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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

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| In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER,<br><br>Complainant,<br><br>vs.<br><br>GC LOAN CENTER, INC., GRACIELA DELOURDES RUIZ ZAMORA, IGOR SPANIC, BRYAN ALEXIS CRUZ, WALTER ALEXANDER REYES, DAVID S. WATKINS and DANIEL C. STAR,<br><br>Respondents. | File Nos. 603-F867 & 603-H198<br><br>ACCUSATION |

The Complainant is informed and believes, and based upon such information and belief, alleges and charges Respondents as follows:

I

Respondent GC Loan Center, Inc. ("GC Loan") is a lender/broker licensed by the California Corporations Commissioner ("Commissioner") pursuant to the California Finance Lenders Law of the State of California (California Financial Code § 22000 et seq.) ("CFLL"). GC Loan currently holds two licenses issued under the CFLL. The main licensed location is at 2829 N. San Fernando

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Boulevard, Suite 203, Los Angeles, California 90065. The branch license is located at 4501 W. Pico Boulevard, Los Angeles, California 90019.

Respondent Graciela DeLourdes Ruiz Zamora ("Zamora"), according to the documents submitted to the Department of Corporations ("Department"), was the president, secretary, treasurer, sole shareholder, sole director and person responsible for the lending activities of GC Loan from the date of filing of the initial CFLL license application on or about September 7, 2007 until on or about November 18, 2009.

Respondent Igor Spanic ("Spanic"), according to the documents submitted to the Department, was the manager of the Pico branch since its licensure on or about March 24, 2009.

Respondent Bryan Alexis Cruz ("Cruz"), according to the documents submitted to the Department, was the president, secretary, sole shareholder, sole director and person responsible for the lending activities of GC Loan from on or about November 18, 2009 until on or about May 25, 2010.

Respondent Walter Alexander Reyes aka Walter Reyes aka Walter Reyes-Illescas ("Reyes"), according to the documents submitted to the Department, was the president, secretary, treasurer, and sole shareholder of GC Loan from on or about May 25, 2010 until on or about October 29, 2010.

Respondent David S. Watkins (Watkins"), according to the documents submitted to the Department, is and was from on or about October 29, 2010, the president, secretary, treasurer, and sole shareholder of GC Loan.

Respondent Daniel C. Star aka Danijel Kociper ("Star") was at least during the period of September 7, 2007 through on or about November 18, 2009, a person responsible for lending activities of GC Loan. Star was, at all times relevant, also the president of Five Stars Services Inc. ("Five Stars") and involved with the management and operations of CT Loans Center, Inc. ("CT Loans").

Financial Code section 22101 provides that an application for a CFLL license shall be in the form and contain the information that the Commissioner may by rule require. Financial Code section 22101 and California Code of Regulations, title 10, section 1422, requires corporate applicants to disclose to the Commissioner in the application all officers, directors, any person



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owning or controlling, directly or indirectly, 10% or more of the applicant, all person(s) who would be in charge of the business, and all person(s) with direct responsibility for the proposed activities of the applicant.

On or about September 7, 2007, GC Loan filed its application for a lender/broker license with the Commissioner pursuant to California Financial Code section 22101 (File No. 603-F867 hereinafter the "application").

The application identified Zamora as the president, vice-president, secretary, treasurer, sole director, sole shareholder and person in charge of GC Loan. As required by California Code of Regulations, title 10, section 1422, the application included a Statement of Identity and Questionnaire ("SIQ") for Zamora. Section 1422 requires CFLL applications to include an SIQ for all officers, directors, any person owning or controlling, directly or indirectly, 10% or more of the applicant, all person(s) who would be in charge of the business, and all person(s) with direct responsibility for the proposed activities of the applicant. There were no other persons listed. Zamora executed the application under penalty of perjury as president of GC Loan. The issuance of the CFLL license to GC Loan on or about June 11, 2008 was based upon all the information submitted with the application, including the Department of Justice background check on Zamora.

III

On January 23, 2009, GC Loan filed a short form application for one further lender/broker license (File No. 603-H198 hereinafter "branch application") with the Commissioner pursuant to the CFLL. The branch application was for a location situated at 4501 West Pico Boulevard, Los Angeles, California 90019. The application identified Zamora as the owner-president of GC Loan and Zamora verified the application as the owner-president of GC Loan. The branch application disclosed an Igor Spanic as the branch manager. An SIQ for Spanic was filed with the branch application.

IV

Pursuant to Financial Code section 22108 and California Code of Regulations, title 10, section 1422, all CFLL licensees are required to amend their application(s) if there is any change in any of the persons required to be identified in the application(s). Additionally, California Code of



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Regulations, title 10, section 1409 requires CFLL licensees to maintain a current list of officers, directors and other persons required to be disclosed in the application with the Commissioner, and in the event of any change, to file with the Commissioner the same information on such new persons as is required for an original license within 30 days of the change.

On or about September 25, 2009, the Commissioner, by and through his staff, commenced a regulatory examination of GC Loan. The regulatory examination disclosed that CT Loans and Star were persons responsible for lending activities at GC Loan, at least during the period that GC Loan was under Zamora. In particular, CT Loans and Star were issuing loan proceeds checks to GC Loan borrowers from CT Loans' bank account. CT Loans and Star have never been identified in any application and/or application amendment filed with the Commissioner by GC Loan.

Star was also an undisclosed person in charge at Loxley & Star, Inc., a former California Deferred Deposit Transaction Law licensee of the Department of Corporations ("Department"), whose license was revoked for failing to disclose all required persons, among other violations of the California Deferred Deposit Transaction Law. Star is also named in a September 28, 2009 Desist and Refrain Order issued by the Department against CT Loans Center, Inc. and Star, among others, for engaging in unlicensed CFLL lending activities.

Accordingly, the initial application submitted by GC Loan under Zamora violated Financial Code section 22101 and California Code of regulations, title 10, section 1422 in that it failed to disclose Star and/or CT Loans Center, Inc. In the alternative, if the changes occurred after licensure, GC Loan, under Zamora, violated California Financial Code section 22108 and California Code of Regulations, title 10, sections 1409 and 1422, by failing to amend its initial application to disclose the positions of Star and/or CT Loans Center, Inc. with GC Loan.

V

During the course of the regulatory examination commenced on or about September 25, 2009, GC Loan, under Zamora, was found to have violated numerous provisions of the CFLL. The regulatory examination disclosed that GC Loan had, among other violations, (i) failed to maintain proper books and records in violation of Financial Code section 22156; (ii) in five of nineteen, or approximately twenty-six percent (26%) of the loans reviewed, charged borrowers an interest rate in



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excess of that allowed under Financial Code section 22303 or 22304 in that the bona fide principal amount was less than $2,500.00; (iii) in five of nineteen, or approximately twenty-six percent (26%) of the loans reviewed, charged excessive administrative fees to borrowers who took out loans with bona fide principal amounts of $2,500 or less in violation of Financial Code section 22305[1]; (iv) in five of nineteen, or approximately twenty-six percent (26%) of the loans reviewed, compounded interest charges on loans under $5,000.00 in violation of Financial Code section 22309; (v) in all five (100%) loans reviewed involving repossessed vehicles, failed to obtain three bids prior to selling the repossessed vehicle in violation of California Code of Regulations, title 10, section 1538(b)(1); (vi) in all five (100%) loans reviewed involving repossessed vehicles, sold the repossessed vehicle to an affiliate (Five Stars) in violation of California Code of Regulations, title 10, section 1540; and (vii) in four of five, or approximately eighty percent (80%) of the loans reviewed involving repossessed vehicles, used an unlicensed company to repossess vehicles in violation of Financial Code section 22329[2].

VI

On or about March 3, 2010, as a result of the findings of the regulatory examination, GC Loan was required to conduct a self audit of all loans made during the period of June 11, 2008 through to the present (March 2010) and make refunds to overcharged customers. As part of the self audit, GC Loan was required to submit an electronic report to the Department in Microsoft Access or Excel, which report was to include the borrower's name, address, account number, date of loan, amount of refund, date of refund, check number or account credited for all affected customers. The report, along with a response to other exceptions noted during the examination, was to be submitted to the Department within 30 days. GC Loan, under Cruz, did not submit any response to the Department. Thereafter, GC Loan, under Reyes did submit a response, but not until on or about July 17, 2010 (105 days late) and the CD-Rom submitted by GC Loan allegedly containing the results of the self audit was inaccessible.

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[1] GC Loan was charging such borrowers a fee of $75 rather than the statutory maximum of $50 or less.
[2] According to the documents obtained during the examination, Spanic was the person at GC Loan most involved in the repossession issues besides Star.



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On or about November 16, 2010, GC Loan, by and through Reyes, was notified in writing that the self audit report was inaccessible and certain other responses were deficient. GC Loan was given until December 15, 2010 to respond. GC Loan did not respond. On or about January 24, 2011, a further demand was sent to GC Loan, now under Watkins, to submit the self audit report and other responses no later than February 15, 2011. The letter was returned to the Department unclaimed and there has been no response forthcoming in violation of Financial Code sections 22159(b) and 22701.

VII

Pursuant to Financial Code sections 22102 and 22152, any person engaged in the business of finance lending and/or brokering must have a separate license for each location in which it engages in such activity. The regulatory examination disclosed that in or about February 2011, GC Loan, under Watkins, was conducting lending activity from an unlicensed location at 4028 W. Ramsey Street, Banning, California 92220 in violation of Financial Code sections 22102 and 22152. GC Loan was aware or should have been aware that a separate CFLL license was required for each location, as GC Loan had already been issued a branch license for the Pico location, and in obtaining that license and the original license, specifically represented to the Commissioner that it had read and understood all the provisions of the CFLL.

On or about June 14, 2011, the Department received information that GC Loan was conducting car title loan business through the website www.cashpinkslip.com. A telephone call placed on or about June 14, 2011 to the telephone number listed on the website revealed that GC Loan was conducting lending activity from a further unlicensed location situated at 6422 Van Nuys Boulevard, Van Nuys, California 91401 under the unlicensed name of Car Title Loans in further violation of Financial Code sections 22102 and 22152.

VIII

GC Loan, under Cruz, Reyes and Watkins, failed to pay $6,945.69 of its regulatory examination bill despite several demands in violation of Financial Code section 22707.



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IX

Pursuant to Financial Code section 22112, all CFLL licensees are required to maintain a surety bond in the minimum amount of $25,000.00. On or about March 18, 2011, the Commissioner notified GC Loan that its surety bond was being canceled and that a replacement bond must be obtained by April 20, 2011. The surety bond of GC Loan was canceled effective April 20, 2011, and no replacement has been obtained by GC Loan, under Watkins, in violation of Financial Code section 22112.

X

Based on the above, **GC Loan, Zamora and Star** have (i) violated Financial Code section 22101 and California Code of regulations, title 10, section 1422 by failing to disclose CT Loans Center, Inc and Star in its application and/or violated Financial Code section 22108 and California Code of Regulations, title 10, section 1409 by failing to amend its application to disclose CT Loans Center, Inc. and Star, (ii) violated California Code of Regulations, title 10, section 1409 by failing to maintain a current list of officers and directors with the Commissioner, (iii) violated Financial Code section 22303 or 22304 by charging excessive interest rates on loans, (iv) violated Financial Code section 22305 by overcharging administrative fees, and (v) violated Financial Code section 22309 by compounding interest charges on loans under $5,000.00; **GC Loan, Zamora, Star and Spanic** have (i) violated California Code of Regulations, title 10, section 1538(b)(1) by failing to obtain three bids prior to selling repossessed vehicles, (ii) violated California Code of Regulations, title 10, section 1540 by selling repossessed vehicles to Five Stars, an affiliate, and (iii) violated Financial Code section 22329 by using an unlicensed company to repossess vehicles; **GC Loan and Cruz** have (i) violated Financial Code sections 22159(b) and 22701 by failing to file a response to the regulatory examination findings, including filing a self audit report, and (ii) violated Financial Code section 22707 by failing to pay the regulatory examination fees; **GC Loan and Reyes** have (i) violated Financial Code sections 22159(b) and 22701 by failing to file a response to the regulatory examination findings, including filing a self audit report, and (ii) violated Financial Code section 22707 by failing to pay the regulatory examination fees; and **GC Loan and Watkins** have (i) violated Financial Code section 22112 by failing to maintain a surety bond, (ii) violated Financial

Code sections 22102 and 22152 by conducting lending activities from an unlicensed location; (iii) violated Financial Code sections 22159(b) and 22701 by failing to file a response to the regulatory examination findings, including filing a self audit report, and (iv) violated Financial Code section 22707 by failing to pay the regulatory examination fees.

XI

California Financial Code section 22714 provides in pertinent part:

> (a) The commissioner shall suspend or revoke any license, upon notice and reasonable opportunity to be heard, if the commissioner finds any of the following:
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> (1) The licensee has failed to comply with any demand, ruling, or requirement of the commissioner made pursuant to and within the authority of this division.
> (2) The licensee has violated any provision of this division or any rule or regulation made by the commissioner under and within the authority of this division. . . .

California Financial Code section 22169 provides in pertinent part:

> (a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any finance lender, broker, or any other person, if the commissioner finds either of the following:
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> (1) That the censure, suspension, or bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the finance lender, or to the public.

XII

Complainant finds that, by reason of the foregoing, **Respondents GC Loan, Zamora and Star** have violated Financial Code sections 22101, 22108, 22303 or 22304, 22305 and 22309 and California Code of Regulations, title 10, sections 1409 and 1422; **Respondents GC Loan, Zamora, Star and Spanic** have violated Financial Code section 22329 and California Code of Regulations, title 10, sections 1538(b)(1) and 1540; **Respondents GC Loan and Watkins** have violated Financial Code sections 22102, 22112, 22152 and 22159(a); **Respondents GC Loan, Cruz, Reyes**



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**and Watkins** have violated Financial Code sections 22159(b), 22701 and 22707, and it is in the best interests of the public to revoke the finance lender/broker license of GC Loan and to bar Respondents Zamora, Star, Spanic, Cruz, Reyes, and Watkins from any position of employment, management or control of any finance lender and/or broker.

WHEREFORE, IT IS PRAYED that the finance lender/broker licenses of GC Loan be revoked and that Respondents Zamora, Star, Spanic, Cruz, Reyes, and Watkins be barred from any position of employment, management or control of any finance lender and/or broker.

Dated: October 12, 2011
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Judy L. Hartley
Senior Corporations Counsel

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