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7 SUPERIOR COURT OF THE STATE OF CALIFORNIA

8 FOR THE COUNTY OF LOS ANGELES

9 THE PEOPLE OF THE STATE OF)
CALIFORNIA, by and through the California)
10 Corporations Commissioner,)

11 Plaintiff,

12 v.

13 A L G CAPITAL, INC., a Delaware corporation;)
14 CRYSTAL LYNN PALOMINO, an individual;)
MICHAEL MCCONVILLE, an individual; SEAN)
15 MCCONVILLE, an individual; GARRETT)
16 HOLDRIDGE, an individual; JOSEPH NGUYEN,)
an individual; ALAN RUIZ, an individual; and)
17 DOES 1 through 10, Inclusive.)

18 Defendants.)
19

CASE NO.:

**COMPLAINT FOR INJUNCTIVE AND
ANCILLARY RELIEF AND CIVIL
PENALTIES.**

[CALIFORNIA FINANCIAL CODE Sections
22161 and 22338]

20 Preston DuFauchard, California Corporations Commissioner, acting to protect the public from
21 unlawful lending practices brings this action in the public interest in the name of the People of the
22 State of California. The People of the State of California allege as follows:
23

24 **JURISDICTION AND VENUE**

25 1. The California Corporations Commissioner, (“Commissioner”) pursuant to California
26 Government Code Section 11180 and California Financial Code Section 22713¹ seeks to enjoin
27 _____

28 ¹ All references to code sections are to the California Financial Code unless otherwise indicated.

1 defendants and protect the public from unlawful lending practices which violate the California
2 Finance Lenders Law (hereinafter referred to as the “CFL”, California Financial Code Section
3 22000 et seq.), and the rules promulgated pursuant to it. The Commissioner also seeks an order for
4 civil penalties and ancillary relief pursuant to Section 22713 subdivisions (b) and (c).

5 2. At all relevant times, defendants have been transacting business throughout California,
6 including Los Angeles County.

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DEFENDANTS

9 3. Defendant A L G Capital, Inc. (“A L G”), a Delaware corporation is, and at all
10 relevant times, has been, a corporation organized and existing under the laws of the State of
11 Delaware with its principal place of business located at 15455 San Fernando Mission Blvd., Suite #
12 307, Mission Hills, CA 91345.

13 4. A L G is licensed by the Commissioner as a broker under the CFLL pursuant to
14 Section 22100.

15 5. Defendant CRYSTAL LYNN PALOMINO, is, and at all relevant times, has been,
16 President and Sole Shareholder of A L G.

17 6. Defendant GARRETT HOLDRIDGE, is, and at all relevant times, has been, an
18 individual employed by A L G.

19 7. Defendant SEAN MCCONVILLE, is, and at all relevant times, has been, an
20 individual employed by A L G.

21 8. Defendant MICHAEL MCCONVILLE, is, and at all relevant times, has been, an
22 individual employed by A L G.

23 9. Defendant JOSEPH NGUYEN, is, and at all relevant times, has been, an individual
24 employed by A L G.

25 10. Defendant ALAN RUIZ, is, and at all relevant times, has been, an individual
26 employed by A L G.

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1 11. Defendants Does 1 through 10, inclusive, are persons, corporations, partnerships or
2 other entities who have done or will do acts otherwise alleged in this complaint. The Commissioner
3 is informed and believes and based upon such information and belief alleges that defendants Does 1
4 through 10, inclusive, at all times mentioned herein, have acted and are continuing to act in concert
5 with the defendant named in this complaint, and each of them has participated in the acts and
6 transactions referred to below and each of them is responsible for said acts and transactions. The
7 true names and capacities of Does 1 through 10 whether individual, corporate or otherwise, are
8 unknown to the Commissioner, who therefore sues said defendants under such fictitious names,
9 pursuant to the provisions of California Code of Civil Procedure section 474. The Commissioner
10 hereby asks leave of the Court to amend this complaint to allege the true names and capacities of
11 such defendants at such time as the same have been ascertained.

12 12. The Commissioner is informed and believes, and on such information and belief
13 alleges that, at all times mentioned herein, each defendant is and was, the agent, servant, employee,
14 partner, and/or joint venturer of the other defendants, and that each defendant, in performing the acts
15 alleged in this complaint, was acting within the scope of such agency, service, employment,
16 partnership or joint venture, and with the knowledge, permission, and/or consent of each and every
17 other defendant.

18 13. The Commissioner is informed and believes, and on such information and belief
19 alleges that each defendant alleged to have committed any act, did and committed the same pursuant
20 to a common plan and scheme among all defendants, and did so as the agent for each and all of his
21 co-defendants and pursuant to and in furtherance of the common plan and scheme.

22 14. The Commissioner is informed and believes and on such information and belief
23 alleges that at all times relevant, the defendants named herein as officers, directors, partners, agents
24 or employees, acted in such capacities in connection with the acts, practices and scheme of business
25 as set forth below.

26 15. Whenever reference is made in this complaint to "defendants" doing any act, the
27 allegation shall mean the act of each defendant acting individually, jointly and severally and the
28 conspiring of these defendants to do so.

STATEMENT OF FACTS

16. Consumer/commercial loan brokers² (“broker”) in California are licensed and regulated under the CFLL, which is administered and enforced by the Commissioner.

17. A broker includes any person who is engaged in the business of negotiating or performing any act as a broker in connection with loans made by a finance lender.

18. Commencing on exact dates unknown to the Commissioner, but on approximately July 24, 2006, and continuing through the present, defendants have engaged in the business of brokering real estate secured loans to finance lenders.

19. The Commissioner received and investigated complaints concerning improper practices used by the defendants in brokering loans. These practices include, but are not limited to, the following:

A. Defendants induced at least sixteen (16) borrowers into entering into loans brokered by them by representing to the borrowers that the defendants would obtain a loan for them at a lower interest rate than their current loan and at a low fee. Furthermore, defendants informed certain borrowers that they would receive additional cash proceeds from their loans. However, defendants instead obtained at least \$8,892,500.00 in loans with higher rates than promised; charged excessive fees that were not agreed to by the borrowers; and also failed to provide cash proceeds to borrowers as promised.

B. Defendants substituted the loan documents reviewed and executed by borrowers with loan documents that contained higher rates of interest and loan fees than agreed to by borrowers.

C. Defendants failed to provide borrowers with a statement showing the terms of the agreement between the defendants and borrowers and all amounts paid or to be paid to the defendants and to any other person other than the finance lender as required by Section 22338, subdivision (a).

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² Consumer and commercial loans made under the CFLL include real estate loans.

FIRST CAUSE OF ACTION

(Financial Code Section 22161 – Deceptive and/or Misleading Conduct)

(Against All Defendants)

20. Plaintiff re-alleges and incorporates by reference paragraphs 1-19 of this complaint as though fully set forth herein.

21. California Financial Code section 22161 provides that:

No person shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast in any manner, any statement or representation with regard to the business subject to the provisions of this division, including the rates, terms, or conditions for making or negotiating loans, that is false, misleading, or deceptive, or that omits material information that is necessary to make the statements not false, misleading, or deceptive, or in the case of a licensee, that refers to the supervision of the business by the state or any department or official of the state.

22. Commencing on exact dates unknown to the Commissioner, but on approximately July 24, 2006, and continuing through the present, defendants and their agents, employees and representatives have violated Section 22161 by engaging in deceptive and/or misleading conduct with the intent to induce members of the public to enter into loans brokered by them. Such deceptive and/or misleading conduct includes, but is not limited to, the conduct described in paragraph 19, subparagraphs (A) and (B) above.

23. Each of the defendants named in this complaint has engaged, or participated, assisted, aided or abetted in a material way, or directed the deceptive and/or misleading conduct described in paragraph 22 above in violation of Section 22161.

24. Defendants and their agents, employees and representatives have engaged in deceptive and/or misleading conduct in violation of Section 22161 since at least July 2006, and will continue to engage in such conduct in violation of this provision unless enjoined from doing so by this court.

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SECOND CAUSE OF ACTION

**(California Financial Code Section 22338 – Failure to Provide Statement Showing Terms of Agreement and Amount Paid To the Broker)
(Against All Defendants)**

25. Plaintiff re-alleges and incorporates by reference paragraphs 1-24 of this complaint as though fully set forth herein.

26. Section 22338 provides in relevant part that:

Each licensed broker shall:

(a) Deliver to the borrower, or any one thereof at the time the final negotiation or arrangement is made, a statement showing in clear and distinct terms the name, address, and license number of the broker and the finance lender. The statements shall show the date, amount, and terms of the agreement with the broker, and all amounts paid or to be paid to the broker and to any other person other than the finance lender.

27. Commencing on exact dates unknown to the Commissioner, but on approximately July 24, 2006, and continuing through the present, defendants and their agents, employees and representatives have violated Section 22338, subsection (a) by failing to deliver to borrowers a written statement that reflects the terms of the agreement between the borrowers and defendants and all amounts paid or to be paid to the defendants and to any person other than the finance lender.

28. Each of the defendants named in this complaint has engaged, or participated, assisted, aided or abetted in a material way, or directed the failure to provide borrowers with a statement that includes the information required by Section 22338, subdivision (a).

29. Defendants and their agents, employees and representatives have engaged in conduct in violation of Section 22338, subdivision (a) since at least July 2006, and will continue to engage in such conduct in violation of this provision unless enjoined from doing so by this court.

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PRAYER FOR RELIEF

WHEREFORE, the People of the State of California prays for judgment as follows:

A. Pursuant to Section 22713, subsection (a), for a Preliminary and Permanent Injunction, restraining and enjoining Defendants and all Does, and their officers, directors, successors in interest, controlling persons, agents, employees, attorneys in fact, and all other persons acting in concert or participating with them, or any of them from, directly or indirectly:

(1) Violating Section 22161 by advertising, printing, displaying, publishing, distributing, or broadcasting, or causing or permitting to be advertised, printed, displayed, published, distributed, or broadcasted in any manner, any statement or representation with regard to the business subject to the provisions of the CFLL that is deceptive and/or misleading or that omits information that is necessary to make the statements not false, misleading or deceptive, including but not limited to those statement or representations alleged in the First Cause of Action relating to the marketing of loans to consumers, including the rates, terms, or conditions for making or negotiating loans;

(2) Violating Section 22338, subdivision (a) by failing to deliver statements to borrowers that includes the information required by California Financial Code section 22338, subsection (a); and

(3) Destroying, mutilating, concealing, altering, transferring or otherwise disposing of, in any manner, any books, records, documents, correspondence, brochures, manuals, or other documents of any kind relating to the brokered loans in the possession, custody or control of any of the defendants until further order of this Court.

B. Pursuant to Section 22713, subdivision (b), for a Final Judgment requiring defendants and such Does as may be subsequently named, and each of them, individually, jointly and severally, to pay full restitution, including the borrowers' principle loan amounts in an amount of at least \$8,892,500.00 and interest charged on the principle; and disgorgement of fees, including but not limited to broker origination fees, on loans to each person determined to have been injured by the defendants' acts or practices which constitute violations of the Financial Code, in an amount of at least \$343,000.00, or according to proof.

C. Pursuant to Section 22713, subdivision (c), for a Final Judgment requiring

1 defendants and such Does as may be subsequently named, and each of them, to pay to the
2 Department of Corporations \$2,500 as a civil penalty for each act in violation of Sections 22161 and
3 22338, subdivision (a) in an amount of at least \$90,000.00 or according to proof.

- 4 D. For costs and attorneys fees according to law; and
- 5 E. For such other and further relief as this Court may deem necessary and proper.

8 Dated: August 26, 2008
9 Los Angeles, California

PRESTON DUFAUCHARD
California Corporations Commissioner

11 By: _____
12 Johnny Vuong
13 Corporations Counsel
14 Attorneys for Plaintiff

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