

STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TO: Jack J. Krech dba Enterprises Unlimited
24425 Woolsey Canyon Road, Suite 203,
West Hills, California 91304

390 South Sepulveda Boulevard, Apartment 311,
Los Angeles, California 90049-3142

DESIST AND REFRAIN ORDER

(For violations of sections 22701, 22709, and 22153 of the Financial Code)

The Commissioner of Business Oversight finds that:

1. At all relevant times herein, Jack J. Krech (“Krech”) is an individual doing business as Enterprises Unlimited. Krech’s principal place of business is located at 24425 Woolsey Canyon Road, Suite 203, West Hills, California 91304. Any reference to Krech herein shall also mean Enterprises Unlimited.

2. Krech is licensed under the California Finance Lenders Law (Cal. Fin. Code §22000 *et seq.*) and applicable regulations (“CFL”). Krech was issued a CFL license #6032051 on July 1, 1995.

3. Beginning in or about 2009 and continuing to at least April, 2015, Krech engaged in acts or practices constituting violations of the CFL in that Krech failed to make his books and records available for examination by the Commissioner after a written demand, or denied the Commissioner’s staff free access to his offices, books and records in violation of Financial Code sections 22709 and 22701. In addition, Krech changed his business location designated on his license without first providing notice to the Department in violation of Financial Code section 22153 (a).

4. October 29, 2009, the Commissioner commenced a regulatory examination of the books and records of Krech at his principal place of business. During that examination, the

1 Commissioner sent a written demand to Krech requesting that he produce books and records for
2 review by the Commissioner's staff in accordance with Financial Code section 22701. The written
3 demand required Krech to produce his most recent financial statements and loan logs for all activities
4 conducted under his CFLL license during the previous three years.

5 5. On May 4, 2010, the Commissioner's staff sent a Report of Regulatory Examination
6 ("Report") to Krech informing him that as of the date of the Report, the Commissioner had not
7 received the documents requested.

8 6. The Report also informed Krech that his failure to provide the books and records
9 requested by Commissioner was in violation of Financial Code section section 22701, and as such,
10 that the matter would be referred to the Department's Special Administrator. Krech did not provide
11 the documents the Commissioner requested.

12 7. On January 22, 2015, the Commissioner commenced another regulatory examination
13 of the books and records of Krech at his principal place of business ("2015 regulatory examination").
14 As part of the 2015 regulatory examination, on January 23, 2015, the Commissioner's staff contacted
15 Krech by telephone to inform him that the Department planned to schedule a regulatory examination
16 of Enterprises Unlimited under the CFFL within a week from the date of the telephone call. Krech
17 requested that the regulatory examination be postponed to May 1, 2015 stating that he was unable to
18 comply with the Department's proposed schedule because his company was busy preparing the 2014
19 annual report for the Department.

20 8. Records maintained in the Department's files indicate that Krech has not reported any
21 California Finance Lender income although he reported "other business income" in his 2011, 2012,
22 and 2013 annual reports.

23 9. During the January 23, 2105 telephone conversation, Krech informed the
24 Commissioner's staff that the income he reported as "other income" in his annual reports derived
25 from consulting activity and interests earned from loans made with interest rates of 10% or less.
26 Krech further stated he did not need the CFLL license to originate loans made with interest rates of
27 10% or less.

28

1 10. On January 30, 2015, the Commissioner's staff sent a written demand by certified
2 mail, to Krech requesting that he produce books and records for examination within 10 days after the
3 date of the demand.

4 11. On February 5, 2015, the demand letter was returned to the Commissioner as
5 undeliverable. The envelope in which the demand letter was returned was marked "return to sender,"
6 and appeared to provide a forwarding address at "390 South Sepulveda Boulevard, Apartment 311,
7 Los Angeles, California 90049-3142."

8 12. On February 27, 2015, the Commissioner's staff sent a final demand letter, along with
9 a copy of the January 30, 2015 demand letter to Krech by certified mail, requesting that he provide
10 books and records for examination by March 9, 2015. The February 27, 2015 final demand letter was
11 sent to Krech at the forwarded address referenced herein at 390 South Sepulveda Boulevard,
12 Apartment 311, Los Angeles, California 90049-3142. In addition, the Commissioner's staff sent
13 electronic copies of the demand letters by email to Krech's designated email address at
14 jackkrech@netzero.com. To date, the Commissioner has not received Krech's response.

15 13. On March 18, 2015, the Commissioner's staff sought to track the delivery of the final
16 demand letters sent to Krech through the United States Postal Service' website at usps.com and
17 observed that the letters were not successfully delivered. On the same day, by email, the
18 Commissioner's staff notified Krech that two demand letters were mailed to him neither of which he
19 responded to. Krech was informed that the matter would be referred to the Department's
20 Enforcement Division.

21 14. Two days later, on March 20, 2015, Krech telephoned the Commissioner's staff and
22 acknowledged receiving an email from the Commissioner's staff. Krech did not state which email he
23 received when questioned. The Commissioner's staff reiterated the fact that two letters were sent to
24 Krech requesting production of books and records for examination and that no response was received
25 from him. Krech then informed the Commissioner's staff that he changed his address from that
26 designated on his license to 390 South Sepulveda Boulevard, Apartment 311, Los Angeles, California
27 90049-3142. The records maintained by the Department do not show that Krech gave prior written
28

1 notice of the change of his address to the Department as required under Financial Code section 22153
2 (a).

3 15. The Commissioner’s staff informed Krech that a demand letter was also mailed to the
4 new address he provided at 390 South Sepulveda Boulevard, Apartment 311, Los Angeles, California
5 90049-3142. Krech denied receiving any letters from the Department at his new address. On
6 learning that copies of the demand letters were also sent to Krech by email on February 27, 2015,
7 Krech informed the Commissioner’s staff that he could not comply with the Department’s request at
8 the present time. Krech again requested that the regulatory examination be postponed until April 15,
9 2015 when according to him, his accountant would be available.

10 16. On March 20, 2015, following the telephone conversation with Krech, the
11 Commissioner’s staff sent a second email to Krech informing him that the matter would be referred
12 to the Department's Enforcement division. To date, the Department has not received any of the
13 documents demanded from the Krech.

14 17. Financial Code section 22701 provides that for the purpose of discovering violations
15 of the CFLL or securing information required by the Commissioner in the administration and
16 enforcement of the CFLL, the Commissioner may at any time investigate the loans and business, and
17 examine the books and records of a licensee. Financial Code section 22701 further states that “... for
18 the purpose of examination, the commissioner and his or her representatives shall have free access to
19 the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all these
20 persons....”

21 18. Additionally, in accordance with Financial Code section 22709, the Commissioner “...
22 may require the production for examination ... all books, records, and supporting data used by the
23 licensee in the preparation of reports to the commissioner.” Such books, records, and supporting data
24 must be made available for examination by the Commissioner within 10 days after a written demand.

25 Based on the foregoing findings, the Commissioner of Business Oversight is of the opinion
26 that Krech has engaged in the business of a finance lender or broker in violation of Financial Code
27 sections 22701, and 22709 by failing to make available for examination his books and records after a
28

1 written demand and failing to grant the Commissioner’s staff free access to his offices, books and
2 records.

3 The Commissioner is also of the opinion that Krech has engaged in the business of a finance
4 lender or broker in violation of Financial Code section 22153 (a) by failing to give notice at least ten
5 days prior to the change of his designated business address or failing to give notice at least ten days
6 prior to engaging in business at his new business location.

7 Pursuant to section 22712 (a) of the Financial Code, Jack J. Krech dba Enterprises
8 Unlimited is hereby ordered to immediately desist and refrain from engaging in the business of a
9 finance lender or broker in violation of any provision of this division or any rule or order
10 thereunder including, Financial Code sections 22701, 22709 and 22153 (a) as set forth above.

11 This Order is necessary, in the public interest, for the protection of consumers and
12 consistent with the purposes, policies, and provisions of the California Finance Lender Laws.

13 Dated: April 16, 2015
14 Los Angeles, California

JAN LYNN OWEN
Commissioner of Business Oversight

16 By: _____
17 MARY ANN SMITH
18 Deputy Commissioner
19 Enforcement Division
20
21
22
23
24
25
26
27
28