

1 ALAN S. WEINGER
Deputy Commissioner
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3 Department of Corporations
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4 Los Angeles, CA 90013
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6 BEFORE THE DEPARTMENT OF CORPORATIONS
7 OF THE STATE OF CALIFORNIA

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9 In the Matter of THE CALIFORNIA) FILE NO. ALPHA
CORPORATIONS COMMISSIONER,)
10 Complainant,) STIPULATION TO DESIST AND REFRAIN
11) ORDER THAT DAVID H. EUZARRAGA
vs.) AND VOLKL INVESTMENTS, LLC DESIST
12) AND REFRAIN FROM MISREPRESENTING
13 DAVID H. EUZARRAGA; VOLKL) OR OMITTING MATERIAL FACTS IN
INVESTMENTS, LLC,) CONNECTION WITH THE OFFER AND
14) SALE OF SECURITIES IN VIOLATION OF
Respondents.) CORPORATIONS CODE SECTION 25401
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2 IT IS HEREBY STIPULATED BY AND BETWEEN RESPONDENTS DAVID H.
3 EUZARRAGA AND VOLKL INVESTMENTS, LLC (“RESPONDENTS”), AND THE
4 CALIFORNIA CORPORATIONS COMMISSIONER (COMMISSIONER), AS FOLLOWS:

5 WHEREAS, on November 21, 2011, the COMMISSIONER issued a Desist and Refrain
6 Order (“ORDER”) against RESPONDENTS for the misrepresentations and omissions of material
7 facts in connection with the offer and sale of securities that were in the opinion of the
8 COMMISSIONER in violation of Corporations Code section 25401. Attached hereto as **Exhibit A**
9 and incorporated by reference is a true and correct copy of the ORDER dated November 21, 2011.

10 WHEREAS, Respondents without admitting or denying charges in the ORDER seek to
11 resolve the concerns of the COMMISSIONER by entering into this Stipulation.

12 NOW, THEREFORE, the parties hereby stipulate and agree as follows:

13 1. RESPONDENTS hereby acknowledge that the COMMISSIONER is ready, willing
14 and able to grant a hearing in relation to the ORDER, which RESPONDENTS have a right to.
15 Respondents hereby voluntarily waive their right to a hearing in relation to the ORDER and agree to
16 desist and refrain from misrepresenting and omitting material facts in connection with the offer and
17 sale of securities in violation of Corporations Code section 25401;

18 2. RESPONDENTS acknowledge that pursuant to Corporations Code section 25255,
19 remedies for violations of the California Corporate Securities Law of 1968 (Corporations Code
20 section 25000, et seq.) are not exclusive and may be sought and employed in any combination to
21 enforce that law. Therefore, it is further stipulated that this agreement does not preclude the
22 COMMISSIONER from seeking additional remedies against Respondents for violating the ORDER
23 or any law under the COMMISSIONER’S jurisdiction not related to this investigation. These
24 remedies include, but are not limited to, administrative actions, civil injunctive and ancillary relief
25 and making a criminal referral pursuant to California law;

26 3. RESPONDENTS acknowledge that nothing in this Stipulation shall preclude the
27 COMMISSIONER, or his agents or employees, to the extent authorized by law, from assisting or
28 cooperating in any investigation and/or action brought by any other federal, state or county agency.

1 RESPONDENTS further agree that this Stipulation shall not bind or otherwise prevent any other
2 federal, state or county agency from the performance of its duties;

3 4. RESPONDENTS enter into this Stipulation voluntarily and without coercion and
4 acknowledge that no promises, threats or assurances have been made by the COMMISSIONER or
5 any officer, or agent thereof, about this Stipulation; and

6 5. RESPONDENTS and the COMMISSIONER agree that this Stipulation may be
7 executed in one or more separate counterparts, each of which when so executed, shall be deemed an
8 original. Such counterparts shall together constitute and be one and the same instrument.

9 Dated: 1/9/12 California Corporations Commissioner

10 By _____
11 ALAN S. WEINGER
12 Deputy Commissioner

13 Dated: 1/5/12

14 By _____
15 DAVID H. EUZARRAGA, an individual

16 Dated: 1/5/12

17 By _____
18 DAVID H. EUZARRAGA, Managing Member on behalf of
19 VOLKL INVESTMENTS, LLC
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1 STATE OF CALIFORNIA
2 BUSINESS, TRANSPORTATION AND HOUSING AGENCY
3 DEPARTMENT OF CORPORATIONS

4 TO: David H. Euzarraga
5 Volkl Investments, LLC
6 23010 Lake Forest Drive, Ste. D-392
7 Laguna Hills, CA 92653

8 DESIST AND REFRAIN ORDER

9 (For violations of section 25401 of the Corporations Code)

10 The California Corporations Commissioner finds that:

11 1. At all relevant times, herein, Volkl Investments, LLC (“Volkl”), was a Delaware
12 Limited Liability Company (“LLC”) formed on March 22, 1999 and filed as a foreign LLC in
13 California on August 31, 2006.

14 2. At all relevant times herein, David H. Euzarraga (“Euzarraga”) was the managing
15 member of Volkl.

16 3. Beginning in or around May 2002 and continuing through at least October 2007, Volkl
17 and Euzarraga offered and sold securities to over 24 investors in excess of \$5,000,000, in the form of
18 investment contracts, comprised of pooled investor money that was held in Volkl’s select savings
19 account as a certificate of deposit (“CD”) that was represented to be used solely for the funding of
20 residential mortgages secured by real estate. Volkl and Euzarraga obtained investment money by
21 soliciting friends and their family members, by offering a minimum of 6% (annualized) and as high
22 as 8% return on investment.

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

27 a. Volkl and Euzarraga misrepresented to investors that the investment would
28 earn 6% to 8% per year;

- 1 b. Volkl and Euzarraga misrepresented to investors that an investment in Volkl
- 2 CDs would give investors a higher rate of secured return versus bank CDs;
- 3 c. Volkl and Euzarraga misrepresented to some investors that their investment
- 4 money would be used solely to fund residential mortgages, when in actuality
- 5 investment money was also used to purchase risky subprime auto loans;
- 6 d. Volkl and Euzarraga misrepresented to investors the amounts they were
- 7 earning from Volkl by sending out fabricated account statements showing
- 8 investors were earning what was promised, when in actuality Volkl was not
- 9 generating the revenue necessary to pay the interest payments and/or principle,
- 10 which enticed some investors to invest additional money in Volkl; and
- 11 e. Volkl and Euzarraga failed to disclose that Euzarraga was not licensed to sell
- 12 securities.

13 Based on the foregoing findings, the California Corporations Commissioner is of the opinion
14 that the securities offered and sold by Volkl and Euzarraga were offered and sold in this state by
15 means of written or oral communications that included untrue statements of material fact or omitted
16 to state material facts necessary in order to make the statements made, in the light of the
17 circumstances under which they were made, not misleading, in violation of section 25401 of the
18 Corporate Securities Law of 1968.

19 Pursuant to Section 25532 of the Corporate Securities Law of 1968, Volkl Investments, LLC
20 and David H. Euzarraga are hereby ordered to desist and refrain from offering or selling or buying or
21 offering to buy any security in the State of California, including, but not limited to, investment
22 contracts by means of any written or oral communication, which includes an untrue statement of a
23 material fact or omits to state a material fact necessary in order to make the statements made, in the
24 light of the circumstances under which they were made, not misleading.

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

Dated: November 21, 2011
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Deputy Commissioner
Enforcement Division