BEFORE THE
DEPARTMENT OF CORPORATIONS
STATE OF CALIFORNIA

In the Matter of the Accusation and Statement of Issues of: THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. LOXLEY & STAR, INC., Respondent.	File No.: 100-2680; 100-3188; and 100-3189 OAH No.: L2006080165

DECISION

The attached Proposed Decision of the Administrative Law Judge of the Office of Administrative Hearings, dated January 17, 2007, is hereby adopted by the Department of Corporations as its Decision in the above-entitled matter with the following technical and minor changes pursuant to Government Code Section 11517(c)(2)(C).

This Decision shall become effective on 30 MARCH 2007.

IT IS SO ORDERED this 29th day of MARCH 2007.

CALIFORNIA CORPORATIONS COMMISSIONER

Preston DuFauchard

State of California - Department of Corporations

ERRATA SHEET

(Change to Proposed Decision –Loxley & Star, Inc.)

(1) Page 2, item number 2, line 1: delete "July 13, 2005," and insert "August 10, 2005".

(2) Page 4, item number 7, line 3: delete "Avenue" and insert "Boulevard".

(3) Page 6, item 10 (C), line 5: delete "$1 million" and insert "$1,000".

(4) Page 7, item 14 (D), line 2: insert "to" after "Department prior" and before "any change that Alex Loxley".

(5) Page 7, item 14 (E), line 2: insert "to" after "Department prior" and before "any change that Robert Alvarez".

(6) Page 9, item number 3, line 2: insert "(1)" after "…subdivision (a)".

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In the Matter of the Accusation and Statement of Issues of: THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. LOXLEY & STAR, INC., Respondent.	Files Nos. 100-2680; 100-3188; and 100-3189 OAH No. L-2006080165

PROPOSED DECISION

This matter was heard by Vincent Nafarrete, Administrative Law Judge of the Office of Administrative Hearings, in Los Angeles on December 8, 2006. Complainant Commissioner of Corporations was represented by Judy L. Hartley, Senior Corporations Counsel. Respondent Loxley & Star, Inc., was not represented at the hearing.

The Administrative Law Judge marks the pleadings in this matter as Exhibit 1 and admits the exhibit into evidence for purposes of jurisdiction.

Oral and documentary evidence having been received and the matter submitted for decision, the Administrative Law Judge finds as follows:

FACTUAL FINDINGS

1. This matter arises under the California Deferred Deposit Transaction Law, Financial Code sections 23000 et seq. The Department of Corporations (hereinafter also Department) is the agency of the State of California that has regulatory and licensing authority over applicants and licensees under the California Deferred Deposit Transaction Law.

2. On July 13, 2005, the Department of Corporations issued deferred deposit originator's license no. 100-2680 to Loxley & Star, Inc. (hereinafter also respondent or Loxley Star) , whose principal business address is 6041 Bolsa Avenue, Suite No. 4, Huntington Beach, California 92647. The license remains in effect until suspended, surrendered, or revoked and is not transferable or assignable. This original license entitles respondent to maintain only the one place of business in Huntington Beach.

3. (A) On June 6, 2006, Accusation and Statement of Issues, Files Nos. 100-2680, 100-3188, and 100-3189, was made and filed for and on behalf of Wayne Strumpfer in his official capacity as Acting California Corporations Commissioner.

(B) On June 26, 2006, the Accusation and Statement of Issues was served upon respondent Loxley & Star, Inc. On an undetermined date, respondent filed a Notice of Defense, acknowledging receipt of the Accusation and Statement of Issues and requesting a hearing. The Notice of Defense was signed by Alejandro Gallegos.

(C) On August 21, 2006, the Department served a Notice of Hearing on respondent in care of Alejandro Gallegos at the address provided on the Notice of Defense.

(D) At the noticed hearing on December 8, 2006, no official appearance was made for or on behalf of respondent. Respondent was not represented at the noticed hearing by an officer, director, or counsel. Alejandro Gallegos did not appear for respondent. Rather, Robert Alvarez appeared at the noticed hearing, claiming to be the new "owner" as well as manager of respondent Loxley & Star, Inc. Complainant's counsel moved to exclude Alvarez from representing respondent on the grounds that he lacked standing. Complainant averred that its records did not show Alvarez was a shareholder, director, officer, or manager of Loxley & Star, Inc., and Alvarez did not have any documents to prove otherwise. When asked, Alvarez stated he had no documentary evidence to present except for a letter that he had prepared with assistance from an attorney. Alvarez indicated he was ready to proceed but stated he did not want to testify or present any testimonial evidence of his status or position with Loxley & Star, Inc.

(E) At the hearing on December 8, 2006, complainant's motion to exclude Alvarez was granted and respondent Loxley & Star, Inc., was declared to be in default pursuant to Government Code section 11520, subdivision (a). Thereupon, complainant elected to proceed with the hearing as a default matter and presented documentary evidence and the testimony of the following Department employees: Anghesom Seyoum, Corporations Examiner; Shu-FenWeng, Corporations Examiner; and Steven C. Thompson, Special Administrator. Jurisdiction exists in this matter.

Original Application for Licensure

4. (A) On July 13, 2005, an Application for a License under the California Deferred Deposit Transaction Law was filed with the Department of Corporations on behalf of respondent Loxley & Star, Inc., by Christine Rae Laub. Laub signed the application under penalty of perjury and declared that the statements in the application were true and correct. Laub indicated on the application that respondent was a California corporation organized on July 15, 2004; that she was president, secretary, chief financial officer and the sole director of the corporation; and that respondent's licensed place of business was to be 6041 Bolsa Avenue, No. 4, Huntington Beach, California 92647. Laub further stated that she was the only person who would be in charge of the place of business in Huntington Beach and did not list or name any other officer, director, or manager with direct responsibility for the conduct of respondent's proposed deferred deposit activity. Laub also declared that there was no other person who owned or controlled, directly or indirectly, ten percent or more of respondent. Laub further stated in the application that her business plan was to acquire the business operations of Advanced Paycheck at the Huntington Beach location and "provide payday advance service as before and expand through marketing."

(B) With the application, Laub in her stated capacity as president of Loxley & Star, Inc., filed a Declaration Regarding Laws and Rules with the Department. Laub declared under penalty of perjury that she had obtained and read copies of the Deferred Deposit Transaction Law and rules thereunder, was familiar with the content of the law and rules, and agreed to comply with all of the provisions of the Deferred Deposit Transaction Law, including rules or orders of the Corporations Commissioner. In addition, Laub declared under penalty of perjury that respondent would file with the Commissioner of Corporations an amendment to the application prior to any material change in the information contained in the application for licensure.

(C) With the application for licensure, Laub also filed a Statement of Identity and Questionnaire for herself in which she certified under penalty of perjury that all the statements made therein were true and correct. In the Statement of Identity and Questionnaire, Laub declared that she was the officer and director of Loxley & Star, Inc., and had been president of the corporation for one month since June 2005.

Violations of the Deferred Deposit Transaction Law

5. (A) In April 2006, the Department commenced a regulatory examination of respondent's books and records and inspection of any unlicensed activity. Corporations Examiners Weng and Anghesom visited respondent's licensed business location in Huntington Beach and two Los Angeles locations proposed in subsequently filed short form applications for additional deferred deposit transaction

licenses. The examiners determined respondent Loxley & Star, Inc., was conducting unlicensed activity as described hereinbelow.

(B) During the regulatory examination of respondent's licensed location in Huntington Beach on April 4, 2006, Daniel Star was present at the location. Star indicated to Examiner Weng that he was a branch manager and that respondent did not have a branch location. Star stated that respondent had a corporate office in Los Angeles but did not provide payday loans from that location. Weng advised Star that respondent would have to apply for a license to have a branch office that transacted payday loans.

(C) On April 7, 2006, Examiner Weng visited the Los Angeles office located at 706 South Hill Street, Los Angeles, and obtained a business advertisement that represented to the public that Loxley & Star, Inc., offered payday loans and cash advances at that location. The advertisement instructed customers to bring a state or federal identification, recent bank account statement and paycheck stub, and a personal check. At this Hill Street location, the examiner also obtained a Loxley & Star, Inc., payday advance loan application and observed a payday loan fee schedule. The examiner spoke to Robert Alvarez, who was working at the location. Alvarez stated that the maximum payday advance or loan available was $260, that the payday advance business recently moved there from a Pico Boulevard address, and that the examiner should call Daniel Star at the Pico Boulevard office about the company's business activities.

(D) On April 7, 2006, Daniel Star on behalf of Loxley & Star, Inc., forwarded copies of three payday loan documents or check cashing deferred deposit agreements, demonstrating that, in March and April 2006, respondent had transacted two payday loans from the Hill Street location and one payday loan from the Pico Boulevard location.

6. On April 17, 2006, Examiner Anghesom visited the office of Loxley & Star, Inc., located at 4501 West Pico Boulevard, Los Angeles, and was told by an employee that he could obtain a payday loan from there. Daniel Star was present and told the examiner that respondent had stopped making payday loans from the Pico Boulevard location two days prior and was not making any more payday loans until respondent obtained a license. Star indicated that respondent had made about nine or ten payday loans from the Pico Boulevard location and forwarded copies of two payday loan documents or agreements that were transacted there.

7. Based on Findings 2 and 4 – 6 above, respondent offered, originated, or made approximately 12 deferred deposit transactions from the Hill Street and Pico Avenue locations without first obtaining licenses from the Corporations Commissioner for those additional locations or places of business in violation of Financial Code section 23005, subdivision (a), in conjunction with Financial Code section 23020.

Short Form Applications for Additional Licenses

8. (A) On April 11, 2006, shortly after Examiner Weng conducted her investigation at the licensed Huntington Beach location and the Hill Street office, the Department received a "Short Form Application" for a License Under the California Deferred Deposit Transaction Law (Licensee Currently Having One or More Licensed Locations) (File No. 100-3189) filed on behalf of respondent Loxley & Star, Inc., by Alejandro Gallegos. This short form application under Financial Code section 23005, subdivision (c), seeks issuance of a license for an additional place of business for respondent at 706 South Hill Street, Suite 900, Los Angeles, California 90014 (Hill Street location or office).

(B) On April 11, 2006, another "Short Form Application" for a License Under the California Deferred Deposit Transaction Law (Licensee Currently Having One or More Licensed Locations) (File No. 100-3188) was filed with the Department on behalf of respondent by Gallegos. This second short form application seeks issuance of a license for an additional place of business at 4501 West Pico Boulevard, Los Angeles, California 90019 (Pico Boulevard location or office).

(C) Gallegos signed both short form applications as "owner" of respondent Loxley & Star, Inc., and declared under penalty of perjury that the statements in the short form applications were true and correct. Gallegos stated that respondent had a licensed location at 6041 Bolsa Avenue, No. 4, Huntington Beach, and was applying for a license for additional places of business at 4501 Pico Boulevard, Los Angeles, California 90019, and at 706 South Hill Street, Suite 900, Los Angeles, California 90014. With these short form applications, Gallegos filed a Statement of Identity and Questionnaire in which he stated under penalty of perjury that he was or was going to be the "owner" of Loxley & Star, Inc., and had worked for the corporation since September 2005. Gallegos did not state his occupation, position, or duties for the corporation.

9. In connection with the short form applications for licenses for additional places of business, Gallegos submitted fingerprint information. Gallegos failed to disclose a misdemeanor conviction for trespassing that was more than ten years old. The short form applications for licenses for additional places to transact deferred deposit business remains pending.

Application under Finance Lenders Law

10. (A) On April 24, 2006, Gallegos filed an Application for a License under the California Finance Lenders Law for issuance of a lender's license to Loxley & Star, Inc. Gallegos signed this application as owner of the respondent corporation and declared under penalty of perjury that his statements in the application were true

and correct. Gallegos stated that he was applying for a lender's license for a proposed place of business at the Pico Boulevard office location, that respondent was organized as corporation in July 2004, and that he was the president and/or chief executive officer of the corporation and would be in charge of the place of business. Gallegos further stated in the lender's license application that the corporation's business plan was to acquire the business operations of Advanced Paycheck at the Pico Boulevard office location and provide personal and car title loans.

(B) With the lender's license application, Gallegos also submitted to the Department a Statement of Identity and Questionnaire that he signed under penalty of perjury. In this statement, Gallegos indicated that he was the owner of Loxley & Star, Inc., and had worked for the corporation since September 2005 but did not state his occupation and duties for the corporation.

(C) In connection with the lender's license application, a "Notice of Transaction pursuant to Corporations Code section 25102(f)" and Statement of Information (Domestic Stock Corporation) were filed with the Department. The Notice of Transaction was dated July 27, 2004, and stated that Loxley & Star, Inc., had issued and sold or proposed to sell common stock valued at $1 million. The notice was signed on behalf of respondent by Alek Gradisnik as president with offices at 3101 West Coast Highway, Newport Beach, California. The Statement of Domestic Stock Corporation was filed with the Secretary of State on December 16, 2005, and stated that Alex Loxley was the chief executive officer, secretary, and chief financial officer as well as the sole director and agent for service of process for Loxley & Star, Inc. Loxley signed the Statement of Domestic Stock Corporation on October 1, 2005, and certified that the statements contained therein were true and correct.

(D) The Department did not issue a finance lender's license to Loxley & Star, Inc.

Other Information

11. On an undetermined date, but before or around the time respondent filed the short form applications for additional places to conduct its deferred deposit transaction business, the Special Administrator spoke to Alex Loxley about the two proposed places of business. The Special Administrator also advised Loxley about the requirements under the California Deferred Deposit Transaction Law to change ownership of a licensee and to notify the Department of a change in ownership.

12. On March 17, 2006, Loxley filed with the Department a Summary of Personnel for Loxley & Star, Inc., under the California Deferred Deposit Transaction Law. Loxley signed the Summary of Personnel as director and president and certified that the information was true and correct. Loxley stated that he had direct

responsibility for the conduct of respondent's deferred deposit transaction business and owned or controlled ten percent or more of the corporation.

13. On or about April 14, 2006, Alex Loxley sent a letter to the Department from Zagreb, Croatia. Loxley stated he was the officer and owner of Loxley & Star, Inc. He indicated he was travelling through Europe and learned from his representative Daniel Star that the Department was examining respondent. Loxley stated he was born and raised in Europe but recently married his spouse who worked for an employment agency in Los Angeles. Loxley added that he and his spouse bought Advance Paycheck Now, a payday advance business in Huntington Beach, from its previous owner Brian Hughes. Loxley indicated that Hughes gave them incorrect advice about the payday advance business and he and his spouse did not intend to disobey any Department rules. He asked the Department to be "as lenient as possible in this matter" and represented he would resolve all issues when he returned to Los Angeles.

14. (A) At no time relevant herein did respondent amend any information provided in its original application about its officers, directors, or person owning or controlling ten percent or more of the corporation's outstanding equity securities or notify the Department of any change in officers, directors, or any other persons named in the original license application who has direct responsibility for the conduct of respondent's deferred deposit transaction activity. Respondent failed to amend the original license application or notify the Department that a person other than Laub is the president, secretary, chief financial officer, or director of Loxley & Star, Inc.

(B) At no time relevant herein did respondent amend its original license application or notify the Department prior to any change that Daniel Star was the branch manager of the licensed place of business in Huntington Beach. Respondent failed to file a Statement of Identity and Questionnaire and fingerprint information for Daniel Star.

(C) At no time relevant herein did respondent amend its original license application or notify the Department prior to any change that Alejandro Gallegos was the owner or president of Loxley & Star, Inc.

(D) At no time relevant herein did respondent amend its original license application or notify the Department prior any change that Alex Loxley was the president, director, and person who owned or controlled ten percent or more of the outstanding equity securities of Loxley & Star, Inc. Respondent failed to submit a Statement of Identity and Questionnaire and fingerprint information for Alex Loxley.

(E) At no time relevant herein did respondent amend its original license application or notify the Department prior any change that Robert Alvarez was the owner, manager, and person who owned or controlled ten percent or more of the outstanding equity securities of Loxley & Star, Inc. Respondent failed to submit a

Statement of Identity and Questionnaire and fingerprint information for Robert Alvarez.

15. On October 24, 2006, Alvarez submitted a letter to the Department, stating that the ownership of Loxley & Star, Inc., had changed. Alvarez stated that he was the "new owner of the company."

16. (A) On October 26, 2006, the Special Administrator for the Department's Financial Services Division notified Alvarez by letter that his amendment to the license application for the change of ownership of Loxley & Star, Inc., would not be effective until proper information was submitted to the Department. The Special Administrator advised Alvarez that, under the California Deferred Deposit Transaction Law, a licensee is required to notify the Department of a change of officers, directors, or other persons named in the original license application within 60 days of any change. For a change in ownership, Alvarez was told that a licensee must submit an amendment to the license application notifying the Department of the ownership change and the amendment must be signed by an officer or director who was listed in the original license application. He was further advised that each new person or owner is required to submit a Statement of Identity and Questionnaire and fingerprint information. The Special Administrator asked Alvarez to submit a list of shareholders, officers, and directors of Loxley & Star, Inc., prior to and after the change in ownership.

(B) The Special Administrator notified Alvarez that the Department intended to seek the revocation of the license of Loxley & Star, Inc., and the denial of the two short form applications for licenses for additional places of business despite any change in ownership. Subsequently, the Department did not receive before the hearing any required or requested information or documents regarding changes in officers, directors, or owners from respondent, Alvarez, or any other person actually or purportedly affiliated with or connected to Loxley & Star, Inc.

17. (A) Based on Findings 2 and 4 – 16 above, Laub, on behalf of respondent, made false and incorrect statements in the original application for licensure regarding her position in Loxley & Star, Inc., and her responsibility for conducting respondent's deferred deposit transaction business. In the original license application, respondent failed to disclose or identify the positions and/or duties of Daniel Star, Alejandro Gallegos, Alex Loxley, and Alek Gradisnik. In subsequent applications and submittals to the Department of Corporation, respondent has presented varied and conflicting information as to the identity of its officers, directors, managers, shareholders, and/or owners. As such, respondent made false statements of material fact in its original Application for a License under the California Deferred Deposit Transaction Law in violation of Financial Code section 23011, subdivision (a)(1).

(B) Based on Findings 2, 4 – 16, and 17(A) above, respondent also failed to amend its original application for licensure to notify the Department prior to a change

in the identity of persons responsible for the conduct of respondent's deferred deposit transaction business in violation of Financial Code section 23010 and California Code of Regulations, title 10, section 2020.

(C) Based on Findings 2, 4 – 16, and 17(A) above, respondent made false statements of material fact in its short form applications for licenses for additional places of business in that Daniel Star, Alejandro Gallegos, Alex Loxley, and Alek Gradisnik were not listed or identified as officers, directors, managers, or owners of Loxley & Star, Inc., in violation of Financial Code section 23011, subdivision (a)(1).

18. No evidence of mitigation, rehabilitation, or explanation was presented on behalf of respondent at the hearing.

* * * * * *

Based on the foregoing findings of fact, the Administrative Law Judge makes the following determination of issues:

LEGAL CONCLUSIONS

1. Grounds exist to revoke or suspend respondent's deferred deposit transaction originator's license pursuant to Financial Code section 23052, subdivision (b), in that respondent violated provisions of California Deferred Deposit Transaction Law to wit: Financial Code section 23005, subdivision (a), in conjunction with Financial Code section 23020 and Financial Code section 23011, subdivision (a)(1), section 23010, and California Code of Regulations, title 10, section 2020, based on Findings 7 and 17(A) – (C) above.

2. Grounds also exist to revoke or suspend respondent's deferred deposit transaction originator's license pursuant to Financial Code section 23052, subdivision (b), in that facts or conditions regarding the officers, directors, managers, and owners of Loxley & Star, Inc., and its deferred deposit transaction business existed at the time of the original application for the license which reasonably would have warranted the refusal of the original license, based on Finding 17(A) above.

3. Grounds exist to deny respondent's short form applications pursuant to Financial Code section 23011, subdivision (a), in that respondent made false statements of material fact in the applications, based on Finding 17(C) above.

4. Grounds also exist to deny respondent's short form applications for licenses for additional places of business pursuant to Financial Code section 23011,

subdivision (a)(3), in that respondent or an officer, director, or person owning or controlling ten percent or more of the outstanding interest or equity securities of respondent has violated provisions of the California Deferred Deposit Transaction Law, as set forth in Findings 7 and 17(A) – (C) and Conclusions of Law no. 1 above.

* * * * * *

Wherefore, the Administrative Law Judge makes the following Order:

ORDER

1. The deferred deposit transaction originator's license no. 100-2680 and licensing rights previously issued by the California Commissioner of Corporations to Loxley & Star, Inc., for the location at 6041 Bolsa Avenue, Huntington Beach, California 92647, shall be revoked, based on Conclusions of Law nos. 1 - 2 above, jointly.

2. The Short Form Applications filed by respondent Loxley & Star, Inc., for issuance of two additional deferred deposit transaction licenses at the locations of 4501 West Pico Boulevard, Los Angeles, California 90019 (File No. 100-3188) and 706 South Hill Street, Los Angeles, California 90014 (File No. 100-3189), are denied, based on Conclusions of Law nos. 3 - 4 above, jointly.

Dated: Jan 12, 2007

Vincent Nafarrete
Administrative Law Judge
Office of Administrative Hearings