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THE PEOPLE OF THE STATE OF CALIFORNIA

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

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SACRAMENTO**

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

RONI DEUTCH, A PROFESSIONAL TAX CORPORATION, a California corporation;
RONI LYNN DEUTCH, an individual; and
DOES 1 through 100, inclusive,

Defendants.

Case No.

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

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

3 1. This action is brought against Defendants, who regularly violate California law
4 while preying on consumers who cannot afford to pay their tax liability and are facing collection
5 actions by the Internal Revenue Service (IRS). In order to convince consumers to pay Defendants
6 thousands of dollars in fees, Defendants falsely promise them that they qualify for one of the
7 IRS's programs to resolve taxpayers' back tax liability. In return for these fees, however,
8 Defendants usually provide little or no assistance to their clients.

9 2. Consumers from California and around the country have fallen victim to
10 Defendants' unlawful scam, losing thousands of dollars that could have been used to pay their tax
11 liability to the IRS. In this action, Plaintiff seeks an order permanently enjoining Defendants
12 from engaging in unfair business practices, granting restitution to victims, imposing civil
13 penalties, and granting all other relief available under California law.

14 **DEFENDANTS AND VENUE**

15 3. Defendant Roni Deutch, a Professional Tax Corporation (Deutch), is a California
16 corporation and law firm with its principal place of business in North Highlands, California, in
17 Sacramento County. Defendant Deutch operates a web site at www.ronideutch.com. At all
18 relevant times, Defendant Deutch has transacted and continues to transact business throughout
19 California, including Sacramento County.

20 4. Defendant Roni Lynn Deutch (Roni Deutch), an individual, is the founder, owner,
21 and president of Deutch. At all relevant times, Defendant Roni Deutch was an attorney licensed
22 by the State Bar of California. Defendant Roni Deutch, acting alone or in concert with others, has
23 formulated, directed, controlled, authorized, or participated in the acts and practices set forth in
24 this Complaint. At all relevant times, Defendant Roni Deutch has transacted and continues to
25 transact business throughout California, including Sacramento County.

26 5. The true names and capacities, whether individual, corporate, associate or
27 otherwise, of defendants sued herein as Does 1 through 100, inclusive, presently are unknown to
28 Plaintiff, who therefore sues said defendants by such fictitious names. Plaintiff will seek leave to

1 amend this Complaint to allege the true names of Does 1 through 100 when the same have been
2 ascertained. Plaintiff is informed and believes, and based thereon alleges, that each of the
3 fictitiously named defendants participated in some or all of the acts alleged in this Complaint.

4 6. The defendants identified in Paragraphs 3 through 5 above are referred to
5 collectively in this Complaint as "Defendants."

6 7. At all times mentioned herein, each of Defendants acted as the principal, agent, or
7 representative of each of the other Defendants, and in doing the acts herein alleged, each
8 Defendant was acting within the course and scope of the agency relationship with each of the
9 other Defendants, and with the permission and ratification of each of the other Defendants.

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

12 9. Whenever reference is made in this Complaint to any act of any Defendant or
13 Defendants, such allegation shall mean that such Defendant or Defendants did the alleged acts
14 either personally or through the Defendants or Defendants' officers, directors, employees, agents
15 and/or representatives acting within the actual or ostensible scope of their authority.

16 10. At all times mentioned herein, each Defendant knew that the other Defendants
17 were engaging in or planned to engage in the violations of law alleged in this Complaint.
18 Knowing that other Defendants were engaging in such unlawful conduct, each Defendant
19 nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and
20 did encourage, facilitate, or assist in the commission of the unlawful acts alleged in this
21 Complaint, and thereby aided and abetted the other Defendants in the unlawful conduct.

22 11. Defendants have engaged in a conspiracy, common enterprise, and common
23 course of conduct, the purpose of which is and was to engage in the violations of law alleged in
24 this Complaint. The conspiracy, common enterprise, and common course of conduct continue to
25 the present.

26 12. Whenever reference is made in this Complaint to any act of Defendants, such
27 allegation shall mean that each Defendant acted individually and jointly with the other
28 Defendants named in that cause of action.

1 13. Each Defendant committed the acts, caused or directed others to commit the acts,
2 or permitted others to commit the acts alleged in this Complaint.

3 14. The violations of law alleged in this Complaint occurred in Sacramento County,
4 and elsewhere throughout California and the United States.

5 **DEFENDANTS' REPRESENTATIONS AND BUSINESS PRACTICES**

6 15. Defendants operate a law firm that employs approximately 160 people and
7 generates approximately \$25 million per year in annual revenue. Defendants utilize their sales
8 force, which amounts to about 45 full-time employees, to advertise, market, offer for sale, and
9 sell purported IRS tax debt resolution services. Defendants seek clients who are in financial
10 distress and in danger of being subjected to IRS collection actions.

11 16. Defendants' exclusive area of practice consists of attempting to resolve or reduce a
12 taxpayer's liability to the IRS. Defendants do not provide advice or representation in tax
13 planning, tax avoidance, audit representation, or tax assessment disputes. Defendants focus their
14 practice on taxpayers who do not dispute that they owe money to the IRS, but instead argue that
15 they cannot afford to pay the IRS what they owe.

16 17. The IRS, operating under a mandate from Congress, has established several
17 programs for taxpayers who cannot afford to pay their tax debts, which include: (1) offer in
18 compromise; (2) installment agreement; (3) streamlined installment agreement; and (4) currently
19 not collectible status. The offer in compromise program allows taxpayers to make the IRS an
20 offer to settle their back tax liability for less than the total amount owed. The installment
21 agreement program allows clients to pay their total tax liability through monthly installment
22 payments, rather than paying the full amount all at once. The streamlined installment agreement
23 program allows taxpayers who owe \$25,000 or less to pay back their full tax liability in monthly
24 payments over a five-year period. The currently not collectible program allows taxpayers with no
25 significant assets and no net income to prevent the IRS from collecting on the tax debt until the
26 taxpayers' financial situation improves.

27 18. Defendants use their purported legal prowess to differentiate themselves from
28 other tax debt resolution companies.

1 19. Defendants charge high fees for their purported services. Depending on which
2 IRS program they recommend and the amount of the potential client's tax debt, Defendants' legal
3 fees range from \$1,600 to \$4,700. Defendants require that at least a portion of this fee be paid up
4 front in order to retain the law firm, and that any balance be paid in monthly installments.

5 20. Defendants use systematic bonuses at every level of the law firm to incentivize
6 their employees to put their own interests and the interest of Defendants ahead of their clients'
7 interests. From the sales pitch to the decision about whether to refund a client's payments, and at
8 every stage in between, Defendants use bonuses to motivate their employees to focus all of their
9 energy on enhancing Defendants' profits and to ignore their clients' interest in securing tax debt
10 relief from the IRS.

11 21. As more particularly alleged below, Defendants are engaged in a scheme to
12 swindle taxpayers, including senior citizens and disabled, who cannot afford to pay their tax debt
13 by enticing them to engage the Defendants to negotiate a resolution of their tax debt with the IRS.
14 Defendants falsely represent both their success rate in negotiating tax debt resolution for clients
15 and the type of tax debt resolution they can secure. Defendants promise, for example, to lower
16 the amount the clients owe the IRS, eliminate interest and penalties accrued on the tax debt,
17 establish a low monthly payment plan to retire the tax debt, or prevent the IRS from collecting on
18 the tax debt. Defendants also falsely represented that they are able to immediately stop IRS
19 collection actions, such as levies and wage garnishments, if clients retain Defendants.

20 22. After taxpayers retain Defendants based on these false promises and
21 misrepresentations, most of Defendants' clients are unable to get any tax debt relief from the IRS
22 or secure a refund from Defendants.

23 **The Sales Pitch: Defendants Lure Clients with False Promises.**

24 23. Defendants solicit consumers for their tax debt resolution services in a number of
25 ways, including through a pervasive television and radio advertising campaign. The television
26 and radio advertisements air in both Spanish and English. In these advertisements, Defendants
27 give consumers specific and non-representative examples of clients who have purportedly
28 reduced their tax liability by as much as \$150,000 by hiring Defendants. The advertisements list

1 a toll-free telephone number for consumers to call to receive a free “tax analysis.” When
2 consumers dial the telephone number listed, the “tax analysis” they receive is a sales pitch for
3 Defendants’ services from Defendants’ sales agents, who are hired solely for their ability to sell
4 Defendants’ services. Defendants do not require that their sales agents have any background,
5 experience, or familiarity with federal tax law or the IRS.

6 24. Defendants’ advertisements contain materially false and misleading statements.
7 For instance, in an advertisement entitled “It’s Your Turn,” Defendants claim to have “saved”
8 three particular clients from having to pay the IRS \$12,000, \$39,000, and \$35,000, respectively.
9 In fact, Defendants did not save these particular clients *any* money, but merely placed them on
10 currently not collectible status with the IRS, a kind of tax collection purgatory. Placing clients on
11 currently not collectible status stops IRS collection efforts, but interest and penalties continue to
12 accrue on the tax debt while the collection hold is in place. Moreover, the client is still liable for
13 the entire tax debt. In fact, while the collection hold is pending, the IRS will normally also place
14 a tax lien on the taxpayer’s assets to protect the government’s rights. Furthermore, if and when
15 the client’s financial situation improves, the IRS will remove the client from currently not
16 collectible status and institute collection proceedings on the entire tax debt. In that same
17 advertisement, Defendants claim that they saved another client from having to pay the IRS a large
18 tax debt. Though this client did settle his tax debt with the IRS, Defendants inflated this client’s
19 savings by approximately \$45,000.

20 25. Defendants spent a total of approximately \$12 million in the last four years on
21 their advertising efforts, including the costs to broadcast their advertisements on television and
22 radio stations around the country. These false and misleading advertisements induce consumers
23 to retain Defendants’ services in order to resolve their back tax liability.

24 26. Defendants’ sales agents sell Defendants’ services exclusively by speaking with
25 potential clients over the telephone. During these telephone conversations, Defendants’ sales
26 agents regularly make a series of false and/or misleading statements to clients in order to sell
27 Defendants’ services, which include, but are not necessarily limited to, the statements listed
28 below.

1 (a) Defendants promise clients that they qualify for one of the IRS's tax debt
2 resolution programs. This is misleading because only the IRS, not Defendants, can determine if a
3 taxpayer qualifies for one of their tax debt resolution programs. During the prospective clients'
4 initial phone calls with Defendants' sales agents, the consumers are asked a series of questions
5 about their income, expenses, and assets as part of a purported "tax analysis." While it would
6 take about 45 minutes to an hour to ask all the questions necessary to determine a prospective
7 client's actual income, expenses, and assets, sales agents regularly finish these interviews in 20
8 minutes or less. Defendants do not ask all of the necessary questions and also accept prospective
9 clients' off-the-cuff estimates of their income, expenses, and assets. At the end of these
10 interviews, Defendants' sales agents tell the prospective clients that Defendants will be able to
11 secure a tax debt resolution for them from the IRS. The sales agents also tell prospective clients
12 that Defendants would not accept them as clients if they did not believe that their application for
13 tax debt relief would be successful. In some cases, Defendants promise consumers that they can
14 settle their tax debt for a small fraction of its value. For instance, Defendants have promised
15 clients that they could settle a tax debt of approximately \$33,000 for only \$500. Based on
16 Defendants' presentation of such favorable terms, consumers are induced to sign contracts to
17 retain Defendants to provide tax debt resolution services.

18 (b) Defendants promise to eliminate or reduce the interest and penalties that
19 have accrued on prospective clients' tax debt. Again, this is misleading because only the IRS, not
20 Defendants, can determine whether it will eliminate or reduce any taxpayer's interest and/or
21 penalties.

22 (c) Defendants promise prospective clients that retaining Defendants will stop
23 or prevent IRS efforts to collect on their back tax liability, including stopping or preventing the
24 IRS from executing wage garnishments and bank levies. In fact, retaining Defendants does not
25 stop or prevent IRS collection efforts. Defendants specifically mislead many clients into
26 believing that once they give Defendants power of attorney over their tax debt, the IRS can no
27 longer collect on their tax debts. Later, despite Defendants' promises, these clients are subject to
28 wage garnishments, bank levies, and/or federal tax liens. Some of Defendants' legal assistants

1 and attorneys have complained to senior management about this promise because clients become
2 upset when they later learn it is untrue. Defendants' management has responded to these
3 complaints by explaining to the legal assistants and attorneys that giving clients the impression
4 that collections will stop once they retain Defendants is a strong selling point, and that if the
5 client intake representatives stopped giving clients this impression, it would make it more
6 difficult to sell the Defendants' services to potential clients and would reduce the number of sales.

7 (d) Defendants promise to complete the tax debt resolution process in a period
8 as short as 6 weeks. In fact, most clients never obtain a tax debt resolution from Defendants. Of
9 the few clients who have actually obtained a successful resolution, some waited years before their
10 tax liability was ultimately resolved.

11 (e) Defendants assure clients that they will have immediate access to their
12 attorneys during the course of the representation. Clients regularly ask to speak to an attorney
13 about their cases but are instead diverted to Defendants' legal assistants who insist they are
14 equally capable of providing answers. Other times, the legal assistants act as intermediaries
15 between the attorney and the client, thus preventing the client from communicating directly with
16 an attorney. Some clients never manage to speak to an attorney during the entire course of the
17 representation. Others have to schedule an appointment to speak to an attorney over the phone,
18 and these appointments are often days in the future.

19 (f) Defendants inform clients that they charge a "flat fee" for their legal
20 services and that this fee will not increase during the course of the representation. Defendants
21 quote the amount of the flat fee to consumers before they retain the law firm. Defendants neglect
22 to tell consumers up front, however, that if the representation terminates before the IRS makes a
23 decision about their application for tax debt relief, Defendants will charge \$300 per hour for
24 services rendered. If this hourly rate fee results in an amount greater than the "flat fee" clients
25 paid at the beginning of the representation, Defendants claim that their clients owe them the
26 unpaid balance. Additionally, Defendants increase their legal fees by \$500 or more simply
27 because any of the following events occur during the representation: (1) clients change their
28 address; (2) clients change their marital status; (3) clients become business owners or self-

1 employed; or (4) clients' tax liability is significantly higher than the amount originally
2 communicated to Defendants.

3 (g) Defendants tell consumers that their success rate in resolving clients' back
4 tax liability with the IRS is as high as 99%. In fact, Defendants' success rate is dramatically
5 lower. In a majority of their clients' cases, Defendants never actually submit a request for tax
6 debt relief. Ultimately, most clients are either terminated by Defendants as clients for failure to
7 pay legal fees on time or for failure to timely respond to onerous and repetitive documents
8 requests, or themselves cancel Defendants' services because Defendants have made little to no
9 progress on their tax matter. According to Defendants' own figures, of those clients who retain
10 Defendants for the offer in compromise service, a mere 10% successfully receive an offer in
11 compromise from the IRS; 75% terminate or are terminated as clients before Defendants ever
12 actually submit an application to the IRS for an offer in compromise. Similarly, of those clients
13 who retain Defendants for the currently not collectible service, Defendants place 25% of these
14 clients on currently not collectible status; two-thirds terminate or are terminated as clients before
15 Defendants ever actually submit an application to the IRS for currently not collectible status. Of
16 those clients who retain Defendants for the installment agreement service, Defendants
17 successfully secure an installment agreement for approximately 25% of them; 65% terminate or
18 are terminated as clients before Defendants ever actually submit an application to the IRS for an
19 installment agreement.

20 (h) Defendants promise that they will return all of their clients' unearned fees
21 in the event clients cancel Defendants' services. In fact, as described in more detail below,
22 Defendants use false billing practices to ensure they are always able to retain their fees when they
23 or their clients terminate representation.

24 27. As mentioned previously, most of Defendants' clients either cancel the law firm's
25 services or are terminated as clients by Defendants. Of the clients who retained Defendants in
26 2006, 69% either cancelled the law firm's services or were terminated as clients by Defendants.
27 Of the clients who retained Defendants in 2007 and 2008, respectively 67% and 63% cancelled or
28 were terminated. Of the clients who retained Defendants in 2009, despite the fact that a

1 significant number have only been clients for less than one year, 51% have already cancelled the
2 firm's services or were terminated as clients by Defendants. For most of these terminated clients,
3 Defendants have not refunded their unearned fees.

4 28. Defendants inform their clients that Defendants will be acting as the clients'
5 attorneys and negotiators with the IRS. To that end and to control what is communicated to the
6 IRS, Defendants instruct clients not to speak to the IRS about their tax liability and to avoid
7 responding to any communications they receive from the IRS. Defendants instruct clients to
8 forward all communications they receive from the IRS to Defendants. In this way, Defendants'
9 clients are shut out of negotiations with the IRS and dependent upon Defendants for information
10 about the progress of their tax debt resolution. When, however, clients follow Defendants' advice
11 and steadfastly refuse to communicate with the IRS, the IRS often initiates collection actions
12 against them. If such clients had been in regular contact with the IRS and indicated a willingness
13 to resolve their tax liability, they could have delayed IRS collection action. Defendants' legal
14 advice exposes clients to increased interest, penalties, and IRS collection actions.

15 29. Defendants require clients to pay Defendants an up-front fee before Defendants
16 will render tax debt resolution services. Many of the distressed taxpayers Defendants solicit have
17 already established installment agreements with the IRS, which allows them to pay monthly
18 amounts to the IRS to settle their tax liability. These consumers do not have sufficient financial
19 resources to continue making these installment payments and pay Defendants' up-front fee.

20 30. Defendants inform clients that they may suspend their installment payments to the
21 IRS once they engage Defendants for tax debt resolution services. By doing so, clients can then
22 apply whatever money they would have used to make installment payments to the IRS to pay
23 Defendants' up-front fee instead. Defendants advise clients that once they retain Defendants,
24 they are not legally obligated to continue making installment payments to the IRS. Defendants'
25 clients, in reliance on this advice and assurance, stop making installment payments.

26 31. Even though Defendants regularly record other conversations between their agents
27 and their clients, Defendants purposely avoid recording their sales pitch to prospective clients.
28

The "Verification" Process Is a Sham.

1
2 32. Once the sale is complete over the telephone, Defendants transfer the client to a
3 "legal verifier," a Deutch employee responsible for verifying certain aspects of the sales
4 transaction. These legal verifiers have a script of questions that they are to ask each client, and
5 they record their phone calls with each client. Aside from verifying the client's personal
6 information and the billing arrangement, the purpose of the verification is ostensibly to ensure
7 that the firm did not make any promises or guarantees about the outcome of the client's tax matter
8 during the sales pitch.

9 33. Before the verification process begins and while the client is still on hold, the sales
10 agent tells the legal verifier about the client. In many instances, the sales agent will instruct the
11 legal verifier not to ask the client if the sales agent made any promises or guarantees about the
12 outcome of the client's tax matter. In those instances, the legal verifier will not ask those
13 questions. Other times, the sales agent will tell the legal verifier to move through the script
14 quickly, and in those instances the legal verifier will skip many of the questions on the script and
15 talk as quickly as possible to finish the script. The purpose of these instructions by the sales agent
16 to the legal verifier is to ensure that clients, especially skeptical or wavering ones, do not cancel
17 Defendants' services during the verification process.

18 34. If the sales agent does not instruct the legal verifier to skip questions or move
19 quickly through the script, the legal verifier will usually read all of the questions on the script. In
20 almost all of these instances, however, the client will stop the legal verifier during the portion of
21 the script related to promises or guarantees about the outcome of their tax matter and tell the legal
22 verifier that the sales agent did make those oral promises or guarantees. Defendants train the
23 legal verifiers to then stop the recording and transfer the call back to the sales agent. The sales
24 agent then speaks to the client and repeats many of the false promises that the sales agent had
25 previously made. The sales agent assures the client that Defendants will be able to help them, and
26 then transfers the call back to the legal verifier. The legal verifier then resumes the recording and
27 asks if the sales agent answered all of the client's questions. Once the client responds in the
28

1 affirmative, the legal verifier moves on to the remaining questions in the script and does not re-
2 verify that no promises or guarantees were made.

3 35. In some instances, clients are “difficult” and refuse to agree that Defendants made
4 no promises or guarantees about the outcome of their tax matter. In those cases, the legal verifier
5 stops the recording and transfers the call back to the sales agent. The sales agent tells these
6 clients that in order to retain the firm, they have to complete the verification and answer the
7 verifier’s questions affirmatively. The sales agent also promises to speak to the client once the
8 verification is over to assure them that the firm will provide tax debt relief. The sales agent then
9 transfers these calls back to the legal verifier, who continues asking the remaining questions from
10 the verification script. These clients begin answering the legal verifiers’ questions affirmatively,
11 and the legal verifier and the client end the verification by saying “good bye” to each other. The
12 legal verifier stops the recording but does not disconnect the call. Instead, the legal verifier
13 transfers the call back to the sales agent, who often continues to make other false and misleading
14 representations to the client. Defendants do not conduct a second verification after this closing
15 conversation between the sales agent and the client.

16 **Defendants Richly Reward Their Sales Employees for Meeting Sales Goals.**

17 36. Defendants set very strict monthly goals for the sales department as a whole and
18 for each individual sales agent. If these goals are met and exceeded, Defendants richly reward the
19 sales agents.

20 37. On the other hand, Defendants do not hesitate to terminate sales agents who cannot
21 meet these monthly sales goals. Defendant Roni Deutch personally attends meetings with the
22 sales agents in which she screams at and berates sales agents who are not performing adequately.

23 38. Defendants provide lavish incentives for their sales agents to solicit new clients.
24 In one month, Defendants paid its top sales agent a bonus of at least \$30,000 on top of his base
25 salary, commissions, and other incentives. Many of Defendants’ sales agents earn over \$100,000
26 per year and regularly receive monthly bonuses of \$8,000 to \$10,000.

27 39. Defendants also provide their sales agents with gifts for making a high number of
28 sales in a given month, including all-expense-paid trips to Las Vegas and cash payments of

1 \$2,000 to \$3,000. Prior to 2006, Defendants did not include these cash bonuses on employees'
2 W-2 tax forms.

3 40. Although Defendants employ legal verifiers to purportedly audit the conversations
4 between the sales agents and clients in an objective manner, Defendants provide bonuses for the
5 legal verifiers based, in part, on the sales department's monthly sales goal. If the sales
6 department reaches its monthly goal, then the legal verifiers are paid a bonus. This provides the
7 legal verifiers a disincentive to rigorously audit the conversations between the sales agents and
8 clients, and instead incentivizes them to do their part to ensure that as many clients retain
9 Defendants' services as possible.

10 **Defendants' Fee Agreement Unlawfully Includes Finance Charges and**
11 **Their Collection Practices Illegally Harass Clients.**

12 41. Once clients retain Defendants, Defendants send the clients a fee agreement.

13 42. Defendants' fee agreements with their clients are deficient in multiple ways,
14 including but not necessarily limited to the following:

15 (a) The fee agreement states, in fine print, that if the client terminates
16 Defendants or if Defendants resign from the representation, "Attorney shall bill at the rate of
17 \$300.00 per hour for services rendered." Although this appears to indicate that the client will pay
18 \$300 per hour for the time spent by Defendants' attorneys on the client's matter, in fact the term
19 "Attorney" is previously defined in the agreement to mean *all* of Defendants' employees,
20 including both attorneys and non-attorneys. As a result, the client can end up paying \$300 per
21 hour for the time of one of Defendants' low-level employees earning about \$12 per hour.

22 (b) Many of Defendants' clients cannot afford to pay Defendants' up-front fees
23 in one lump sum at the beginning of the representation. Defendants offer these clients the
24 opportunity to pay Defendants' total fee in monthly installments to the firm for as long as ten
25 months. This arrangement, however, comes at a price. Clients who elect to pay over time, rather
26 than up front, must pay more in fees, typically in the range of \$250 to \$700 more than those that
27 pay the entire fee in advance. Clients who pay using monthly installments and clients who pay
28 the entire fee in advance receive exactly the same services from Defendants. The price difference

1 between the two groups of clients reflects nothing other than the fact that the clients who use
2 monthly installments are paying their fee over time.

3 (c) Defendants' fee agreements are retail installment contracts, as defined by
4 California's Unruh Act, California Civil Code section 1801, *et seq.* Defendants are retail sellers
5 of services and their clients are retail buyers because Defendants' purported tax debt resolution
6 services are not intended for resale, but for use by their clients. The contracts are entered into and
7 performed in California and explicitly mention that they are governed by California law.
8 Defendants' fee agreements regularly call for payments in more than four installments or for
9 repayment in installments in which their same services are available at a lesser price if the clients
10 agree to pay the entire fee in advance.

11 (d) Although Defendants' fee agreements are governed by the Unruh Act,
12 Defendants do not abide by the statute's requirements, including but not limited to the following:

13 (i) Defendants do not place the words "Retail Installment Contract" at
14 the top of the contract, much less place those words in 12-point bold type.

15 (ii) Defendants' fee agreements designate Sacramento County as the
16 only forum for resolving, settling, or litigating disputes related to the agreement. The Unruh Act
17 prohibits this type of forum selection clause because the only valid forum under the Unruh Act is
18 the county in which Defendants' clients live or signed the contract. A vast majority of
19 Defendants' clients do not live or did not sign their contract in Sacramento County.

20 (iii) Defendants' fee agreements charge their clients a fee of \$25 for any
21 dishonored checks paid to Defendants, but the Unruh Act limits these fees to \$15.

22 (iv) Defendants' fee agreements do not contain the disclosures required
23 by Regulation Z as promulgated by the Board of Governors of the Federal Reserve System under
24 the Federal Truth in Lending Act (15 U.S.C. § 1601, *et seq.*), despite the fact that the Unruh Act
25 requires these disclosures.

26 (v) Defendants' fee agreements do not contain the prepayment notice
27 required under the Unruh Act, California Civil Code section 1803.2, subdivision (c).
28

1 (vi) Defendants' fee agreements do not contain the itemization of the
2 amount financed that is required under the Unruh Act, California Civil Code section 1803.3,
3 subdivision (c).

4 43. Defendants send monthly invoices for the amounts due to clients who establish a
5 payment plan with Defendants. Defendants do not stop there, however, to collect the amounts
6 their clients owe them. Defendants' collection department places a series of "reminder"
7 telephone calls to clients in the days leading up to each monthly payment. If a client misses a
8 payment deadline, the collection department begins a series of threatening phone calls to ensure
9 that the client pays Defendants their fee. Employees in the collection department regularly
10 threaten that if the client stops paying Defendants, Defendants will resign from the representation
11 and the IRS will immediately begin collection actions against the client, such as wage
12 garnishments and bank levies. Defendants also use aggressive, rude, and harassing language in
13 their attempt to collect money from their clients, including screaming and cursing at clients.
14 Employees in Defendants' collection department unlawfully discuss the clients' debts with third
15 parties, such as their clients' family members, and falsely imply that they are attorneys in an
16 attempt to pressure clients to pay Defendants.

17 44. Defendants are aware of the harassing and threatening nature of the calls made by
18 the employees in the collections department because clients regularly complain about these tactics.
19 In an effort to monitor these phone calls, Defendants require that the employees in the collections
20 department record all of their telephone calls with clients. Defendants give these employees,
21 however, the ability to turn the recording system on and off during the middle of a phone call if
22 they do not want a portion of the call recorded. This allows the employees to purposely avoid
23 recording portions of phone calls that are harassing, threatening, aggressive, or rude.
24 Additionally, instead of reprimanding or disciplining these employees, Defendants regularly
25 award them the "best department" award at the firm and name the collection department's
26 manager to the law firm's "all-star team."

27 45. Defendants do in fact resign from the representation when clients fail to make a
28 monthly payment on time. In some instances, this missed payment is the last payment that the

1 client owes the firm. Nevertheless, Defendants take the position that any missed payment is
2 grounds for resignation. Once Defendants resign, Defendants sometimes demand that clients pay
3 additional fees if they wish to be reinstated as a client.

4 **Defendants Fail to Manage Client Documents and Overburden**

5 **Their Clients with a Process Designed for the Clients to Fail.**

6 46. Along with the fee agreement, Defendants send their clients a 40-page
7 questionnaire about their income, expenses, and assets. Defendants' 40-page questionnaire is
8 ostensibly based on IRS Form 433-A. IRS Form 433-A is only six pages in length. The last two
9 pages of the Form are only necessary if the taxpayer is self-employed, as only a few of
10 Defendants' clients are. Therefore, for most of Defendants' clients, Defendants' questionnaire is
11 *ten times* longer than the IRS Form they would need to fill out if they sought tax debt relief
12 without Defendants' assistance.

13 47. Defendants also require that their clients provide them with extensive
14 documentation to verify their income, expenses, and assets. Clients comply with this request, and
15 return the required documents. Many clients, however, are forced to repeatedly copy and forward
16 the same documents time and again because Defendants claim that they never received the
17 documents. Other times, despite the clients' diligent efforts to provide documents in a timely
18 fashion, the documents sit in Defendants' offices for months without anyone working on them,
19 and eventually become stale. The IRS requires that supporting documents be current, so once
20 client documents become stale, Defendants send additional requests for more recent versions of
21 the same documents.

22 48. Defendants also set an internal deadline by which their clients must return these
23 documents to the law firm. These deadlines have nothing to do with time limits or deadlines set
24 by the IRS. If clients fail to meet this deadline, Defendants reserve the right to terminate the
25 representation. Defendants regularly exercise that right. In fact, in recent years, Defendants
26 terminated the representation of approximately 25% of its clients for failing to meet these
27 artificial and arbitrary deadlines. In some instances, Defendants mail their clients a request for
28 documents *after* the document return deadline has already passed, giving them no chance to reply.

1 Nevertheless, Defendants terminate these clients for failing to meet the arbitrary and post-dated
2 deadline that the firm has imposed.

3 49. Defendants pay their legal assistants bonuses based on certain performance criteria.
4 Bonus criteria include how many letters each legal assistant sends, including document request
5 letters, and how many tasks a legal assistant completes. Letters and tasks are tracked in
6 CurtBooks, the firm's computer software system. When an outstanding document request
7 deadline arrives, CurtBooks generates a note for the request indicating it requires attention. A
8 legal assistant must then update the note, either by confirming that the client has submitted the
9 request documents – which generates a series of document-processing tasks for the legal assistant
10 to complete – or by issuing a new document request letter. Often, a legal assistant will decide
11 that it takes far less time to simply send another document request letter than it does to actually
12 look through the firm's files and incoming mail to determine if a client complied with the firm's
13 document request. By not marking a document packet as received, a legal assistant can also
14 avoid generating a host of new document-processing tasks that would then need to be completed.
15 As a result, many legal assistants simply issue multiple document request letters for a single client,
16 regardless of whether the client has already submitted the requested documentation, instead of
17 determining whether or not the client has complied with the previous requests. This strategy
18 allows legal assistants to increase their bonuses by quickly finishing their tasks and generating
19 large quantities of letters. The firm's clients, however, receive superfluous document request
20 letters for weeks or months on end, while the documents they send in lay unprocessed and
21 become stale.

22 50. Defendants' legal assistants also prepare document request letters to send to clients.
23 Although these letters are somewhat tailored to a specific client, they are based on a fill-in-the-
24 blanks template. A legal assistant simply enters the client's information into a few fields, and the
25 computer generates the letter. Thus it takes no longer than a few minutes to draft and prepare
26 each letter for mailing.

27 51. Defendants also instruct clients to send in copies of all communications they
28 receive from the IRS, including collection notices. Defendants assure clients they will respond to

1 the IRS with written requests to delay collection actions, and that they will negotiate on clients'
2 behalf for the release of a levy or garnishment should one be imposed. Though many clients
3 submit IRS collection notices to Defendants promptly upon receiving them, Defendants
4 sometimes wait weeks or months to send a written response to the IRS. Even if Defendants'
5 written response does result in a temporary hold on collections, their unreasonable delay may by
6 then have resulted in increased interest and penalties for the client that would otherwise not have
7 accrued, or in missed payroll deadlines for removing a garnishment from a client's paycheck.

8 52. Defendants also assign too many clients to their legal assistants. As a result,
9 enormous backlogs develop. Legal assistants each handle approximately 300 clients at one time,
10 and do not have time to give proper attention to each client. Sometimes, Defendants can be as
11 much as three months behind on their client workload.

12 53. The legal assistants are nominally supervised by Defendants' attorneys, but the
13 attorneys are so inundated with their own work that they cannot properly supervise or
14 meaningfully assist with the legal assistants' staggering workload. Defendants' attorneys each
15 regularly carry caseloads as high as 600 to 700 clients at one time, but during especially busy
16 periods can service as many as 1,200 clients at one time. The attorneys often have other
17 responsibilities at the law firm as well, such as supervising various departments, marketing the
18 firm's services, monitoring the sales agents, and other administrative responsibilities.

19 54. When Defendants' legal assistants and attorneys complain to Defendants that their
20 caseloads are too heavy and that they cannot properly serve this high number of clients,
21 Defendants claim the problem is not their responsibility and otherwise do little to address these
22 complaints.

23 55. Eventually, if Defendants have not already resigned from the representation,
24 Defendants use the 40-page questionnaire and the submitted documents to calculate their clients'
25 income, expenses, and assets. These calculations rarely match the calculations Defendants
26 performed during the sales pitch. This is significant because even small changes, such as
27 increasing net income by \$100 to \$200, can mean the difference between qualifying and not
28 qualifying for a particular IRS tax debt program. Once these differences emerge, despite

1 Defendants' sales agents' promises that they would successfully obtain tax debt relief from the
2 IRS, Defendants conclude that their clients do not qualify for the IRS program the clients retained
3 Defendants to pursue. At this point, clients are left with few options. They can either cancel the
4 representation and try to negotiate on their own with the IRS or elect to pursue a different IRS tax
5 debt relief program.

6 56. By this point, because of Defendants' unnecessary and unreasonable delays in
7 collecting, processing, and reviewing client documentation, most clients find that their tax debt
8 liability has increased over the course of the representation. Many find themselves subject to
9 collection actions by the IRS, in part because they heeded Defendants' advice not to make
10 payments or communicate with the IRS.

11 57. When these clients try to negotiate their tax debt relief directly with the IRS, they
12 typically discover that the only filing Defendants ever made with the IRS on their behalf was the
13 submission of IRS Form 2848, by which clients assign power of attorney to Defendants. Some
14 clients are subsequently able to negotiate tax debt relief on their own by speaking to IRS
15 representatives over the phone. If they are able to resolve their debt over the phone directly with
16 the IRS, the entire process may take these clients only a few minutes to complete.

17 **Defendants Falsely Bill for Time They Did not Spend on the Client's Matter.**

18 58. After clients realize that Defendants are not going to provide assistance with their
19 tax debt resolution, they demand the promised refund of their unearned fees. Defendants insist,
20 however, that all refund requests be in writing, and do not respond to clients who request a refund
21 over the phone. Defendants regularly deny these refund requests or refund only a tiny fraction of
22 the clients' total payments.

23 59. Once Defendants do receive a client's written refund request, one of Defendants'
24 senior attorneys responds to the request on behalf of the firm. The senior attorney prepares an
25 itemization of Defendants' services, assigns a time value for each itemized task, and then assigns
26 a monetary value to each itemized task by multiplying the time value by the firm's billing rate of
27 \$300 per hour. The senior attorney then totals these monetary values to calculate the total value
28 of Defendants' services. If this total value is more than the amount of money that the client paid

1 Defendants, Defendants deny the refund request. Using this technique, Defendants are able to
2 avoid refunding most of their clients' payments because, in most instances, the total value of the
3 firm's services on this itemization is higher than the total amount of fees that the clients paid
4 Defendants.

5 60. Almost all of the time values that Defendants' senior attorneys assign to the tasks
6 on these itemizations, however, are arbitrary and false. They do not represent the actual amount
7 of time that Defendants spent to complete the itemized task. Aside from telephone calls, *none* of
8 Defendants' employees record the time they spend on client tasks because Defendants do not
9 require that employees do so. As a result, when the senior attorney examines a client's file, the
10 senior attorney can determine what tasks were completed, but has no idea how much time it took
11 to complete any of them. Without this crucial information, the senior attorney cannot assign the
12 actual amount of time these tasks took, and instead assigns a standardized time value for each one.

13 61. Defendants assign a standardized time value for most tasks that Defendants'
14 employees perform. For instance, Defendants bill 0.35 hours, or 21 minutes, for preparing and
15 mailing each of Defendants' form letters (discussed further below) and document request letters.
16 Defendants bill 0.35 hours for preparing each IRS Form 2848, 0.15 hours for preparing each IRS
17 Form 4506, and 1.25 hours for preparing each IRS Form 433-A. Again, these time values do not
18 represent the amount of time that Defendants' employees actually spent completing the task. It
19 takes only a few minutes for Defendants' employees to send a documents request letter, and even
20 less time for form letters, which are all generated automatically by Defendants' computer system.
21 It does not take 21 minutes to prepare and send each of these letters. In fact, Defendants
22 previously billed 15 minutes, or 0.25 hours, for preparing and mailing each of its form letters and
23 letters requesting documents. Defendants decided, however, that they could earn more by
24 charging 0.35 hours, instead of 0.25 hours, and so they began to bill 0.35 hours for each of these
25 tasks. In either case, before and after the change in amount of time billed, the amount of time
26 required to produce and send each of these letters remained unchanged and untethered to the time
27 Defendants billed for each task.

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1 62. One purpose of the form letters that Defendants send their clients is to provide a
2 basis for retaining their clients' fees. These mass-produced form letters are informational in
3 nature, and give clients only the most general information about the IRS, tax debt relief, and
4 similar matters. The information is in no way specific to a client's particular situation. In fact,
5 some letters have absolutely no application to some of Defendants' clients. For instance,
6 Defendants send clients who rent information that is pertinent only to clients who are
7 homeowners. Nonetheless, under the standardized time-value system described above, clients are
8 billed \$105 for each letter.

9 63. Defendants provide employees with a chart that lists a time entry in one column
10 and a corresponding dollar value in a second column to make it easier to calculate the fees for
11 each task. The chart does not include all possible time increments of an hour, *e.g.*, .05 hours, .1
12 hours, .15 hours, etc. Instead, it only provides dollar values for Defendants' pre-assigned
13 standardized time entries, *i.e.*, 0.35 hours, that Defendants commonly assign when they prepare a
14 refund letter.

15 64. Defendants also assign a "budget" for refunds each month. Defendants provide
16 monetary incentives to their employees not to exceed the monthly refund budget, which merely
17 encourages those employees to deny or delay providing refunds to clients who legitimately
18 deserve them. Senior attorneys assigned to respond to refund requests receive a bonus of
19 approximately \$4,000 from Defendants for each month they stay within the refund "budget."

20 65. Consumers have suffered and continue to suffer substantial monetary loss as a
21 result of Defendants' unlawful acts and practices. Defendants have been unjustly enriched as a
22 result of the unlawful practices set forth in this Complaint. Absent injunctive relief from the
23 Court, Defendants are likely to continue to injure consumers and harm the public interest.

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

4 66. Plaintiff realleges Paragraphs 1 through 65 and incorporates these Paragraphs by
5 reference as though they were fully set forth in this cause of action.

6 67. From a date unknown to Plaintiff and continuing to the present, Defendants, and
7 each of them, have engaged in and continue to engage in, aided and abetted and continue to aid
8 and abet, and conspired to and continue to conspire to engage in acts or practices that constitute
9 violations of Business and Professions Code section 17500 by making or causing to be made
10 untrue or misleading statements with the intent to induce members of the public to purchase
11 Defendants' services, as described in Paragraphs 15 through 35. Defendants' untrue or
12 misleading representations include, but are not limited to, the following:

13 (a) Defendants' television advertisements contain materially false and
14 misleading statements.

15 (b) Defendants promise clients that they qualify for one of the IRS's tax debt
16 resolution programs. Only the IRS, and not Defendants, can determine that a taxpayer qualifies
17 for one of its tax debt resolution programs. At the end of Defendants' "tax analysis" interviews,
18 Defendants' sales agents tell the clients Defendants will be able to secure a tax debt resolution
19 from the IRS. In fact, most of Defendants' clients do not obtain a tax debt resolution.

20 (c) Defendants promise to eliminate or reduce interest and penalties that have
21 accrued on the consumers' tax debt. Only the IRS, and not Defendants, can determine whether it
22 will eliminate or reduce interest and/or penalties.

23 (d) Defendants promise clients that retaining Defendants will stop or prevent
24 IRS efforts to collect on the consumers' back tax liability, including promising to stop or prevent
25 wage garnishments and bank levies. Defendants also specifically tell many clients that once they
26 gave Defendants power of attorney over their tax debt, the IRS can no longer collect on their tax
27 debts. Retaining Defendants does not, in fact, stop or prevent IRS collection efforts.

1 (e) Defendants promise to complete the tax debt resolution process in a period
2 as short as 6 weeks. In fact, most clients never obtain a tax debt resolution from Defendants. Of
3 the few clients that do actually obtain a successful resolution, some can wait years before their tax
4 liability is resolved.

5 (f) Defendants assure clients that they will have immediate access to their
6 attorneys during the course of the representation. Instead, when clients ask to speak to an
7 attorney, Defendants' agents regularly thwart their requests. Some clients never once speak to an
8 attorney during the entire course of the representation. Others have to schedule an appointment to
9 speak to attorney over the phone, and these appointments are often days in the future.

10 (g) Defendants inform clients that they charge a "flat fee" for their legal
11 services and that this fee will not increase during the course of the representation. In fact, if the
12 representation terminates prior to resolution with the IRS, Defendants charge their clients \$300
13 per hour for services rendered. If this hourly rate fee is higher than the "flat fee" clients paid at
14 the beginning of the representation, Defendants claim that their clients owe them the unpaid
15 balance. Additionally, Defendants increase their legal fees by \$500 or more if any of the
16 following events occur during the representation: (1) clients change their address; (2) clients
17 change their marital status; (3) clients become business owners or self-employed; or (4) clients'
18 tax liability is significantly higher than the amount that was originally communicated to
19 Defendants.

20 (h) Defendants tell consumers that their success rate in resolving clients' back
21 tax liability with the IRS is as high as 99%. In fact, Defendants' success rate is dramatically
22 lower. In a majority of their clients' cases, Defendants never actually submit a request for tax
23 debt relief. Ultimately, most clients are either terminated by Defendants as clients for failure to
24 pay legal fees on time or for failure to timely respond to onerous and repetitive documents
25 requests, or themselves cancel Defendants' services because Defendants have made little to no
26 progress on their tax matter. According to Defendants' own figures, of those clients who retain
27 Defendants for the offer in compromise service, a mere 10% successfully receive an offer in
28 compromise from the IRS; 75% terminate or are terminated as clients before Defendants ever

1 actually submit an application to the IRS for an offer in compromise. Similarly, of those clients
2 who retain Defendants for the currently not collectible service, Defendants place 25% of these
3 clients on currently not collectible status; two-thirds terminate or are terminated as clients before
4 Defendants ever actually submit an application to the IRS for currently not collectible status. Of
5 those clients who retain Defendants for the installment agreement service, Defendants
6 successfully secure an installment agreement for approximately 25% of them; 65% terminate or
7 are terminated as clients before Defendants ever actually submit an application to the IRS for an
8 installment agreement.

9 (i) Defendants advise consumers that they may suspend their installment
10 payments to the IRS once they have engaged Defendants for tax debt resolution services. By
11 doing so, consumers can then apply whatever money they would have normally used to make
12 installment payments towards paying Defendants' up-front fee. Defendants tell consumers that
13 once they retain Defendants, the consumers are not legally obligated to continue making
14 installment payments to the IRS. Defendants' clients, in reliance on this advice and assurance,
15 stop making installment payments. In fact, heeding this advice causes the IRS to accelerate its
16 collection efforts.

17 (j) Defendants promise that they will return all unearned fees to their clients.
18 In fact, Defendants use false billing practices to justify retaining their clients' unearned fees.

19 (k) As alleged in Paragraphs 58 to 65, Defendants falsely claim to have spent
20 amounts of time on clients' matters that are higher than the amounts of time Defendants'
21 employees actually spend. Defendants rely on these false statements to justify their retention of
22 more fees than they would otherwise be entitled to keep.

23 68. At the time the representations set forth in Paragraph 67 were made, Defendants
24 knew or by the exercise of reasonable care should have known that the representations were
25 untrue or misleading.

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

4 69. Plaintiff realleges Paragraphs 1 through 68 and incorporates these Paragraphs by
5 reference as though they were fully set forth in this cause of action.

6 70. From a date unknown to Plaintiff and continuing to the present, Defendants, and
7 each of them, have engaged in and continue to engage in, aided and abetted and continue to aid
8 and abet, and conspired to and continue to conspire to engage in acts or practices that constitute
9 unfair competition as defined in Business and Professions Code section 17200. Such acts or
10 practices include, but are not limited to, the following:

11 (a) Failing to perform on their promises, made in exchange for up-front fees
12 from their clients, that Defendants would negotiate resolutions to their client's back tax liability.
13 Defendants did little or nothing to help most of their clients resolve their back tax liability.
14 Instead, these clients, having already paid large sums of money to Defendants, faced IRS
15 collection action or were forced to attempt to negotiate a tax debt resolution on their own, as
16 described in Paragraphs 1 to 65.

17 (b) Luring clients into paying up-front fees with promises to refund any
18 unearned fees. Instead, Defendants use false billing practices to avoid returning unearned fees to
19 clients, as described in Paragraphs 58 to 65.

20 (c) Deceiving clients into believing that failing to contact the IRS would
21 increase the odds that their tax debt resolution will be successful. Clients rely on Defendants'
22 advice because Defendants assured them that they will remain in contact with the IRS on clients'
23 behalf. In fact, Defendants are not in contact with the IRS, and the IRS assumes that Defendants'
24 clients are not willing to work with the IRS to resolve their back tax liability. Heeding
25 Defendants' inaccurate legal advice places clients in even greater jeopardy of IRS collection
26 action than they were in prior to the representation and does not increase their success rate in
27 securing tax debt resolution.

1 (d) Violating California's Unruh Act, California Civil Code section 1801, *et*
2 *seq.*, as described in Paragraphs 41 through 42 above.

3 (e) Violating the fiduciary duty and duties of good faith and fair dealing owed
4 to their clients by retaining unearned fees, even after the client demands that all unearned fees be
5 returned, by using false billing practices and by failing to timely review a client's file and submit
6 the client's application to the IRS for tax debt relief, as described in Paragraphs 43 to 59 above.

7 (f) Violating Business and Professions Code section 6106 by committing acts
8 involving moral turpitude, dishonesty, and/or corruption both in the course of their relations as
9 attorneys and otherwise, as described in Paragraphs 1 to 65.

10 (g) Violating California Rules of Professional Conduct, rule 3-110(A) by
11 intentionally, recklessly, or repeatedly failing to perform legal services with competence and by
12 failing to properly supervise employees, as described in Paragraphs 46 to 65 above.

13 (h) Violating California Rules of Professional Conduct, rule 1-400(D) by
14 advertising for Defendants' services by using untrue, false, deceptive, and/or misleading
15 statements, as described in Paragraphs 15 to 35 above.

16 (i) Violating California Rules of Professional Conduct, rule 3-700(A)(2) by
17 withdrawing from employment without taking reasonable steps to avoid reasonably foreseeable
18 prejudice to their clients, as described in Paragraphs 46 to 57 above;

19 (j) Violating California Rules of Professional Conduct, rule 3-700(D)(2) by
20 failing to promptly refund any part of a fee paid in advance that was not earned, as described in
21 Paragraphs 58 to 65 above.

22 (k) Violating California Rules of Professional Conduct, rule 4-200(A) by
23 entering into an agreement for, charging, and/or collecting an illegal or unconscionable fee, as
24 described in Paragraphs 58 to 65 above.

25 (l) Violating Business and Professions Code section 17500, as more
26 particularly alleged in Paragraphs 66 to 68 above.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

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

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

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

4. That the Court make such orders or judgments as may be necessary, including preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of any practice which constitutes unfair competition or as may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of such unfair competition in an amount according to proof, but not less than \$33,945,000, under the authority of Business and Professions Code section 17203;

5. That the Court assess a civil penalty of \$2,500 against each Defendant for each violation of Business and Professions Code section 17200, in an amount according to proof, under the authority of Business and Professions Code section 17206;

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6. That the Court assess a civil penalty of \$2,500 against each Defendant for each violation of Business and Professions Code section 17500, in an amount according to proof, under the authority of Business and Professions Code section 17536;

7. That the Court assess a civil penalty of \$2,500 against each Defendant for each violation of Business and Professions Code section 17200 perpetrated against a senior citizen or disabled person, in an amount according to proof, under the authority of Business and Professions Code section 17206.1;

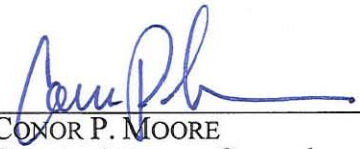
8. That Plaintiff recovers its costs of suit, including costs of investigation; and

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

Dated: August 23, 2010

Respectfully Submitted,

EDMUND G. BROWN JR.
Attorney General of California
FRANCES T. GRUNDER
Senior Assistant Attorney General
KATHRIN SEARS
Supervising Deputy Attorney General

By: 

CONNOR P. MOORE
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Attorneys for Plaintiff
THE PEOPLE OF THE STATE OF CALIFORNIA