensed as an investment adviser representative by the Department Paul
24 Zupan engaged in the offer, and sale, of securities by means of false and misleading statements
25 in violation of Corporations Code 25401, as will be more fully set forth herein.

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27 **C. SECURITIES PERMIT APPLICATIONS**
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1 15. On March 29, 2007, Latitude Capital Management applied for a securities permit
2 pursuant to Corporations Code section 25113, seeking to raise \$10,000,000 in 10,000 units of
3 limited liability company interests. This permit expired on March 29, 2008. In July of 2007 a
4 new investor contacted Paul Zupan at the High Income Fund. The investor had seen the web
5 page for the High Income Fund. After contacting Paul Zupan to discuss investing, this investor
6 decided to invest in the High Income Fund. Paul Zupan made statements to the investor that all
7 invested funds would be secured by high value property with only first or second deeds of trust,
8 and assured the investor that monthly interest payments would be forthcoming. At the time Paul
9 Zupan knew these statements to be false. He knew no further interest payments would be made
10 to investors of the High Income Fund.

11 16. During September, 2007 an investor sent a payment for shares in the High Income
12 Fund to Paul Zupan at the High Income Fund. The investor never received any interest
13 payments. In fact High Income Fund and the Zupans did not make any interest payments to any
14 investor in the High Income Fund as of the end of August, 2007. The High Income Fund and the
15 Zupans knew or should have known that there would not be any interest paid to investors at the
16 time they accepted the investment funds at the end of September, 2007 from the investor. In
17 offering to sell and selling the shares in the High Income Fund to the investor the High Income
18 Fund and the Zupans made misrepresentations of material facts, and omitted to state material
19 facts in that the Zupans knew that no interest payments would be made to investors after the end
20 of August, 2007. The Zupans knew that the value of each investor's account would be written
21 down going forward, and in fact the investor who made the September 2007 investment has had
22 the value of his account written down. When this investor requested that his funds be returned in
23 November and again in December of 2007, the Zupans declined to return his funds.

24 17. On July 5, 2007 Strategic Income Fund was granted a securities permit pursuant to
25 Code 25113, seeking to arrange the organization, purchase and sale of loans secured by real
26 property. Strategic Income Fund planned to raise capital through an intra-state offering of shares
27 pursuant to a permit issued by the Department of Corporations. This permit granted to Strategic
28 Income Fund will expire July 5, 2008.

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III
CALIFORNIA FINANCE LENDERS LAW VIOLATIONS

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18. On August 16, 2007 the Department of Corporations instituted a field examination of Latitude Capital, the listed Manager of the High Income Fund. The examination continued on August 21, 2007 and again on March 28, 2008. Upon further review, it was determined that also a CFLL had been issued to LCM Strategic Income Fund LLC, and Latitude Capital was also the listed Manager.

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19.. California Code of Regulations at Title 10 section 1422 (a) states an application for a CFLL license shall be submitted to the Commissioner on the form set out at Title 10 section 1422 (c). On that form, at Item No. 6 of the above described form it instructs:

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6(c) "Provide the full name, address telephone number and email address of all managers as "person(s)" who will be in charge of the place of business. 'Managers' are persons with authority to manage the operations of the organization in California."

6(d)and (e): "List the full name of any other person with direct responsibility for the applicants proposed activities under the CFLL license in 6 (d) (emphasis added) and any other person that owns or controls, directly or indirectly, 10% or more of the applicant in Item 6(e).

20. Notwithstanding the above detailed instructions in the California Code of Regulations and similar instructions printed on the application form, Paul Zupan and his involvement as a controlling person in the High Income Fund and Strategic Income Fund was never disclosed. Suzie Zupan signed the CFLL application for the High Income Fund under penalty of perjury on August 13, 2004. Suzie Zupan signed the CFLL application for the Strategic Income Fund under penalty of perjury on September 5, 2006.

21. Pursuant to California Financial Code section 22108 and California Code of Regulations, Title 10, section 1422 all CFLL licensees are required to amend their application(s) if there is any change in any of the persons required to be identified in the application(s). Additionally California Code of Regulations, Title 10, section 1409 required CFLL licensees to maintain a current list of officers and directors with the Commissioner, and in the event of any change, to file with the Commissioner the same information on such new person as is required

1 for an original license. Neither the High Income Fund nor the Strategic Income Fund ever filed
2 an amendment to their respective applications to disclose that Paul Zupan had assumed a role as
3 a manager or controlling person of either the High Income Fund or the Strategic Income Fund.
4 This was a violation of California Financial Code section 22108 and California Code of
5 Regulations, Title 10, sections 1422 and 1409.

6 22. California Financial Code section 22159 requires an Annual Report to be filed
7 with the Commissioner of the Department of Corporations for all CFLL licensees. Contained in
8 the Annual Report to be filed is a Schedule K which requires disclosure for all Directors and
9 Officers and for a corporation a person directly or indirectly controlling 10% or more of the
10 outstanding equity securities.

11 23. Schedule K contains instructions that any person who is defined in Financial Code
12 section 22108 should be included in the Schedule K. As noted above any person with direct
13 responsibility for the applicant's activities should be included as required by section 22108.
14 Paul Zupan had direct responsibility for the activities of the High Income Fund and his name
15 was never included in any Schedule K as part of an Annual Report for the High Income Fund.
16 The Annual Reports filed for the High Income Fund were executed by Suzie Zupan under
17 penalty of perjury.

18 24. Accordingly, the initial applications submitted by Suzie Zupan for High Income
19 Fund and Strategic Income Fund were false in that a) Suzie Zupan was not the sole officer of
20 Latitude Capital which is the manager of both High Income Fund and Strategic Income Fund,
21 and b) Suzie Zupan was not the person in charge of the business. In the alternative, if the
22 changes occurred after licensure, High Income Fund and Strategic Income Fund violated
23 California Financial Code section 22108 and California Code of Regulations, title 10, section
24 1422, by failing to amend its initial application to disclose Paul Zupan's positions with either of
25 the Funds.

26 25. High Income Fund and Strategic Income Fund violated California Code of
27 Regulations title 10, section 1409 by failing to maintain a current list of officers and directors
28 with the Commissioner.

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26. California Financial Code section 22714 provides in pertinent part:

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

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

(2) The licensee has violated any provision of this division or any rule or regulation 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 application for the license, reasonably would have warranted the commissioner in refusing to issue the license originally.

27. 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:

(1) A false statement of a material fact has been made in the application;

(3) The applicant or any officer, director, general partner, or person owing or controlling directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the applicant has violated any provision of this division or the rules thereunder or any similar regulatory scheme of the State of California or foreign jurisdiction.

28. California Financial Code section 22169 provides in pertinent part:

(a) The commissioner may, after appropriate notice and opportunity for hearing, by order, censure or suspend for a period not exceeding 12 months, or bar from any position of employment, management, or control any finance lender, broker, or any other person, if the commissioner finds either of the following:

(1) That the censure, suspension, or bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the finance lender, or to the public.

(2) That the person has been convicted of or pleaded nolo contendere to any crime, or has been held liable in any civil action by final judgment, or any administrative judgment by any public agency, if that crime or civil or administrative judgment involved

1 any offense involving dishonesty, fraud, or deceit, or any other
2 offense reasonably related to the qualifications, function, or duties
3 of a person engaged in the business in accordance with the
provisions of this division.”

4 29. Complainant finds that by reason of the foregoing, Respondents LCM High
5 Income Fund LLC and LCM Strategic Income Fund LLC have violated California Financial
6 Code sections 22101, 22102, and 22108 and California Code of Regulations title 10, sections
7 1409 and 1422, and based thereon, grounds exist to revoke the finance lenders licenses of LCM
8 High Income Fund and LCM Strategic Income Fund.

9 30. Complainant further finds that by reason of the foregoing and pursuant to
10 California Financial Code section 22169(a)(1) that Respondent Suzie Zupan has caused or
11 committed violations of Division 9 of the California Financial Code, set out at sections 22000 et
12 seq of the California Finance Lenders Law. Based thereon grounds exist to bar Suzie Zupan.

13 31. Complainant further finds that by reason of the foregoing and pursuant to
14 California Financial Code sections 22169(a)(1) and 22169(a)(2) that Paul Zupan has caused or
15 committed violations of the CFLL and has been convicted of a crime that involves dishonesty,
16 fraud and deceit and that this conviction reasonably is related to qualifications, functions or
17 duties engaged in the business of a California finance lender. Based thereon grounds exist to bar
18 Paul Zupan.

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20 **IV**
VIOLATION OF CORPORATIONS CODE SECTION 25401

21 32. Corporations Code section 25401 provides as follows:

22 It is unlawful for any person to offer or sell a security in this state or buy
23 or offer to buy a security in this state by means of any written or oral
24 communication which includes an untrue statement of a material fact or
25 omits to state a material fact necessary in order to make the statements
26 made, in the light of the circumstances under which they were made, not
misleading.

27 33. In September, 2007 an investor sent \$25,000 as payment for shares in the High
28 Income Fund to the Zupans at the High Income Fund. The investor never received any interest
payments. In fact the Zupans did not make any interest payments to any investor in the High

1 Income Fund as of the end of August, 2007. The Zupans knew or should have known there
2 would not be any interest paid to investors at the time they accepted the investment funds from
3 the investor. In offering to sell and selling the shares to the investor, the Zupans omitted or
4 directed the omission of material facts, and those material facts were that the Zupans knew that
5 no interest payments would continue to be made to the investors. The Zupans also knew that
6 they would be writing down the value of each investor's account at the time he sold shares to the
7 investor, and in fact the investor's account has been written down in value since the investment.
8 When the investor asked for his funds to be returned in November and December of 2007, the
9 Zupans declined to return his funds.

10 34. Respondents Zupan's misrepresentations and omissions were willful violations of
11 Corporations Code section 25401, and occurred while they were investment adviser
12 representatives of an investment adviser, and while controlling the Manager of the High Income
13 Fund and Strategic Income Fund, holders of valid securities sales permits issued by the
14 Department of Corporations.

15 V

16 VIOLATIONS WARRANTING SUMMARY SUSPENSION OF PERMIT

17 35. California Corporations Code section 25140 (a)(1) provides in pertinent part:

18 The commissioner may issue a stop order denying qualification of an
19 underwritten offering of securities under Section 25111, 25112 or 25131
20 or may suspend or revoke any permit issued under Section 25113 or 25122
21 if he or she finds (A) that the order is in the public interest and (B) that the
22 proposed plan of business of the issuer or the proposed issuance or sale of
23 securities is not fair, just, or equitable, or that the issuer does not intend to
24 transact its business fairly and honestly, or that the securities proposed to
25 be issued or the method to be used in issuing them will tend to work a
26 fraud upon the purchaser thereof.

27 36. Corporations Code section 25143(a) provides in pertinent part:

28 The commissioner may by order summarily postpone or suspend the
effectiveness of any qualification pending final determination of any
proceeding under this chapter.

37. Corporations Code section 25166 provides in pertinent part: (with reference to
qualification for sale of securities)

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It is unlawful for any person willfully to make any untrue statement of a material fact in any application, notice, or report filed with the commissioner under this part or pursuant to subdivision (b) of Section 25507, or willfully to omit to state in any such application, or notice, or report any material fact which is required to be stated therein.

38. Pursuant to the accusations contained herein with reference to the filing of false applications with the Commissioner, and the fraudulent sale of securities to investors, the Commissioner brings an action to issue a stop order revoking the permit that was issued to the Strategic Income Fund, issued on July 5, 2007, and this action is issued pursuant to Corporations Code sections and 25140(a). Based on the foregoing the Commissioner finds that Respondent's proposed plan of business and proposed issuance of securities is not fair, just or equitable, or that Respondent does not intend to transact business fairly and honestly, or that the securities proposed to be issued or method used in issuing them will tend to work a fraud upon the purchaser thereof. Pursuant to Corporations Code section 25143(a) the Commissioner has issued an Order summarily suspending the permit issued to LCM Strategic Income Fund LLC pending final determination of the proceedings initiated herein.

VI
REVOCATION OF INVESTMENT ADVISER CERTIFICATE OF LATITUDE
CAPITAL MANAGEMENT INC.

39. California Corporations Code section 25232 provides in pertinent part:

The commissioner, may, after appropriate notice and opportunity for hearing, by order censure, deny a certificate to, or suspend for a period not exceeding 12 months or revoke the certificate of, an investment adviser if the commissioner finds that the censure, denial, suspension or revocation is in the public interest and that the investment adviser, whether prior to or subsequent to become such, or any partner, officer or director thereof or any person performing similar functions or any person directly or indirectly controlling the investment adviser, whether prior or subsequent to becoming such, or any employee of the investment adviser while so employed has done any of the following:

(a) Has willfully made or caused to be made in any application for a certificate or any report filed with the commissioner under this division, or in any proceeding before the commissioner, any statement which was at

1 the time, and in the light of the circumstances under which it was made
2 false or misleading with respect to any material fact, or has willfully
3 omitted to state in the application or report any material fact which is
required to be stated therein.

4 (b) Has been either (1) convicted of or has pled nolo contendere to
5 any felony or misdemeanor, or(2) held liable in a civil action by final
6 judgment of a court based upon conduct showing moral turpitude, and the
7 commissioner finds that the felony, misdemeanor or civil action (A)
8 involved the purchase or sale of any security, (B) arose out of the conduct
of the business of a broker dealer or investment adviser, (C) involved
theft, or (D) involved the violation of Section 1341, 1342, 1343 of Title 18
of the United States Code.

9 (e) Has willfully violated any provision of the Securities Act of
10 1933, the Securities Exchange Act of 1934, the Investment Advisers Act
11 of 1940, the Investment Company Act of 1940, the commodity Exchange
12 Act, or Title 4 (commencing with Section 25000) ...or of any rule or
13 regulation under any of those statutes, or any order of the commissioner
which is or has been necessary for the protection of any investor.

14 (g) Has aided, abetted, counseled, commanded, induced, or
15 procured the violation by any other person of any statute or rule or
16 regulation referred to in subdivision (e).

17 (h) Has violated any provision of this division or the rule
18 thereunder or in the case of an applicant only, any similar regulatory
19 scheme of the State of California.

20 40. Corporations Code section 25245 provides: (with reference to investment
21 advisers)

22 It is unlawful for any person willfully to make any untrue statement of a
23 material fact in any application, notice, or report filed with the
24 commissioner under the this part, or willfully to omit to state in any such
25 application, notice, or report any material fact which is required to be
26 stated therein.

27 41. Latitude Capital was granted Investment Adviser status by the Department of
28 Corporations in June, 2005. Subsequent to that date, the President of Latitude Capital,
Respondent Suzie Zupan, in her capacity as an officer of the company has filed applications with
the Commissioner which misrepresented material facts and omitted material facts. These
material facts concerned the extent and management control exercised by her spouse,
Respondent Paul Zupan, a convicted felon, in the daily operations and management of the
business of the investment adviser Latitude Capital. Suzie Zupan knew or should have known

1 that these omissions and statements were false and misleading and therefore made these false or
2 misleading statements knowingly and willfully. Therefore good cause exists to revoke
3 Respondent Latitude Capital's license as an investment adviser.

4 42. Respondent Paul Zupan was a person performing the similar functions of an
5 officer and director of Latitude Capital and was a person directly and indirectly controlling the
6 investment adviser Latitude Capital. At the time that application was made to the Department of
7 Corporations for Investment Adviser status on behalf of Latitude Capital it was not disclosed to
8 the Department of Corporations what the true status of Paul Zupan would be with the company,
9 nor the extent of his management role. Therefore good cause exists to revoke the investment
10 adviser license of Latitude Capital.

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13 **VII**
14 **BARRING FROM POSITION OF EMPLOYMENT, MANAGEMENT OR CONTROL**
15 **AS INVESTMENT ADVISER AND BROKER-DEALER UNDER CORPORATIONS**
16 **CODE SECTION 25232.1**

17 43. Corporations Code section 25232.1 provides in pertinent part:

18 The Commissioner may, after appropriate notice and opportunity
19 for hearing, by order censure, or suspend for a period not
20 exceeding 12 months, or bar from any position of employment,
21 management or control of any investment adviser, broker-dealer or
22 commodity adviser, any officer, director, partner, employee of, or
23 person performing similar functions for, an investment adviser, or
24 any other person, if he or she finds that the censure, suspension or
25 bar is in the public interest and that the person has committed any
26 act or omission enumerated in subdivision (a), (e), (f), or (g) of
27 Section 25232 or has been convicted of any offense or held liable
28 in any civil action specified in subdivision (b) of Section 25232. . .

44. Respondent Suzie Zupan has made or caused to be made in an application for an
Investment Adviser certificate on behalf of Latitude Capital which included statements at the
time they were made were false and misleading in that she failed to disclose the true role and
scope of involvement of her spouse, Paul Zupan in the management of Latitude Capital, and

1 further conspired with Paul Zupan to intentionally deceive the Department of Corporations. In
2 additional applications for two CFLL licenses and securities permits for High Income Fund and
3 Strategic Income Fund, which listed Latitude Capital as the Manager of the two limited liability
4 companies, the true role of Paul Zupan was willfully omitted from the applications, as set out
5 previously herein. The applications which contained the omission of material facts were
6 executed by Suzie Zupan under penalty of perjury, and therefore good cause exists to bar
7 Respondent Suzie Zupan.

8 45. Respondent Paul Zupan has committed an act and or an omission under
9 Corporations Code 25232 in that he conspired with Respondent Suzie Zupan to file false
10 applications with the Commissioner which failed to disclose the fact that Paul Zupan would be
11 performing the functions of an officer and would in fact be in a position of controlling the
12 Investment Adviser, Latitude Capital. Further Paul Zupan has been convicted on two counts of
13 felony Grand theft property, which is an offense set forth in Section 25232(b)(C) as set out in
14 Section 25232.1. Therefore good cause exists to bar Respondent Paul Zupan.

15 46. Respondents Paul Zupan and Suzie Zupan have violated Corporations Code
16 sections 25401 and 25232(h) by offering for sale, and selling securities in this state by means of
17 a written or oral communication which includes an untrue statement of a material fact or omits to
18 state a material fact. Therefore, under Corporations Code section 25232.1 good cause exists to
19 bar Respondents Paul Zupan and Suzie Zupan from employment, management or control of any
20 investment adviser or broker-dealer.

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23 WHEREFORE, IT IS PRAYED:

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26 1. That the CFLL licenses of LCM High Income Fund LLC and LCM Strategic
27 Income Fund LLC be revoked pursuant to Financial Code section 22714, Financial Code
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sections 22108 and 22109, 22169(a)(1), 22169(a)(2), 22159 and California Code of Regulations title 10, sections 1409 and 1422;

2. That the securities permit issued to LCM Strategic Income Fund LLC on July 5, 2007 be revoked and that the Order for Summary Suspension be upheld pursuant to Corporations Code section 25140(a)(1) and California Corporations Code 25143(a).

3. That Paul Zupan be barred in the State of California from any position of employment, management or control of any California finance lender; pursuant to California Financial Code sections and 22169(a)(1) and (a)(2);

4. That Suzie Zupan be barred in the State of California from any position of employment, management or control of any California finance lender pursuant to Financial Code sections , 22169(a)(1), 22108, and 22109.

5. That the certificate of Latitude Capital as an Investment Adviser be revoked pursuant to Corporations Code sections 25232(a) and 25232(b) and 25232(e) and 25232(h);

6. That Paul Zupan be barred from any position of employment, management or control of any investment adviser or broker-dealer pursuant to Corporations Section 25232.1;

7. That Suzie Zupan be barred from any position of employment, management or control of any investment adviser or broker-dealer pursuant to Corporations section 25232.1;

Dated: May 9, 2008

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
JOHN R. DREWS
Corporations Counsel
California Department of Corporations