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10 SUPERIOR COURT OF CALIFORNIA
11 COUNTY OF SAN DIEGO, CENTRAL DIVISION
12

13 **THE PEOPLE OF THE STATE OF CALIFORNIA,**
14
Plaintiff,

CASE NO.

15
16 v.

17 **FLG COMPANY, LLC, and LAND GRANT**
SERVICES, LLC, California Limited Liability
Corporations; KBS RESOURCES, LLC, a Nevada
18 **Limited Liability Corporation; WILLIAM J.**
HUTCHINGS, individually and as Managing
19 **Member of FLG Company, LLC; Land Grant**
Services, LLC and KBS Resources LLC; XIAOKE
20 **LI, individually and as Managing Member of KBS**
Resources LLC; LANDIS BUSINESS
21 **SERVICES, INC., a California Corporation;**
SHAWNA M. LANDIS individually and as CEO of
22 **Landis Business Services; DOES I through 100,**
inclusive,

COMPLAINT FOR CIVIL
PENALTIES, INJUNCTION
AND EQUITABLE RELIEF

23
24 Defendants.
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27 Plaintiff, the People of the State of California ("People" or "Plaintiff"), by and through Edmund
28 G. Brown Jr., Attorney General of the State of California, is informed and believes and thereupon
alleges as follows:

1 **PARTIES AND VENUE**

2 1. Defendants FLG COMPANY, LLC (“FLG”), and LAND GRANT SERVICES, LLC,
3 (“LGS”) are California Limited Liability Corporations; KBS RESOURCES, LLC, (“KBS”) is
4 Nevada Limited Liability Corporation; LANDIS BUSINESS SERVICES, INC, (“LBS”) is a
5 suspended California Corporation, that each, at all relevant times transacted business within the
6 State of California, including in San Diego County.

7 2. At all relevant times, defendant WILLIAM J. HUTCHINGS (“Hutchings”) was a
8 Managing Member of FLG, LGS, and KBS. Defendant Hutchings directs, formulates, controls
9 and has knowledge of, and approves the acts and practices of defendants, FLG, LGS, and KBS,
10 including their mortgage foreclosure consultant and equity purchaser business. Defendant
11 Hutchings is sued individually and in his capacity as Managing Member of FLG, LGS, and KBS.
12 Defendant Hutchings resides in San Diego County.

13 3. At all relevant times, defendant XIAOKE LI (“Li”) was a Managing Member of KBS.
14 Defendant Li directs, formulates, controls and has knowledge of, and approves the acts and
15 practices of defendant KBS including its mortgage foreclosure consultant and equity purchaser
16 business. Defendant Li is sued individually and in her capacity as Managing Member of KBS.
17 Defendant Li resides in San Diego County.

18 4. At all relevant times, defendant SHAWNA M. LANDIS (Landis) was the Chief
19 Executive Officer and President of LBS. Defendant Landis, formulates, controls and has
20 knowledge of, and approves the acts and practices of defendant LBS including its foreclosure
21 consultant and equity purchaser business. Defendant Landis is sued individually and in her
22 capacity as CEO and president of LBS. Defendant Landis resides in Riverside County.

23 5. Plaintiff is not aware of the true names and capacities of the defendants sued as Does 1
24 through 100, inclusive, and therefore sues these defendants by such fictitious names. Each of
25 these fictitiously named defendants is responsible in some manner for the activities alleged in
26 this complaint. Plaintiff will amend this Complaint to add the true names of the fictitiously
27 named Defendants once they are discovered. Defendants FLG, LGS, KBS, LBS, Hutchings, Li,
28 Landis, and Does 1-100 are collectively referred to hereinafter as “Defendants.”

1 6. Whenever reference is made in this Complaint to any act of Defendants, that allegation
2 shall mean that each Defendant acted individually and jointly with the other Defendants.

3 7. Whenever reference is made in this complaint to an act or transaction of a Defendant
4 such allegation shall be deemed to mean that said Defendant and its owners, officers, directors,
5 agents, employees, or representatives, did or authorized such acts while engaged in the
6 management, direction, or control of the affairs of the Defendant and while acting within the
7 scope of their duties.

8 8. At all relevant times, each Defendant committed the acts, caused others to commit the
9 acts, ratified the acts, or permitted others to commit the acts alleged in this Complaint.
10 Additionally, some or all of the Defendants acted as the agent of the other Defendants, and all of
11 the Defendants acted within the scope of their agency if acting as an agent of another.

12 9. At all relevant times, each Defendant knew or realized that the other Defendants were
13 engaging in or planned to engage in the violations of law alleged in this Complaint. Knowing or
14 realizing that other Defendants were engaging in or planning to engage in unlawful conduct,
15 each Defendant nevertheless facilitated the commission of those unlawful acts. Each Defendant
16 intended to and did encourage, facilitate, or assist in the commission of the unlawful acts, and
17 thereby aided and abetted the other Defendants in the unlawful conduct.

18 10. Defendants have engaged in a conspiracy, common enterprise, and common course of
19 conduct, the purpose of which is and was to engage in the violations of law alleged in this
20 Complaint. The conspiracy, common enterprise, and common course of conduct continues to the
21 present.

22 11. The violations of law alleged in this Complaint occurred in San Diego County and
23 elsewhere throughout California.

24 **DEFENDANTS BUSINESS PRACTICES AND GOVERNING LAW**

25 12. Defendants engage in a complex and widespread foreclosure rescue scam by which
26 they acquire a grant deed to homes in foreclosure by representing to the grantor that the
27 conveyance is necessary for Defendants to place the property in a “land grant.” Defendants
28 explain the land grant will ensure the grantors ownership rights over their land and protect it

1 against loss through through foreclosure.

2 13. Defendants operate as an equity purchaser. California Civil Code section 1695.1
3 subdivision (a) defines an equity purchaser as any person who accepts title to any residence in
4 foreclosure unless title is acquired pursuant to specified exceptions.

5 14. Defendants also operate as a mortgage foreclosure consultant. In pertinent part,
6 California Civil Code section 2945.1, subdivision (a) defines a foreclosure consultant as “any
7 person who makes any solicitation, representation, or offer to any [home] owner to perform for
8 compensation or who, for compensation, performs any service which the person in any manner
9 represents will in any manner do [among others] any of the following: (1) Stop or postpone the
10 foreclosure sale . . . (8) Save the owner’s residence from foreclosure.”

11 15. Pursuant to their foreclosure scheme, Defendants make contact with homeowners who
12 have a Notice of Default filed against their property and are, thus, in foreclosure. Defendants
13 invite the homeowners to attend a presentation about Defendants' land grant program.
14 Defendants tell homeowners to bring a copy of their Notice of Default to the presentation and be
15 prepared to sign-up for the land grant program by signing a grant deed and making a payment,
16 usually equivalent to one month's rent.

17 16. At the presentation, Defendants explain the history of land grants in the United States
18 and claim that their program takes advantage of land grant protections not typically provided to
19 average homeowners.

20 17. Defendants tell homeowners that a land grant will protect them against losing their
21 property due to foreclosure. Defendants claim that once property is put into a land grant, the
22 mortgage lender cannot use it as collateral to pay the mortgage debt. Defendants further claim
23 that after the Statute of Limitations expires for collecting the mortgage, the homeowner will own
24 their property free and clear of this debt.

25 18. Defendants tell homeowners that they must convey the grant deed on their property to
26 Defendants so it can be put into a land grant. They tell homeowners that they can stay in their
27 home and pay rent to Defendants and that when the Statute of Limitations expires, the
28 homeowner can take back full ownership of their property by paying Defendants 50% of the

1 current market value of their home or sell it, and split the sales proceeds with Defendants.

2 19. Defendants tell homeowners that they must pay any property taxes assessed on their
3 property prior to the recording of their land grant, but after they have a land grant, property taxes
4 cannot be assessed on their property.

5 20. Alternatively, Defendants offer to sell homeowners who have had a Notice of Default
6 recorded a “land grant license” for \$10,000 and do not require the homeowner to pay rent on the
7 property. In this program, homeowners sign a grant deed that conveys title back to themselves
8 individually or as a land grant entity. For example, Grantor Doe would convey title to Grantee
9 Doe or “Doe Land Grant.”

10 21. Defendants typically attach a copy of a land survey conducted when California was
11 ceded to the United States from Spain in the 1800's to the grant deeds received from
12 homeowners and record them in the appropriate county recorder's office. Defendants represent to
13 the homeowners that the recorded document establishes a land grant and that once the
14 transaction is completed, the property cannot be foreclosed upon..

15 22. In fact, homes in foreclosure that have been conveyed by Defendants in this manner to
16 the purported land grant are still typically foreclosed upon and sold at public auction.
17 Subsequently, the homeowner is evicted from their home.

18 23. Defendants provide homeowners with several documents to sign as part of either land
19 grant program, including: (i) a contract for services from Defendants and (ii) an Equity Share
20 Agreement.

21 24. Defendants target Hispanic homeowners and use Spanish speaking interpreters to
22 translate their presentations regarding their land grant program.

23 **FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS**

24 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500**

25 **(UNTRUE OR MISLEADING REPRESENTATIONS)**

26 25. The People reallege and incorporate by reference paragraphs 1 through 24 above, as
27 though fully set forth at this place.

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1 26. Defendants are violating and have violated Business and Professions Code section
2 17500 by making or disseminating untrue or misleading statements, or causing untrue or
3 misleading statements to be made or disseminated, to California homeowners, with the intent to
4 induce them to convey title in their property to a purported land grant or land patent or to an
5 individual or entity for the purpose of conveying title to a purported land grant or land patent.

6 The untrue or misleading statements include, but are not necessarily limited to:

7 A. There is a means, method, or mechanism involving a purported land grant, or land
8 patent, by which the owner of privately held property can convey their property to the federal
9 government and by doing so the homeowner will have superior ownership of their property and
10 protect it against loss due to foreclosure;

11 B. Defendants' method for conveying private property to a land grant will stop the
12 assessment of property taxes;

13 C. Defendants' method for conveying private property to a land grant prohibits the
14 homeowners mortgage lender from selling the property as collateral to pay their mortgage debt;

15 D. Defendants' method for conveying private property to a land grant ensures the
16 homeowner will own a share in their property after the Statute of Limitations period has expired
17 for collection of their mortgage debt;

18 E. Defendants' method for conveying private property to a land grant ensures the
19 homeowner can either sell their ownership share of their home or purchase Defendants'
20 ownership share of their home after the Statute of Limitations period for collection of their
21 mortgage has expired;

22 F. Homeowners must convey the grant deed on their property to Defendants in order
23 for the land grant program to work.;

24 G. Defendants' method for conveying private property to a land grant entitles
25 Defendants to collect rent from homeowners who have conveyed their grant deed to Defendants.

26 27. Defendants knew or should have known that the statements set forth in paragraph 26
27 above were untrue or misleading at the time the statements were made.

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1 **SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS**
2 **VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200**
3 **(UNFAIR COMPETITION)**

4 28. The People reallege and incorporate by reference paragraphs 1 though 27 above, as
5 though fully set forth at this place.

6 29. Defendants are engaging in and have engaged in unfair competition as defined in
7 Business and Professions Code section 17200 by committing acts or practices which include, but
8 are not necessarily limited to, the following:

9 A. Violating Business and Professions Code section 17500, as set forth in Paragraphs
10 26 and 27 of the First Cause of Action;

11 B. Unlawfully obtaining title to real property by making untrue or misleading
12 statements as set forth in paragraph 26 above;

13 C. Unlawfully collecting rent proceeds based on untrue or misleading statements as
14 set forth in paragraph 26 above;

15 D. Failing to give owners of a residence in foreclosure who sign a contract with
16 Defendants and from whom Defendants collect money, notice of the owner's 5-day right to
17 cancel their contract with Defendants, in violation of Civil Code section 1695.5(a);

18 E. Acting as a an equity purchaser, and violating Civil Code section 1695.6(b)(1) by
19 during the 5-day cancellation period:

20 i. Inducing owners of a residence in foreclosure to convey an interest in said
21 residence;

22 ii. Accepting from the owner of a residence in foreclosure conveyance of an
23 interest in said residence;

24 iii. Transferring an interest in a residence in foreclosure;

25 iv. Recording with a county recorder a document signed by the owner of a
26 residence in foreclosure.

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1 F. Acting as a an equity purchaser, and violating Civil Code section 1695.6(d) by
2 making untrue or misleading statements regarding the nature of the documents Defendants
3 induce homeowners to sign;

4 G. Acting as a an equity purchaser, and violating Civil Code section 1695.6(d) by
5 making untrue or misleading statements concerning the transfer of a residence in foreclosure
6 from the homeowner to Defendants;

7 H. Acting as a an equity purchaser, and violating Civil Code section 1695.2 by
8 providing owners of a residence in foreclosure contracts that (i) are not printed in 10-point, bold
9 type, and (ii) are not always written in the language principally used by the parties to negotiate
10 the contract;

11 I. Acting as a an equity purchaser, and violating Civil Code section 1695.3 by
12 providing owners of a residence in foreclosure contracts that do not include:

- 13 i. Defendants' name, business address and/or telephone number;
- 14 ii. the address of the residence in foreclosure;
- 15 iii. a standardized Notice of Cancellation;
- 16 iv. notice in 14-point, boldface type that Defendants may not ask the owner of a
17 residence in foreclosure to sign a deed or any other document until the 5-day right
18 to cancel has expired.

19 J. Acting as a an equity purchaser, and violating Civil Code section 1695.17 by not
20 always providing to owners of residences in foreclosure written proof that Defendants' equity
21 purchaser representatives hold a valid current California Real Estate Sales license;

22 K. Acting as a mortgage foreclosure consultant, and violating Civil Code section
23 2945.2 by failing to give owners of residences in foreclosure the option to cancel their contract
24 with Defendants within three business days;

25 L. Acting as a mortgage foreclosure consultant, and violating Civil Code section
26 2945.3 by providing owners of a residence in foreclosure contracts that do not:

- 27 i. Disclose the exact nature of the services to be provided;
- 28 ii. Disclose the total amount and terms of compensation;

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- iii. Provide, in 14-point type, the standardized notice described in Civil Code section 2945.3, subsection (b), that Defendants may not ask for or take any money before fully performing services promised;
- iv. Provide in 14-point type the standardized notice described in Civil Code section 2945.3, subsection (b), that Defendants may not ask or have the owner sign any document that affects title to the residence in foreclosure;
- v. Always use the language in the contract that is used by Defendants when describing their services or negotiating their contracts;
- vi. Conspicuously provide notice in 10-point type near the owner's signature of the owner's 3-day right to cancel;
- vii. Contain on the first page in font not smaller than used in the body of the contract the name and address of the foreclosure consultant to whom cancellation should be mailed;
- viii. Include a completed form in duplicate called Notice of Cancellation with wording in 10-point type.

M. Acting as a mortgage foreclosure consultant, and violating Civil Code section 2945.4, subdivision (a), by demanding, charging, collecting, and/or receiving payment from owners of a residences in foreclosure prior to providing all services promised;

N. Acting as a mortgage foreclosure consultant, and violating Civil Code section 2945.4, subdivision (e), by acquiring an interest in residences in foreclosure from owners with whom Defendants have contracted;

O. Acting as a mortgage foreclosure consultant, and violating Civil Code section 2945.11, subdivision (a) (1), by not always providing owners of residences in foreclosure written proof that Defendants' foreclosure consultant representatives hold a valid current California Real Estate Sales license;

P. Failing to provide a refund for services promised that Defendants did not perform.

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1 **PRAYER FOR RELIEF**

2 WHEREFORE, Plaintiff prays for judgment as follows:

3 1. Pursuant to Business and Professions Code § 17535, that all Defendants, their
4 successors, agents, representatives, employees, and all persons who act in concert with them be
5 permanently enjoined from making any untrue or misleading statements in violation of Business
6 and Professions Code § 17500, including, but not limited to, the untrue or misleading statements
7 alleged in the First Cause of Action;

8 2. Pursuant to Business and Professions Code § 17203, that all Defendants, their
9 successors, agents, representatives, employees, and all persons who act in concert with them be
10 permanently enjoined from committing any acts of unfair competition in violation of § 17200,
11 including, but not limited to, the violations alleged in the Second Cause of Action, including
12 violating any provisions of California law regulating mortgage foreclosure consultants and/or
13 equity purchasers;

14 3. Pursuant to Business and Professions Code § 17536, that the Court assess a civil penalty
15 of two thousand five hundred dollars (\$2,500) against each Defendant for each violation of
16 Business and Professions Code § 17500, as proved at trial, but in an amount of at least one-
17 million dollars (\$1,000,000);

18 4. Pursuant to Business and Professions Code § 17206, that the Court assess a civil penalty
19 of two thousand five hundred dollars (\$2,500) against each Defendant for each violation of
20 Business and Professions Code § 17200 alleged in the Complaint, as proved at trial, but in an
21 amount of at least one-million dollars (\$1,000,000);

22 5. Pursuant to Business and Professions Code §§ 17203 and 17535, that Defendants be
23 ordered to make full restitution to all consumers who contracted with Defendants;

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6. Such other and further relief that the court deems just and proper to dissipate the effect of the Defendants' use of untrue or misleading statements or acts of unfair competition;

7. That the People recover their costs of suit.

Dated: May ___ 2008

EDMUND G. BROWN JR.
Attorney General
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By _____
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