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8
9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE) File No.: 413-0504
12 CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
)
14 Complainant,)
)
15 v.)
)
16 COASTAL CAPITAL CORP.,)
17)
18 Respondent.)
)

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

21 I

22 Coastal Capital Corp. (“Respondent”) is a residential mortgage lender and residential
23 mortgage loan servicer licensed by the Commissioner of Corporations of the State of California
24 (“Commissioner” or “Complainant”) pursuant to the California Residential Mortgage Lending Act
25 (“CRMLA”), California Financial Code section 50000 *et seq.* Respondent’s main office is located
26 at One Plaza Road, Greenvale, New York 11548.
27
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II

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2 1. On or about March 20, 2007, the Commissioner commenced a regulatory
3 examination of the books and records of Respondent through his examination staff (“Examination
4 Staff”). The regulatory examination has not been concluded because Respondent has closed its
5 business and has failed to provide all the information and documents requested, as set forth below.

6 2. On March 20, 2007, Examination Staff arrived at Respondent’s main office and met
7 with its president, John Michael (“Michael”). Michael informed Examination Staff that the
8 company had gone bankrupt and had been closed since February 16, 2007. Prior to March 2007,
9 the Commissioner had not received notice of Respondent’s closing or bankruptcy.

10 3. Michael initially cooperated with Examination Staff by providing a copy of
11 Respondent’s un-audited financial statements as of November 30, 2006, as well as a list of loans
12 made in California since August 1, 2006. Michael represented that the company had been winding
13 down and had not made any loans since February 16, 2007.

14 4. However, after discussing the matter with his counsel, Michael indicated that he
15 would not provide any additional information or documents to Examination Staff due to Michael’s
16 recent indictment in a California criminal case.

17 5. On March 20, 2007, Examination Staff issued a written demand to Respondent for
18 the information and documents needed to complete the examination. The demand included a list of
19 documents needed and a request for an explanation of Respondent’s closure. Examination Staff
20 personally served the demand on Michael as president of Respondent. However, Michael refused
21 to execute a written acknowledgement of receipt of the demand, and further refused to provide the
22 information and documents demanded.

23 6. Respondent was given a deadline of March 21, 2007 to provide the information and
24 documents. To date, Respondent has failed and refused to provide the information and documents
25 demanded, which are necessary to complete the examination.

III

26
27 California Financial Code section 50302(a) provides in relevant part:

- 28 (a) As often as the commissioner deems necessary and appropriate,
but at least once every 48 months, the commissioner shall examine

1 the affairs of each licensee for compliance with this division . . .
2 The commissioner and his or her appointees may examine the
3 books, records, and documents of the licensee, and may examine
4 the licensee’s officers, directors, employees, or agents under oath
5 regarding the licensee’s operations

6 California Financial Code section 50314 provides in relevant part:

7 (a) Every person subject to this division shall keep documents and
8 records that will properly enable the commissioner to determine
9 whether the residential mortgage lending or residential mortgage loan
10 servicing functions performed by that person comply with the
11 provisions of this division and with all rules and orders made by the
12 commissioner under this division . . .

13 (b) The business documents and records of every residential mortgage
14 lender or residential mortgage loan servicer, whether required to be
15 licensed under this division or not, are subject to inspection and
16 examination by the commissioner at any time without prior notice

17 Respondent has failed and refused to provide the information and documents necessary to
18 complete the examination in violation of CRMLA section 50314.

19 IV

20 Pursuant to section 50201 of the California Financial Code, all licensees under the CRMLA
21 are required to maintain a tangible net worth of \$250,000.00.

22 On or about March 20, 2007, the Commissioner commenced a regulatory examination of the
23 books and records of Respondent. During the regulatory examination, Respondent provided an un-
24 audited copy of Respondent’s financial statements dated November 30, 2006, which indicated that
25 the company was not in compliance with the tangible net worth requirements of Financial Code
26 section 50201. The financial statements further disclosed that Respondent had a tangible net worth
27 deficiency of \$1,053,856.00.

28 Respondent has yet to submit any financial statement that evidences Respondent meets the
tangible net worth requirements of Financial Code section 50201.

V

Pursuant to Financial Code section 50200, Respondent was required to submit its audited
financial statements for fiscal year ended December 31, 2006 to the Commissioner by April 15,

1 2007. To date, Respondent has failed to file its audited financial statements with the Commissioner
2 despite several demands.

3 VI

4 California Financial Code section 50327 provides in pertinent part:

5 (a) The commissioner may, after notice and a reasonable opportunity
6 to be heard, suspend or revoke any license if the commissioner finds
7 that: (1) the licensee has violated any provision of this division or any
8 rule or order of the commissioner thereunder; or (2) any fact or
9 condition exists that, if it had existed at the time of the original
10 application for license, reasonably would have warranted the
11 commissioner in refusing to issue the license originally.

12 VII

13 The Commissioner finds that, by reason of the foregoing, Respondent has violated
14 California Financial Code sections 50314, 50200 and 50201.

15 WHEREFORE, IT IS PRAYED that the residential mortgage lender and residential
16 mortgage loan servicer license of Coastal Capital Corp. be revoked.

17 Dated: August 8, 2007
18 Los Angeles, CA

19 PRESTON DuFAUCHARD
20 California Corporations Commissioner

21 By _____
22 Jennifer A. Granat
23 Corporations Counsel