

1 WAYNE STRUMPFER
Acting California Corporations Commissioner
2 ALAN S. WEINGER (CA BAR NO. 86717)
Acting Deputy Commissioner
3 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
4 Department of Corporations
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604 Fax: (213) 576-7181

6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of the Accusation/Statement of) File Nos.: 100-2680; 100-3188; & 100-3189
Issues of THE CALIFORNIA)
12 CORPORATIONS COMMISSIONER,) ACCUSATION/STATEMENT OF ISSUES
13)
Complainant,)
14)
15 vs.)
16 LOXLEY & STAR, INC.,)
17 Respondent.)
18 _____)

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

21 I
22 INTRODUCTION

23 The proposed orders seek to revoke the deferred deposit transaction license of Loxley & Star,
24 Inc. (“Loxley”) pursuant to Section 23052 of the California Deferred Deposit Transaction Law
25 (California Financial Code §§ 23000 et. seq.)(“CDDTL”) and deny the issuance of two further
26 deferred deposit transaction licenses to Loxley pursuant to Section 23011(a)(3) in that Loxley has
27 committed numerous violations of the CDDTL and made false statements of material fact in its
28 license applications filed with the Commissioner.

II

CURRENT DEFERRED DEPOSIT TRANSACTION LICENSE

Loxley, a California corporation, currently holds deferred deposit transaction originator license number 100-2680 for 6041 Bolsa Avenue, Huntington Beach, California 92647. Loxley has been licensed by the California Corporations Commissioner (“Commissioner”) pursuant to the CDDTL at this location since on or about August 10, 2005.

The July 13, 2005 deferred deposit transaction license application filed with the Commissioner by Loxley pursuant to California Financial Code section 23005, which application resulted in the issuance of deferred deposit transaction originator license number 100-2680, stated that Christine Rae Laub (“Laub”) was the president, secretary, treasurer, sole shareholder, director and the sole person responsible for the conduct of Loxley’s deferred deposit transaction business. There were no other persons listed. Laub executed the application under penalty of perjury. The issuance of the CDDTL license to Loxley was based upon all the information submitted with the application, including the Department of Justice background check on Laub.

Pursuant to California Financial Code section 23005(b) and California Code of Regulations, title 10, sections 2020 and 2021, an application for a CDDTL license, initial and subsequent locations, is required to contain a completed statement of identity and questionnaire (“SIQ”) for all individual applicants, partners, stockholders, directors, officers, trustees, and other persons owning or controlling 10% or more of the applicant. The Loxley application contained an SIQ for Laub only.

III

THE PENDING APPLICATIONS

On April 11, 2006, Loxley filed short form applications for two (2) further deferred deposit transaction licenses (File Nos. 100-3188; and 100-3189 hereinafter "applications") with the Commissioner pursuant to the CDDTL. The applications were for locations situated at 4501 West Pico Boulevard, Los Angeles, California 90019 and 706 S. Hill Street, Suite 900, Los Angeles, California 90014. The applications identified Alejandro Gallegos as the owner of Loxley and Gallegos verified the applications as the owner of Loxley. The statement of identity and

1 Questionnaire filed by Gallegos with the applications stated that he had been with Loxley since
2 September 2005.

3 IV

4 DEFERRED DEPOSIT TRANSACTION LAW VIOLATIONS

5 Pursuant to California Financial Code sections 23005 and 23020, any person engaged in
6 the business of deferred deposit transactions must have a separate license for each location in
7 which it engages in deferred deposit activity.

8 On or about April 4, 2006, the Commissioner commenced a regulatory examination of the
9 books and records of Loxley. During the course of the regulatory examination, the Commissioner
10 discovered that Loxley was originating deferred deposit transactions from three locations, including
11 its licensed location at 6041 Bolsa Avenue, Huntington Beach, California. The two locations from
12 which Loxley was engaging in deferred deposit activity without a license were 4501 West Pico
13 Boulevard, Los Angeles, California 90019 and 706 S. Hill Street, Suite 900, Los Angeles, California
14 90014. Loxley had originated at least 11 unlicensed deferred deposit transactions from
15 approximately August 10, 2005 through April 15, 2006 in violation of California Financial Code
16 section 23005.

17 Loxley was aware or should have been aware that a separate CDDTL license was
18 required for each location, as Loxley had already been issued a CDDTL license for the Bolsa
19 Avenue location, and in obtaining that license specifically represented to the Commissioner that
20 it had read and understood all the provisions of the CDDTL. California Financial Code section
21 23020 clearly states that a licensee shall maintain only one place of business under an original
22 license.

23 V

24 FALSE STATEMENTS IN APPLICATION

25 The April 4, 2006 regulatory examination and April 11, 2006 short form applications
26 disclosed inconsistencies with the original application filed by Loxley. The initial application filed
27 by Loxley on July 13, 2005 as discussed in Section II above, identified Laub as the president,
28 secretary, treasurer, sole shareholder, director and sole person responsible for the conduct of

1 Loxley's deferred deposit transaction business. However, the short form applications filed by
2 Loxley on April 11, 2006 claimed that Alejandro Gallegos was the owner of Loxley. An application
3 filed by Loxley with the Commissioner on April 24, 2006 seeking a lender license under the
4 California Finance Lenders Law also identified Alejandro Gallegos as president and owner of
5 Loxley. California Financial Code section 23010 and California Code of Regulations, title 10,
6 section 2020, requires CDDTL licensees to amend their application(s) if there is any change in any
7 of the persons required to be identified in the application(s). Loxley has not filed any application
8 amendment with the Commissioner to indicate that anyone other than Laub is president, secretary,
9 treasurer, shareholder, director or a person responsible for the conduct of Loxley's deferred deposit
10 transaction business

11 Further investigation disclosed a Notice of Transaction Pursuant to California Corporations
12 Code Section 25102(f) filed under the California Securities Law by Loxley with the Commissioner
13 on July 27, 2004 identifying Alek Gradisnik as president of Loxley and a Statement of Information
14 (Domestic Stock Corporation) filed with the California Secretary of State on December 16, 2005 and
15 dated October 10, 2005 showing Alex Loxley as the president, secretary, treasurer and sole director
16 of Loxley. Additionally, during the time frame in which the CDDTL short form and finance lender
17 license applications were filed identifying Alejandro Gallegos as president and owner of Loxley,
18 Alex Loxley submitted a Summary of Personnel on March 17, 2006 identifying himself as president
19 and director of Loxley and submitted correspondence to the Commissioner dated April 14, 2006
20 identifying himself as the owner of Loxley. Neither Alek Gradisnik nor Alex Loxley has ever been
21 identified in any Loxley application filed with the Commissioner. Further, during the course of the
22 April 4, 2006 regulatory examination, all communications responding to the Department's inquiries
23 came from Daniel Star. Daniel Star has never been identified in any Loxley application filed with
24 the Commissioner.

25 Accordingly, the initial application submitted by Loxley was false in that Laub is not and
26 never has been the president, secretary, treasurer, director, owner and/or managing person of Loxley
27 and there had been no disclosure of Alek Gradisnik, Alex Loxley, Alejandro Gallegos and/or Daniel
28 Star. In the alternative, if the changes occurred after licensure, Loxley violated California Financial

1 Code section 23010 and California Code of Regulations, title 10, section 2020, by failing to amend
2 its initial application to disclose the positions of Alex, Gradisnik, Alex Loxley, Daniel Star, and/or
3 Alejandro Gallegos with Loxley.

4 The short form applications submitted by Loxley were also false in that neither Alex
5 Gradisnik, Alex Loxley nor Daniel Star were listed as a person in charge of the business and/or
6 Alejandro Gallegos is not an owner of Loxley.

7 VI

8 CONCLUSION

9 Complainant finds, by reason of the foregoing, that:

- 10 (1) Loxley has committed at least 11 violations of the CDDTL.
11 (2) Loxley has made false statements of material fact in its initial application and two
12 subsequent short form applications.
13 (3) Loxley is incapable of operating its business in compliance with the CDDTL as
14 demonstrated by its flagrant and continuous pattern of violations.
15 (4) It is in the best interests of the public to revoke Loxley’s current CDDTL license and
16 to deny Loxley’s pending applications for CDDTL licenses.

17 California Financial Code section 23011 provides in pertinent part:

18 (a) Upon reasonable notice and the opportunity to be heard, the
19 commissioner may deny the application for any of the following reasons:

- 20 (1) Any false statement of a material fact has been made in an application.
21 (3) The applicant or any officer, director, or general partner, or person owning or
22 controlling, directly or indirectly, 10 percent or more of the outstanding interests or
23 equity securities of the applicant has violated any provision of this division or the
24 rules thereunder or any similar regulatory scheme of the State of California or a
foreign jurisdiction.

25 California Financial Code section 23052 provides in pertinent part:

26 The commissioner may suspend or revoke any license, upon notice
27 and reasonable opportunity to be heard, if the commissioner finds any
of the following:

- 28 (b) 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

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

division.

(c) 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.

THEREFORE, Complainant asserts that he is justified under California Financial Code sections 23011 and 23052 in revoking the CDDTL license of Loxley and denying Loxley’s applications for two further CDDTL licenses.

WHEREFORE, the Commissioner prays that the CDDTL license of Loxley be revoked and the two applications for further CDDTL licenses filed by Loxley on April 11, 2006 be denied.

Dated: June 6, 2006
Los Angeles, CA

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel