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8 *Attorneys for Plaintiff* THE PEOPLE OF THE  
STATE OF CALIFORNIA

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

FILED UNDER SEAL

**ORIGINAL FILED**  
Northwest District

AUG 15 2011

LOS ANGELES  
SUPERIOR COURT

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 COUNTY OF LOS ANGELES – NORTHWEST DISTRICT

11  
12  
13 THE PEOPLE OF THE STATE OF  
CALIFORNIA,

14 Plaintiff,

15 v.

16 THE LAW OFFICES OF KRAMER AND  
17 KASLOW, a California professional law  
corporation and also doing business as K2  
18 LAW, MASS LITIGATION ALLIANCE and  
CONSOLIDATED LITIGATION GROUP;  
19 PHILIP ALLEN KRAMER, an individual;  
MITCHELL J. STEIN & ASSOCIATES,  
20 INC., a California corporation; MITCHELL J.  
STEIN, an individual and doing business as  
21 MITCHELL J. STEIN & ASSOCIATES;  
CHRISTOPHER VAN SON, an individual and  
22 doing business as THE LAW OFFICES OF  
CHRISTOPHER J. VAN SON and  
23 CONSOLIDATED LITIGATION GROUP;  
MESA LAW GROUP CORP., a California  
24 corporation; PAUL WARREN PETERSEN, an  
individual; ATTORNEYS PROCESSING  
25 CENTER, LLC, a California limited liability  
company and also doing business as  
26 ATTORNEY PROCESSING CENTER and  
PROCESSING CENTER; DATA  
27 MANAGEMENT, LLC, a California limited  
liability company; GARY DIGIROLAMO, an  
28 individual; BILL MERRILL STEPHENSON,

Case No. LC 094571

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

[VERIFIED ANSWER REQUIRED  
PURSUANT TO CALIFORNIA CODE OF  
CIVIL PROCEDURE SECTION 446]

1 an individual; MITIGATION  
2 PROFESSIONALS, LLC, a California limited  
3 liability company, and doing business as K2  
4 LAW; GLEN RENEAU, an individual; PATE,  
5 MARIER AND ASSOCIATES, INC., a  
6 California corporation; JAMES ERIC PATE,  
7 an individual; RYAN WILLIAM MARIER, an  
8 individual; HOME RETENTION DIVISION, a  
9 business organization of unknown form;  
10 MICHAEL ANTHONY TAPIA, an individual  
11 and doing business as CUSTOMER  
12 SOLUTIONS GROUP and HOME  
13 RETENTION DIVISION; LEWIS  
14 MARKETING CORP., a California  
15 corporation; CLARENCE JOHN BUTT, an  
16 individual; THOMAS DAVID PHANCO, an  
17 individual; and DOES 1 through 100,  
18 inclusive,

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Defendants

Plaintiff, the People of the State of California, by and through Kamala D. Harris, Attorney General of the State of California, alleges the following on information and belief:

SUMMARY OF COMPLAINT

1. Defendants prey on desperate consumer homeowners facing foreclosure and the loss of their homes by selling participation in so-called "mass joinder" lawsuits against their mortgage lenders. Veterans of the loan modification industry, Defendants use deceptive advertising and telemarketing to recruit consumers to join these lawsuits, at a cost of thousands of dollars each. Consumers are led to believe that joining these lawsuits will stay foreclosures, reduce their loan balances, entitle them to monetary benefits and potentially get them their homes free and clear of their mortgage.

2. Defendants often initiate the scheme by sending misleading mailers, including "Litigation Settlement Notification" mailers to homeowners notifying them that they are potential plaintiffs in a "national litigation settlement" with their lender. No settlements exist and in some cases no lawsuit has even been filed. Defendants' mailers nevertheless state that homeowners may receive their homes free and clear of a mortgage, stop foreclosures, and receive thousands of

1 dollars in compensation for damages. The mailer states it is a "final notice" and that a phone in  
2 response is required, luring homeowners into contacting Defendants.

3 3. Once homeowners call the telephone numbers, Defendants engage them with  
4 additional false and misleading claims. Defendants' telemarketers, who are not attorneys, provide  
5 misleading advice to homeowners regarding legal procedures and the likely results and benefits of  
6 joining the mass joinder lawsuits. Defendants tell consumers that judges have already ruled that  
7 the banks were practicing predatory lending and that consumers have already received the  
8 promised results. Defendants make false and misleading claims the mass joinder lawyers have  
9 achieved substantial victories against the bank lenders, including obtaining homes free and clear,  
10 stopping foreclosures, and obtaining orders rescinding notices of default. Defendants claim that  
11 the attorneys handling the mass joinder lawsuits have tried thousands of cases, and only take on  
12 qualified clients likely to be helped by the lawsuit.

13 4. Homeowners are told that a settlement could happen at any moment and only those  
14 who have joined the lawsuit will receive the promised benefits. Defendants repeatedly make false  
15 or misleading statements to homeowners to get them to sign a retainer agreement and pay them  
16 thousands of dollars. Once homeowners sign a contract to join a "mass joinder" lawsuit and  
17 Defendants take their money, as much as \$10,000, from their bank accounts, homeowners find  
18 they are unable to speak with an attorney with knowledge of the lawsuit. Basic questions such as  
19 whether the homeowner has been added to the lawsuit go unanswered. Some homeowners pay  
20 Defendants thousands of dollars only to lose their homes shortly thereafter to foreclosure.

21 5. Thousands of California homeowners have fallen for Defendants' scam, and  
22 Defendants have exported their mass joinder scheme nationwide. In this action, Plaintiff seeks an  
23 order permanently enjoining Defendants from engaging in their unlawful business practices,  
24 granting restitution for affected consumers, imposing civil penalties, and granting all other relief  
25 available under California law. By the filing this lawsuit, Plaintiff does not seek to interfere with  
26 any consumer lawsuits or opine on the validity of any legal theories used to challenge alleged  
27 fraud by mortgage lenders or servicers. However, Defendants should not be allowed to violate  
28

1 California law by recruiting consumers into joining even potentially legitimate lawsuits by means  
2 of false and deceptive advertising.

3 DEFENDANTS AND VENUE

4 6. Defendant The Law Offices of Kramer & Kaslow (Kramer & Kaslow), a  
5 California professional corporation and also doing business as K2 Law, Mass Litigation Alliance,  
6 and Consolidated Litigation Group, is a law firm, which at all relevant times has transacted and  
7 continues to transact business throughout California, including Los Angeles County.

8 7. Defendant Philip Allen Kramer (Kramer), an individual, is the President, Chief  
9 Executive Officer, Chief Financial Officer, Secretary, and Director of Kramer & Kaslow. At all  
10 relevant times, Kramer, acting alone or in concert with others, has formulated, directed,  
11 controlled, authorized, or participated in the acts and practices set forth in this Complaint. At all  
12 relevant times, Kramer has transacted and continues to transact business throughout California,  
13 including Los Angeles County. Kramer is a resident of Los Angeles County.

14 8. Defendant Mitchell J. Stein and Associates, Inc. (Stein & Associates), a California  
15 corporation, which at all relevant times, has transacted and continues to transact business  
16 throughout California, including Los Angeles County.

17 9. Defendant Mitchell J. Stein, an individual, is a principal at Stein & Associates and  
18 is also doing business as Mitchell J. Stein and Associates. At all relevant times, Stein, acting  
19 alone or in concert with others, has formulated, directed, controlled, authorized, or participated in  
20 the acts and practices set forth in this Complaint. At all relevant times, Stein has transacted and  
21 continues to transact business throughout California, including Los Angeles County. Stein is a  
22 resident of Los Angeles County.

23 10. Defendant Christopher J. Van Son (Van Son) is an individual doing business as  
24 The Law Offices of Christopher J. Van Son and Consolidated Litigation Group, who at all  
25 relevant times has transacted and continues to transact business throughout California, including  
26 Los Angeles County.

1           11. Defendant Mesa Law Group Corp. (Mesa Law Group) is a California corporation,  
2 which at all relevant times has transacted and continues to transact business throughout California,  
3 including Los Angeles County.

4           12. Defendant Paul Warren Petersen (Petersen), an individual, is the President, Chief  
5 Executive Officer, Secretary and Chief Financial Officer of Mesa Law Group. At all relevant  
6 times, Petersen has transacted and continues to transact business throughout California, including  
7 Los Angeles County.

8           13. Defendant Attorneys Processing Center, LLC (APC) is a California limited  
9 liability company and also doing business as Attorney Processing Center and Processing Center,  
10 which at all relevant times has transacted and continues to transact business throughout California,  
11 including Los Angeles County.

12           14. Defendant Data Management, LLC (Data Management), is a California limited  
13 liability company, which at all relevant times has transacted and continues to transact business  
14 throughout California, including Los Angeles County.

15           15. Defendant Gary DiGirolamo (DiGirolamo), an individual, is a principal and sole  
16 member of Data Management, and a principal of APC. At all relevant times, DiGirolamo has  
17 transacted and continues to transact business throughout California, including Los Angeles  
18 County.

19           16. Defendant Bill Merrill Stephenson (Stephenson), an individual, is a principal of  
20 APC. At all relevant times, Stephenson has transacted and continues to transact business  
21 throughout California, including Los Angeles County.

22           17. Defendant Mitigation Professionals, LLC (Mitigation Professionals), is a  
23 California limited liability company and doing business as K2 Law, which at all relevant times  
24 has transacted and continues to transact business throughout California, including Los Angeles  
25 County.

1           18. Defendant Glen Reneau (Reneau) is a principal, manager and owner of Mitigation  
2 Professionals. At all relevant times, Reneau has transacted and continues to transact business  
3 throughout California, including Los Angeles County.

4           19. Defendant Pate, Marier and Associates, Inc. (Pate Marier) is a California  
5 corporation, which at all relevant times has transacted and continues to transact business  
6 throughout California, including Los Angeles County.

7           20. Defendant James Eric Pate (Pate), an individual, is the Chief Executive Officer,  
8 Chief Financial Officer, and Director of Pate Marier and Sales Manager for Mesa Law Group. At  
9 all relevant times, Pate has transacted and continues to transact business throughout California,  
10 including Los Angeles County.

11           21. Defendant Ryan William Marier (Marier), an individual, is the President and  
12 Director of Pate Marier and Manager of Mesa Law Group. At all relevant times, Marier has  
13 transacted and continues to transact business throughout California, including Los Angeles  
14 County.

15           22. Defendant Home Retention Division (Home Retention) is a business organization  
16 of unknown form, which at all relevant times has transacted and continues to transact business  
17 throughout California, including Los Angeles County.

18           23. Defendant Michael Anthony Tapia (Tapia) is an individual and doing business as  
19 Home Retention Division, Customer Solutions Group (Customer Solutions), and Document  
20 Compliance Division, who at all relevant times has transacted and continues to transact business  
21 throughout California, including Los Angeles County.

22           24. Defendant Lewis Marketing Corp. (LMC) is a California corporation, which at all  
23 relevant times has transacted and continues to transact business throughout California, including  
24 Los Angeles County.

25           25. Defendant Clarence John Butt (Butt), an individual, is a principal of LMC. At all  
26 relevant times, Butt has transacted and continues to transact business throughout California,  
27 including Los Angeles County.

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1           26. Defendant Thomas David Phanco (Phanco), an individual, is the President of LMC.  
2 At all relevant times, Phanco has transacted and continues to transact business throughout  
3 California, including Los Angeles County.

4           27. The true names and capacities, whether individual, corporate, associate or  
5 otherwise, of defendants sued herein as Does 1 through 100, inclusive, presently are unknown to  
6 Plaintiff, who therefore sues these defendants by their fictitious names. Plaintiff will seek leave  
7 to amend this Complaint to allege the true names of Does 1 through 100 once they have been  
8 ascertained. Each of the fictitiously named defendants participated in some or all of the acts  
9 alleged herein.

10           28. The defendants identified in Paragraphs 6 through 27 above are referred to  
11 collectively in this Complaint as the "Defendants." The defendants identified above in  
12 Paragraphs 6 through 12 – Kramer & Kaslow, Kramer, Stein & Associates, Stein, Van Son, Mesa  
13 Law, and Petersen – are referred to as the "Attorney Defendants."

14           29. At all times mentioned herein, each of the Defendants acted as the principal, agent,  
15 or representative of each of the other Defendants, and in doing the acts herein alleged, each  
16 Defendant was acting within the course and scope of the agency relationship with each of the  
17 other Defendants, and with the permission and ratification of each of the other Defendants.

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

20           31. Whenever reference is made in this Complaint to any act of any Defendant or  
21 Defendants, the allegation shall mean that the Defendant or Defendants did the acts alleged in this  
22 Complaint either personally or through the Defendant's or Defendants' officers, directors,  
23 employees, agents and/or representatives acting within the actual or ostensible scope of their  
24 authority.

25           32. At all times mentioned herein, each Defendant knew that the other Defendants  
26 were engaging in or planned to engage in the violations of law alleged in this Complaint.  
27 Knowing that other Defendants were engaging in such unlawful conduct, each Defendant  
28

1 nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and  
2 did encourage, facilitate, or assist in the commission of the unlawful acts alleged in this  
3 Complaint, and thereby aided and abetted the other Defendants in the unlawful conduct.

4 33. Defendants have engaged in a conspiracy, common enterprise, and common  
5 course of conduct, the purpose of which is and was to engage in the violations of law alleged in  
6 this Complaint. The conspiracy, common enterprise, and common course of conduct continue to  
7 the present.

8 34. Whenever reference is made in this Complaint to any act of Defendants, that  
9 allegation shall mean that each Defendant acted individually and jointly with the other  
10 Defendants named in that cause of action.

11 35. Each Defendant committed the acts, caused or directed others to commit the acts,  
12 or permitted others to commit the acts alleged in this Complaint. Additionally, some or all of the  
13 defendants acted as the agents of the other defendants, and all of the Defendants acted within the  
14 scope of their agency if acting as an agent of another.

15 36. The violations of law alleged in this Complaint occurred in Los Angeles County  
16 and elsewhere throughout California and the United States.

17 BACKGROUND ON DEFENDANTS' SCHEME

18 37. Since at least 2010, Defendants have advertised and recruited consumer  
19 homeowners' participation in so-called "mass joinder" lawsuits against bank lenders alleging  
20 fraud with respect to their home mortgage loans. Defendants are loan modification lawyers and  
21 businesspersons with well-established marketing operations and networks in the loan  
22 modification industry. With the industry's growing reputation for fraud and the legislative ban on  
23 advance fees for loan modification services, Defendants saw a more profitable opportunity to sell  
24 lawsuits rather than loan modifications. By this new scheme, Defendants could charge advance  
25 fees and, considering the many homeowners in financial distress, could target thousands of  
26 consumer homeowners.



1           38. Defendants' scheme began modestly with the filing of *Ronald v. Bank of America*  
2 (Case No BC409444) on March 12, 2009 in Los Angeles County Superior Court. The filing of  
3 the *Ronald* case preceded the mass joinder marketing scheme. Stein initially filed the lawsuit on  
4 behalf of 17 clients who alleged Bank of America committed mortgage-related improprieties.  
5 Stein was the plaintiffs' attorney of record along with Apex Legal Group, a small Sacramento law  
6 firm.

7           39. A year later the *Ronald* plaintiffs had grown in number, but the second amended  
8 complaint still identified "only" 41 plaintiffs. Shortly thereafter, Kramer, a loan modification  
9 attorney with marketing connections and Stein's acquaintance, became involved in the case. On  
10 May 24, 2010, Stein's co-counsel Erikson Davis amended the *Ronald* complaint to add James  
11 Agate as a defendant. Kramer, representing Agate, then filed a peremptory challenge under Code  
12 of Civil Procedure 170.6 to disqualify Judge Ann Jones. After a new judge replaced Judge Jones,  
13 Agate was settled out of the case. As described below, Kramer now partners with Stein to  
14 represent plaintiffs in mass joinder actions such as *Ronald*. The *Ronald* lawsuit then became the  
15 centerpiece of a massive, deceptive marketing scheme that would transform the loan modification  
16 industry.

17           40. Kramer and Stein began discussions with loan modification marketers DiGirolamo  
18 and Reneau to sell participation in mass joinder lawsuits in California and nationwide.  
19 DiGirolamo and Reneau were businesspersons who ran loan modification marketing, sales and  
20 processing operations. Using the *Ronald* lawsuit as the central exhibit for their marketing,  
21 Defendants agreed to sue additional lenders and thereby increase the number of consumer  
22 homeowners to target for sales. Defendants quickly converted their loan modification marketing  
23 operations to selling participation in lawsuits against mortgage lenders. Defendants' marketing  
24 machine started getting up to speed, with additional salespersons and brokers brought into the  
25 operations, and, on July 7, 2010, Stein filed a Third Amended Complaint in *Ronald* naming 249  
26 individual plaintiffs.

1           41. Defendants' e-mail communications revealed their unbridled excitement at the  
2 prospect of all the money they could bring in from desperate consumers. In an October 18, 2010  
3 e-mail to DiGirolamo, Stein referred to the "massive load of business coming in" and said that  
4 "[t]his is the time the numbers are not in the millions but the multi-millions." In an October 24,  
5 2010 e-mail to Reneau, DiGirolamo, and Stein, Kramer said that Kramer & Kaslow would handle  
6 matters against Wells Fargo/Wachovia, One West/Indy Mac, and Citibank and said: "Mitch and I  
7 are very excited about launching these cases with you." In an October 27, 2010 email to Reneau,  
8 Kramer wrote: "Only morons would prefer to 'sell' loan mods from this day forward ... and did I  
9 mention, NO REFUNDS??"

10           42. Defendants put their marketing juggernaut to work, employing numerous agents  
11 such as Home Retention, Tapia, LMC, Butt, and Phanco for telemarketing and sales as well as  
12 marketing firms such as Pate Marier and the other Defendants in their marketing scheme. Mesa  
13 Law Group paid a third party mailhouse to send deceptive form mailers to as many as 2 million  
14 homeowners.

15           43. Defendants' marketing involves false and misleading claims about their lawsuits,  
16 purported litigation settlements, and remedies as a result of the mass joinder lawsuits, some of  
17 which have added hundreds or even thousands of consumers identified as purported named  
18 plaintiffs. Stein and Kramer filed a number of lawsuits in Los Angeles County and Orange  
19 County courts to bring in additional consumers. The mass joinder lawsuits include, but may not  
20 be limited to, the following:

21           (a) *Ronald v. Bank of America* (Los Angeles County Superior Court Case No  
22 BC409444) filed on March 12, 2009 with Stein as an attorney of record;

23           (b) *Carlson v. JP Morgan Chase Bank* (Los Angeles County Superior Court  
24 Case No. BC452262) filed on December 30, 2010 with Stein as an attorney of record;

25           (c) *Locker v. Ally Bank* (Los Angeles County Superior Court Case No.  
26 BC452263) filed on December 30, 2010 with Stein as an attorney of record;

1 (d) *Nelson v. Wells Fargo Bank* (Los Angeles County Superior Court Case No.  
2 BC452264) filed on December 30, 2010 with Kramer as an attorney of record;

3 (e) *Wagner v. Citibank Corp.* (Los Angeles County Superior Court Case No.  
4 BC452265) filed on December 30, 2010 with Kramer as an attorney of record;

5 (f) *Marquette v. OneWest Bank Group* (Los Angeles County Superior Court  
6 Case No. BC452266) filed on December 30, 2010 with Kramer as an attorney of record;

7 (g) *Maxam v. Bank of America* (Orange County Superior Court Case No. 30-  
8 2011-00450819-CU-MT-CXC) filed on February 16, 2011 with Kramer as an attorney of record;

9 (h) *Foti v. JP Morgan Chase* (formerly Belmont v. JP Morgan Chase Bank)  
10 (Los Angeles County Superior Court Case No. BC455626) filed on March 22, 2011 with Kramer  
11 as an attorney of record;

12 (i) *Kennedy v. Ally Bank* (Los Angeles County Superior Court Case No.  
13 BC459747) filed on April 18, 2011 with Kramer as an attorney of record.

14 In some cases, Defendants marketed participation in mass joinder lawsuits which did not  
15 exist or had not yet been filed.

16 DEFENDANTS' UNLAWFUL BUSINESS PRACTICES

17 44. Defendants send false and misleading direct mail advertisements to homeowners  
18 on official-looking forms that resemble, but are not, class action notices. One version provides  
19 notice of a purported pending national litigation settlement against the consumer's mortgage  
20 lender. Titled Form 1012-R, the mailer states it is a "Final Notice" from Kramer & Kaslow's  
21 "Litigation Settlement Department" and states that "YOU ARE A POTENTIAL PLAINTIFF IN  
22 A NATIONAL LITIGATION SETTLEMENT." Mesa Law Group, Pate Marier and other  
23 Defendants worked with a direct mail firm to send as many as 2 million of these or similar  
24 deceptive mailers to homeowners. According to the mailer, potential remedies include \$75,000 in  
25 damages per individual and stopping foreclosures. These statements are all false or misleading.  
26 A copy of one such mailer is attached as Exhibit "A."

1           45.     Consumers who call the telephone number on the mailer are greeted by  
2 Defendants' "Settlement Department" or "Law Offices." Defendants' salespersons tell  
3 consumers they received the mailer notice because they are homeowners who are or may be  
4 "eligible plaintiffs" for a massive lender lawsuit. Consumers are told that most mortgage lenders  
5 have been found by courts to have practiced predatory lending or approved inappropriate loans.  
6 Defendants' salespersons tell consumers that their lenders meet certain criteria for "violations"  
7 and that Defendants need to verify certain information to ensure the consumer has a "strong case"  
8 and "solid claim." Consumers are told that their case will not be accepted unless they qualify and  
9 unless the attorneys believe the lawsuit can help them. Defendants' salespersons tell consumers  
10 the lawsuit will provide, or is likely to provide, outcomes including a 2% fixed rate for the life of  
11 the loan, loan principal reduction to 70% or 80% of the value of the property, a halt to  
12 foreclosures, and a large cash reimbursement for punitive damages. These statements are false or  
13 misleading.

14           46.     Defendants make further misrepresentations about the status of the mass joinder  
15 lawsuits. Defendants' salespersons, who are not attorneys, falsely tell consumers that the court in  
16 *Ronald v. Bank of America* has told the banks they have "no defense" and that the banks' main  
17 argument is "absurd." Defendants' salespersons falsely inform consumers that mass joinder  
18 litigants have already received homes "free and clear," and that lenders have settled with litigants  
19 for 80% principal reduction, a 2% fixed interest rate on homeowners' mortgages, and \$75,000 in  
20 damages. In addition, Defendants falsely inform consumers that they have "proven" that banks  
21 have taken money from investors that cannot be accounted for. Despite not being attorneys,  
22 Defendants' salespersons answer questions about the lawsuits, provide legal advice, and are  
23 instructed to convince the homeowners to join.

24           47.     After requesting personal financial information from consumers, Defendants  
25 inform consumers they are eligible to join a mass joinder lawsuit against their mortgage lender.  
26 Defendants inform consumers that they will use the "998 demand process" and that, as a result of  
27 participating in the mass joinder lawsuits, settlement demands will be made on their behalf.  
28

1 These demands include a reduction in principal balance, a 2% interest rate, a 40-year term, full  
2 reconveyance of the property, and \$75,000 in punitive damages. Consumers are informed that  
3 lenders have a deadline to respond to this demand. Defendants' salespersons do not explain the  
4 Code of Civil Procedure section 998 process. They do not explain that any litigant can make a  
5 settlement demand, that prior demands have not been accepted, and there is no evidence that any  
6 lender would agree to the advertised demands. Instead, Defendants' salespersons inform  
7 consumers that the opportunity to join the lawsuit could end at any time, that lenders might settle,  
8 and that only consumers joined in the case will be entitled to the settlement benefits.

9 48. Stein engages in overblown advertising which leads consumers to believe that  
10 lawsuits will result in quick results for consumers with mortgage foreclosure problems, and that  
11 lawsuits against banks are certain to obtain results. The Stein & Associates Facebook page has  
12 included the following representations:

- 13 • January 8: "State by state, you will be receiving relief from the banks' fraud. MJS  
14 Associates sees this happening deliberately first half of this year."
- 15 • January 17: "Look for Patriot Act violations in your mortgage AFTER the bank signed  
16 you up. Talk to a lawyer. You might just cancel the mortgage."
- 17 • February 14: "Two more lawsuits against Bank of America in California. If you are not  
18 shorting its stock now, you might want to get advice from a broker about shorting it. B of  
19 A will never survive the meltdown they started."
- 20 • February 26: "If you own your home and want to know if you can rescind your mortgage,  
21 contact Mitchell J. Stein & Associates."
- 22 • March 3: "Recent announcements by Bank of America, Citigroup, and Wells Fargo that  
23 they expect to pay fines from a regulatory probe of their foreclosure practices are direct  
24 admissions that the banks improperly foreclosed on homes."
- 25 • March 12: "Banks coming down now. Judicial action and legislative power about to  
26 occur."

1 These statements are intended to solicit business, as evidenced by the March 6 post stating that  
2 Stein & Associates provides "expert legal support and client service" with respect to problems  
3 concerning foreclosure.

4 49. Defendants make misleading misrepresentations regarding what consumers should  
5 expect to gain from a mass joinder lawsuit, including:

6 (a) Reduction in principal balance of their home mortgage loan to 70% or 80%  
7 of current value of the property;

8 (b) Reduction in loan interest rate to 2% or half the current interest rate;

9 (c) Elimination and refund of any accrued interest, penalties and charges;

10 (d) Elimination of any negative reporting to the credit reporting agencies;

11 (e) Compensatory and punitive damages;

12 (f) Foreclosure protection during the lawsuit; and

13 (g) Receiving their home free and clear.

14 50. Consumers are told that the attorney fees to join the mass joinder lawsuits are  
15 significantly reduced. For example, Defendants state that Kramer frequently charges up to  
16 \$1,000 an hour and that the lawsuit would normally cost \$100,000 to \$150,000 to litigate.

17 Consumers are told that because of their financial hardship, they can join the lawsuit for a few  
18 thousand dollars, usually between \$5,000 and \$10,000.

19 51. Defendants also advertise on the Internet, radio, e-mail, and through brochures.  
20 Defendants advertise that the lawyers in the mass joinder cases have filed lawsuits against major  
21 bank lenders which "have all defrauded hundreds of thousands of Homeowners." Defendants'  
22 marketing materials make or have made false or misleading representations about the mass  
23 joinder lawsuits, including that:

24 (a) The mass joinder lawyers are winning their cases by having "invoked laws  
25 and procedures the banks were previously unaware of" and "Bank of America is getting beat at  
26 their own game because of it";

1 (b) Bank of America was “forced to admit that it had been defrauding the  
2 government in foreclosing on mortgages nationwide”;

3 (c) A federal judge “called the bank’s primary argument ‘absurd’ and kicked  
4 the bank out of Federal Court”;

5 (d) The mass joinder parties have “racked up consecutive wins in each round  
6 against Bank of America (Countrywide)” including 5 injunctions, an order rescinding 9 notices of  
7 default, and countless additional orders stopping homes from being sold;

8 (e) Eight homeowners have had their homes awarded to them free and clear;

9 (f) 80-85% of classified mass joinder cases receive a successful result; and

10 (g) Consumers must sign and return an opt-out request form to exclude  
11 themselves from a purported “class,” or be bound by the court’s final judgment and forego any  
12 benefit or gain from the lawsuit.

13 52. In fact, the *Ronald* lawsuit was and still is in a preliminary stage. Defendants’  
14 representations that the plaintiffs in that case were “winning” their case and had achieved  
15 consecutive wins in each round are false and misleading. Bank of America has not admitted to  
16 defrauding the government. The federal judge referenced by Defendants used the term “absurd”  
17 with respect to a procedural jurisdictional argument, and did not address the substantive merits of  
18 the lawsuit. Finally, the *Ronald* court had not and has not issued any of the described injunctions  
19 and orders against Bank of America.

20 53. Defendants focus on sales and recruitment of as many new clients as possible to  
21 maximize their revenues, taking in millions of dollars from desperate consumers. Once  
22 consumers pay Defendants’ retainer, Defendants are unresponsive to their e-mails and telephone  
23 calls. Consumers sign up and have their money withdrawn from their bank accounts without  
24 speaking to an attorney. Months later, consumers have not been joined to the lawsuit, are unable  
25 to speak with an attorney, and are unable to learn about the status of the lawsuit. Promises of  
26 timely refunds are not honored and some consumers who were never added to the lawsuit have  
27 their homes foreclosed.

1 DEFENDANTS ENGAGE IN RUNNING AND CAPPING TO RECRUIT PARTICIPANTS IN  
2 THE MASS JOINDER LAWSUITS

3 54. California law prohibits the use of agents, known as “runners” or “cappers” to  
4 solicit or procure business for a lawyer or law firm. (Bus. & Prof. Code, §§ 6151-6152.)  
5 Nevertheless, the Attorney Defendants have agreements with non-attorney Defendants to solicit  
6 clients into mass joinder cases. The Attorney Defendants pay non-attorney Defendants, including  
7 APC and Mitigation Professionals, for each new client. For example, APC earns between \$1,950  
8 and \$2,300 for each new client they bring in. Defendants contract with additional organizations,  
9 call centers, brokers and agents to solicit new clients. Defendants pay these contractors  
10 commissions from the retainer fees they receive from homeowners.

11 55. The Attorney Defendants knew and ignored warnings that their business model  
12 violated laws prohibiting running and capping. On November 26, 2010, a business associate  
13 repeated his concerns that Kramer and Stein’s operations violated running and capping laws but  
14 Stein told him not to worry. Instead, Kramer and Stein took measures to hide their involvement  
15 in the running and capping scheme. In an e-mail on November 28, 2010, Stein told DiGirolamo  
16 to mark “every communication” attorney-client privileged.

17 56. In February 2011, various persons began to complain about Defendants’  
18 misleading advertisements. Kramer then sent purported cease-and-desist letters to other  
19 Defendants, including APC and Mitigation Professionals offices and call centers, ostensibly  
20 distancing himself from the illegal marketing. Stein also disclaimed affiliation with Davis,  
21 DiGirolamo, Pate, Marier, Reneau and their companies. In an April 26, 2011 post on its website  
22 blog, Stein & Associates denied any affiliation with Davis, DiGirolamo, Stephenson or their  
23 companies or associates and referred to DiGirolamo’s criminal record as evidence of his  
24 untrustworthiness.

25 57. Kramer and Stein pay large sums of money to the other Defendants for their  
26 marketing and solicitation of new clients. Kramer & Kaslow deposited over \$7 million into three  
27 bank accounts in a limited time frame and paid APC and Mitigation Professionals millions of  
28



1 dollars. Defendants' scheme continues to expand and reap enormous profits from desperate  
2 homeowners.

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

6 .58. Plaintiff realleges Paragraphs 1 through 57 and incorporates these Paragraphs by  
7 reference as though they were fully set forth in this cause of action.

8 .59. Defendants have violated and continue to violate Business and Professions Code  
9 section 17500 by making or causing to be made untrue or misleading statements with the intent to  
10 induce members of the public to purchase Defendants' services, as described in Paragraphs 44  
11 through 53.

12 .60. Defendants make false and misleading representations to consumers, which  
13 include but are not limited to:

14 (a) Defendants obtained a national settlement of a mass joinder lawsuit, or  
15 such settlement is imminent or likely to occur;

16 (b) Defendants have lawsuits against certain lenders when no such lawsuits  
17 exist;

18 (c) Defendants' mass joinder lawsuits will provide relief to consumers  
19 including homes free and clear, reduction of loan principal to 70-80% of the current value of their  
20 property, stopping foreclosures, punitive damages and/or other monetary benefits;

21 (d) Defendants have obtained relief for consumers who joined their lawsuit by  
22 getting them their homes "free and clear" of any mortgage;

23 (e) Defendants obtained court injunctions for consumers in the mass joinder  
24 lawsuit *Ronald v. Bank of America*;

25 (f) Defendants obtained court orders rescinding notices of default for  
26 consumer in *Ronald v. Bank of America*;

1 (g) Defendants obtained victories at each stage of their *Ronald v. Bank of*  
2 *America* lawsuit and are prevailing in their mass joinder lawsuits;

3 (h) Attorneys Stein and Kramer have tried hundreds or thousands of cases,  
4 have never lost a jury trial, and have won many multi-million dollar jury verdicts; and

5 (i) 80-85% of "classified mass joinder cases" receive a successful result.

6 61. At the time the representations set forth in Paragraph 60 were made, Defendants  
7 knew or by the exercise of reasonable care should have known that the representations were  
8 untrue or misleading. At the time of the representations, no settlements were imminent, lawsuits  
9 did not exist against some lenders, Defendants had not obtained injunctions or court orders  
10 rescinding notices of default, Defendants had not obtained victories at each stage of *Ronald v.*  
11 *Bank of America*, and were not prevailing in the mass joinder lawsuits against the lenders, Stein  
12 and Kramer had not tried hundreds or thousands of cases, and Defendants had no reasonable basis  
13 for stating that 80-85% of mass joinder cases were successful or that consumers were likely to  
14 receive the specified benefits from participation in the lawsuits.

15 SECOND CAUSE OF ACTION AGAINST ALL DEFENDANTS

16 VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200

17 (UNFAIR COMPETITION)

18 62. Plaintiff realleges Paragraphs 1 through 61 and incorporates these Paragraphs by  
19 reference as though they were fully set forth in this cause of action.

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

25 (a) Violating Business and Professions Code sections 6151 and 6152, by  
26 engaging in "running and capping," the practice of non-attorney agents obtaining business for an  
27  
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1 attorney or law firm for compensation, or soliciting others to engage in running and capping, as  
2 described in Paragraphs 54 through 57 above;

3 (b) Violating Business and Professions Code section 6155, by Defendants  
4 APC, DiGirolamo, Stephenson, Mitigation Professionals, Reneau, Pate Marier, Pate, Marier,  
5 Home Retention, Tapia, LMC, Butt, Phanco, and Does 26-100 in directly or indirectly referring  
6 potential clients to Defendants Kramer & Kaslow, Kramer, Stein & Associates, Stein, and Van  
7 Son without seeking registration as a lawyer referral service by the State Bar, and by Defendants  
8 Kramer & Kaslow, Kramer, Stein & Associates, Stein, Van Son, and DOES 1-25 in accepting  
9 referrals of such potential clients, as described in Paragraphs 54 through 57 above; and

10 (c) Violating Business and Professions Code section 17500, as more  
11 particularly alleged in Paragraphs 44 through 53 above.

12 THIRD CAUSE OF ACTION AGAINST ATTORNEY DEFENDANTS AND DOES 1-25

13 VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200

14 (UNFAIR COMPETITION)

15 64. Plaintiff realleges Paragraphs 1 through 61 and incorporates these Paragraphs by  
16 reference as though they were fully set forth in this cause of action.

17 65. In addition to the conduct alleged as part of the Second Cause of Action in this  
18 Complaint, Defendants Kramer & Kaslow, Kramer, Stein & Associates, Stein, Van Son, Mesa  
19 Law Group, and Petersen, as attorneys, have engaged in unfair competition as defined in Business  
20 and Professions Code section 17200 by engaging in acts and practices which include, but are not  
21 necessarily limited to:

22 (a) Violating Business and Professions Code section 6157.1, prohibiting any  
23 advertisement from containing any false, misleading or deceptive statement or the omission of  
24 any fact necessary to make the statements made, in light of the circumstances under which they  
25 are made, not false, misleading, or deceptive;

26 (b) Violating Business and Professions Code section 6157.2, subdivision (a),  
27 prohibiting any advertisement containing or referring to any guarantee or warranty regarding the  
28

1 outcome of a legal matter as a result of representation by an attorney, any agent of the attorney, or  
2 any law firm or law corporation doing business in the State of California;

3 (c) Violating Business and Professions Code section 6157.2, subdivision (b),  
4 prohibiting any advertisement containing or referring to any statements or symbols stating that the  
5 attorney or any law firm or law corporation doing business in the State of California featured in  
6 the advertisement can generally obtain immediate cash or quick settlements;

7 (d) Violating Business and Professions Code section 6157.3, requiring any  
8 advertisement made on behalf of an attorney or any law firm or law corporation doing business in  
9 the State of California and not paid by the attorney or law firm or law corporation to disclose the  
10 business relationship, past or present, between the attorney and the person paying for the  
11 advertisement;

12 (e) Violating Business and Professions Code section 6158, prohibiting false,  
13 misleading or deceptive advertisement for an attorney or any law firm or law corporation doing  
14 business in the State of California by electronic media;

15 (f) Violating Business and Professions Code section 6158.3, for failing to  
16 make required disclosures concerning the factual and legal circumstances of results in particular  
17 cases;

18 (g) Violating California Rules of Professional Conduct, rule 1-320, subdivision  
19 (A) by directly or indirectly sharing legal fees with a non-lawyer, as described in Paragraphs 54  
20 through 57 above;

21 (h) Violating California Rules of Professional Conduct, rule 1-320, subdivision  
22 (B) by compensating persons or entities for the purpose of securing employment or as a reward  
23 for having made a recommendation resulting in the employment of Defendants Kramer & Kaslow,  
24 Kramer, Stein & Associates, and Stein by a client, as described in Paragraphs 54 through 57  
25 above;

1 (i) Violating California Rules of Professional Conduct, rule 1-300, subdivision  
2 (A) by aiding persons or entities in the unauthorized practice of law, as described in Paragraphs  
3 44 through 53 above;

4 (j) Violating California Rules of Professional Conduct, rule 1-400, subdivision  
5 (D) by making a communication that is false, deceptive and tending to mislead the public, and  
6 failing to indicate clearly that their communications are advertisements;

7 (k) Violating California Rules of Professional Code, rule 3-700, subdivision  
8 (D)(2) by failing to provide prompt refunds.

9 FOURTH CAUSE OF ACTION AGAINST DEFENDANTS APC, DiGIROLAMO,  
10 STEPHENSON, MITIGATION PROFESSIONALS, RENEAU, HOME RETENTION, TAPIA,

11 LMC, BUTT, PHANCO and DOES 26-75

12 VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200

13 (UNFAIR COMPETITION)

14 66. Plaintiff realleges Paragraphs 1 through 61 and incorporates these Paragraphs by  
15 reference as though they were fully set forth in this cause of action.

16 67. In addition to the conduct alleged as part of the Second Cause of Action in this  
17 Complaint, Defendants APC, DiGirolamo, Stephenson, Mitigation Professionals, Reneau, Home  
18 Retention, Tapia, LMC, Butt, Phanco, and DOES 26-100 have engaged in unfair competition as  
19 defined in Business and Professions Code section 17200 by engaging in acts and practices which  
20 include, but are not necessarily limited to:

21 (a) Violating Business & Professions Code section 6125 prohibiting the  
22 unauthorized practice of law. These Defendants provide legal advice to consumers, including but  
23 not limited to the purported benefits of joining the mass joinder lawsuits against their lenders,  
24 legal settlement procedures, retainer agreements, and legal issues concerning the impact of the  
25 lawsuit on the foreclosure process. These Defendants have consumers sign attorney retainer  
26 agreements and pay advance fees without ever speaking to an attorney.

1 (b) Violating Business & Professions Code section 17511.3 for failure to  
2 register as "telephonic sellers." These Defendants are "telephonic sellers" under both section  
3 17511.1, subdivision (a)(3) for representing or implying that a prospective client can retain  
4 Defendants' services below the regular price, and under section 17511.1, subdivision (b)(1) for  
5 representing or implying that consumers were specially selected to receive the mailed notification.  
6 Although they are "telephonic sellers," these Defendants failed to register as such with the  
7 Department of Justice prior to doing business in this state.

8 PRAYER FOR RELIEF

9 WHEREFORE, Plaintiff prays for judgment as follows:

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

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

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

26 4. That the Court make such orders or judgments as may be necessary, including  
27 preliminary injunctive and ancillary relief, to prevent the use or employment by any Defendant of  
28

1 any practice which constitutes unfair competition or as may be necessary to restore to any person  
2 in interest any money or property, real or personal, which may have been acquired by means of  
3 such unfair competition, under the authority of Business and Professions Code section 17203;

4 5. That the Court assess a civil penalty of \$2,500 against each Defendant for each  
5 violation of Business and Professions Code section 17200, in an amount according to proof but  
6 not less than \$5 million, under the authority of Business and Professions Code section 17206;

7 6. That the Court assess a civil penalty of \$2,500 against each Defendant for each  
8 violation of Business and Professions Code section 17500, in an amount according to proof, but  
9 not less than \$5 million, under the authority of Business and Professions Code section 17536;

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

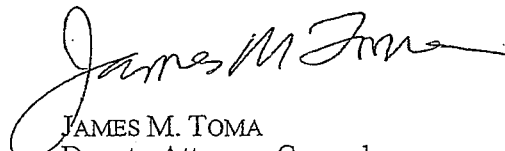
14 8. That Plaintiff recovers its costs of suit, including costs of investigation; and

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

16  
17 Dated: August 12, 2011

Respectfully Submitted,

18 KAMALA D. HARRIS  
19 Attorney General of California  
20 FRANCES T. GRUNDER  
21 Senior Assistant Attorney General  
22 BENJAMIN DIEHL  
23 Supervising Deputy Attorney General

24   
25 JAMES M. TOMA  
26 Deputy Attorney General  
27 Attorneys for Plaintiff People of the State of  
28 California

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# EXHIBIT A



R/C 10/16/10

USPOX DATE 11/4/31

2010 173 37

a. ID Number 1012-R	FINAL NOTICE	Joined Plaintiff	Response Required: Phone In
b. Law Firm Phone Number (866) 220-9191	Property State CA	Property Area 90059	
c. Litigation Settlement Department Kramer & Kaslow Law Costa Mesa, CA 92626	Property Type RESIDENTIAL	Principal VOID TRUST DEED NOTE	
	Notice Type Litigation Notification	Property Value ON FILE	
d. Personal ID Number MJS-102812	Status Eligible - Pending	RE: Litigation Settlement Vs - Argent Mortgage Company Llc	
e. Property Address and Zip Code [Redacted] Los Angeles, CA 90059-3611	State CA	Mass Joinder Case	Total Loan Amount \$350,000

FORM 1012-R, Litigation Settlement Notification

2010

----- MASS JOINDER LITIGATION LAWSUIT -----

YOU ARE A POTENTIAL PLAINTIFF IN A NATIONAL LITIGATION SETTLEMENT

- Seeking \$75,000 in damages per individual
- Going after your Fraudulent Mortgage Note
- Multiple Claims of Fraud and Misrepresentation
- Your note might also be a part of a MERS Litigation Lawsuit

Your loan with Argent Mortgage Company Llc may be eligible for a national litigation settlement aimed at fraudulent lender actions. The goal is to make your illegal and Fraudulent Mortgage go away, seek monetary relief up to \$75,000, stop foreclosures, and/or seek compensation for damages.

You will become a joined named plaintiff in a national lawsuit that will seek among other things, to void your note(s), to give you your home free and clear, and/or to award you relief and monetary damages.

Call 1-866-220-9191 for further details. Refer to file Number: MJS-102812

*A person who has no material interest in the subject of the litigation or in the relief demanded is not a proper party and may not be part of the legal action. A proper party is one who may be joined in the action but whose failure to do so does not prevent the court from hearing the case and settling the controversy. Eligibility Assumptions and Disclaimer on the back.*

FOLD AND TEAR

**KRAMER & KASLOW LAW**  
**CALIFORNIA 92626**  
**Official Business**



Presorted Standard  
 U.S. Postage  
**PAID**  
 Permit No. 1076

**PERSONAL AND CONFIDENTIAL**

Legal Notice - Joinder Action Suit

[Redacted Address]

Los Angeles, CA 90059-3611



WARNING: \$2,000 fine and/or 5 year Imprisonment for any person interfering or obstructing with delivery of this mail legal advertisement. US mail secretary. 170B

SEE REVERSE SIDE FOR OPENING INSTRUCTIONS