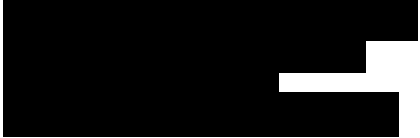


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[EXEMPT FROM FILING FEES
UNDER GOVT. CODE SEC. 6103]



Attorneys for Plaintiff
THE PEOPLE OF THE STATE OF CALIFORNIA

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

STATEWIDE FINANCIAL GROUP, INC., a
California corporation doing business as US
HOMEOWNERS ASSISTANCE; US
HOMEOWNERS PRESERVATION
CENTER, INC., a California corporation;
HAKIMULLAH SARPAS, an individual;
ZULMAI NAZARZAI, an individual;
SHARON FASELA, an individual; RASHA
YEHIA MELEK, an individual; and DOES 1
through 100, inclusive,

Defendants.

Case No.

**COMPLAINT FOR CIVIL PENALTIES,
PERMANENT INJUNCTION AND
OTHER EQUITABLE RELIEF**

1 Plaintiff, the People of the State of California, by and through Edmund G. Brown Jr.,
2 Attorney General of the State of California, alleges the following on information and belief:

3 1. This action is brought against Defendants, who regularly violate California law
4 while preying on consumers facing foreclosure and the loss of their homes. Defendants have
5 unlawfully charged customers up front fees (ranging in the thousands of dollars) while falsely
6 promising to help them negotiate better mortgage terms from their lenders and to rescue them
7 from foreclosure. Despite taking these exorbitant advance fees, Defendants provide little or no
8 assistance to their customers.

9 2. Numerous California consumers have fallen prey to Defendants' unlawful scam,
10 losing thousands of dollars that could have been used toward mortgage payments or finding new
11 housing. In this action, Plaintiff seeks an order permanently enjoining Defendants from engaging
12 in their unlawful business practices, granting restitution for affected consumers, imposing civil
13 penalties, and all other relief available under California law.

14 DEFENDANTS AND VENUE

15 3. Defendant Statewide Financial Group, Inc. (Statewide Financial), is a California
16 corporation with its principal place of business at 2575 McCabe Way, Suite 240, Irvine,
17 California 92614. At all relevant times, Defendant Statewide Financial does business under the
18 names US Homeowners Assistance (USHA), We Beat All Rates, and Homeowner Preservation
19 Center of America. Defendant Statewide Financial is not a law corporation or licensed as a real
20 estate broker or an entity authorized to make loans or extensions of credit. Defendant Statewide
21 Financial operates a web site at www.webeatallrates.com. At all relevant times, Defendant
22 Statewide Financial has transacted and continues to transact business throughout California,
23 including Orange County.

24 4. Defendant US Homeowners Preservation Center, Inc. (US Homeowners
25 Preservation), is a California corporation with its principal place of business at 2575 McCabe
26 Way, Suite 240, Irvine, California 92614. Defendant US Homeowners Preservation is not a law
27 corporation or licensed as a real estate broker or an entity authorized to make loans or extensions
28

1 of credit. At all relevant times, Defendant US Homeowners Preservation Center has transacted
2 and continues to transact business throughout California, including Orange County.

3 5. Defendant Hakimullah “Sean” Sarpas (Sarpas), an individual, is a principal of
4 Defendants Statewide Financial and US Homeowners Preservation. According to a Statement of
5 Information filed with the Secretary of State on February 14, 2007, Defendant Sarpas was the
6 Chief Executive Officer, Secretary, and Director of Defendant Statewide Financial. Defendant
7 Sarpas resides at 266 Quail Meadows, Irvine, California 92603. Defendant Sarpas, acting alone
8 or in concert with others, has formulated, directed, controlled, authorized, or participated in the
9 acts and practices set forth in this Complaint. At all relevant times, Defendant Sarpas was a real
10 estate salesperson licensed by the California Department of Real Estate (DRE). At all relevant
11 times, Defendant Sarpas has transacted and continues to transact business throughout California,
12 including Orange County. Defendant Sarpas is a resident of Orange County.

13 6. Defendant Zulmai Nazarzai (Nazarzai), an individual, is a principal of Defendant
14 Statewide Financial. According to a Statement of Information filed with the Secretary of State on
15 February 14, 2007, Defendant Nazarzai was the Chief Financial Officer and Director of
16 Defendant Statewide Financial. Defendant Nazarzai resides at 13712 Onkayha Circle, Irvine,
17 California 92620. Defendant Nazarzai, acting alone or in concert with others, has formulated,
18 directed, controlled, authorized, or participated in the acts and practices set forth in this
19 Complaint. Defendant Nazarzai is not an attorney and is not licensed as a real estate broker or
20 person authorized to make loans or extensions of credit. At all relevant times, Defendant
21 Nazarzai has transacted and continues to transact business throughout California, including
22 Orange County. Defendant Nazarzai is a resident of Orange County.

23 7. Defendant Sharon Fasela (Fasela), an individual also known as Fasela Sheren, is
24 an employee of Statewide Financial doing business as USHA. Defendant Fasela resides at 22771
25 La Vina Drive, Mission Viejo, California. Defendant Fasela, acting alone or in concert with
26 others, has formulated, directed, controlled, authorized, or participated in the acts and practices
27 set forth in this Complaint. Defendant Fasela is not an attorney and is not licensed as a real estate
28 broker or person authorized to make loans or extensions of credit. At all relevant times,

1 Defendant Fasela has transacted and continues to transact business throughout California,
2 including Orange County. Defendant Fasela is a resident of Orange County.

3 8. Defendant Rasha Yehia Melek (Melek), an individual, is an employee of Statewide
4 Financial doing business as USHA. Defendant Melek resides at 6956 Shamrock Lane, Rancho
5 Cucamonga, California 91701. Defendant Melek, acting alone or in concert with others, has
6 formulated, directed, controlled, authorized, or participated in the acts and practices set forth in
7 this Complaint. Defendant Melek is not an attorney and is not licensed as a real estate broker or
8 person authorized to make loans or extensions of credit. Defendant Melek has an expired real
9 estate salesperson license issued by DRE. At all relevant times, Defendant Melek has transacted
10 and continues to transact business throughout California, including Orange County

11 9. The true names and capacities, whether individual, corporate, associate or
12 otherwise, of defendants sued herein as Does 1 through 100, inclusive, presently are unknown to
13 Plaintiff, who therefore sues said defendants by such fictitious names. Plaintiff will seek leave to
14 amend this Complaint to allege the true names of Does 1 through 100 when the same have been
15 ascertained. Plaintiff is informed and believes, and based thereon alleges, that each of the
16 fictitiously named defendants participated in some or all of the acts alleged herein.

17 10. The defendants identified in Paragraphs 3 through 9 above are referred to
18 collectively in this Complaint as the "Defendants."

19 11. At all times mentioned herein, each of the Defendants acted as the principal, agent,
20 or representative of each of the other Defendants, and in doing the acts herein alleged, each
21 Defendant was acting within the course and scope of the agency relationship with each of the
22 other Defendants, and with the permission and ratification of each of the other Defendants.

23 12. At all relevant times, Defendants have controlled, directed, formulated, known
24 and/or approved of, and/or agreed to the various acts and practices of each of the Defendants.

25 13. Whenever reference is made in this Complaint to any act of any Defendant or
26 Defendants, such allegation shall mean that such Defendant or Defendants did the acts alleged in
27 this Complaint either personally or through the Defendant's or Defendants' officers, directors,
28

1 employees, agents and/or representatives acting within the actual or ostensible scope of their
2 authority.

3 14. At all times mentioned herein, each Defendant knew that the other Defendants
4 were engaging in or planned to engage in the violations of law alleged in this Complaint.
5 Knowing that other Defendants were engaging in such unlawful conduct, each Defendant
6 nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and
7 did encourage, facilitate, or assist in the commission of the unlawful acts alleged in this
8 Complaint, and thereby aided and abetted the other Defendants in the unlawful conduct.

9 15. Defendants have engaged in a conspiracy, common enterprise, and common
10 course of conduct, the purpose of which is and was to engage in the violations of law alleged in
11 this Complaint. The conspiracy, common enterprise, and common course of conduct continue to
12 the present.

13 16. Whenever reference is made in this Complaint to any act of Defendants, such
14 allegation shall mean that each Defendant acted individually and jointly with the other
15 Defendants named in that cause of action.

16 17. Each Defendant committed the acts, caused or directed others to commit the acts,
17 or permitted others to commit the acts alleged in this Complaint. Additionally, some or all of the
18 defendants acted as the agents of the other defendants, and all of the Defendants acted within the
19 scope of their agency if acting as an agent of another.

20 18. The violations of law alleged in this Complaint occurred in Orange County and
21 elsewhere throughout California and the United States.

22 DEFENDANTS' BUSINESS ACTS AND PRACTICES

23 19. Since at least June 2007 to present, Defendants operated primarily under the name
24 US Homeowners Assistance and USHA.

25 20. Since at least June 2007, Defendants have advertised, marketed, offered for sale,
26 and sold purported mortgage loan modification and foreclosure rescue services. As more
27 particularly alleged below, Defendants engaged in a scheme to swindle distressed homeowners by
28 enticing them to engage the Defendants to negotiate loan modifications from the homeowners'

1 respective lenders. Defendants falsely represented both their success rate in negotiating loan
2 modifications for customers and the type of loan modification they could secure for homeowners,
3 including lower, fixed interest rates, principal reductions, lower monthly payments, and
4 forgiveness of arrears. Defendants market their services to homeowners who are in financial
5 distress and in danger of losing their homes to foreclosure.

6 21. Defendant Statewide Financial and Defendant US Homeowners Preservation are
7 not licensed by DRE. None of the Defendants have submitted advance fee agreement
8 applications and none of the Defendants have received the required response from DRE —
9 known as “no objection” — allowing them to charge advance fees to consumers.

10 22. Defendants market and sell their loan modification services to consumers who are
11 particularly vulnerable to fraud, including the disabled and/or those 65 years of age or older.

12 23. Before engaging Defendants’ services, many of Defendants’ customers had
13 already defaulted on their mortgages by falling behind on their mortgage payments.

14 24. Defendants market and sell their loan modification services to consumers even
15 when they are aware that a lender has recorded a notice of default on the consumer’s home.

16 25. Defendants market and sell their loan modification services to consumers even
17 when they are aware that a lender may have posted a notice of trustee sale on the consumer’s
18 property, which typically occurs three months after a notice of default has been recorded and
19 notifies the homeowner that a sale will take place within 20 days.

20 26. Defendants solicit consumers for loan modification services in a number of ways,
21 including advertising on radio and direct mailings. Through these advertisements, consumers are
22 told that no matter how dire their housing situation, Defendants can offer a solution to allow them
23 to keep their homes. The advertisements list a toll-free number for them to call for more
24 information.

25 27. Defendants also post press releases on the Internet. In one such press release,
26 Defendants claimed that USHA was a governmental agency “on the front end of the war against
27 foreclosures” that was “currently seeking alliance with other government agencies to help
28 homeowners save or modify their current bad loan.” In another press release, Defendants claimed

1 that USHA was a non-profit agency “in the business of helping the borrowers as well as the
2 banks.” USHA is neither a governmental agency nor a non-profit organization.

3 28. At times, Defendants told consumers that USHA was approved by the government
4 to provide loan modification services and that USHA was working with the Obama
5 administration to help consumers save their homes. The United States Department of Housing
6 and Urban Development (HUD) has not certified USHA has an approved housing counselor.

7 29. Defendants also solicited consumers through telemarketing.

8 30. Defendants are not currently registered as telephonic sellers in the State of
9 California.

10 31. When consumers speak to Defendants over the telephone or in person, they are
11 told that Defendants have significant negotiating experience and success in negotiating with their
12 particular lenders. Defendants also represented to consumers that their success rate in modifying
13 loans was 90%, 95%, or even 98%. In fact, Defendants are unable to obtain loan modifications
14 for most of their customers.

15 32. Despite the fact that they are unable to negotiate loan modifications for most of
16 their customers, Defendants make the following false statements to the consumer after obtaining
17 information about the prospective customer’s mortgage:

18 (a) Defendants guarantee a loan modification for their customers;

19 (b) Defendants will be able to negotiate lower interest rates, including securing
20 fixed rates for adjustable loans, from lenders;

21 (c) Defendants will be able to secure principal reductions of the consumer’s
22 mortgage;

23 (d) Defendants will be able to secure lower monthly mortgage payments for
24 the consumer;

25 (e) Defendants will be able to eliminate a consumer’s second mortgage
26 through a loan modification; and

27 (f) Defendants will be able to get the consumer’s arrears forgiven by their
28 lenders.

1 33. In some cases, Defendants have promised consumers that they could obtain
2 principal reductions of 20% or more (leading to promises of principal reductions of \$100,000 or
3 more) and reductions of monthly payments by \$200 or more. Based on Defendants' promises of
4 such favorable terms, consumers are induced to sign contracts to engage Defendants' loan
5 modification services.

6 34. Defendants tell consumers that the loan modification process may be completed in
7 as few as 30 days or between 30 and 60 days. In reality, however, most customers never obtain a
8 loan modification.

9 35. Defendants also tell consumers that if Defendants are unable to obtain a loan
10 modification for them, they will be able to receive a refund of fees paid (or, in some cases, minus
11 a processing fee). Defendants have even told customers that their lenders would refund their
12 money at closing. In the majority of cases, however, customers who request refunds are denied
13 them by Defendants, or Defendants fail to respond to the refund requests.

14 36. Defendants also falsely state to consumers that attorneys affiliated with
15 Defendants review customers' financial paperwork and also negotiate with the lenders on their
16 behalf. In reality, however, customers are not given any opportunity to speak with or have any
17 contact with any attorneys affiliated with Defendants about their loans, and no attorneys affiliated
18 with Defendants review customers' financial documents or negotiate with lenders on their behalf.
19 Moreover, Defendants' customers are told by their lenders that the lenders have not been
20 contacted by Defendants or any of Defendants' representatives on the customers' behalf.

21 37. Defendants tell consumers that they will be acting as their agent and negotiator
22 with their lenders. To that end and to control what is communicated to the lenders, Defendants
23 instruct customers not to speak to their lenders about their financial circumstances and to avoid
24 responding to any communications they receive from the lender. Defendants instruct customers
25 to forward all communications from the lender to Defendants. In this way, Defendants'
26 customers are shut out of negotiations with their lender and depend on Defendants for
27 information about the progress of their loan modifications. However, when Defendants fail to
28 contact or remain in contact with their lenders, and the customers proceed under the Defendants'

1 advice and steadfastly refuse to communicate with their lenders, the lenders cancel or reject the
2 loan modification application altogether, due to the borrowers' perceived lack of interest or
3 cooperation with the lenders.

4 38. Defendants require consumers to pay Defendants an upfront fee ranging from
5 \$ 1,200 to \$ 3,500 before Defendants will render loan modification services. Many of the
6 distressed homeowners solicited do not have sufficient financial resources to make their mortgage
7 payments at all, much less pay Defendants' upfront fee and continue making their mortgage
8 payments.

9 39. Defendants inform consumers that they may suspend their mortgage payments (or
10 continue to miss payments, as the case may be) while they have engaged Defendants for loan
11 modification services. By doing so, consumers could then apply whatever money they would
12 have normally used to make mortgage payments to pay Defendants' upfront fee. Defendants
13 assure consumers that their lenders will either forgive these missed payments altogether or
14 include them as part of a future modification agreement. Defendants also advise consumers that
15 lenders will not modify mortgages that are not already in default, and that lenders will not be
16 convinced that consumers are in financial distress until they actually fail to make their monthly
17 mortgage payment. As a result, Defendants' customers, in reliance on this advice and assurance,
18 miss mortgage payments or continue to do so. In fact, heeding this advice causes many
19 customers to have their foreclosure proceeding accelerated by their lenders.

20 40. Defendants also prepare false financial statements that do not reflect their
21 customers' actual income and expenses and submit the fraudulently modified information to
22 lenders. Defendants counsel their customers that Defendants will determine how much the
23 customers can afford and draft the financial worksheets to submit to the lenders. In doing so,
24 Defendants invariably inflate income amounts or create additional income streams, while also
25 reducing expenses and debts — in some cases flagrantly inventing income and debt streams and
26 amounts — such that the financial worksheet ultimately submitted to the lender reflects the
27 debtor's inability to pay the current loan amount. In some instances, Defendants knowingly
28

1 submitted false information related to consumers' income and expenses to federally insured
2 lenders without consumers' knowledge and/or permission.

3 41. Defendants improperly collect fees before completing all services they agree to
4 provide to consumers.

5 42. Defendants' contracts with consumer are deficient in multiple ways, including but
6 not necessarily limited to the following:

7 (a) Defendants do not include a notice, printed in at least 14-point boldface
8 type, advising consumers that Defendants cannot take money until they have completely finished
9 doing everything they say they would do, and that Defendants cannot make consumers sign any
10 lien, deed of trust, or deed;

11 (b) Defendants fail to include in their contracts the address where a consumer
12 may send notice of cancellation of the contract with Defendants;

13 (c) Defendants do not always providing consumers with a notice of
14 cancellation form prescribed by law;

15 (d) Defendants collect advance fees for loan modification services, even when
16 the consumers they solicited for services had already defaulted on their mortgage obligations,
17 lenders had recorded notices of default against the consumers' properties, and/or lenders had
18 issued a notice of trustee sale of the consumers' properties, as described in Paragraphs 23 through
19 25 above; and

20 (e) Defendants are not registered with the Department of Justice as foreclosure
21 consultants.

22 43. After Defendants receive the advance fee payments from customers, Defendants
23 rarely remain in contact with them. While customers repeatedly call, e-mail, or fax Defendants
24 seeking updates on the status of their loan modification applications, Defendants regularly fail to
25 respond to their inquiries.

26 44. In the instances where customers are able to make contact with Defendants and
27 their agents, Defendants tell customers to remain patient because negotiations were proceeding
28 normally with the lender. In other instances, Defendants tell customers that a modification

1 agreement is imminent or that Defendants have, in fact, finalized modification agreements with
2 their lenders. These representations are false and Defendants know they are false at the time they
3 are stated.

4 45. In fact, despite assurances to their customers to the contrary, Defendants make
5 very little effort to initiate contact or negotiate with lenders. Beyond forwarding to the lenders
6 authorization forms signed by their customers allowing Defendants to discuss the consumers'
7 loan with the lenders and sending the doctored financial worksheets that the Defendants
8 themselves drafted, Defendants make no attempt to seek a loan modification on behalf of their
9 customers. This essentially represents the entirety of the actual services provided by Defendants.

10 46. When customers contact their lenders to confirm Defendants' statements about the
11 progress of their modification application, lenders tell them that they received no communications
12 from Defendants; or at most, that the only communication the lenders received from Defendants
13 was the signed authorization form allowing Defendants to discuss the consumers' loan with the
14 lenders and the financial worksheet. Many times, the lenders will try to contact Defendants for
15 more information regarding their clients' loans to no avail.

16 47. After customers realize that Defendants are not going to provide assistance with a
17 loan modification, the customers demand the promised refund of their fees, and Defendants
18 regularly deny these refund requests.

19 48. Defendants fail to obtain for their customers the promised mortgage loan
20 modifications that would lower their interest rates and/or principal. Instead, despite having paid
21 thousands of dollars to Defendants to prevent such an occurrence, their customers lose their
22 homes to foreclosure, or must secure a short sale, or are forced to attempt to negotiate a
23 modification with their lenders without any assistance from Defendants.

24 49. Consumers have suffered and continue to suffer substantial monetary loss to
25 Defendants as a result of Defendants' unlawful acts and practices. Defendants have been unjustly
26 enriched as a result of the unlawful practices set forth in this Complaint. Absent injunctive relief
27 from the Court, Defendants are likely to continue to injure consumers and harm the public interest.
28

1 FIRST CAUSE OF ACTION AGAINST ALL DEFENDANTS
2 VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500
3 (UNTRUE OR MISLEADING REPRESENTATIONS)

4 50. Plaintiff realleges Paragraphs 1 through 49 and incorporates these Paragraphs by
5 reference as though they were fully set forth in this cause of action.

6 51. Defendants have violated and continue to violate Business and Professions Code
7 section 17500 by making or causing to be made untrue or misleading statements with the intent to
8 induce members of the public to purchase Defendants' services, as described in Paragraphs 26
9 through 36 above. Defendants' untrue or misleading representations include, but are not limited
10 to, the following:

- 11 (a) That Defendants are a governmental agency;
- 12 (b) That Defendants are a non-profit organization;
- 13 (c) That Defendants had been approved by the government to provide loan
14 modification services and were working with the Obama administration to help consumers save
15 their homes;
- 16 (d) That Defendants' success rate in modifying loans is 90%, 95%, or 98%;
- 17 (e) That Defendants have significant negotiating experience and success with
18 particular lenders;
- 19 (f) That Defendants guarantee a loan modification for customers;
- 20 (g) That Defendants will be able to secure lower interest rates, including fixed
21 rates for adjustable loans, for customers;
- 22 (h) That Defendants will be able to secure principal reductions of the
23 customers' mortgages;
- 24 (i) That Defendants will be able to secure lower monthly mortgage payments
25 for customers;
- 26 (j) That Defendants will be able to eliminate a customer's second mortgage
27 through a loan modification;
- 28

1 (k) That Defendants will be able to get customers' arrears forgiven by the
2 customers' lenders;

3 (l) That the upfront fees that Defendants collect from their customers is
4 refundable when in fact Defendants do not refund the charge; and

5 (m) That attorneys affiliated with Defendants review the customers' financial
6 paperwork and also negotiate with the lenders on their behalf.

7 52. At the time the representations set forth in Paragraph 51 were made, Defendants
8 knew or by the exercise of reasonable care should have known that the representations were
9 untrue or misleading.

10 SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS

11 VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200

12 (UNFAIR COMPETITION)

13 53. Plaintiff realleges Paragraphs 1 through 52 and incorporates these Paragraphs by
14 reference as though they were fully set forth in this cause of action.

15 54. From a date specific unknown to Plaintiff and continuing to the present,
16 Defendants, and each of them, have engaged in and continue to engage in, aided and abetted and
17 continue to aid and abet, and conspired to and continue to conspire to conspire to engage in acts
18 or practices that constitute unfair competition as defined in Business and Professions Code
19 section 17200. Such acts or practices include, but are not limited to, the following:

20 (a) Failing to perform on their promises, made in exchange for upfront fees
21 from their customers, that Defendants would negotiate modifications of their mortgage loans and
22 secure lower and/or fixed interest rates, principal reductions, and, in some cases, elimination of
23 second mortgages. Defendants do little or nothing to help customers modify their mortgage loans.
24 Instead, consumers, having already paid large sums of money to Defendants, lose their homes or
25 are forced to attempt a loan modification on their own, as described in Paragraph 48 above;

26 (b) Luring customers into paying upfront fees with promises to refund all, or
27 most, of the upfront fees if the modification is unsuccessful. When customers learn that their
28 lenders are unwilling to modify their loans, or that Defendants have done little or nothing to

1 obtain a modification, they demand the promised refund. Despite Defendants' promises,
2 Defendants regularly deny customers' refund requests, as described in Paragraphs 35 and 47
3 above;

4 (c) Deceiving their customers into believing that failing to contact their lenders,
5 or evading their lenders' communications, will increase their ability to obtain a loan modification.
6 Customers rely on Defendants' advice because Defendants assure them that Defendants will
7 remain in contact with lenders. In fact, Defendants are not in contact with lenders and lenders
8 assume that consumers are not willing to work with them to save their homes. Heeding
9 Defendants' advice places customers in even greater jeopardy of losing their homes, as described
10 in Paragraph 37 above;

11 (d) Deceiving their customers into believing that suspending mortgage
12 payments and diverting those funds to pay Defendants' upfront fees instead will increase their
13 ability to obtain a loan modification. Defendants also promise their customers that the missed
14 mortgage payments will not endanger or adversely impact lenders' decisions on their
15 modification applications or otherwise accelerate the foreclosure process. Defendants' advice
16 places consumers in even greater jeopardy of losing their homes, as described in Paragraphs 38
17 and 39 above;

18 (e) Deceiving their customers by claiming that Defendants have been approved
19 by the government to provide loan modification services and are working with the Obama
20 administration to help consumers save their homes, as described in Paragraph 28 above;

21 (f) Violating Penal Code section 487, by taking money of a value exceeding
22 \$400 from consumers by theft, as described in Paragraphs 38, 48, and 49 above;

23 (g) Violating Penal Code section 532, by knowingly and designedly obtaining
24 consumers' money by false pretenses, as described in Paragraphs 32 and 38 above;

25 (h) Violating 18 United States Code section 1014 and California Penal Code
26 section 532a by knowingly submitting false statements regarding their customers' income and
27 expenses to induce federally insured lenders to agree to modify the customers' mortgage loans, as
28 described in Paragraph 40 above;

1 (i) Violating section 17533.6 of the Business and Professions Code by
2 soliciting payment for services by means of a mailing, e-mail, or web site containing a seal or
3 insignia that can be construed as implying any state or local government connection, approval, or
4 endorsement, when Defendants are not governmental entities, as described in Paragraphs 27 and
5 28 above;

6 (j) Violating section 17511.3 of the Business and Professions Code by failing
7 to register as a telephonic seller prior to utilizing the telephone to conduct sales of its loan
8 modification services, as described in Paragraphs 29 and 30 above;

9 (k) Violating subdivision (b) of section 2945.3 of the Civil Code by not
10 including the required notice in their contract, as described in Paragraph 42 above;

11 (l) Violating subdivision (d) of section 2945.3 of the Civil Code by failing to
12 include in their contracts the address where a consumer may send notice of cancellation of the
13 contract with Defendants, as described in Paragraph 42 above;

14 (m) Violating subdivisions (e) and (f) of section 2945.3 of the Civil Code by
15 not always providing consumers with the Notice of Cancellation form required under the statute,
16 as described in Paragraph 42 above; and

17 (n) Violating Business and Professions Code section 17500, as more
18 particularly alleged in Paragraphs 50 through 52 above.

19 THIRD CAUSE OF ACTION AGAINST ALL DEFENDANTS

20 VIOLATION OF SECTION 2945.4 OF THE CIVIL CODE

21 55. Plaintiff realleges Paragraphs 1 through 54 and incorporates these Paragraphs by
22 reference as though they were fully set forth in this cause of action.

23 56. In addition to the conduct alleged as part of the Second Cause of Action in this
24 Complaint, Defendants also violate subdivision (a) of section 2945.4 of the Civil Code by
25 collecting advance fees for loan modification services even when the consumers they solicited for
26 services had already defaulted on their mortgage obligations, lenders had recorded notices of
27 default against the consumers' properties, and/or lenders had issued a notice of trustee sale of the
28 consumers' properties, as described in Paragraphs 23 through 25 and Paragraph 42 above.

1 FOURTH CAUSE OF ACTION AGAINST ALL DEFENDANTS

2 VIOLATION OF SECTION 2945.45 OF THE CIVIL CODE

3 57. Plaintiff realleges Paragraphs 1 through 56 and incorporates these Paragraphs by
4 reference as though they were fully set forth in this cause of action.

5 58. In addition to the conduct alleged as part of the Second and Third Causes of
6 Action in this Complaint, Defendants also violate section 2945.45 of the Civil Code by failing to
7 register with the Department of Justice as foreclosure consultants, as described in Paragraph 42
8 above.

9 FIFTH CAUSE OF ACTION AGAINST DEFENDANTS SARPAS AND MELEK

10 VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200

11 (UNFAIR COMPETITION)

12 59. Plaintiff realleges Paragraphs 1 through 58 and incorporates these Paragraphs by
13 reference as though they were fully set forth in this cause of action.

14 60. In addition to the conduct alleged as part of the Second, Third, and Fourth Causes
15 of Action in this Complaint, Defendants Sarpas and Melek, as real estate professionals licensed at
16 any time during the transactions alleged in this Complaint, engaged in unfair competition as
17 defined in Business and Professions Code section 17200 by engaging in acts and practices which
18 include, but are not necessarily limited to, violating the fiduciary duty and duties of good faith
19 and fair dealing owed to their clients/customers by failing to negotiate with lenders on their behalf,
20 as described in Paragraphs 43, 45, and 48 above.

21 PRAYER FOR RELIEF

22 WHEREFORE, Plaintiff prays for judgment as follows:

23 1. That Defendants, their successors, agents, representatives, employees, assigns and
24 all persons who act in concert with Defendants be permanently enjoined from making any untrue
25 or misleading statements in violation of Business and Professions Code section 17500, including,
26 but not limited to, the untrue or misleading statements alleged in this Complaint, under the
27 authority of Business and Professions Code section 17535;

1 2. That Defendants, their successors, agents, representatives, employees, assigns and
2 all persons who act in concert with Defendants be permanently enjoined from engaging in unfair
3 competition as defined in Business and Professions Code section 17200, including, but not
4 limited to, the acts and practices alleged in this Complaint, under the authority of Business and
5 Professions Code section 17203;

6 3. That the Court make such orders or judgments as may be necessary, including
7 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
8 any practice which violates section 17500 of the Business and Professions Code, or which may be
9 necessary to restore to any person in interest any money or property, real or personal, which may
10 have been acquired by means of any such practice, under the authority of Business and
11 Professions Code section 17535;

12 4. That the Court make such orders or judgments as may be necessary, including
13 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of
14 any practice which constitutes unfair competition or as may be necessary to restore to any person
15 in interest any money or property, real or personal, which may have been acquired by means of
16 such unfair competition, under the authority of Business and Professions Code section 17203;

17 5. That the Court assess a civil penalty of \$2,500 against each Defendant for each
18 violation of Business and Professions Code section 17200, in an amount according to proof but
19 not less than \$ 7,500,000, under the authority of Business and Professions Code section 17206;

20 6. That the Court assess a civil penalty of \$2,500 against each Defendant for each
21 violation of Business and Professions Code section 17500, in an amount according to proof but
22 not less than \$ 7,500,000, under the authority of Business and Professions Code section 17536;

23 7. That the Court assess a civil penalty of \$2,500 against each Defendant for each
24 violation of Business and Professions Code section 17200 perpetrated against a senior citizen or
25 disabled person, in an amount according to proof but not less than \$ 7,500,000, under the
26 authority of Business and Professions Code section 17206.1;

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1 8. That the Court assess a fine of not more than \$10,000 against each Defendant for
2 each violation of Civil Code section 2945.4, in an amount according to proof but not less than
3 \$ 7,500,000, under the authority of Civil Code section 2945.7;

4 9. That the Court assess a fine of not less than \$1,000 and not more than \$25,000
5 against each Defendant for each violation of Civil Code section 2945.45(a), in an amount
6 according to proof, under the authority of subdivision (d) of Civil Code 2945.45;

7 10. That Plaintiff recovers its costs of suit, including costs of investigation; and

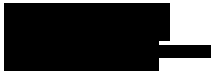
8 11. For such other and further relief that the Court deems just, proper, and equitable.

9 Dated: July __, 2009

Respectfully Submitted,

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