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9

**CONFORMED COPY**  
OF ORIGINAL FILED  
Los Angeles Superior Court

MAY 05 2010

John A. Clarke, Executive Officer/Clerk

By R. Juarez, Deputy

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF LOS ANGELES  
12 WEST DISTRICT  
13

Case No. **SC107850**

14 **THE PEOPLE OF THE STATE OF**  
15 **CALIFORNIA,**

16 Plaintiff,

17 v.

18 **ALFRED ROBLES VILLALOBOS,**  
19 **ARVCO CAPITAL RESEARCH, LLC,**  
20 **FEDERICO R. BUENROSTRO JR., AND**  
21 **DOES 1 – 100, INCLUSIVE,**

22 Defendants.  
23  
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**REDACTED VERSION**

- (1) **THE PEOPLE'S EX PARTE APPLICATION FOR TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE RE: PRELIMINARY INJUNCTION; AND APPLICATION FOR APPOINTMENT OF RECEIVER AND ORDER TO SHOW CAUSE WHY RECEIVER SHOULD NOT BE CONFIRMED OR, IN THE ALTERNATIVE, APPLICATION FOR ASSET FREEZE;**
- (2) **MEMORANDUM OF POINTS AND AUTHORITIES;**
- (3) **SUPPORTING DECLARATIONS (filed under separate cover);**
- (4) **REQUEST FOR JUDICIAL NOTICE;**
- (5) **[PROPOSED] ORDER (Two orders lodged under separate cover)**

DATE ACTION FILED: May 5, 2010  
TRIAL DATE: None set

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## INTRODUCTION

Plaintiff, the People of the State of California ("Plaintiff" or "the People") applies *ex parte* for a temporary restraining order, order to show cause regarding a preliminary injunction, appointment of a receiver, or in the alternative, an asset freeze, to stop defendants ARVCO Capital Research, LLC ("ARVCO") and Alfred Robles Villalobos ("Villalobos") (collectively "Defendants") from dissipating assets necessary to satisfy a judgment in this proceeding pursuant to Business and Professions Code section 17203, Government Code sections 12527 and 12658, California Code of Civil Procedure section 527 and the California Rules of Court 3.1150 and 3.1200 et seq. (the "*ex parte* rules") of the California Rules of Court. After the Attorney General's investigation became visible to Villalobos, he engaged in a number of suspicious real estate transfers and continued to engage in frequent, high-stakes gambling. Villalobos, who has a history of gambling losses in the [REDACTED] of dollars, regularly deals in large amounts of cash and has no less than 21 bank accounts through which he has transferred money in a manner suggesting he was attempting to make this money difficult to trace.

This application seeks to protect and preserve millions of dollars of assets that are necessary to satisfy disgorgement, restitution and penalty obligations that will be due to the People when it prevails in this matter. The relief that the People request is necessary to protect the People from being irreparably harmed by Defendants' dissipation of tens of millions of dollars of assets.

### **I. REQUEST FOR APPOINTMENT OF A RECEIVER; NOMINATION OF DAVID J. PASTERNAK, ESQ.**

A. The People apply to the Court for appointment of a receiver and an order to show cause why the appointment should not be confirmed.

The People request appointment of a receiver to take possession of and to manage Defendants' assets. The application for appointment of a receiver is made on the grounds that: (1) The Attorney General has a reasonable probability of prevailing on the merits at trial in establishing that Defendants obtained real or personal property by unlawful means; (2) The appointment of a receiver would facilitate the maintenance, preservation, operation, or recovery of that property for a restitutionary purpose; (3) Appointment of a Receiver is proper (Gov. Code,

§ 12527, subd. (b) and 12658.) This application is also made on the grounds that appointment of a receiver will aid in the restoration of money or property that was acquired by Defendants unlawful and fraudulent practices including violations of the Corporate Securities Law of 1968 and the Unfair Competition Law, Business and Professions Code section 17200 et seq.

B. The People request appointment of a receiver ex parte. (Cal. Rules of Court, Rule 3.1200 et seq.) The People have submitted declarations and attached exhibits showing the following:

**1. Nature of emergency/irreparable injury:**

a. Each day without a receivership or asset freeze, there is a substantial and imminent danger that Defendant Villalobos will continue to dissipate his assets and ARVCO Capital Research LLC's assets necessary to satisfy a judgment in this case either by engaging in high stakes gambling, paying-off substantial gambling debts that are currently owed, withdrawing large sums of cash that cannot easily be traced, or transferring properties, cash, art work or vehicles to third parties.

b. A receivership or, in the alternative, an asset freeze, is necessary to prevent Defendants from wrongfully disposing of, encumbering or causing damage to the real properties during the pendency of this action and to protect the millions of dollars in money that Defendants will be receiving as final payment for their unlawful conduct from private equity firms.

**2. Nature and approximate size or extent of the business:**

a. ARVCO is an entity, owned and operated by Villalobos, that offered securities for sale even though it has never been licensed as a broker or dealer in California. (Req. for Jud. Notice at Exhs. 17-22.) ARVCO is not a registered legal entity in California and its current legal status in Nevada, where it was incorporated, is "default." (Declaration of Xianchun J. Vendler ("Vendler Decl."), Exh. 26.). Villalobos was not a licensed broker-dealer until May of 2009. (Req. for Jud. Notice at Exh. 20.)

b. Over approximately a four year period, Villalobos and ARVCO received more than \$41 million dollars from several of the entities they unlawfully sold securities for.

(Vendler Dec., Exh. 1.) This figure does not include approximately \$6 million in additional future payments that will be due and owing in the coming months and years pursuant to Defendants' agreements with various private equity funds. Vendler Dec. at Exhs. 1 and 2)

**3. Impact on operation of ongoing business:**

a. ARVCO's business, founded, orchestrated, and run by Villalobos, has engaged in unlawful and fraudulent business practices in connection with the unlicensed and fraudulent sale of securities. Those unlawful acts have been facilitated, in part, through the use of bribery and other fraudulent representations to the California Public Employee Retirement System ("CalPERS"). The impact on ARVCO's ongoing business, which is an entity in default status with the Nevada Secretary of State that has no authority to operate in California, does not form any basis for this court to deny the People's request. (Req. for Jud. Notice, Exhs. 17-27.)

b. Any impact the order will have on other businesses run by Villalobos will be the result of Villalobos' practice of comingling accounts, engaging in multiple transfers between accounts, including the use of money from his placement agent scheme to fund new business entities, including ARVCO Financial Ventures LLC, and placing approximately \$47 million dollars in fraudulently obtained money in accounts bearing the names of various entities under his direct and complete control. As these monies were unlawfully obtained, Defendants should not be allowed to use them to further other business ventures.

c. The People nominate David J. Pasternak, Esq. to serve as Receiver. Mr. Pasternak's qualifications are discussed in his declaration and attached exhibits submitted concurrently with this application. (Pasternak Decl.)

**II. PROTECTION OF ASSETS**

A. The People apply for a Temporary Restraining Order and Order to Show Cause Regarding Preliminary Injunction enjoining Defendants and their agents, employees, officers, representatives, successors, partners, assigns, and those acting in concert or participation with them, from spending, transferring, disbursing, encumbering, hypothecating or otherwise dissipating any real or personal property without prior Court approval, including, but not limited to the following assets:

1           1.     Any money or other consideration that Defendants have received or will  
2 receive as result of their unlicensed broker-dealer activities and fraudulent scheme, including but  
3 not limited to money or other consideration obtained or that will be paid in the future to  
4 Defendants from: (1) Apollo Management VII, L.P., Apollo Investment Fund VII, L.P., or  
5 Apollo Overseas Partners VII, L.P.; (2) Apollo European Principal Finance Fund, L.P. or Apollo  
6 European Principal Finance Management, L.P.; (3) Apollo Special Opportunities Managed  
7 Account, L.P. or Apollo SVP Management, L.P.; (4) Aurora Resurgence Capital Partners LLC or  
8 Aurora Resurgence Fund (C) L.P.; or (5) Apollo Credit Opportunity Management, LLC or Apollo  
9 Credit Opportunity Fund I, L.P. concerning any activities conducted on their behalf, including for  
10 placement fees, in California within the past four years.

11           2.     Any accounts maintained at any financial institution or with any brokerage  
12 company by Defendant Villalobos or Defendant ARVCO Capital, including, but not limited to,  
13 Wells Fargo Bank, Bank of America, Colonial Bank, Chase, Citibank and Washington Mutual, in  
14 which any Defendant deposited any of this money, including, but not limited to:

- 15           a.     Colonial Bank, Account Number [REDACTED] 4, Account Title "Alfred R.  
16 Villalobos DBA ARVCO Properties," signatory Alfredo R. Villalobos  
17 (Declaration of Richard Sintek ("Sintek Decl."), Exh. B);
- 18           b.     Colonial Bank, Account Number [REDACTED] 4, Account Title "Alfred R.  
19 Villalobos DBA ARVCO Properties," signatory Alfredo R. Villalobos  
20 (Sintek Decl., Exh. C);
- 21           c.     Colonial Bank, Account Number [REDACTED] 3, Account Title "Alfred J.R.  
22 Villalobos Family Trust by Alfred R. Villalobos Trustee," signatory  
23 Alfredo R. Villalobos (Sintek Decl. Exh. D);
- 24           d.     Colonial Bank, Account Number [REDACTED] 1, Account Title "Alfred R.  
25 Villalobos Defined Benefit Plan by Alfred R. Villalobos Trustee,"  
26 signatory Alfredo R. Villalobos (Sintek Decl. Exh. E);

27     ///

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- 1 e. Colonial Bank, Account Number [REDACTED], Account Title "Alfred J.R.  
2 Villalobos LLC Vol Emp Welfar, by Alfred R. Villalobos, Trustee,"  
3 signatory Alfredo R. Villalobos (Sintek Decl., Exh. F);
- 4 f. Colonial Bank, Account Number [REDACTED], Account Title "Alfred J.R.  
5 Villalobos Family Trust, by Alfred R. Villalobos Trustee," signatory  
6 Alfredo R. Villalobos (Sintek Decl., Exh. G.);
- 7 g. Colonial Bank, Account Number [REDACTED], Account Title "The Alfred  
8 James Villalobos Education Tr, by Alfred R. Villalobos Trustee,"  
9 signatory Alfredo R. Villalobos (Sintek Decl., Exh. H.);
- 10 h. Colonial Bank, Account Number [REDACTED], Account Title "Alfred R.  
11 Villalobos," signatory Alfredo R. Villalobos (Sintek Decl., Exh. I);
- 12 i. Colonial Bank, Account Number [REDACTED], Account Title "Alfred R.  
13 Villalobos DBA ARVCO Properties Payroll Account," signatories Alfred  
14 R. Villalobos and Carrissa M. Villalobos (Sintek Decl., Exh. J);
- 15 j. Colonial Bank, Account Number [REDACTED], Account Title "The  
16 Adrianna Ivette Villalobos Trust by Alfred R. Villalobos, Trustee,"  
17 signatory Alfredo R. Villalobos (Sintek Decl., Exh. K);
- 18 k. Colonial Bank, Account Number [REDACTED], Account Title "The  
19 Carrissa Dolores Villalobos Education Tr, by Alfred R. Villalobos,  
20 Trustee," signatory Alfredo R. Villalobos (Sintek Decl., Exh. L);
- 21 l. Colonial Bank, Account Number [REDACTED], Account Title "The  
22 Christian Villalobos Education Tr by Alfred R. Villalobos, Trustee,"  
23 signatory Alfredo R. Villalobos (Sintek Decl., Exh. M);
- 24 m. Colonial Bank, Account Number [REDACTED], Account Title "The  
25 Emiliano Villalobos Education Tr by Alfred R. Villalobos, Trustee,"  
26 signatory Alfredo R. Villalobos (Sintek Decl., Exh. N);

27 ///

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- 1 n. Colonial Bank, Account Number [REDACTED], Account Title "The  
2 Jessica Kinley Rae Villalobos Education Tr by Alfred R. Villalobos,  
3 Trustee," signatory Alfredo R. Villalobos (Sintek Decl., Exh. O);  
4 o. Colonial Bank, Account Number [REDACTED], Account Title "ARVCO  
5 Capital Research, LLC," signatories Alfredo R. Villalobos and Carrissa  
6 Michelle Villalobos (Sintek Decl., Exh. P);  
7 p. Colonial Bank, Account Number [REDACTED], Account Title "CAPITAL  
8 MARKETS ADVISORY COUNCIL, INC.," signatories Alfred  
9 Villalobos and Brian David (Sintek Decl. Exh. Q);  
10 q. Colonial Bank, Account Number [REDACTED], Account Title "ARVCO  
11 Art Inc.," signatories Alfred R. Villalobos and Dustin T. Fox. (Sintek  
12 Decl., Exh. R);  
13 r. Colonial Bank, Account Number [REDACTED], Account Title "ARVCO  
14 Capital Research, LLC," signatories Alfredo R. Villalobos and Carrissa  
15 M. Villalobos (Sintek Decl., Exh. S);  
16 s. Colonial Bank, Account Number [REDACTED], Account Title "ARVCO  
17 Capital Research, LLC, Payroll Account," signatories Alfredo R.  
18 Villalobos and Carrissa Michelle Villalobos (Sintek Decl., Exh. T);  
19 t. Colonial Bank, Account Number [REDACTED], Account Title "ARVCO  
20 Financial Ventures LLC," signatories Alfredo R. Villalobos and Carrissa  
21 M. Villalobos (Sintek Decl., Exh. U);  
22 u. Colonial Bank, Account Number [REDACTED], Account Title "Capital  
23 Formation Partners, LLC," signatories Alfredo R. Villalobos and Carrissa  
24 Michelle Villalobos. (Sintek Decl., Exh. V)

25 3. Any profits derived from this money;

26 4. Any real property purchased or maintained, in whole or in part, by any of this money,  
27 including, but not limited to, the following:

28 ///

- 1 a. 1000 Holly Lane., Stateline, Douglas, NV 89449; APN #1318-23-201-  
2 001 / APN#07-050-04; Villalobos, Alfred J. (Request for Judicial Notice,  
3 Exhibit 1);
- 4 b. 121 Holly Lane. B, C, D, Zephyr Cove, Douglas, NV 89448; APN #  
5 1318-23-212-065; Villalobos, Alfred (Request for Judicial Notice,  
6 Exhibit 2);
- 7 c. 150 Holly Lane., Stateline, Douglas, NV 89448; APN #1318-23-216-001;  
8 Villalobos, Alfred (Request for Judicial Notice, Exhibit 3);
- 9 d. 166 Holly Lane., Stateline, Douglas, NV 89448; APN # 1318-23-216-  
10 017; Villalobos, Alfred R (Request for Judicial Notice, Exhibit 4);
- 11 e. .200 Silver Dr., Zephyr Cove, Douglas, NV 89448; APN # 1318-15-714-  
12 028; Villalobos, Alfred (Request for Judicial Notice, Exhibit 5);
- 13 f. 216 Gold Hill Rd., Zephyr Cove, Douglas, NV 89448; APN # 1318-15-  
14 714-038; Villalobos, Alfred (Request for Judicial Notice, Exhibit 6);
- 15 g. 295 Hwy. 50, Units #16, #18, #20, Stateline, Douglas, NV 89448; APN #  
16 1318-23-314-002, 1318-23-314-003, 1318-23-314-020; Villalobos,  
17 Alfred (Request for Judicial Notice, Exhibit 7);
- 18 h. 112 Cypress Way, Stateline, Douglas, NV 89449; APN # 1318-26-101-  
19 083; Villalobos, Alfred R. & Carrissa (Request for Judicial Notice,  
20 Exhibit 8);
- 21 i. 120 Snowbird Ct., Stateline, Douglas, NV 89449; APN # 1318-23-212-  
22 068 and APN # 1318-23-212-069; Villalobos, Alfred R Trustee (Request  
23 for Judicial Notice, Exhibit 9);
- 24 j. 119 Snowbird Ct., Stateline, Douglas, NV 89449; APN # 1318-23-212-  
25 071 -074; Villalobos, Alfred R Trustee (Request for Judicial Notice,  
26 Exhibit 10);

27 ///

28 ///

- 1 k. 98 Lake Village #B, Stateline, Douglas, NV 89449; APN # 1318-23-218-  
2 002; Villalobos, Alfred R Trustee; (Request for Judicial Notice, Exhibit  
3 11);
- 4 l. 81 S. Rubicon Cir., #A, #B, #C, Stateline, Douglas, NV 89449; APN #  
5 1318-23-311-015, APN # 1318-23-311-016, APN # 1318-23-311-017  
6 and APN # 1318-23-311-018; Villalobos, Alfred R Trustee (Request for  
7 Judicial Notice, Exhibit 12);
- 8 m. 4171 Vivian Ct., Reno, NV 89502; APN # 021-334-13; Villalobos,  
9 Alfred J R, The Alfred J R Villalobos Family Trust (Req. for Judicial  
10 Notice, Exhibit 13);
- 11 n. 14035 Moonrise Ct., Reno, NV 89511-6746; 150-111-21; Villalobos,  
12 Alfred; Request for Judicial Notice (Req. for Judicial Notice, Exh. #14);
- 13 o. 20546 Chatsboro Dr. (Woodland Hills area) Los Angeles, CA 91364; APN  
14 #2174-029-022; John M. Gerro, trustee under Decl. of trust, dated 9/9/99  
15 (Req. for Judicial Notice, Exhibit 15);
- 16 p. 197 Plantation Club Drive, Lahaina, Hawaii 96761. Mortgage – PIN  
17 #(2)4-2-005-040-0000; Alfred J.R. Villalobos (Req. for Judicial Notice,  
18 Exhibit 16.).
- 19 5. Any personal property purchased or maintained, in whole or in part, by  
20 any of this money, including, but not limited to, the following:
- 21 a. 2005 Bentley, VIN: SCBCR63W55C030044, License Plate Number:  
22 LT30497 (registered to Alfred J R Villalobos Family Trust / Alfred R.  
23 Villalobos, trustee) (Req. for Judicial Notice, Exhibit 31);
- 24 b. 2008 BMW, VIN: 5UXFE43598L002171, License Plate Number:  
25 LT37856 (registered to Alfred J R Villalobos Family Trust / Alfred R.  
26 Villalobos, trustee) (Req. for Judicial Notice, Exhibit 32);

27 ///

28 ///



- 1 c. 2007 Bentley, VIN: SCBBR93W57C046096, License Plate Number:  
2 ARVCO (registered owner Alfred J R Villalobos Family Trust / Alfred R.  
3 Villalobos, trustee) (Req. for Judicial Notice, Exhibit 33);  
4 d. 2004 Hummer, VIN: 5GRGN23U44H100604, License Plate Number:  
5 284USL (Owner: Alfred R. Villalobos) (Req. for Judicial Notice, Exhibit  
6 34); and  
7 e. 2010 BMW, VIN: 5UXFG4C50AL225862, License Plate Number:  
8 838WFX (Owner: Alfred J R Villalobos Family Trust / Alfred R.  
9 Villalobos) (Req. for Judicial Notice, Exhibit 35).  
10 6. Any artwork or sculptures purchased or maintained by Defendants.

11 (Vendler Dec. at Exh. 20.)

12 B. This request is independent of, and in addition to, the request for appointment of  
13 Receiver because:

14 1. If a receiver is appointed, this order will safeguard (a) assets of which the receiver  
15 will not take possession, and (b) assets that have not yet been transferred to the receiver,  
16 including, but not limited to, assets that the receiver and/or the People have not yet located.

17 2. If a receiver is not appointed, this order will be the only means to safeguard these  
18 assets pending resolution of this matter.

19 C. The application for a temporary restraining order and order to show cause re  
20 preliminary injunction is made on the grounds that:

21 1. Defendants violated, Corporations Code sections 25210 and 25216(a) and Business  
22 and Professions Code section 17200 (prohibiting unfair business practices). Defendants'  
23 unlawful conduct is discussed in the accompanying memorandum and is incorporated herein by  
24 this reference.

25 2. The relief that the People request is necessary to protect the People from being  
26 irreparably harmed by Defendants' dissipation of assets;

27 3. Under Government Code sections 12527 and 12658, the Court may properly order  
28 that a receiver appointment to protect the assets from dissipation.

1           4. Under Government Code section 12527(g), because the Attorney General has proven  
2 a reasonable probability of success on the merits at trial, the Court is empowered to make *all*  
3 necessary orders, to protect Defendants' assets – even those that were not taken by unlawful  
4 means – for use in satisfying a judgment against Defendants.

5       **III. THE RECEIVER SHOULD BE ALLOWED TO TAKE CONTROL OF ALL OF**  
6       **DEFENDANT'S ASSETS AND SEIZE CERTAIN VALUABLE ASSETS THAT**  
7       **ARE IN DANGER OF BEING DISSIPATED.**

8           In addition to order that the Receiver take control of all of Defendant Villalobos' assets,  
9 including, but not limited to those set forth in IIA above, the People further request that this Court  
10 order the seizure by the receiver of Defendant Villalobos' valuable artwork and vehicles to ensure  
11 that assets are not dissipated or unlawfully transferred. In a document entitled "Alfred James  
12 Villalobos Statement of Financial Condition" dated August 31, 2008 that was produced by  
13 ARVCO Capital, the value of Villalobos' Artwork as of 2008 is listed at \$2,725,000. (Vendler  
14 Dec. at Exh. 20) Defendants also own high end vehicles including a 2005 Bentley, which was  
15 purchased with a check for \$[REDACTED], a 2007 Bentley, was purchased with a check for  
16 \$[REDACTED], and a Hummer H2 (Request for Judicial Notice at Exhs. 31, 33, 34) . Both Bentleys  
17 are unencumbered. (Request for Judicial Notice at Exhs. 31, 33) .

18           The People request that this Court order the receiver to seize the above referenced valuable  
19 artwork and vehicles owned by Defendants so these assets may be protected to satisfy a judgment  
20 in this matter, including restitution, penalties, and disgorgement. In this case, Villalobos is the  
21 "sole stockholder of ARVCO, Art, Inc., an artwork leasing company." (Vendler Decl., Exh. 20.)  
22 ARVCO Art, Inc. is an entity that Villalobos can easily utilize to move, hide, or sell his valuable  
23 artwork thereby circumventing the statute's objective of ensuring that assets are preserved to  
24 ensure a judgment will be satisfied. (Vendler Dec. at Exh. 20) As the transfer of artwork can be  
25 very difficult to trace and a vehicle can easily lose its value if damaged in an accident, the danger  
26 of losing millions of dollars in assets is significant.

27           Villalobos recently transferred partial title to real property to a partnership of which his  
28 daughter is a general partner. She then transferred a partial interest in the property to an attorney  
as trustee, to hold title jointly with him. The recorded deed omitted the transfer tax information,

1 concealing the sales price. This transfer suggests that Mr. Villalobos may try to use such  
2 improper methods to transfer or hide his assets. (Req. for Judicial Notice, Exh. 15.) If the asset  
3 seizure order is issued, any valuable vehicles and artwork will be held by the receiver.

#### 4 **IV. NO NOTICE GIVEN TO DEFENDANTS**

##### 5 **A. People Have Established that Great or Irreparable Injury will Result to** 6 **the Applicant Before Notice Can be Given to Defendants.**

7 The People have not given notice of this application. The People are not required to give  
8 notice, pursuant to Code of Civil Procedure section 527(c), which allows for the granting of a  
9 temporary restraining order without notice where "it appears from facts shown by affidavit. . .  
10 that great or irreparable injury will result to the applicant before the matter can be heard on  
11 notice" and where the applicant's attorney certifies "that for the reasons specified the applicant  
12 should not be required to inform the opposing party or the opposing party's attorney." (Code of  
13 Civ. Proc. § 527 (c).); Declaration of Christina Tusan, ¶¶ 2-3 (Tusan Decl.).)

##### 14 **B. There Is A Strong Likelihood That Assets Will Be Dissipated Or** 15 **Transferred If Notice Is Provided.**

16 Great or irreparable injury would result if the People must wait until notice is given to  
17 Defendants for the following reasons: 1) Giving notice would provide Defendants with sufficient  
18 time to dissipate assets necessary for restitution, disgorgement and the payment of penalties; 2)  
19 Defendant Villalobos regularly deals in cash transactions in the millions of dollars and shuffles  
20 money between as many as twenty-one accounts, making it virtually impossible for the people to  
21 trace and recover money that Villalobos withdraws directly or on behalf of ARVCO Capital from  
22 his twenty-one known accounts; 3) Defendant Villalobos has a propensity to engage in high  
23 stakes gambling in as many as nine casinos, in one instance paying out over \$[REDACTED] dollars  
24 in a two day period to two casinos; 4) Villalobos currently owes \$[REDACTED] to one casino alone; 4)  
25 Villalobos has previously transferred \$[REDACTED] via a wire to a resort/casino in Macau; 5)  
26 Defendant Villalobos works less than three miles away from a casino where he could easily  
27 gamble away his assets once he learns about the People's application; and 6) Villalobos reported  
28 at least \$4[REDACTED] in losses (and winnings) from gambling in a two year period alone, and wrote

1 checks to casinos from his known accounts totaling approximately \$[REDACTED]; and 7) Villalobos  
2 has been incurring new gambling debts as regularly as March 21, 2010. (Tusan Decl., ¶¶ 2-3.)

3 **C. Defendants Have Engaged in Suspicious Asset Transfers.**

4 **1. Defendants Regularly Transfer Millions of Dollars Between Multiple**  
5 **Accounts, Make Large Cash Withdrawals, Deplete Multi-Million**  
6 **Dollar Accounts, and Move Assets in a Manner that is Difficult to**  
7 **Trace.**

8 After the Attorney General's issued subpoenas to ARVCO and Villalobos in October  
9 2009, ARVCO Capital Research, LLC's bank account, for which Villalobos is a signatory, and  
10 into which at least \$69 million in monies earned from the placement fees at issue were deposited,  
11 had a balance of only \$[REDACTED]. (Woo-Melendez Decl. ¶ 9; Exh. 24.) Thus, in the period between  
12 October 9, 2009, when the subpoena was issued and November 2, 2009, alone, \$[REDACTED] was  
13 withdrawn from this account and transferred to another of Villalobos' accounts. That money was  
14 subsequently withdrawn as cash from Villalobos' personal account to pay two casinos. (Woo-  
15 Melendez Dec. ¶ 8, Exh. 3.) The dissipation of this account, including through the transfer of  
16 large sums of money between multiple accounts controlled by Villalobos following the issuance  
17 of subpoenas to ARVCO Capital, suggests an effort to conceal assets in advance of a potential  
18 law enforcement action or other litigation. (Woo-Melendez Dec. ¶¶ 6-13, Exhs. 2-9.)

19 **2. Villalobos Recently Engaged in Suspicious Real Estate Transfers**

20 Commencing in late 2009 and early 2010, subpoenas for documents and testimony  
21 were issued to ARVCO Capital, Charles Valdez, and Robert Carlson. (Sintek Dec. at ¶2, Vendler  
22 Decl. ¶¶ 3, 21).

23 Following the issuance of the requests for documents to ARVCO Capital by the  
24 Attorney General, and on the same day that former CalPERS Board members Charles Valdez and  
25 Robert Carlson were personally served with notices to appear, Villalobos recorded a deed  
26 transferring a portion of his interest in his Woodland Hills California property from the Alfred  
27 Villalobos Family Trust to the Alfred Villalobos Family Trust and "20646 Chatsboro Partners."  
28 (Req. for Judicial Notice at Exh. 15) Three days later, on February 4, 2010, a new deed was  
recorded transferring the Woodland Hills property from Chatsboro Partners to "John M. Gerro,

1 Trustee Under Declaration of Trust.” (Req. for Judicial Notice, Exh. 15.) Carrissa Villalobos,  
2 Villalobos' daughter, signing as “general partner” of Chatsboro Partners, authorized the transfer  
3 of the property to John M. Gerro as a trustee. (Req. for Judicial Notice at Exh. 15.)

4 A review of the California state bar website reveals that John M. Gerro is a licensed  
5 real estate attorney. (Vendler Decl., Exh. 27.) The deed, however, omitted any mention of the  
6 Alfred Villalobos Family Trust, despite the fact that it retained an interest pursuant to the prior  
7 deed giving the property jointly to the trust and Chatsboro Partners. This omission concealed any  
8 direct connection on the final deed to Alfred Villalobos. The deed, furthermore, specifically  
9 requested that the transfer tax amount not be made public. Inclusion of the transfer tax amount  
10 would enable the represented “sale price” of the property to be determined. These successive  
11 transfers of the property in this manner, directly following the issuance of subpoenas by the  
12 California Attorney General in October, 2009 and the issuance of subpoenas on February 1, 2010  
13 to witnesses who were directly involved with Villalobos, raises concerns about the validity of  
14 such transfers and that an effort was made to conceal his assets, including his only known  
15 California property..

16 **D. Defendant Villalobos Engages in High Stakes Gambling, Paid out Tens of**  
17 **Millions of Dollars to Casinos, is Currently in Debt to at Least One Casino**  
18 **for Almost \$700,000, Works in Proximity to a Casino, and Transferred**  
**Money to International Casino/Resorts**

19 Villalobos has engaged in high stakes gambling from at least December 2005 to March,  
20 2010, paid tens of millions of dollars to at least nine casinos, and currently is in debt to at least  
21 one Casino for almost \$[REDACTED]. (Woo-Melendez Dec. ¶ 17; Vendler Decl. Exh. 22.) From  
22 December 2005 through December 2009, over \$[REDACTED] was paid directly to various casinos  
23 from Colonial Bank accounts controlled by Villalobos (Woo-Melendez Dec. ¶ 17.) These casinos  
24 are mainly in the South Lake Tahoe area and include Caesars Tahoe, MontBleu Resort Casino &  
25 Spa; Horizon Casino Resort; El Dorado Hotel Casino; Peppermill Casino; Rio Hotel Casino;  
26 Wynn Hotel Casino; Harrah's Casino and Harvey's Casino. (Woo-Melendez Decl. Exh. 17.)

27 Villalobos previously wire transferred \$[REDACTED] to an international resort/casinos  
28 internationally and, therefore, has a history of setting up accounts that allow him to easily transfer

1 money to other countries. Wire transfer of money to foreign accounts would make it virtually  
2 impossible to retrieve those funds if transferred prior to the issuance of a receivership or freeze  
3 order. (Vendler Decl., ¶ 15.) In 2009 alone over \$[REDACTED] was paid to casinos and payments of  
4 \$[REDACTED] to two casinos over a two day period in May, 2008. (Woo-Melendez Dec., ¶ 17, Exh.  
5 11.) Villalobos works less than three miles from a casino and reported gambling losses (and  
6 winnings) on his tax returns of approximately \$[REDACTED] in 2005 and 2006 alone. (Vendler Dec.  
7 at Exhibits 23 - 25.) This gambling continued in 2010. The evidence shows that Villalobos took  
8 out markers for \$[REDACTED] on March 12, 2010 alone in a single casino. (Vendler Dec. at Exh. 22.)  
9 As a result of these practices, the illegal profits earned by Defendants' pursuant to void contracts,  
10 are in danger of being lost or dissipated if Villalobos is allowed to receive millions of dollars in  
11 yet unpaid commissions and/or continue to control the tens of millions of dollars in illegal  
12 commissions defendants already made.

13 **E. This Application is Properly Made without Notice**

14 Pursuant to California Code of Civil Procedure section 527(c), this application must be  
15 made without notice because it appears from the facts shown by affidavit that great or irreparable  
16 injury will result to the application before the matter can be heard on notice and that for reasons  
17 specified in the Declaration of Deputy Attorney General Christina Tusan, the Attorney General  
18 should not be required to give notice. (Tusan Dec., ¶¶ 2-3.)

19 **V. PERMISSION TO FILE A BRIEF IN EXCESS OF 15 PAGES**

20 The memorandum of points and authorities exceeds 15 pages. The People submit that a  
21 brief in excess of the 15-page limit of Rule 3.1113 is necessary in this case due to the complex  
22 nature of the misconduct, the People's submission of detailed factual support to show the  
23 propriety of the requested relief, and the extensive legal argument concerning the requirements  
24 for such relief.

25 **VI. BOND**

26 No bond is required of the People. (Code Civ. Proc., § 995.220.)

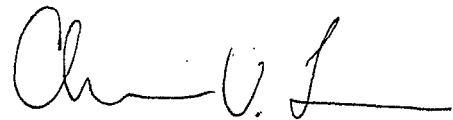
27 This application is based on this application and memorandum of points and authorities, the  
28 complaint on file herein, the declarations filed in support of this application and exhibits thereto,

1 any other documents that may be filed, and such evidence and argument that may be presented at  
2 or before the hearing, or of which the Court may take judicial notice.

3  
4 Dated: May 5, 2010

Respectfully Submitted,

5 EDMUND G. BROWN JR.  
6 Attorney General of California  
7 MARK J. BRECKLER  
8 Senior Assistant Attorney General  
9 JON M. ICHINAGA  
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17 *The People of the State of California*

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## MEMORANDUM OF POINTS AND AUTHORITIES

### I. INTRODUCTION

This action involves a fraudulent and unlawful scheme by defendant Alfred Robles Villalobos ("Villalobos") and his company, ARVCO Capital Research, LLC ("ARVCO"), to corrupt certain decision-makers of the California Public Employees' Retirement System ("CalPERS") in order to facilitate the purchase of billions of dollars worth of securities by CalPERS from private equity funds.<sup>1</sup> These private equity funds then paid Villalobos and ARVCO (collectively, "Villalobos" or "defendants" unless otherwise specified) more than \$47 million in commissions for helping them sell more than \$4.8 billion worth of securities to CalPERS pursuant to illegal placement agent agreements. (Declaration of Charles Fitzpatrick ["Fitzpatrick Decl."], Exhs. A - I; Declaration of Leon Shahinian ["Shahinian Decl."], ¶ 7.) Through this action, the People of the State of California ("the People") seek to disgorge the illegal commissions paid to Villalobos and to prevent further commissions to be paid to him. This *Ex Parte* Application seeks a receivership and an order freezing all Villalobos' assets (including, but not limited to, bank accounts, real properties, and vehicles) in order to prevent the dissipation of the assets sought to be disgorged and which will be necessary to pay civil penalties.

Villalobos, a former board member of CalPERS' Board of Administration (the "CalPERS' Board"), formed ARVCO for the purpose of selling or offering to sell securities through his connections to CalPERS and other public pension funds. Even though Villalobos had no securities broker-dealer license, he entered into at least nine agreements during the period from 2005 to 2008, agreeing to act as a placement agent and use his best efforts to assist various private equity funds in selling securities to CalPERS, activities requiring a securities broker-dealer license.<sup>2</sup> (Declaration of Xianchun J. Vendler ["Vendler Decl."], Exh. 1)

<sup>1</sup> Private equity investments are made through CalPERS' Alternative Investment Management Program ("AIM Program").

<sup>2</sup> A placement agent is commonly known in the industry as a registered broker-dealer who is hired by an issuer of securities to find institutional investors willing to invest in the securities being offered by the issuer. (*McMahan Securities Co., L.P. v. Aviator Master Fund, Ltd* (2008) 20 Misc.3d 386, 396, fn. 2, 862 N.Y.2d 747.)



1 Villalobos admits engaging in activities that required a securities broker-dealer  
2 license, including attending meetings in which he negotiated deal terms regarding the solicited  
3 investments. (Vendler Decl., Exh. 2.) This conduct violated California Corporations Code  
4 section 25210,<sup>3</sup> prohibiting any broker-dealer from engaging in the business of effecting  
5 transactions in securities in California without obtaining the required broker-dealer certificate  
6 from the Commissioner of California's Department of Corporations (the "Commissioner").<sup>4</sup>  
7 Under California law, if defendants are not licensed, the sales contracts they enter into are void  
8 and they are not entitled to commissions. (*Rhode v. Bartholomew* (1949) 94 Cal.App.2d 272, 282  
9 ["A contract employing a broker to sell corporate stock is void where the broker is not licensed to  
10 sell the stock under the Corporate Securities Act, and the broker may not recover a  
11 commission"].)

12 In addition to illegally selling securities without a license, Villalobos sold securities  
13 through fraudulent means. The goal of his scheme was to induce the purchase of securities so  
14 that he could be paid millions of dollars in unlawful commissions from private equity funds. His  
15 fraudulent scheme consists of: (1) the failure to disclose the placement agent agreements and the  
16 commissions he received even though he was contractually and legally required to make the  
17 disclosure; (2) conspiring with defendant Federico R. Buenrostro Jr. ("Buenrostro"), the former  
18 Chief Executive Officer of CalPERS, to assist in the fraudulent scheme by having him sign six  
19 bogus disclosure forms purporting to acknowledge the required disclosure of the agreements and  
20 commissions to CalPERS; (3) falsely representing that defendants had all applicable licenses,  
21 complied with all laws, and disclosed their fees to CalPERS as to five of the nine transactions; (4)  
22 enticing Buenrostro with an undisclosed standing job offer plus a condominium (Declaration of  
23 Melissa Nevis ["Nevis Decl."], ¶ 5) and Leon Shahinian (Senior Investment Officer for  
24 CalPERS' AIM Program since 2004) with a \$63,000 private jet trip to New York (Vendler Decl.,  
25 Exhs. 3-8); and (5) giving undisclosed gifts and gratuities (in the form of food, drinks, lodging,

26 <sup>3</sup> All statutory references are to California's Corporations Code unless otherwise specified.

27 <sup>4</sup> Hereafter, the word "license" is used to refer to the certificate required under section  
28 25210.

1 and entertainment) to Buenrostro, Shahinian, and Charles Valdes ("Valdes"), a former board  
2 member of the CalPERS' Board who headed CalPERS' Investment Committee for thirteen years.

3 Defendants' fraudulent and unlawful conduct compromised the integrity of CalPERS'  
4 investment process and violated: (1) section 25216(a), prohibiting broker-dealers from effecting  
5 transactions in, or inducing or attempting to induce the purchase or sale of, securities in California  
6 by means of a manipulative, deceptive, or fraudulent scheme and (2) Business and Professions  
7 Code section 17200 (the "UCL"), prohibiting unlawful or fraudulent business practices.

8 The provisional remedies of a receivership and an asset freeze order are warranted  
9 under the circumstances of this case because the People have shown a reasonable probability of  
10 prevailing on the merits, and because there is a danger that Villalobos will dissipate and transfer  
11 the assets sought to be disgorged in this action and necessary to pay substantial civil penalties  
12 sought.

## 13 **II. STATEMENT OF FACTS**

### 14 **A. Unlicensed Securities Broker-Dealer Activities**

15 From 2005 to 2008, Villalobos entered into at least nine oral and written placement  
16 agent contracts for the purpose of assisting private equity funds in soliciting investments from  
17 CalPERS. (Fitzpatrick Decl., Exhs. A through I; Vendler Decl., Exh. 1.) In six written placement  
18 agent agreements, Villalobos agreed to act as "a placement agent" and "use [his] reasonable best  
19 efforts to identify, and to assist [the funds] in selling [securities] to, [CalPERS]." (Fitzpatrick  
20 Decl., Exhs. A-C, F, and H-I.) With regard to the three oral placement agent agreements,  
21 Villalobos admits in a sworn statement submitted to the Securities Exchange Commission (the  
22 "SEC") (the "SEC Statement") that he acted as a placement agent in assisting the funds to sell  
23 securities and performed services identical to those identified in the written placement agent  
24 agreement. (Vendler Decl., Exh. 1, at pp. 5, 6, and 11.) ARVCO also touts itself in its marketing  
25 brochure as "one of the five major private capital placement agents in the world" which raised  
26 \$16 billion for its clients from 1994 to 2006. (Declaration of Richard Sintek ["Sintek Decl."],  
27 Exh. AA.)

28 ///

1 Pursuant to these placement agent agreements, Villalobos solicited the following nine  
2 investments and in return received more than \$47 million in commissions from the sale of these  
3 securities to CalPERS:

4 (1) Apollo Investment Fund VI ("Apollo VI"), \$650 million investment, closed on or  
5 about August 12, 2005, \$3,864,734 commissions;

6 (2) Apollo Alternative Assets, L.P., \$200 million investment, closed on or about July  
7 27, 2006, \$4.4 million in commissions;

8 (3) Apollo Investment Fund VII ("Apollo VII"), \$1 billion investment, closed on or  
9 about August 30, 2007, \$3.5 million in commissions, \$2,625,000 unpaid as of August 3, 2009;

10 (4) Apollo Global Management, LLC, \$601 million investment, closed on or about  
11 July 12, 2007, \$13.2 million in commissions;

12 (5) Apollo Europe Management, L.P. and AP Investment Europe Limited,  
13 approximately \$75 million investment, closed on or about September 14, 2007, \$625,000 in  
14 commissions;

15 (6) Apollo European Principal Finance Fund ("Apollo EPF Fund"); \$50 million  
16 investment, closed on or about February 29, 2008, €494,000 in commissions, \$375,000 paid as of  
17 August 3, 2009;

18 (7) Apollo Special Opportunities Managed Account ("Apollo SOMA"); \$800 million  
19 investment, closed on or about February 15, 2007, \$830,000 unpaid as of September 24, 2009;

20 (8) Aurora Resurgence Fund ("Aurora Resurgence"); \$400 million investment, closed  
21 on or about September 10, 2007, \$4 million in commissions, \$2 million unpaid as of August 3,  
22 2009; and

23 (9) Apollo Credit Opportunity Fund I ("Apollo Credit Opportunity"); \$1 billion  
24 investment, closed on or about April 15, 2008, \$9,070,833 in commissions, \$1.5 million due in  
25 June of 2010. (Shahinian Decl., ¶ 7; Vendler Decl., Exh. 1; Fitzpatrick Decl., Exhs. A through I.)

26 Although the contracts were entered into with ARVCO, Villalobos' services were  
27 considered critical to these contracts, and were essentially agreements to sell access to CalPERS  
28 through Villalobos' connections. (Vendler Decl., Exh. 2, at p. 3 ["During the entirety of the

1 Relevant Period, Alfred J. R. Villalobos has been the primary ARVCO representative acting on  
2 behalf of clients in connection with the solicitation of investment commitments from Public  
3 Pension Funds. Mr. Villalobos is personally involved in all of the ARVCO's engagements and  
4 plays a key role in providing these services to clients"].) In fact, the funds expressly reserved  
5 their right in three of these contracts (Apollo VI, Apollo VII, and Aurora Resurgence) to  
6 terminate their contracts should Villalobos become unable to perform the required services.  
7 (Fitzpatrick Decl., Exhs. A, F, and H ["At any time if Mr. Villalobos becomes unable to devote or  
8 fails to devote sufficient time and attention to fulfilling the services contemplated hereunder, it  
9 being recognized that ARVCO's engagement hereunder is based, in part, on the understanding  
10 that the personal and preferential services of Mr. Alfred Villalobos are essential to the services to  
11 be provided by ARVCO"].)

12 ARVCO told the SEC that "[i]n its role as a placement agent, [it] reviews and  
13 comments on its clients' marketing and offering materials. . . . ARVCO also . . . provides  
14 strategic advice on how to present and explain the investment product to the Public Pension  
15 Funds and their investment advisors. ARVCO also schedules, attends, and presents to, or assists  
16 in presentations to, representatives of Public Pension Funds and their investment advisors  
17 regarding clients' investment products."<sup>5</sup> (Vendler Decl., Exh. 2, at pp. 2-3.)

18 Villalobos frequently contacted Shahinian and his staff promoting investments in  
19 connection with at least four of the nine transactions (Apollo SOMA, Apollo Global  
20 Management, Apollo Alternative Assets, and Apollo Credit Opportunity). (Shahinian Decl., ¶ 6.)  
21 He sent Shahinian offering documents on behalf of certain investment managers and called  
22 Shahinian with information about them. He also negotiated and discussed deal terms for these  
23 four transactions. (Shahinian Decl., ¶ 6.)

24 ///

25 ///

26 <sup>5</sup> Although the SEC Statement was submitted by ARVCO and signed by Carrissa  
27 Villalobos (Villalobos' daughter), these admissions were adopted by Villalobos because he  
28 signed the Supplemental Sworn Statement to the SEC, thus ratifying the admissions made in the  
SEC Statement. (Vendler Decl., Exh. 1.)

1           However, prior to May of 2009, ARVCO, Villalobos, or persons working for  
2 ARVCO did not obtain licenses from the Commissioner authorizing them to act as securities  
3 broker-dealers. (Request for Judicial Notice ["RJN"], Exhs. 17-27.)

4           **B. Sales Of Securities Through Fraudulent Means**

5           **1. Omissions And False Representations**

6           All of the written placement agent contracts required Villalobos to disclose the terms  
7 of these contracts and corresponding commissions to CalPERS. (Fitzpatrick Decl., Exhs. A-C, F,  
8 and H-I.) Some specifically required him to return an executed "Investor Disclosure" form to the  
9 funds prior to receiving commissions. (Fitzpatrick Decl., Exhs. B, C, E, and F.) However,  
10 Villalobos admits failing to disclose to CalPERS four of the nine placement agent agreements and  
11 the commissions received. (Vendler Decl., Exh. 1, at pp. 2, 6, 11, and 14.)

12           With regard to the remaining five transactions, Villalobos claims to rely upon six  
13 "Investor Disclosure" forms signed by Buenrostro on behalf of CalPERS. (Vendler Decl., Exh. 1,  
14 at pp. 4-5 and 7-9; Sintek Decl., Exh. Y; Shahinian Decl., Exh. A.) However, these six disclosure  
15 forms are nowhere to be found in CalPERS' files. Neither Shahinian, the Senior Investment  
16 Officer for CalPERS' AIM Program, nor his investment staff knew about their existence.  
17 (Shahinian Decl., ¶¶ 3-4.) All of the disclosure forms signed by Buenrostro, with one possible  
18 exception, were dated months after CalPERS had already approved the solicited investments.  
19 (Shahinian Decl., ¶ 7; Exh. A; Sintek Decl., Exh. Y.) Four of the six disclosure forms were  
20 purportedly signed by Buenrostro before the placement agent agreements with the private equity  
21 fund clients were even entered into. (Vendler Decl., Exh. 1, at pp. 3, 5, and 8-9; Shahinian Decl.,  
22 Exh. A; Sintek Decl., Exh. Y.) With regard to Apollo SOMA, defendants produced two identical  
23 disclosure forms (one on November 20, 2007 and another on May 20, 2008), but both were dated  
24 after ARVCO already received \$4.5 million in commissions. (Sintek Decl., Exh. Y; Shahinian  
25 Decl., Exh. A; Vendler Decl., Exh. 1, at p. 5.) The suspicious timing of these disclosure forms is  
26 more specifically illustrated below:

27    ///

28    ///

Fund Name	Investment Amounts	Dates of Disclosure Forms Signed by Buenrostro	Dates of Placement Agent Contracts	Time Disclosure Required Under the Placement Agent Contracts	Closing Dates
1. Apollo VII	\$1 billion	11/20/2007	7/1/2007	Prior to acceptance of CalPERS' investment	8/30/2007
2. Apollo Europe Management	Approximately \$75 million	11/20/2007	1/25/2008	Prior to payment of fees	9/14/2007
3. Apollo EPF	Approximately \$50 million	1/11/2008	2/20/2008	Prior to payment of fees	2/29/2008
4. Apollo SOMA	\$800 million	11/20/2007 and 5/20/2008	3/2008	Prior to payment of fees	2/15/2007
5. Apollo Credit Opportunity	\$1 billion	5/20/2008	6/19/2008	Prior to payment of fees	4/15/2008

(Shahinian Decl., ¶ 7, Exh. A; Fitzpatrick Decl., Exhs. B, C, E, H, and I; Sintek Decl., Exh.

Y.)

ARVCO and Villalobos also falsely represented in seven of the nine placement agent agreements that (1) they were in compliance with applicable local and U.S. laws; (2) they had the required licenses to serve as placement agents for the offer and sale of securities to CalPERS; and (3) they would not engage in any act or practice that would, directly or indirectly, contravene laws prohibiting bribery or payments to public officials.<sup>6</sup>

## 2. Undisclosed Gifts

Villalobos obtained access to CalPERS by building, through undisclosed gifts, gratuities, and an offer of employment, close relationships with Buenrostro, Shahinian, and some members of the CalPERS' Board, including Valdes. For instance, when Buenrostro married Melissa Nevis in November of 2004, Villalobos made all of the arrangements for their wedding, including hiring the caterer, ordering the cake, and providing the music. He also paid hotel

<sup>6</sup> The seven agreements are agreements Villalobos entered into with Apollo VI, Apollo VII, Apollo Europe Management, Apollo EPF Fund, Apollo SOMA, Aurora Resurgence, and Apollo Credit Opportunity. (Fitzpatrick Decl., Exhs. A-C, E, F, H, and I.)

1 expenses for the families of Buenrostro and Melissa Nevis to stay in Lake Tahoe after the  
2 wedding ceremony. (Nevis Decl., ¶4.) Sometime prior to November of 2006 and while  
3 Buenrostro was still acting as CalPERS' CEO, Villalobos discussed employment opportunities at  
4 ARVCO with Buenrostro and made a standing, but undisclosed, job offer to Buenrostro. The job  
5 offer package also included the receipt of a condominium. (Nevis Decl., ¶5.) Public records  
6 show that sometime in December 2009. After Buenrostro began working for Villalobos,  
7 Villalobos transferred title of one of the condominiums he owned to Buenrostro. (RJN, Exh. 38.)

8           When Villalobos was soliciting from CalPERS a ten-percent (10%) equity interest  
9 investment in Apollo Global Management for \$700 million in 2007, he invited Shahinian to travel  
10 by private jet to New York City to attend a fund-raising event on the evening of May 15, 2007,  
11 hosted by the Museum of Modern Art in honor of Leon Black (the "Private Jet Trip"), the founder  
12 and controlling shareholder of Apollo Global Management. ARVCO rented a private jet for  
13 \$53,000, which transported Villalobos and Shahinian alone to New York. Upon arrival, they  
14 were transported by a limousine to the Mandarin Oriental Hotel. Villalobos paid \$9,552:90 in  
15 connection with their stay at the Mandarin Oriental Hotel. (Vendler Decl., Exhs. 4 and 7.)  
16 Expenses for the Private Jet Trip were paid by Villalobos, amounting to at least \$63,000.  
17 (Vendler Decl., Exhs. 5 and 6; Sintek Decl., Exh. Z.) On May 30, 2007 (less than two weeks  
18 after the Private Jet Trip), Villalobos faxed Shahinian a 11-page document entitled "Apollo Term  
19 Sheet". (Vendler Decl., Exh. 19.) On June 18, 2007 (about two weeks later), Shahinian  
20 recommended to the CalPERS' Board that CalPERS invest up to \$700 million in Apollo Global  
21 Management. (Vendler Decl., Exh. 8.)

22           Villalobos frequently socialized with Buenrostro and Valdes and paid for their food,  
23 drinks, and entertainment. For example, he hosted Christmas parties in 2005 and 2006 and paid  
24 for the expenses of Buenrostro and Valdes (including food, lodging, and entertainment) in  
25 connection with attending these parties. (Vendler Decl., Exh. 9.)

26           In November of 2006, Villalobos, Buenrostro, and Valdes took a ten-day trip  
27 together, ostensibly to attend the two-day Meed Capital Markets Conference in Dubai (the "Dubai  
28 Trip"). They flew together from San Francisco to London and then from London to Dubai. They

1 arrived in Dubai on November 19 and stayed at Emirates Towers Hotel. Valdes and Villalobos  
2 hosted a reception in honor of Buenrostro in the evening of November 20, 2006 in his suite in the  
3 Emirates Towers Hotel. After attending the conference from November 20 to 21, Villalobos,  
4 Valdes, and Buenrostro flew to Macau, a famous gambling location, and stayed at Wynn Resorts  
5 Macau for three days before returning to the United States. (Vendler Decl., Exhs. 10-15.)

6 Valdes spent more than \$23,000 for this Dubai Trip, which was first paid by ARVCO  
7 and/or Villalobos. Although Valdes apparently claims that he reimbursed Villalobos for the  
8 Dubai Trip (Vendler Decl., 16), whether he actually did so remains questionable given the fact  
9 that he had a lien of \$17,917 on his house as of August 3, 2006, three months before the Dubai  
10 Trip. (Vendler Decl., Exh. 17.) Furthermore, in order to clear the check (dated December 1,  
11 2006) he allegedly gave Villalobos for the Dubai Trip, his bank records show cash deposits of  
12 \$9,000 on November 30, 2006 and \$5,000 on December 2, 2006. (Vendler Decl., Exh. 16.)

13 The relationship between Buenrostro and Villalobos was so close that Buenrostro  
14 forwarded his draft response to written allegations made by the CalPERS' Board regarding his  
15 job performance at CalPERS to Villalobos, seeking the latter's advice and comments. (Vendler  
16 Decl., Exh. 18.) Buenrostro also forwarded an email from Bob Feckner, President of the  
17 CalPERS' Board, addressing concerns about his performance raised by the CalPERS' Board to  
18 Villalobos. (Decl. of Mike Marshall ["Marshall Decl.,"], Exh. A.) On June 7, 2008, while  
19 Buenrostro was still on CalPERS' payroll, he applied for a visa to India, indicating that the  
20 purpose of his trip was to speak at a conference and attend business meetings on behalf of  
21 ARVCO. (Marshall Decl., Exh. B.) The day after Buenrostro left CalPERS, he started working  
22 for Villalobos at \$25,000 per month. (Vendler Decl., Exh. 21.)

23 Neither Buenrostro, Valdes, nor Shahinian disclosed these gifts on their Form 700  
24 (Statement of Economic Interests) as required by Government Code sections 87200, 87203, and  
25 87207. (RJN, Exhs. 28-30.) Villalobos and ARVCO did not disclose the gifts they gave to these  
26 CalPERS' officials as required by Government Code section 20152.5. (Decl. of Susan M. Kane, ¶  
27 3.)

28 ///



1           **C. Villalobos' Assets Are Being Dissipated.**

2           As detailed in the Woo-Melendez Declaration., Villalobos controls at least 21  
3 accounts in which he has routinely transferred money originally paid to him or ARVCO in  
4 payment for his unlawful conduct. Thus, at least \$[REDACTED], most of it received from Apollo or  
5 Aurora, was deposited into the account listed for ARVCO Capital Research, LLC. ("placement  
6 agent money"). (Woo-Melendez Decl., ¶ 5.) Placement agent money was routinely transferred in  
7 and out of several other accounts controlled by Villalobos, often on the same day, and thus all of  
8 Villalobos other accounts are commingled with placement agent money. (Woo-Melendez Decl.,  
9 ¶¶ 6-13, 17, 18) These transfers frequently ended in large cash withdrawals by Villalobos.  
10 (Woo-Melendez Decl., ¶¶ 7, Exh. 2.)

11           Villalobos' bank records show, moreover, that he transferred over \$[REDACTED]  
12 between December 2007 and November 2009 to various casinos, including Caesars Tahoe,  
13 MontBleu Resort Casino & Spa, Horizon Casino Resort, El Dorado Hotel Casino, Peppermill  
14 Casino, Rio Hotel Casino, Wynn Hotel Casino, Harrah's Casino, and Harvey's Casino. (Woo-  
15 Melendez Decl., ¶ p. 17.) The ARVCO Capital Research Account had a balance of \$[REDACTED] as  
16 of November of 2009. (Woo-Melendez Decl., ¶ 9.) Villalobos wired \$[REDACTED] from his Alfred  
17 J.R. Villalobos Family Trust by Alfred R. Villalobos Trustee account at Colonial Bank to the  
18 Wynn Resorts in Macau on or about November 9, 2006. (Woo-Melendez Decl., ¶ 18.) Villalobos  
19 then wired \$[REDACTED] back to his account at Colonial Bank from Macau on or about November 28,  
20 2006.

21           In addition to his bank records, other evidence establishes that Villalobos is a  
22 frequent, high stakes gambler. (Vendler Decl., Exh.22, 24-25.) For example, he currently owes  
23 the El Dorado Hotel Casino \$[REDACTED]. (Vendler Decl., Exh. 22.) At the El Dorado Casino, the  
24 evidence shows that Villalobos deposited as much as \$[REDACTED] into slot machines on a single  
25 day. (Vendler Decl., Exh. 22.) Villalobos declared gambling losses (and winnings) of over \$[REDACTED]  
26 [REDACTED] in 2005 and nearly \$[REDACTED] in 2007. (Vendler Decl., Exhs. 24 & 25.) He gambled at  
27 the El Dorado Casino as recently as last month. (Vendler Decl., Exh. 27.) Villalobos' place of  
28

1 business is less than 2 miles from gambling casinos in South Lake Tahoe. (Vendler Decl., Exh.  
2 23.)

3 Villalobos is owed approximately \$6 million for his unlawful placement agent work  
4 on behalf of Apollo VII and Aurora Resurgence Fund and payments are scheduled, including at  
5 least one payment this month. (Vendler Decl., Exh. 2.)

6 Villalobos owns or controls some 14 pieces of real property located in California,  
7 Nevada, and Hawaii (RJN, Exhs., 1 - 16.) He or ARVCO own two Bentleys, two BMWs', and a  
8 Hummer. (RJN, Exhs. 31 - 36.) Villalobos has substantial investments in art which he values as  
9 exceeding \$2.7 million. (Vendler Decl., Exh. 20.)

10 After the investigation became visible to Villalobos starting in October of 2009, when  
11 a subpoena was issued to ARVCO, and after subpoenas to former CalPERS Board members  
12 known to be close to him on or about the first week of February of 2010, Villalobos recorded a  
13 deed regarding property owned by the Alfred Villalobos Family Trust located at 20646 Chatsboro  
14 in Woodland Hills to the Alfred Villalobos Family Trust and the 20646 Chatsboro Partners  
15 ("Chatsboros Partners") on February 1, 2010. (Vendler Decl., ¶ 3; RJN, Exh. 15.) Three days  
16 later, on February 4, 2010, a new deed was recorded transferring the Woodland Hills property  
17 from Chatsboro Partners to "John M. Gerro, Trustee Under Decl. of Trust." (RJN, Exh. 15.) The  
18 deed was recorded by Carrissa Villalobos. John M. Gerro is a licensed attorney in California.  
19 (Vendler Decl., Exh. 27.) This latter deed failed to record the transfer tax amount which would  
20 have revealed the purchase price, if any, of the property. (RJN, Exh. 15.)

## 21 ARGUMENT

### 22 I. A RECEIVER OR IN THE ALTERNATIVE AN ASSET FREEZE MUST BE 23 APPOINTED TO PRESERVE ASSETS NECESSARY TO PAY THE FINAL 24 JUDGMENT IN THIS CASE

25 An order granting a receiver or, in the alternative an asset freeze, is necessary because there  
26 is a substantial risk that Defendants will dissipate assets necessary to satisfy a judgment in this  
27 case.

28 Defendant Villalobos and his co-conspirators greatly profited from their unlawful and  
fraudulent enterprise to the tune of at least \$47 million dollars to date. Additional money from

1 these fraudulent practices are also due in the next 24 months. At this time, the People have  
2 located certain bank accounts that appear to have been funded by Defendants' money in his bank  
3 account, vehicles, artwork, as well as real estate and personal property that has been acquired, at  
4 least in part, with the proceeds of the scheme. (Woo-Melendez Dec., ¶ 5 -14.) The People  
5 believe that in addition to the bank accounts presently identified, Defendants have bank accounts  
6 in various other banks. (Woo-Melendez Dec., ¶ 20.) Freezing these assets will better ensure that  
7 those assets are available for restitution, penalties, and disgorgement of ill-gotten gains in the  
8 event that the Court so orders. (See *People v. Martinson* (1986) 188 Cal.App.3d 894, 900-91  
9 [holding that the Attorney General was entitled to seek disgorgement of commissions arising out  
10 of sales of certain unqualified securities].)

11 The receiver should also be allowed to seize certain valuable artwork and vehicles.  
12 Such seizures are necessary to preserve these valuable assets which, if not seized, can be  
13 dissipated, transferred, used to pay gambling debts or to obtain additional funding for further  
14 gambling related activities, or destroyed before the conclusion of this proceeding.

15 Accordingly, the People request that this Court immediately enjoin Defendants from  
16 dissipating assets that could be used to make restitution, for purposes of disgorgement, and for  
17 penalties that the Court may award. In addition, to protect the subject assets, the People request  
18 that this Court authorize the People either through a receiver to seize the certain expensive  
19 vehicles and artwork owned by Defendants, as proceeds of their unlawful and fraudulent  
20 practices, to ensure they are not transferred or damaged in a way that would prevent them from  
21 being used for restitution, disgorgement and penalties for the victims in this case.

## 22 **II. A TEMPORARY RESTRAINING ORDER AND ORDER TO SHOW CAUSE** 23 **RE: PRELIMINARY INJUNCTION SHOULD ISSUE**

### 24 **A. This Court Has the Authority to Issue an Injunction under Government** **Code Section 12658 and Business and Professions Code Section 17203**

25 The People allege violations of the Corporate Securities Law of 1968 ("CSL"). Pursuant to  
26 Government Code section 12658 (a) and (b), the People are authorized to seek a temporary  
27 restraining order, preliminary injunction, appointment of a receiver and/or other ancillary relief  
28 when an action alleging violations of the CSL is filed by the Attorney General on behalf of the

1 People. Section 12658 (a) provides that “[u]pon a proper showing, a permanent or preliminary  
2 injunction, restraining order, or writ of mandate shall be granted and a receiver, monitor,  
3 conservator, or other designated fiduciary or officer of the court may be appointed for the  
4 defendant or the defendant’s assets, or any other ancillary relief may be granted as appropriate.”<sup>7</sup>  
5 Thus, pursuant to Government Code section 12527 (b), the court may appoint a receiver, upon the  
6 application of the Attorney General, if the court determines both of the following: (1) “[t]he  
7 Attorney General has a reasonable probability of prevailing on the merits at trial in establishing  
8 that the defendant obtained real or personal property by any unlawful means. (2) The appointment  
9 of a receiver would facilitate the maintenance, preservation, operation, or recovery of that  
10 property for any restitutionary purpose.”

11 In addition, Business and Professions Code section 17203 empowers the Court to issue  
12 orders “as may be necessary to prevent the use or employment by any person of any practice  
13 which constitutes unfair competition.” “An action filed by the People seeking injunctive relief . .  
14 . is fundamentally a law enforcement action designed to protect the public . . .” (*People v. Pacific*  
15 *Land Research Co.* (1977) 20 Cal.3d 10, 17.) Once the trial court invokes its equitable  
16 jurisdiction, it is within the court’s broad discretion to determine the scope or type of relief that  
17 should be granted. (*People ex rel. Mosk v. Nat’l Research Co. of Cal.* (1962) 201 Cal.App.2d  
18 765, 775, 779.) Such relief may be as “varied and diversified as the means that have been  
19 employed by the Defendant to produce the grievance complained of.” (*Wickersham v. Crittenden*  
20 (1892) 93 Cal. 17, 32; *Roman v. Ries* (1968) 259 Cal.App.2d 65, 70.)

21 Standards under both Government Code section 12658 and Business and Professions Code  
22 section 17203 are met here. A receivership should be imposed on Villalobos’ and ARVCO’s  
23 assets in order to prevent them from being dissipated by Villalobos during the pendency of this  
24 action.

25 ///

26 ///

27 \_\_\_\_\_  
28 <sup>7</sup> The same relief may be obtained under Business and Professions Code section 17203.

1     **III. THE PEOPLE HAVE A REASONABLE PROBABILITY OF PREVAILING ON THE MERITS**  
2     **IN ESTABLISHING VIOLATION OF SECTION 25210 AND RECEIPT OF ILLEGAL**  
3     **COMMISSIONS.**

4     **A. The People Are Entitled To Disgorgement Of Commissions Because**  
5     **Villalobos And ARVCO Were Not Licensed As Securities BrokerDealers**  
6     **And The Sales Contracts Are Void.**

7     “A contract employing a broker to sell corporate stock is void where the broker is not  
8     licensed to sell the stock under the Corporate Securities Act, and the broker may not recover a  
9     commission.” (*Rhode, supra*, 94 Cal.App.2d at p. 282; *Nationwide Investment Corp. v. California*  
10    *Funeral Service, Inc.* (1974) 40 Cal.App.3d 494, 500-505 [granting summary judgment in favor  
11    of defendant on the ground that the contract between plaintiff and defendant was void and that  
12    plaintiff was not entitled to commissions because he engaged in activities that required a  
13    securities broker-dealer license, but he was not so licensed].) Moreover, the Attorney General is  
14    entitled to seek disgorgement of commissions for violations of the CSL. (*People v. Martinson,*  
15    *supra*, 188 Cal. App.3d at 900-901.) Here, Villalobos and ARVCO were not licensed as  
16    securities broker-dealers, but solicited the nine investments by CalPERS. Accordingly, they are  
17    not entitled to the commissions purportedly earned on these deals and the People are entitled to  
18    disgorge these illegal commissions.

19     **B. Villalobos And ARVCO Engaged In The Business Of Effecting Securities**  
20     **Transactions In California Without Required Licenses.**

21     Section 25210 provides that “no broker-dealer shall effect any transaction in, or  
22     induce or attempt to induce the purchase or sale of, any security in this state unless the broker-  
23     dealer has first applied for and secured from the commissioner a certificate, then in effect,  
24     authorizing that person to act in that capacity.” Section 25004 defines a broker-dealer as “any  
25     person engaged in the business of effecting transactions in securities in this state for the account  
26     of others or for his own account.” “A violation occurs when an individual acting in the capacity  
27     of a broker-dealer . . . sells a security . . . without the requisite certificate (license).” (*People v.*  
28     *Cole* (2007) 156 Cal.App.4th 452, 472-486.) Simply put, “[o]nly broker-dealers may sell  
   securities, unless exempted.” (*Id.* at pp. 472-473.)

///

1 The licensing requirement of the CSL “was designed to protect the public against  
2 unscrupulous operators” and “[a] violation of the statute is a public offense.” (*Rhode, supra*, 94  
3 Cal.App.2d at pp. 278 and 282.)

4 Prior to May of 2009, neither ARVCO nor Villalobos obtained a securities broker-  
5 dealer license from the Commissioner. (RJN, Exhs. 17-27.) That Villalobos and ARVCO  
6 engaged in the business of effecting securities transactions, requiring a securities broker-dealer  
7 license, is supported by (1) the placement agent agreements they entered into, (2) admissions  
8 made by ARVCO and Villalobos, and (3) corroborating evidence of their participation in the  
9 negotiations.

10 **1. Villalobos Admits Engaging In Activities Requiring A Securities**  
11 **Broker-Dealer License.**

12 Villalobos admits attending meetings regarding the solicited investments and  
13 distributing marketing materials. (Vendler Decl., Exh. 2, at pp. 2-3.) These admissions are  
14 supported by corroborating evidence showing Villalobos’ direct involvement in and negotiations  
15 of deal terms concerning the securities transactions. (Shahinian Decl., ¶ 6.) This evidence,  
16 standing alone, shows that the People have a reasonable probability of prevailing on the merits  
17 because courts consistently hold that “any participation, however slight, in the negotiations will  
18 bring him within the definition [of a broker].” (*Evans v. Riverside International Raceway* (1965)  
19 237 Cal.App.2d 666, 675); *Nationwide Investment Corp., supra*, 40 Cal.App.3d at pp. 499-505;  
20 *Rhode, supra*, 94 Cal.App.2d at pp. 277-282.)<sup>8</sup>

21 **2. The Placement Agent Agreements Show That Villalobos Was Hired**  
22 **To Act As A Securities Broker-Dealer.**

23 The placement agent agreements themselves show that ARVCO and Villalobos acted  
24 as securities broker-dealers because in these agreements they agreed to use their “reasonable best  
25

26 <sup>8</sup> The word “sale” is defined in the CSL as including “every contract of sale of, contract to  
27 sell, or disposition of, a security or interest in a security for value.” The court in *Rhode* defined a  
28 securities broker based on this broad definition of the word “sale” used in the CSL, stating that  
“[a] person whose business it is to bring buyer and seller together is a broker.” (*Rhode, supra*, 94  
Cal.App.2d at p. 278.)

1 efforts” to assist them in “selling” securities to CalPERS. (Fitzpatrick Decl., Exhs. A-C, F, and H-  
2 I.) Contractual language describing services to be performed constitutes relevant evidence in  
3 analyzing whether a defendant acted as a securities broker-dealer. (*Nationwide Investment Corp.*,  
4 *supra*, 40 Cal.App.3d at p. 502.) In these agreements, they further agreed to act as the private  
5 equity funds’ “placement agent”. (Fitzpatrick Decl., Exhs. A-C, F, and H-I.) Placement agents  
6 are commonly known in the industry as registered broker-dealers. (*McMahan Securities Co., L.P.*,  
7 *supra*, 20 Misc.3d at p. 396, fn. 2; *Apollo Capital Fund, LLC v. Roth Capital Partners, LLC*  
8 (2007) 158 Cal.App.4th 226, 234-235 [stating that because Ignite Capital “was not a registered  
9 broker-dealer and therefore could not legally sell securities for eNucleus,” eNucleus hired Roth  
10 Capital Partners, LLC, a licensed broker-dealer, to act as its placement agent].)

11 Moreover, Villalobos obtained more than \$47 million in commissions from 2005 to  
12 2008, which were contingent on the successful sale of securities and based on a percentage of the  
13 dollar amount committed by CalPERS. (Fitzpatrick Decl., Exhs. A-C, F, and H-I.) In California,  
14 “[c]entral to the determination of whether a person is subject to [securities broker-dealer]  
15 licensure requirements is the receipt of commissions.” (DOC Release No. 119-C [October 22,  
16 2008].)<sup>9</sup>

17 Defendants’ contracts, admissions, documents, and Shahinian’s Decl. demonstrate a  
18 reasonable probability that the People will prevail in proving ARVCO’s and Villalobos’ violation  
19 of section 25210.

20 **C. Villalobos Is Liable For ARVCO’s Violation Of Corporations Code**  
21 **Section 25210.**

22 The People also establish a reasonable probability of showing Villalobos’ secondary  
23 liability under section 25403.<sup>10</sup> ARVCO was 99% owned and controlled by Villalobos. (Vendler

24 <sup>9</sup> The opinion of California Corporations Commissioner who is responsible for regulating  
25 and licensing securities broker-dealers is entitled to judicial deference. (*See Auerbach v.*  
*Assessment Appeals Board* (2008) 167 Cal.App.4th 1428, 1441-1442.)

26 <sup>10</sup> Section 25403(a) provides that “[e]very person who with knowledge directly or indirectly  
27 controls and induces any person to violate any provision of this division or any rule or order there  
28 under shall be deemed to be in violation of that provision, rule, or order to the same extent as the  
controlled and induced person.” Section 25403(b) provides that “[a]ny person that knowingly  
(continued...)

Decl., Exh. 20.) He also owned and controlled Capital Formation Partners. (Vendler Decl., Exh. 20.) Thus, Villalobos knew that ARVCO was not licensed to act as a securities broker-dealer. He also knew that ARVCO engaged in the business of effecting securities transactions because he personally signed many of ARVCO's placement agent agreements, engaged in negotiations regarding the solicited investments, and played a key role in the performance of these contracts. (Vendler Decl., Exh. 2, at p. 3 and at pp. 1, 3, 9, and 12 of Exh. 1 attached to Exh. 2 [ARVCO's SEC Statement]; Sintek Decl., Exh. X; Shahinian Decl., ¶ 6.) As ARVCO's SEC Statement shows, Villalobos operated his placement agent business through ARVCO. (Vendler Decl., Exh. 2 at p. 3.)

Therefore, even if Villalobos did not directly violate section 25210, he is liable for ARVCO's violation under section 25403 (a) or (b) as a controlling person who knowingly induced ARVCO to violate or substantially assisted ARVCO in violating section 25210.

**IV. THE PEOPLE HAVE A REASONABLE PROBABILITY OF PREVAILING ON THE MERITS IN ESTABLISHING THAT DEFENDANTS ENGAGED IN SECURITIES FRAUD.**

**A. ARVCO And Villalobos Sold Securities Through Omissions Of Material Facts And False Representations.**

ARVCO and Villalobos sold securities by fraudulent means. Their fraudulent scheme includes: (1) failing to disclose the sales contracts and the commissions they received; (2) falsely representing to their private equity fund clients that they disclosed the sales contracts and commissions to CalPERS in reliance upon six bogus disclosure forms signed by Buenrostro, and that they had all applicable licenses and complied with all laws; and (3) failing to disclose gifts and gratuities that were bestowed upon Buenrostro, Shahinian, and CalPERS' other decision-makers. These acts violate section 25216(a) prohibiting broker-dealers from selling securities by fraudulent means.<sup>11</sup>

(...continued)

provides substantial assistance to another person in violation of any provision of this division or any rule or order there under shall be deemed to be in violation of that provision, rule, or order to the same extent as the person to whom the assistance was provided."

<sup>11</sup> Section 25216(a) provides that "[n]o broker-dealer or agent shall effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state by means of any manipulative, deceptive or other fraudulent scheme, device, or contrivance." Cal. Code Regs., tit. (continued...)



1 To prevail in this cause of action, the People only need to prove: (1) defendants acted  
2 as securities broker-dealers; (2) they effected securities transactions, induced or attempted to  
3 induce the purchase or sale of, securities in California; and (3) they did so by fraudulent means.<sup>12</sup>  
4 The People have shown a reasonable probability of success with regard to the first two elements.  
5 The element of sales by fraudulent means is also satisfied.

6 **1. Defendants Failed To Disclose The Placement Agent Contracts And**  
7 **The Commissions They Received, And Made False Representations**  
8 **Regarding The Required Disclosures.**

9 The placement agent agreements required Villalobos and ARVCO to disclose the  
10 sales contracts and the commissions received there under. (Fitzpatrick Decl., Exhs. A-C, F, and  
11 H-I.) Defendants also had statutory and common law duties of disclosure. (*Capital Research and*  
12 *Management Co. v. Brown* (2007) 147 Cal.App.4th 58, 63-71 [mutual fund distributors had a  
13 duty to disclose secret oral revenue sharing agreements with broker-dealers].)<sup>13</sup> However,  
14 ARVCO and Villalobos admit failing to disclose four of the nine transactions alleged above.  
(Vendler Decl., Exh. 1, at pp. 2, 6, 11, and 14.)

15 **a. The Purported Disclosure Forms Signed by Buenrostro**

16 For the remaining five transactions, defendants rely on six “disclosure” forms signed  
17 by Buenrostro on behalf of CalPERS, supposedly acknowledging ARVCO’s disclosure of its  
18

19 (...continued)

20 10, section 260.216(a), a rule of the Commissioner, defines the phrase “manipulative, deceptive,  
21 or other fraudulent scheme, device, or contrivance” as including “[a]ny act, practice, or course of  
22 business which operates or would operate as a fraud or deceit upon any person.”

23 <sup>12</sup> Unlike a common law fraud claim or a statutory violation claim brought by private parties,  
24 a statutory violation claim brought by the Attorney General in an enforcement action does not  
25 require proof of reliance, knowledge or intent to deceive, or injury and/or causation. (*Bowden v.*  
*Robinson* (1977) 67 Cal.App.3d 705, 715; *People v. Simon* (1995) 9 Cal.4th 493, 516; *People v.*  
*Pacific Land Research Co.* (1977) 20 Cal.3d 10, 18, fn. 7. See also, *SEC v. Capital Gains*  
*Research Bureau, Inc.* (1963) 375 U.S. 180, 195; *SEC v. Rind* (9th Cir. 1993) 991 F.2d 1486,  
1490.)

26 <sup>13</sup> See also, *SEC v. DiBella* (2nd Cir. 2009) 587 F.3d 553, 565-566 [holding that the fee  
27 arrangement for defendant Dibella to receive commissions from a fund’s manager was a material  
28 fact that should have been disclosed]; *Randi v. Muroc Joint Unified School Dist.* (1997) 14  
Cal.4th 1066, 1077 [“In this state, the general rule is that all persons have a duty to use ordinary  
care to prevent others from being injured as the result of their conduct”].)

1 placement agent agreements and commissions to CalPERS. (Shahinian Decl., Exh. A.)

2 However, these six disclosure forms appear to have been fraudulently obtained.

3 The disclosure forms signed by Buenrostro are nowhere to be found in CalPERS'  
4 files. (Shahinian Decl., ¶¶ 3-4.) CalPERS' investment staff did not know they existed.  
5 (Shahinian Decl., ¶¶ 3-4.) All of the disclosure forms purportedly signed by Buenrostro, with one  
6 possible exception, were dated months after CalPERS had already approved the solicited  
7 investments. (*Id.*)

8 Four of the six disclosure forms were purportedly signed by Buenrostro before the  
9 placement agent agreements were even entered into. Two disclosure forms were signed on May  
10 20, 2008, after Buenrostro had been relieved of all official responsibilities by the CalPERS'  
11 Board. (Sintek Decl., Exh. Y; Shahinian Decl., Exh. A; Kane Decl., Exh. B.)

12 Buenrostro also signed two identical disclosure forms for CalPERS' investment in  
13 Apollo SOMA: one dated November 20, 2007 and the other May 20, 2008. (Sintek Decl., Exh.  
14 Y; Shahinian Decl., Exh. A.) The placement agent agreement provided that prior to receiving  
15 payments ARVCO must deliver a signed disclosure form to Apollo. (Fitzpatrick Decl., Exhs A,  
16 C, E, and I.) CalPERS invested \$800 million in Apollo SOMA on or about February 15, 2007.  
17 (Shahinian Decl., ¶ 7.) ARVCO received its first payment (\$1 million) for this transaction on  
18 April 10, 2007. (Vendler Decl., Exh. 1, at p. 5.) But the November 20, 2007 disclosure form  
19 signed by Buenrostro was dated seven months after CalPERS made the \$800 million investment.  
20 The second and identical disclosure form dated May 20, 2008 came after Buenrostro was stripped  
21 of all his powers as CalPERS' CEO. (Sintek Decl., Exh. Y; Kane Decl., Exh. B.)

#### 22 **b. Defendants Made False Representations To The Funds.**

23 In addition, defendants ARVCO and Villalobos falsely represented to the funds that  
24 they had all applicable licenses and complied with all applicable laws including securities laws  
25 and laws prohibiting bribery when, in fact, defendants were not licensed and violated securities  
26 laws and laws prohibiting bribery. (*People v. O'Neal* (2009) 179 Cal.App.4th 1494, 1498-1504  
27 [affirming the trial court's judgment in an administrative enforcement action brought by the  
28 *///*]

Commissioner based on “numerous misrepresentations and omissions in the offer and sale of those securities”].<sup>14</sup>

**B. Defendants Sold Securities By Other Fraudulent And Unlawful Means.**

Defendants ARVCO and Villalobos failed to disclose gifts to CalPERS’ officials. (Kane Decl., ¶ 3.) For instance, Villalobos spent more than \$63,000 in connection with the Private Jet Trip he induced Shahinian to take about one month before the CalPERS’ Board met to authorize up to \$700 million investment in Apollo Global Management, which Villalobos was hired to solicit pursuant to a secret and undisclosed oral placement agent agreement. (Vendler Decl., Exh. 8; Sintek Decl., Exh. Z.)

This Private Jet Trip was intended to influence Shahinian into recommending CalPERS’ up to \$700 million investment in Apollo Global Management. On May 30, 2007 (less than two weeks after the Private Jet Trip), Villalobos faxed to Shahinian an 11-page document entitled “Apollo Term Sheet”. (Vendler Decl., Exh. 19.) Less than one month later, Shahinian indeed recommended to the CalPERS’ Board that CalPERS invest up to \$700 million in Apollo Global Management. (Vendler Decl., Exh. 8 at CSR0122485-0122489.) Shahinian did not disclose to the CalPERS’ Board that he just took the Private Jet Trip with Villalobos and socialized with Leon Black, a principal at Apollo Global Management. (Vendler Decl., Exh. 8.)

On July 12, 2007 (less than two months after the Private Jet Trip), CalPERS’ AIM Program invested \$601 million in Apollo Global Management. (Shahinian Decl., ¶ 7.) This Private Jet Trip also occurred two to eleven months before CalPERS invested in six of the nine investments and three months after CalPERS’ investment in Apollo SOMA. (Shahinian Decl., ¶ 7.) As a result of CalPERS’ \$601 million investment in Apollo Global Management, ARVCO and Villalobos received \$13.2 million in undisclosed commissions.

Villalobos hosted Buenrostro’s wedding at his home near Lake Tahoe, made all the arrangements, and paid some of the wedding expenses. He also made a standing job offer to

<sup>14</sup> See also, Civil Code section 1572 (a party to a contract commits fraud if he or she engages in the following conduct: (1) “The suggestion, as a fact, of that which is not true, by one who does not believe it to be true; . . . (3) The suppression of that which is true, by one having knowledge or belief of the fact. . . .”)

1 Buenrostro and promised a condominium as part of this job offer package. (Nevis Decl., ¶¶ 4-5.)  
2 Buenrostros accepted this offer and started working for ARVCO the day after he left CalPERS,  
3 and received a \$300,000 annual salary. (Vendler Decl., Exh. 21.) Buenrostro was compromised  
4 by Villalobos' gifts so much that he was already working for Villalobos before he even left  
5 CalPERS. For instance, to help Villalobos get paid, Buenrostro secretly signed six bogus  
6 disclosure forms (official acts). No one at CalPERS was aware of these disclosure forms until  
7 just recently. Moreover, Buenrostro planned a trip to India to attend meetings and give speeches  
8 on behalf of ARVCO on June 7, 2008, 23 days before he left CalPERS. (Marshall Decl., Exh. B.)  
9 The day he left CalPERS, he went to work for ARVCO. (Vendler Decl., Exh. 21.)

10 Villalobos frequently entertained Buenrostro and Valdes (who headed CalPERS'  
11 Investment Committee for thirteen years) and paid for their meals, drinks, and entertainment at  
12 Christmas parties. (Vendler Decl., Exh. 9.) Neither Villalobos nor ARVCO disclosed any gifts to  
13 the CalPERS' Board. (Kane Decl., ¶ 3.) Defendants' conduct violated Government Code section  
14 20152.5 (requiring written disclosure of gifts to board members of the CalPERS' Board, officers,  
15 and employees)<sup>15</sup> and Penal Code section 67 (prohibits the giving of bribes to executive officers  
16 of this State).<sup>16</sup>

17 <sup>15</sup> Government Code sections 20152.5 provides that "[n]o matter involving any vendor or  
18 contractor in their individual or any other capacity shall be considered during a closed session on  
19 any transaction involving [CalPERS] unless, prior to the closed session, a written disclosure has  
20 been submitted by the vendor or contractor of any campaign contributions aggregating two  
hundred fifty dollars (\$250) or more and any gifts aggregating fifty (\$50) dollars or more in value  
that the vendor or contractor has made during the preceding calendar year to any member of the  
board or any officer or employee of [CalPERS]."

21 <sup>16</sup> Penal Code section 67 provides that "[e]very person who gives or offers any bribe to any  
22 executive officer in this state, with intent to influence him in respect to any act, decision, vote,  
23 opinion, or other proceeding as such officer, is punishable by imprisonment in the state prison for  
24 two, three or four years, and is disqualified from holding any office in this state." Penal Code  
25 section 7 defines the word "bribe" as "signif[ying] anything of value or advantage, present or  
26 prospective, or any promise or undertaking to give any, asked, given, or accepted, with a corrupt  
27 intent to influence, unlawfully, the person to whom it is given, in his or her action, vote, or  
28 opinion, in any public or official capacity." In cases involving similar schemes, courts have  
upheld felony convictions. (*People v. Gaio* (2000) 81 Cal.App.4th 919, 922-937 [affirming  
bribery conviction of a broker-salesman [Hodgin] who made payments to an official [Gaio] who  
was in a position to assist and favor Hodgin in his business]; *U.S. v. Frega* (9th Cir. 1999) 179  
F.3d 793, 798-799 and 804-808 [affirming RICO conviction of an attorney based on violation of  
California's bribery law [Penal Code section 92] when he gave more than \$100,000 in payments  
and gifts to three judges].) The job offer is a thing of value. (*U.S. v. Thickstun* (9th Cir. 1997)

(continued...)

1           **C. Villalobos Is Liable For ARVCO's Violation Of Corporations Code**  
2           **Section 25216.**

3           Even if Villalobos did not directly violate section 25216, Villalobos is secondarily  
4           liable for ARVCO's violations either as a controlling person or as a person providing substantial  
5           assistance to ARVCO under section 25403. This is so because Villalobos operated his placement  
6           agent business through ARVCO and controlled 99% of ARVCO. (Vendler Decl., Exh. 20.)  
7           ARVCO admits that "Villalobos has been the primary ARVCO representative", "is personally  
8           involved in all of ARVCO's engagements and plays a key role in providing these services to  
9           clients." (Vendler Decl., Exh. 2.) In similar cases, courts have upheld aiding and abetting  
10          liability. (*Apollo Capital Fund, supra*, 158 Cal.App.4th at pp. 255-258 [holding that investors  
11          stated an aiding and abetting claim against a brokerage firm which acted as the issuer's placement  
12          agent based on omissions and false representations made by the issuer with the knowledge of the  
13          placement agent]; *SEC v. DiBella* (2nd Cir. 2009) 587 F.3d 553, 566-567 [holding that DiBella (a  
14          former Connecticut State Senator), his consulting firm, and Silvester (Connecticut State  
15          Treasurer) committed securities fraud by secretly arranging to have DiBella receive a finder's fee  
16          in connection with an investment authorized by Silvester on behalf of the Connecticut Retirement  
17          and Trust Fund].)

18          **V. THE PEOPLE HAVE A REASONABLE PROBABILITY OF PREVAILING ON THE MERITS**  
19          **IN ESTABLISHING VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION**  
20          **17200.**

21          Defendants' false representations and failure to disclose placement agent contracts,  
22          commissions, and gifts discussed above also gives rise to liability under the UCL. The UCL  
23          prohibits "any unlawful, unfair or fraudulent business act or practice." (Bus. and Prof. Code  
24          section 17200.) In drafting the UCL, the Legislature intentionally used "sweeping language" and  
25          empowered the court to issue injunctions to curb any such business practice "in whatever context

26          \_\_\_\_\_  
27          (...continued)

28          111 F.3d 139, \*1 [bribery conviction affirmed because "[t]he jury could believe that Nazaroff  
initiated the bribe when he offered Agent Hysom a modeling job"]; *Unlimited Screw Products v.*  
*Malm* (E.D.Va. 1991) 781 F.Supp. 1121, 1130 [stating that an offer resulting in actual  
employment constituted something of value].)

1 such activity might occur.” (*Barquis v. Merchants Collection Assn.* (1972) 7 Cal.3d 94, 111.) In  
2 addition, the statute is written in the disjunctive, thus establishing “three varieties of unfair  
3 competition -- acts or practices which are unlawful or unfair or fraudulent. In other words, a  
4 practice is prohibited as ‘unfair’ or ‘deceptive’ even if not ‘unlawful’ or vice versa.” (*Podolsky v.*  
5 *First Healthcare Corp.* (1996) 50 Cal.App.4th 632, 647.)

6 **A. ARVCO And Villalobos Engaged In Unlawful Acts And Practices.**

7 The UCL “borrows” violations of other laws and makes them actionable as unlawful  
8 business practices. (*State Farm Fire & Casualty Co. v. Sup. Ct.* (1996) 45 Cal.App.4th 1093,  
9 1103.) An unlawful business act or practice includes any activity that is forbidden by law, “be it  
10 civil or criminal, federal, state or municipal, statutory or regulatory, or court-made [law].”  
11 (*Saunders v. Sup. Ct.* (1994) 27 Cal.App.4th 832, 838-839.)

12 ARVCO and Villalobos violated Penal Code section 67 by bribing Buenrostro and  
13 Shahinian with the corrupt intent to influence them in their official capacities with regard to  
14 CalPERS’ investment decisions. They also failed to disclose gifts in violation of Government  
15 Code section 20152.5.

16 **B. ARVCO And Villalobos Have Engaged In Fraudulent Business Acts**  
17 **And Practices.**

18 A “fraudulent” business act or practice under the UCL bears little resemblance to  
19 common law fraud and “only requires a showing [that] members of the public ‘are likely to be  
20 deceived.’” (*Saunders, supra*, 27 Cal.App.4th at p. 839.) Proof of actual deception, reasonable  
21 reliance, and damages are unnecessary. (*Committee on Children’s Television, Inc. v. General*  
22 *Foods Corp.* (1983) 35 Cal.3d 197, 211.) The Attorney General also need not prove injury to  
23 consumers, competitors or the public. (*People v. Cappuccio, Inc.* (1988) 204 Cal.App.3d 750,  
24 759; *People v. Orange County Charitable Servs.* (1999) 73 Cal.App.4th 1054, 1076.)

25 Defendants’ conduct is “fraudulent” within the meaning of the UCL in that members  
26 of the public are likely to be deceived by defendants’ surreptitious and unlawful scheme to  
27 persuade CalPERS to invest in private equity funds. This fraudulent scheme consisted of: (1)  
28 making false representations that they had the required securities license, complied with all

1 applicable laws, and disclosed commissions to CalPERS; (2) failing to disclose placement agent  
2 agreements and commissions; (3) giving or offering bribes as defined in California Penal Code  
3 section 7 to CalPERS' officials; and (4) failing to disclose the gifts they made to CalPERS'  
4 officials.

5 Thus, the People have established a reasonable probability of prevailing on the merits with  
6 regard to their UCL claim.

7 As set forth in detail above and in the accompanying declarations and exhibits, the People  
8 are likely to prevail on their causes of action against Defendants. There is a reasonable  
9 probability that the People will prove at trial that Defendants "obtained real or personal property  
10 by . . . unlawful means." (Gov. Code, § 12527(b)(1).)

11 **VI. THE PEOPLE HAVE MADE A SUFFICIENT SHOWING TO JUSTIFY THE APPOINTMENT**  
12 **OF A RECEIVER AND ORDER PROHIBITING DEFENDANTS FROM TRANSFERRING**  
**ASSETS, OR, IN THE ALTERNATIVE AN ASSET FREEZE.**

13 The appointment of a receiver and asset freeze is needed to ensure that the assets necessary  
14 to satisfy a judgment in this case are not dissipated before a judgment is entered. As set forth in  
15 the declarations filed concurrently with this motion, it is clear that Defendants' conduct has  
16 resulted Defendants' unlawful receipt of \$47 million dollars and will result in future payments of  
17 several million dollars. Moreover, the evidence shows that Defendant Villalobos, acting  
18 individually and on behalf of Defendant ARVCO, has a practice of moving large sums of money  
19 either through large cash withdrawals and successive transfers between multiple accounts making  
20 it difficult to trace where assets are kept, and has a practice of gambling away millions of dollars.  
21 (Woo-Melendez Decl. ¶¶ 7 -15.) Defendants have also demonstrated a willingness to betray the  
22 public trust by providing high level CalPERS employees substantial undisclosed gifts in an  
23 attempt to influence these fiduciaries, who are charged with protecting the interests of their  
24 members. (Nevis Decl. ¶¶ 4 -5; Vendler Exhs. 4 -7, 9; Shahinian Dec. ¶ 2) Based on Defendants'  
25 history of engaging in unlawful conduct and present practices with respect to making their use of  
26 assets difficult or impossible to trace and the recent questionable monetary and real estate  
27 transfers, it is likely they will continue to violate the law until they are removed from a position  
28 that allows them to do so. Imposition of an asset freeze, limited asset seizure and temporary

1 restraining order will diminish Defendants' ability to continue to dissipate their unlawfully  
2 obtained assets.

3 It is likely that defendants will attempt to dissipate their assets once they have learned of  
4 this action. While this cannot be known with certainty until it is too late (i.e., once they have  
5 already done so), there are many indications that this will result.

6 Defendant Villalobos is a high stakes gambler who frequents multiple casinos throughout  
7 Nevada and in other countries including China. (Woo-Melendez Decl. ¶¶ 17 – 18.) Villalobos'  
8 gambling activities are continuing and as recent as March 12, 2010, Villalobos lost approximately  
9 ██████ in a single day at one casino. (Vendler Decl. ¶ 22.) Villalobos currently is in debt to the  
10 El Dorado Casino for \$█████ (Vendler Dec., ¶ 22.)

11 Villalobos, both individually and through his company ARVCO, has a practice of moving  
12 large sums of money, often in the millions of dollars, around between multiple accounts. (Woo-  
13 Melendez Dec. ¶¶ 6, 8-13.) Such transactions often occur on the same day. (Woo-Melendez  
14 Decl. ¶ 10.)

15 A review of the documents suggests cashiers' checks and checks payable to Villalobos for  
16 millions of dollars are regularly withdrawn or cashed. (Woo-Melendez Decl., ¶ 7.) Such  
17 transactions confirm the need to for a receiver to protect these assets from dissipation.  
18 Defendants' practice of removing large sums of cash will make it extremely difficult to trace or  
19 recover monies due in order to satisfy restitutionary obligations, disgorgement orders, or civil  
20 penalties that the People have established they are likely to prevail in establishing are due from  
21 Defendants in this matter.

22 The appointment of a receiver or, in the alternative, issuance of an asset freeze order will  
23 safeguard those assets that will be needed to provide restitution, disgorgement and civil penalties.  
24 In the event that the People do not prevail at trial, control over those assets can be returned to  
25 Defendants. In contrast if the assets are dissipated, the People will be deprived money needed for  
26 disgorgement, restitution, and Civil Penalties without recourse.

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28 ///



1           A.    **All Known Bank Accounts, Stocks and Mutual Fund Accounts, Real**  
2               **Property and Other Assets Should be Part of the Receivership**

3               1.    **Placing All Accounts Controlled by Defendants Into the Receivership**  
4                   **is Proper Regardless of Account Name Used**

5           All of Defendants' assets should be put into receivership, including all twenty-one  
6 bank accounts controlled by Alfred Villalobos and/or ARVCO. (See Govt. Code section 12658.)  
7 Although some of the accounts bear the names of separate business entities and family trusts,  
8 money is routinely transferred between them to such an extent it is entirely commingled and such  
9 that every account contains Defendants' assets. (Woo-Melendez Decl. at ¶ 8 -16.) The money  
10 Defendants obtained from unlawful placement agent work was frequently transferred between  
11 accounts controlled by Villalobos. (Woo-Melendez Decl. at ¶¶ 8 -17.) Following transfers  
12 between the various accounts, checks were often made out to Villalobos and he took ████████ of  
13 dollars in cash withdrawals and transfers to other accounts that he controlled, sometimes moving  
14 millions of dollars between multiple accounts in a single day. (Woo-Melendez Decl. at ¶ 10.)

15           Most of the deposits from entities such as Apollo, Aurora, CIM, and PCG, among others,  
16 were deposited into an "ARVCO Capital Research, LLC" account, and from that account the  
17 money was funneled mainly into two other accounts controlled by Villalobos; the "Alfred R.  
18 Villalobos DBA ARVCO Properties ; and the "Alfred J.R. Villalobos Family Trust by Alfred R.  
19 Villalobos Trustee" account. (Woo-Melendez Decl. at ¶¶ 5, 8.) These monies, which included  
20 the \$██████n paid by Aurora and Apollo as placement fees, were subsequently shuffled from  
21 those accounts in to the other twenty-one Colonial accounts, including accounts bearing the name  
22 ARVCO Financial Ventures, LLC, ARVCO Capital Markets, Inc., Capital Markets Advisory  
23 Council, Inc., ARVCO Art, Inc., Capital Formation Partners, LLC, Alfred R. Villalobos Defined  
24 Benefit Plan, by Alfred R. Villalobos Trustee, Alfred J.R. Villalobos LLC Vol Emp Welfar, by  
25 Alfred R. Villalobos Trustee and various trust accounts appearing to have been opened in the  
26 name of relatives, or withdrawn via cashiers' check or in cash. (Woo-Melendez Decl. at ¶¶ 4, 7,  
27 16.) (referring to admissions re amount of placement fees paid by Aurora and Apollo.)

28           ///

          ///

1                   **2. ARVCO Financial Venture LLC's Account Contains Defendants'**  
2                   **Assets and Should be Included in the Receivership**

3           Although ARVCO Financial is a separate entity and, subsequent to the time of the alleged  
4           unlawful conduct obtained a brokers' license, the Colonial Bank account bearing the name  
5           "ARVCO Financial" has been funded solely from Villalobos' Family Trust Account and the  
6           ARVCO Capital Research account, through which the placement agent funds flowed, and has  
7           been so comingled with other accounts that it does not represent a separate business account.  
8           (Woo-Melendez Decl. at ¶¶ 4 -19.) For example, in October 7, 2008, \$[REDACTED] was transferred  
9           from the "ARVCO Capital Research, LLC" account to the "Alfred J.R. Villalobos Family Trust,  
10          by Alfred R. Villalobos Trustee" and then [REDACTED] was transferred from this "Alfred J.R.  
11          Villalobos Family Trust, by Alfred R. Villalobos Trustee," to the "ARVCO Financial Ventures  
12          LLC," account number [REDACTED]. (Woo-Melendez Decl. at ¶ 10.) There is no basis to  
13          consider this to be a separate business account or to exclude these assets from the receivership.

14                   **3. All "Trust Accounts" and other Entity Accounts Should be Included**  
15                   **in the Receivership**

16           As set forth in detail in the Woo-Melendez Declaration, because all trust  
17           accounts and business accounts are merely Defendants' accounts used for their personal benefit  
18           and are a conduit for transferring and hiding assets, and contain no significant amount of money  
19           from any known party other than Villalobos (Woo-Melendez Decl. at ¶¶ 4 -19) they all must be  
20           included in the receivership.

21                   **VII. IF A RECEIVER IS NOT APPOINTED, THE COURT MAY FREEZE**  
22                   **DEFENDANTS' ASSETS PURSUANT TO GOVERNMENT CODE SECTION**  
23                   **12527(G) AND 12658**

24           The Government Code recognizes the power of the Court to prevent the dissipation of  
25           money or property that was collected through unlawful business practices and violations of the  
26           Securities Laws that is necessary to satisfy a judgment sought in those proceedings. (Govt. Code  
27           section 12527(g); see also Government Code section 12658.) If the Court does not believe that  
28           the conditions have been met for appointment of a receiver, the People ask that this Court issue an  
          order freezing Defendants' assets pursuant to Government Code section 12527(g) and 12658.

1 The People have met the required conditions to obtain an order prohibiting the dissipation of  
2 assets if a court is unwilling to appoint a receiver.

3 **A. The People have made the showing required by Code of Civil Procedure**  
4 **section 527 for an ex parte Temporary Restraining Order without Notice.**

5 The People request a receiver, or, in the alternative, an order freezing certain of Defendants'  
6 assets, without notice, for the reasons specified in this motion. The order sought will safeguard  
7 the assets. These assets include, but are not limited to, the real estate, bank accounts, mutual  
8 funds, high end vehicles, and artwork of various Defendants that will likely be drained of equity,  
9 transferred or sold if the Court does not intervene. These assets also include several vehicles  
10 which could easily be transferred, diverted or destroyed. The receivership or, in the alternative,  
11 freeze order will also protect the assets that the People have not yet located.

12 A receivership and order prohibiting the transfer of assets cannot wait until a hearing on a  
13 noticed motion. If defendants are not prohibited from transferring or encumbering their real  
14 properties, vehicles and liquid assets, the assets will be dissipated and the People will be deprived  
15 of restitution without recourse.

16 Defendant Villalobos, who obtained at least \$[REDACTED] in ill-gotten gains through his  
17 unlawful practices, has a history of gambling tens of millions of dollars in a years time, a history  
18 of dealing in large sums of cash, a history of transferring millions of dollars between various bank  
19 accounts on the same day, a history of owing and paying large sums of money to as many as nine  
20 casinos and currently owes almost \$[REDACTED] to at least one casino. (Woo-Melendez Decl. at ¶¶ 4 -  
21 19F.) The appointment of a receiver and the issuance injunction prohibiting the transfer of  
22 assets, or the issuance of a freeze order in the absence of a receiver, is the only means to ensure  
23 that the subject properties, vehicles and bank accounts, art work and stocks, bonds and mutual  
24 funds are protected during the pendency of this case and that the assets are preserved to make  
25 restitution, pay penalties, ensure disgorgement of ill-gotten gains and other monetary orders that  
26 the Court may impose after trial.

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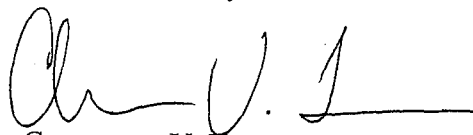
## CONCLUSION

For the foregoing reasons, the People respectfully request that the Court grant the requested relief.

Dated: May 5, 2010

Respectfully Submitted,

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