

1 Plaintiffs Patricia Arreola, Alfredo Parra, Lillian A. Ramirez, Javier A. Galindo, Pascual
2 Chavez-Ramirez, Jose Renteria, Jesse Moreno, Maria Pliego, Rene Pliego, Jose Garcia, and the
3 Class, allege the following:

4 **INTRODUCTION**

5 1. This case arises out of a massive Ponzi scheme perpetrated by Juan Rangel
6 ("Rangel"), and others through Rangel's company, Financial Plus Investments, Inc. ("Financial
7 Plus"), and other business entities owned by Rangel, that defrauded hundreds of Latino families
8 across Los Angeles County. The entities included Financial Plus, R.Q. Properties, LLC ("RQP"),
9 R.Q. Investments, LLC ("RQI"), and Eagle Funding. Rangel and his accomplices met with
10 victims to get them to invest in Financial Plus. Rangel also advertised rates of return on those
11 investments that he knew to be impossible to sustain. All the while, Rangel knew that he was
12 using money from new investors to pay previous investors and diverting money for his own
13 personal use to support a lavish lifestyle. All of Rangel's acts and omissions as alleged herein
14 were in contravention to his duties to Plaintiffs and the Class who trusted him with their hard
15 earned money.

16 2. The majority of Rangel's victims were working class and did not have large
17 amounts of savings to invest with Financial Plus. Rangel not only took victims' savings, he also
18 operated a mortgage fraud scheme which targeted homeowners who had equity in their homes but
19 were behind on mortgage payments. Rangel offered these homeowner victims assistance in
20 bringing their loans current and saving their properties. As part of these transactions, however, the
21 homeowner victims' equity in their properties was invested with Financial Plus, and, in some
22 cases, the homeowner victims lost title to their properties.

23 3. Rangel engaged in illegal conduct, known to or willfully disregarded by Defendant
24 Bank of America, National Association ("Bank of America"), that was in breach of the fiduciary
25 duties owed to Plaintiffs and the Class. That conduct includes but is not limited to engaging in
26 fraud, and making intentional and/or negligent misrepresentations. Bank of America aided and
27 abetted Rangel and his accomplices by providing them with substantial assistance in the
28 commission of their illegal scheme. Bank of America's conduct was a substantial factor in causing

1 harm to Plaintiffs and the Class.

2 4. On September 5, 2008, Rangel, Harold Rangel (“H. Rangel”) (Rangel's son and an
3 employee of Financial Plus), Karla M. Barragan (a loan processor for Eagle Funding) and Bank of
4 America Branch Manager Dony Gonzalez ("Gonzalez") were indicted for Conspiracy, Making
5 False Entries in a Bank Report, Bribery of a Bank Official, and Receipt of Bribes by a Bank
6 Official.

7 5. On February 19, 2009, Gonzalez, who provided material assistance in the operation
8 of Defendants' schemes to defraud investors, pled guilty to receipt of bribes by a bank official.

9 6. On March 18, 2009, Barragan pled guilty to Making False Entries in Bank Reports.
10 On May 23, 2011, she was sentenced to one year and one day in prison.

11 7. On May 5, 2009, Rangel was convicted of conspiracy, falsifying bank records and
12 bribery of a bank official (Gonzalez) in connection with the operation of this Ponzi scheme.

13 8. On September 22, 2010, Rangel, Javier Juanchi, Vice President of Financial Plus,
14 and Defendant Pablo Araque ("Araque") were indicted for Mail Fraud, Money Laundering, and
15 Aggravated Identity Theft.

16 9. Rangel pled guilty on October 27, 2010, to one count of Mail Fraud and one count
17 of Money Laundering in connection with operating an investment scheme and a related mortgage
18 fraud scheme. The true facts, as Rangel admitted when he pled guilty, are that Financial Plus was
19 a Ponzi scheme and Rangel did not use the investors' money to buy or sell properties. Instead, he
20 spent the investors' money to finance a lifestyle enjoyed only by the wealthiest individuals,
21 including a Lamborghini, a \$2.5 million mansion, and a limousine. These actions were in Rangel's
22 own self interest and adverse to the interests of Plaintiffs and the Class who entrusted him with
23 their money.

24 10. On February 14, 2011, Rangel was sentenced in the Ponzi case to 22 years in
25 federal prison. On April 19, 2011, he was sentenced to 7 years and 3 months in the Bribery and
26 Money Laundering case to run concurrently with the sentence in the Ponzi case. Javier Juanchi
27 and Araque are presently scheduled to be tried for their role in the Ponzi scheme on February 22,
28 2012.

1 11. As a result of the conduct of Rangel and his accomplices, which was aided and
2 abetted by Defendants herein, the financial loss to Financial Plus, RQP, RQI, and the investors in
3 Financial Plus, is estimated to be in excess of \$30 million.

4 **VENUE AND JURISDICTION**

5 12. This Court has jurisdiction over this matter because Defendant Bank of America
6 and DOES 1 through 100, conduct business in the County of Los Angeles, State of California.
7 Defendant Araque also conducted business in the County of Los Angeles during the relevant time
8 period.

9 13. Venue is proper in the County of Los Angeles pursuant to Section 395(a) of the
10 Code of Civil Procedure in that each Defendant systematically conducted business, under the laws
11 of California, on a regular basis in the County of Los Angeles, State of California and the
12 wrongful conduct complained of herein committed by each Defendant occurred in the County of
13 Los Angeles.

14 **THE PARTIES**

15 **A. The Plaintiffs**

16 14. Plaintiff Patricia Arreola is a resident of Baldwin Park, California. During the class
17 period, Plaintiff Arreola invested \$50,000 with Financial Plus. Plaintiff Arreola suffered damages,
18 including, but not limited to the loss of some or all of her investment with Financial Plus, as a
19 result of the Defendants' conduct alleged herein.

20 15. Plaintiff Alfredo Parra is a resident of Los Angeles, California. During the class
21 period, Plaintiff Parra invested \$100,000.00 with Financial Plus. Plaintiff Parra suffered damages,
22 including but not limited to, loss of some or all of his investment, with Financial Plus, as a result
23 of Defendants' conduct alleged herein.

24 16. Plaintiff Lillian A. Ramirez is a resident of Los Angeles, California. During the
25 class period, Plaintiff Ramirez invested \$45,000.00 with Financial Plus. Plaintiff Ramirez suffered
26 damages, including, but not limited to, loss of some or all of her investment with Financial Plus, as
27 a result of Defendants' conduct alleged herein.

28 17. Plaintiff Javier A. Galindo is a resident of Anaheim, California. During the class

1 period, Plaintiff Galindo invested \$30,000.00 with Financial Plus. Plaintiff Galindo suffered
2 damages, including, but not limited to, loss of some or all of his investment with Financial Plus, as
3 a result of Defendants' conduct alleged herein.

4 18. Plaintiff Pascual Chavez-Ramirez is a resident of Montebello, California. During
5 the class period, Plaintiff Chavez-Ramirez invested \$170,000.00 with Financial Plus. Plaintiff
6 Chavez-Ramirez suffered damages, including, but not limited to, loss of some or all of his
7 investment with Financial Plus, as a result of Defendants' conduct alleged herein.

8 19. Plaintiff Jose Renteria is resident of Whittier, California. During the class period,
9 Plaintiff Renteria invested \$60,000 with Financial Plus. Plaintiff Renteria suffered damages,
10 including, but not limited to, loss of some or all of his investment, as a result of Defendants'
11 conduct alleged herein.

12 20. Plaintiff Jesse Moreno is a resident of Azusa, California. During the class period,
13 Plaintiff Moreno's real property was refinanced via a loan application prepared and submitted by
14 Financial Plus. The proceeds from the refinance were deposited into the account of Financial Plus
15 Investment and title to Moreno's real property was transferred to a straw buyer, also arranged by
16 Financial Plus, after the close of the real estate loan transaction. Plaintiff Moreno suffered
17 damages, including, but not limited to, loss of the proceeds from the loan that were invested in
18 Financial Plus.

19 21. Plaintiffs Rene Pliego and Maria Pliego, husband and wife, are residents of Los
20 Angeles, California. During the class period, Plaintiffs Rene and Maria Pliego's real property was
21 refinanced via a loan application prepared and submitted by Financial Plus. The proceeds from
22 the refinance were deposited into a Financial Plus account. Plaintiffs Rene and Maria Pliego
23 suffered damages, including, but not limited to, loss of the proceeds from the loan that were
24 invested in Financial Plus.

25 22. Plaintiff Jose Garcia is a resident of La Puente, California. During the class period,
26 Plaintiff Garcia's real property was refinanced via a loan application prepared and submitted by
27 Barragan. The proceeds from the refinance were deposited into a Financial Plus account and title
28 to Garcia's real property was transferred to a straw buyer also arranged by Financial Plus after the

1 close of the real estate loan transaction. Plaintiff Garcia suffered damages, including, but not
2 limited to, loss of the proceeds from the loan that were invested in Financial Plus.

3 **B. The Defendants**

4 23. Defendant Bank of America, National Association ("Bank of America") is a
5 National Banking Association with its principal place of business in Charlotte, North Carolina.
6 Bank of America does business throughout California, including in the County of Los Angeles,
7 and has provided business checking accounts and other banking services related to the subject
8 matter of this complaint to Financial Plus, RQP, and RQI and Rangel within the County of Los
9 Angeles, California.

10 24. At all times alleged herein, Defendant Pablo Araque ("Araque") was a resident of
11 Downey, California. From in or about 2002, and continuing through at least July 2008, Araque
12 was the owner and sole employee of PEA Enterprises, Inc. ("PEA Enterprises"), a tax preparation
13 and bookkeeping company doing business in Downey, California.

14 25. The true names and capacities of Defendants named as DOES 1 through 100,
15 inclusive, are currently unknown to Plaintiffs who therefore sue said DOE Defendants by such
16 fictitious names. Plaintiffs will amend this Complaint to show their true names and capacities
17 when the same have been ascertained. Plaintiffs and the Class, are informed and believe, and
18 based thereon allege, that DOES 1 through 100, inclusive, were responsible in some manner for
19 the acts and transactions hereinafter alleged and are therefore liable to Plaintiffs and the Class.

20 26. Plaintiffs and the Class are informed and believe, and based thereon allege, that at
21 all times herein mentioned each of the Defendants was the agent or employee of one or more of
22 the other Defendants and were at all times mentioned herein acting within the scope of such
23 agency or employment.

24 **THE PONZI SCHEME**

25 27. Starting in approximately November of 2007, and continuing through
26 approximately July of 2008, Rangel preyed on Spanish-speaking, working class families in his
27 own community. He used common ties to get them to invest money that they could not afford to
28 lose. He advertised heavily on Spanish-language television – paying for lengthy infomercials on

1 Univision and Telemundo – as well as in local newspapers like La Opinion and El Classificado.
2 Rangel and his accomplices told investors that their money would be used to buy and sell
3 properties and make high interest loans to distressed homeowners. Rangel guaranteed returns as
4 high as 60 percent each year, and told them that their investments were safe because they were
5 guaranteed by titles to real property. Rangel's message was very effective and hundreds of people
6 were convinced to invest with Financial Plus.

7 28. Rangel's investment fraud scheme and related mortgage fraud scheme involved a
8 high degree of sophistication and went far beyond a typical fraud case. Rangel used several
9 companies, in name, to carry out the fraud. Rangel also had dozens of employees and others who
10 he directed to carry out important aspects of his scheme, including, but not limited to the
11 following: (a) several recruiters who were responsible for signing up new investors;
12 (b) individuals who recruited new investors at investment seminars held each month; (c) loan
13 processors who prepared false loan documents needed for the fraudulent loan applications and
14 loan documents; (d) Defendant Araque, an outside accountant who falsified financial documents
15 needed in order for the fraudulent loans to be approved; and (e) people with good credit to serve as
16 straw borrowers for the fraudulent loans. With the substantial assistance of Bank of America and
17 its former branch manager, Gonzalez, as detailed below, Rangel was able to further his fraudulent
18 scheme through money laundering activities.

19 29. Rangel sent teams of Spanish-speaking agents door to door to visit homeowners
20 who were facing default on their mortgages. These teams of agents were instructed to offer to help
21 the homeowner by encouraging them to meet with Rangel or his accomplices.

22 30. Rangel and others acting at his direction told potential investors that Financial Plus
23 was a successful business that earned a profit through real estate-related investments that were
24 managed and directed by Financial Plus on behalf of investors. Potential investors were told that
25 their money would be used to (1) buy, renovate, and sell properties, and (2) to make high interest
26 loans to homeowners who were facing foreclosure. In return for the funds invested with Financial
27 Plus, Rangel and others acting at his direction provided investors with promissory notes that
28 guaranteed a high rate of return on their investments, typically five percent each month, as well as

1 the return of the principal investments. In fact, only a small fraction of the money that Financial
2 Plus received from investors was used to invest in real estate or to make loans to distressed
3 homeowners. Instead, Rangel and Financial Plus used the money from other investors, or the
4 investors' principal, to make payments to other investors each month, and Rangel falsely
5 characterized those payments as investment profits. Moreover, Rangel diverted a significant
6 portion of the invested funds for his own personal use.

7 31. In carrying out this scheme, Rangel and others made and caused to be made the
8 following false and fraudulent statements while knowing them to be false:

- 9 a. Financial Plus made a substantial profit by using all of the investors' money
10 to buy and sell large numbers of properties and make high-interest loans to
11 homeowners facing foreclosure;
- 12 b. The success of Financial Plus in buying and selling properties, and in
13 making profitable loans to homeowners allowed it to pay investors returns
14 as high as five percent of their invested principal each month; and
- 15 c. Investments with Financial Plus were safe, secure, and guaranteed because
16 they were backed by "titles to real property."

17 32. In truth, Financial Plus used only a small fraction of investors' money to purchase
18 properties and make loans to homeowners. Furthermore, Rangel and Financial Plus collected far
19 less from the sale of properties and returns on the homeowner loans than was paid to investors in
20 purported "profit" payments each month. Most of the payments that Financial Plus made to
21 investors did not derive from profits from real estate transactions or loans, but rather, were
22 siphoned from money invested by other victim investors and, in some cases, from the investor
23 victims' own principal. Financial Plus' investments in most cases were not backed by any
24 collateral, and yet Financial Plus purported to guarantee that the investors' money would be repaid
25 by the company.

26 33. Rangel and Araque knew, or reasonably should have known, that their false and
27 fraudulent statements, and the false documents they created, would be relied upon by Financial
28 Plus investors and by third parties, including banks and mortgage lenders, who were solicited to

1 do business with Financial Plus.

2 34. In making the false and fraudulent statements as described herein, Rangel and his
3 accomplices, including Araque, engaged in a common scheme of deception to induce people to
4 invest significant sums in Financial Plus while knowing that those investors would eventually lose
5 the money they had entrusted to Financial Plus.

6 **THE FORECLOSURE RESCUE AND MORTGAGE FRAUD SCHEME**

7 35. Beginning in or about April 2006, and continuing through at least July 2008,
8 Rangel, Araque and others executed a scheme to defraud homeowners and mortgage lenders to
9 obtain money and property from those homeowners and mortgage lenders by means of material
10 false and fraudulent pretenses, representations, and promises, and the concealment of material
11 facts.

12 36. The overall purpose of the scheme was to target Latino homeowners who were in
13 financial distress and facing potential foreclosure and fraudulently obtain title to and/or equity in
14 their homes, through straw buyer purchases and the submission of mortgage loan applications that
15 contained various fraudulent representations.

16 37. The fraudulent scheme operated, in substance, as follows: Rangel and others acting
17 at his direction, identified homeowners who were in default on their mortgages but who
18 nevertheless had substantial equity remaining in their properties. Rangel directed employees at
19 Financial Plus to make unsolicited visits to the identified homeowners who had Latino surnames.
20 Rangel directed these employees to tell the homeowners that Financial Plus could help them
21 secure re-financing or prevent foreclosure of their homes.

22 38. Rangel and others acting at his direction met with homeowners who expressed
23 interest in Financial Plus' offer of assistance. During such meetings, Rangel and his accomplices
24 offered to help the homeowners obtain re-financing and/or prevent foreclosure and save their
25 homes through one of the following transactions:

26 a. Rangel told homeowners that they would refinance the homeowner's
27 property with another mortgage lender using a co-signer who had good
28 credit. Financial Plus would provide the co-signer for the refinancing.

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- b. Rangel told homeowners that Financial Plus would arrange for a "simulated sale" of their properties and apply for a new loan in connection with that sale. For these simulated sales, Rangel told the homeowners that they would be able to continue living in their homes, that title to their property would temporarily be transferred to someone provided by Financial Plus, and that title to the properties would be transferred back to them after one year or less.
- c. Rangel told the homeowners that the proceeds from the refinancing or simulated sale would be invested with Financial Plus, where they would allegedly receive a guaranteed return rate of at least five percent each month, thereby helping the homeowners avoid foreclosure and keep their homes.

39. In truth, Financial Plus did not refinance the homeowners' properties using co-signers or arrange for "temporary" sales of their properties. Instead, Rangel directed employees at Financial Plus to falsify purchase agreements and other documents transferring the homeowners' properties to straw buyers whose personal and financial information was used for the purchases but who did not intend to actually live in or purchase the properties.

40. Rangel recruited the straw buyers for these sales through a program called "Club FICO." Rangel met with potential Club FICO members and offered to pay them several thousand dollars to "lend their credit" by co-signing on loan applications with homeowners who were facing foreclosure. The Club FICO members in many cases were not aware that Rangel was actually using them to purchase the homeowners' properties.

41. Rangel and Juanchi directed employees at Financial Plus to fraudulently apply for loans from mortgage lenders in the names of Club FICO members in connection with the fraudulent purchase agreements. These loan applications falsely stated that the Club FICO members intended to reside at the homeowners' properties after the purchase. The loan applications included false personal and financial information about the Club FICO members, including, but not limited to, false information about the Club FICO members' income,

1 employment, financial assets, and monthly rent so that they would appear to qualify for the loan
2 requested.

3 42. Rangel paid Araque to create false documents to support the false information
4 listed for the Club FICO members on the fraudulent loan applications. Araque created false pay
5 stubs, W-2 forms, and other records falsely stating that the Club FICO members were employed at
6 either Financial Plus or Araque's company, PEA Enterprises. These false documents reflected
7 income for the Club FICO members that were far higher than their actual incomes. When lenders
8 contacted Araque regarding the accuracy of the information on these documents, Araque verified
9 the false information.

10 43. For many of the fraudulent loan applications, mortgage lenders requested evidence
11 that the supposed borrower, the Club FICO member, had paid for certain costs with their own
12 money, such as a good faith deposit or the down payment for the purchase of the property.
13 Because many of the Club FICO members were not aware that their personal information was
14 being used to actually purchase the properties, rather than merely co-signing on refinancing loan
15 applications with the homeowners, Rangel used funds from Financial Plus to pay for these costs.
16 Rangel directed loan processor employees at Financial Plus and Eagle Funding to make it appear
17 as though the Club FICO members had paid these costs with their own money.

18 **LOAN APPLICATIONS FOR STRAW BORROWERS**

19 44. Karla M. Barragan ("Barragan") was employed as a loan processor at Eagle
20 Funding. As a loan processor, Barragan was responsible for processing loan applications which
21 were being brokered by Rangel and his companies, including, but not limited to, Eagle Funding
22 and Financial Plus. Barragan received loan applications and related documents from Rangel and
23 others who usually had already written the prospective borrower's information on the loan
24 applications. After receiving the loan applications and ensuring that they were complete, Barragan
25 would locate a lending company to approve the requested loan.

26 45. With respect to most loans, the lending company would either deny the application
27 or approve the loan provided that additional conditions were satisfied. These conditions often
28 included obtaining a Verification of Deposit (VOD) form from the borrower's bank certifying that

1 the prospective borrower had enough funds in the account to mitigate the risk that the lending
2 company faced in making the loan.

3 46. Beginning in November of 2007 and continuing through at least June of 2008,
4 Rangel and others gave Barragan loan applications as part of their fraudulent scheme. The
5 applications were fraudulent in that the borrowers were not truly buying the property for which
6 they purportedly sought loans. Barragan knowingly submitted several loan applications on behalf
7 of these "straw borrowers" to various lending companies.

8 47. In order to make it appear as though the straw borrowers were making down-
9 payments on the houses they purportedly were purchasing, Rangel transferred money from a
10 Financial Plus Investments account at Washington Mutual Bank to Barragan's personal bank
11 account at Washington Mutual Bank. At Rangel's instruction, Barragan then used the funds to
12 obtain cashier's checks, which she provided to the escrow companies handling these loans as
13 purported down payments from the straw borrowers for the fraudulent real estate transactions.

14 48. In connection with certain loan applications, the lending companies requested that
15 Barragan obtain VODs certifying the amount of funds in the straw borrowers' bank accounts. In
16 order to satisfy the lending companies' prerequisites to issue loans to the straw borrowers,
17 Barragan and others agreed to falsify VOD forms from Bank of America reflecting inflated
18 account balances for the straw borrowers. Rangel and others would instruct Barragan to prepare
19 VOD forms on behalf of the straw borrowers reflecting inflated account balances on behalf of the
20 straw borrowers. Barragan would complete the top portion of these forms based on the
21 information received from Rangel and others including the respective straw borrower's name,
22 address and account number at Bank of America. However, Barragan simply listed on the top
23 portion of each form the amount of the deposits that the respective lending company had told her
24 was necessary in order to approve the respective loan rather than amounts actually in the straw
25 borrowers' accounts. Barragan knew, or reasonably should have known, that the account holders
26 did not actually have deposits in the amount she listed on certain VOD forms.

27 49. After completing the VOD forms, Barragan would provide them to Rangel.
28 Barragan knew from discussions with Rangel and others that these forms would be provided to

1 Gonzalez who she knew was a Branch Manager for Defendant Bank of America. Gonzalez would
2 complete the bottom portion of the form, falsely certifying on behalf of Bank of America that the
3 straw borrower's current balance and/or average balance was equal to or higher than the inflated
4 balance that Barragan had listed on the top portion of the form. Barragan then submitted these
5 completed VOD forms to lending companies in connection with the pending fraudulent loan
6 applications from straw borrowers.

7 50. Once each loan was approved and funded, Rangel and his accomplices arranged for
8 the loan proceeds from the title company and the escrow company to be transferred to bank
9 accounts controlled by Rangel.

10 51. Once the loan for a particular property was funded, Rangel and Juanchi arranged
11 for title to the homeowner's property to be transferred to the Club FICO member, in some cases
12 without the homeowner's knowledge.

13 52. At the end of each of the transactions described above, Rangel and his companies
14 would receive proceeds from the fraudulently obtained loan, funded by the equity from the
15 homeowner's property, and in some cases, title to the homeowner's property. Rangel then
16 provided certain Financial Plus investors with deeds of trust on the properties he had fraudulently
17 acquired from the homeowners as supposed collateral for the funds these investors had invested
18 with Financial Plus.

19 53. As part of this scheme to defraud, Rangel, Araque, and others caused at least 30
20 fraudulent loan applications to be submitted to commercial lenders, seeking more than
21 \$10,000,000 in fraudulent loans, and causing a loss of more than \$2,000,000 to the victim
22 homeowners and lenders.

23 54. Rangel, Defendant Araque and others thereby engaged in a common scheme of
24 deception to induce homeowners to agree to refinance or sell their homes and to invest the
25 proceeds in Financial Plus knowing that the investors would eventually lose title to their home and
26 the money they had entrusted to Financial Plus.

27 **BANK OF AMERICA'S KNOWLEDGE AND SUBSTANTIAL ASSISTANCE**

28 55. During the relevant time period, Rangel bribed Gonzalez, a branch manager at

1 Bank of America, who aided and abetted and provided him with substantial assistance in the
2 commission of his illegal scheme. Gonzalez was a branch manager at one of two Bank of
3 America branches where Rangel held accounts and conducted banking activities on behalf of
4 Financial Plus, RQP and RQI. In exchange for cash payments from Rangel, Mr. Gonzalez agreed
5 to provide certain banking services which were in violation of law and/or Bank of America's own
6 policies.

7 56. These banking services provided by Bank of America included, but were not
8 limited to, releasing holds on funds deposited without the requisite waiting period; authorizing the
9 deposit of funds from a check made out to one person or company into an account held by a
10 separate person or company; failing to file the Currency Transaction Reports for cash deposits or
11 withdrawals over \$10,000; and, falsifying VOD forms regarding certain customers' account
12 balances. These VOD forms were issued by Bank of America at Rangel's request; they certified
13 that certain Bank of America customers had account balances that were vastly inflated from the
14 actual amount on deposit. These falsified VOD forms were issued by Bank of America's
15 Depository Representative, Gonzalez, knowing that Rangel and his accomplices intended to
16 provide them to lending companies in connection with real estate mortgage loan applications.

17 57. The Bank Secrecy Act ("BSA") is designed to deter money laundering by requiring
18 a paper trail of cash transactions exceeding \$10,000 and improving detection and investigation of
19 criminal and terrorist activities. The BSA requires financial institutions to have a BSA
20 compliance program that includes, at a minimum, written policies and procedures, currency
21 transaction reporting and record keeping requirements for the cash purchase of monetary
22 instruments between \$3,000 and \$10,000 inclusive. The BSA also requires reporting of suspicious
23 activity, five-year record retention, that a BSA Compliance Officer be designated, that a Customer
24 Identification Program (required under the USA Patriot Act) be implemented, ongoing employee
25 training programs, and that an independent audit function be implemented to test functions. The
26 USA Patriot Act is a comprehensive anti-terrorism legislation that expands the responsibilities of
27 U.S. financial institutions to prevent money laundering and terrorist activities. All bank associates
28 must comply with the USA Patriot Act.

1 58. The Bank Secrecy Act/Money Laundering Examination Manual issued by the
2 Federal Financial Institutions Examination Counsel, revised in 2007, lists money laundering red
3 flags. Some of the red flags listed in the Examination Manual are customers who are reluctant to
4 comply with reporting or record keeping requirements and wire transfers to/from a financial
5 secrecy haven or a high-risk geographic location without an apparent business reason. A bank's
6 identification of one or more of these "red flags" may require the bank to conduct necessary
7 actions under the BSA. The BSA requires banks to file Suspicious Activity Reports ("SAR") with
8 respect to any transaction involving at least \$5,000 which the bank suspects "involves funds
9 derived from illegal activities."

10 59. Bank of America's Anti-Money Laundering and Anti-Terrorism Financing Policy
11 Statement requires Bank of America to "Know Your Customer." The policy statement provides,
12 *inter alia*: "Since criminals require financial services in order to launder the proceeds of and to
13 fund criminal activities, financial institutions can play a key role in the detection and prevention of
14 money laundering and the financing of terrorism, principally with the proper Know Your
15 Customer practices. This knowledge of the customer provides a basic understanding of the
16 general activities in which a customer would normally be expected to engage, thus giving an
17 institution a potential opportunity to determine whether detected unusual activity should be
18 reported as suspicious or otherwise handled in accordance with applicable laws and regulations."
19 This Policy Statement is intended to guard against Bank of America's involvement in criminal
20 activity and to reinforce Bank of America's policy of cooperation with law enforcement and
21 regulatory agencies. Bank of America managers are required to make efforts to ensure that all
22 bank Associates are fully informed regarding this Policy Statement.

23 60. The Anti-Money Laundering Know Your Customer and Customer Identification
24 Program requires Bank of America and its employees to understand the normal and expected
25 transactions of the customer's business; to review activity that varies significantly from normal and
26 expected activity, document findings and report unusual or suspicious activity. One of the
27 indicators of money laundering activity is converting cash into stocks, travelers checks, or wire
28 transfers. One of the types of criminal activity that may be hidden through money laundering is

1 fraud.

2 61. Bank of America's Enterprise Program for Anti-Money Laundering provides that
3 certain customers are subject to special requirements to mitigate the risk of money laundering.
4 These types of customers require additional due diligence. Among those types of customers
5 requiring such additional due diligence are Financial Institutions (which includes a loan company,
6 an investment company and persons involved in real estate closings and settlements). Anti-Money
7 Laundering Customer due diligence includes all information collected about the customer for
8 money laundering risk management throughout the life of the relationship with Bank of America.
9 A customer's industry/nature of business is used by Bank of America to classify the customer with
10 similar customers for risk and ranking, and monitoring and surveillance purposes, and provides
11 basic information regarding the source of an industry's funds. In order to perform an adequate risk
12 assessment, Bank of America's lines of business should determine the jurisdiction of the
13 customer's primary business operations.

14 62. Bank of America Associates are required to understand the normal and expected
15 transactions of a customer's business. Bank of America Associates, through interactions with
16 customers and through completion of day to day job functions, are in a position to identify and
17 refer unusual or potentially suspicious activity. Each line of business must have a process in place
18 to report money laundering, and related unusual or potentially suspicious activity to the bank's
19 Global Financial Intelligence Unit or the Money Laundering Reporting Officer.

20 63. Bank of America's Code of Ethics requires its employees to participate in Bank of
21 America's anti-money laundering efforts. Bank of America associates should be able to recognize
22 red flags and report potentially suspicious or unusual activities; make reasonable efforts to
23 determine the true identities of all customers; must follow the "Know Your Customer" procedures
24 for the associate's line of business; and, must complete all required anti-money-laundering training
25 courses for the associate's line of business. In order to know its customers, Bank of America's
26 Anti-Money Laundering procedures requires the bank to do the following: (1) determine the true
27 identity of the customers; (2) establish what normal transactions look like for the customers;
28 (3) determine the level of risk each customer comes with; and (4) monitor customers for

1 transactions and behaviors that are money-laundering indicators

2 64. The Investigative Services Unit of Bank of America’s Corporate Security Division
3 is required to maintain procedures to ensure that a diligent inquiry is performed for each
4 potentially suspicious fraud-related matter and that such matter is referred for further analysis for
5 the possibility of insider abuse, Ponzi schemes, privacy breaches, computer intrusion, and other
6 financial crimes. A determination is then made as to whether a report should be made to the
7 appropriate authorities.

8 65. In 2010, the Senate Homeland Security Subcommittee on Investigations concluded
9 that Bank of America had ignored money laundering controls. In testimony before the panel, a
10 Bank of America executive conceded that the bank had allowed an Algerian to maintain numerous
11 accounts from 1989 to 2007 despite media accounts that he was a billionaire arms dealer under
12 criminal prosecution in France since 2000. Federal agents also caught people who work for
13 Mexican cartels depositing illicit funds in Bank of America accounts in Atlanta, Chicago and
14 Brownsville, Texas from 2002 to 2009. In 2006, Bank of America acknowledged that its lax
15 operations allowed South American money launders to illegally move \$3 billion through a single
16 Midtown Manhattan branch. Based upon information and belief, Bank of America paid
17 \$10.5 million to the Manhattan District Attorney's Office and to the National Association of
18 Securities Dealers to settle allegations it violated anti-money-laundering rules. Plaintiffs are
19 informed and believe that the terms of the settlement of that matter require Bank of America to
20 comply with any new rules against money laundering proposed by regulators, without waiting to
21 see if they are enacted into law.

22 66. Despite red flags which were raised with respect to the conduct of Rangel , as well
23 as by the conduct of Gonzalez, Bank of America, by and through its agents and/or employees,
24 continued to provide services to Rangel and his companies which facilitated the Ponzi scheme
25 perpetrated by Rangel. Bank of America was aware of the nature of the businesses owned by
26 Rangel and nevertheless turned a blind eye to his suspicious activities including, but not limited to,
27 asking Bank of America not to file required reports, asking Bank of America to waive the waiting
28 period on investors' deposits so Rangel could have immediate access to investors' funds, asking for

1 and receiving falsified VODs, and wiring significant amounts of money to Rangel's personal
2 accounts in Mexico when Bank of America knew that Rangel's businesses involved receipt and
3 investment of investors' funds. Such activities were inconsistent with the businesses owned by
4 Rangel, the nature of which Bank of America was required to be aware. However, Bank of
5 America continued to provide Rangel with banking services that substantially assisted him in
6 defrauding Plaintiffs and the Class.

7 67. The red flags and suspicious activity that should have triggered a money laundering
8 investigation by Bank of America include the following: (1) repeated cash transactions over
9 \$10,000; (2) cashing checks that were made out to "Cash;" (3) using the cash received for the
10 purchase of money orders or for wire transfers; (4) wire transfers and deposits to Rangel's personal
11 accounts in Mexico when Bank of America knew, or had reason to know, that those funds were
12 coming from the business account established by Financial Plus (an "investment" company);
13 (5) computer-generated holds and warnings for transactions which were ignored by bank
14 employees; (6) high dollar transactions which were made at the Bank of America Highland Park
15 branch when the account was established in the City of Commerce branch of Bank of America;
16 (7) repeated lifting of holds on large deposits; and (8) substantial and frequent fund transfers
17 between the various accounts maintained by Rangel and the various other entities involved in the
18 schemes described herein.

19 68. The Bank of America accounts at issue and the transactions at issue were such that
20 Bank of America knew of or willfully disregarded the nature of the transactions which comprised
21 the scheme to defraud Financial Plus' investors. This knowledge and/or willful disregard were not
22 limited to Gonzalez. Many of these transactions were performed by several other Bank of
23 America employees who ignored repeated red flags. Plaintiffs are informed and believe that these
24 suspicious transactions were brought to the attention of Bank of America managers and officials
25 through reports that documented the transactions, but none of them endeavored to investigate
26 Rangel and Financial Plus. An investigation would have led to the discovery of the Ponzi scheme.
27 Instead, Bank of America preferred to enjoy the banking relationship with Rangel and the other
28 companies involved in this scheme. Plaintiffs are informed and believe that although Bank of

1 America's computer system identified issues for investigation, Bank of America chose to ignore
2 these repeated warnings that were coming from their own systems. Bank of America also
3 repeatedly ignored the wire transfer of investors' funds to Rangel's personal accounts in Mexico
4 even though Plaintiffs are informed and believe that those transactions were considered unusual
5 and suspicious activities according to the Money Laundering trainings and procedures
6 implemented and utilized by Bank of America.

7 69. Gonzalez' activities violated Bank of America's own internal policies and
8 procedures, and Bank of America did not take any actions to investigate the suspicious activities
9 of Rangel and Gonzales in a timely manner and/or turned a blind eye entirely to such activities.

10 70. Bank of America and its employees aided and abetted Rangel and his accomplices,
11 including Defendant Araque, by repeatedly providing Rangel and his companies with banking
12 services despite numerous and ongoing red flags which reasonably should have put them on notice
13 of wrongful activity. Bank of America and its employees repeatedly and willfully disregarded
14 their own guidelines, computer-generated warnings, and understanding of the nature of the
15 business in which Rangel and Financial Plus were engaged, allowing transactions to occur which
16 should have been investigated and reported as suspicious activity.

17 71. Bank of America aided and abetted the common scheme of deception perpetrated
18 by Rangel and his accomplices, including Defendant Araque, in acting and failing to act in the
19 manner described herein.

20 72. Had Bank of America not participated in and/or willfully disregarded Rangel's
21 wrongful activity – and instead investigated such activities – the losses to investors, including
22 Plaintiffs and the Class, would not have occurred, or they would not have occurred to such a large
23 magnitude. Instead of investigating and reporting Rangel's suspicious activities as required, Bank
24 of America continued to provide banking services to Rangel and his companies, legitimizing the
25 transactions underlying the scheme to defraud Plaintiffs and the Class. With knowledge and/or
26 willful disregard of the activities of Rangel and his accomplices, Bank of America continued to
27 provide Rangel with banking services, falsified documents, and failed to follow procedures
28 designed to detect money laundering thereby facilitating the execution of Rangel's fraud through

1 the actions alleged herein.

2 73. Rangel used Bank of America to help cover up his wrongful banking activities in
3 furtherance of this Ponzi scheme. With the assistance of Bank of America, Rangel was able to
4 transfer in excess of \$1 million to bank accounts in Pachuca, Mexico where he intended to flee
5 with his family.

6 **DISCOVERY OF THE FINANCIAL PLUS SCHEME**

7 74. On or about July 25, 2008, Financial Plus closed its offices and no further
8 payments were made to investors. Dozens of investors went to the Financial Plus offices only to
9 find that they had been shuttered. In August of 2008, Rangel was arrested by special agents of the
10 Federal Bureau of Investigation following the execution of a search warrant at his residence.

11 75. As a result of his elaborate fraud, Rangel was able to convince hundreds of people
12 to invest their savings with him, thereby reaping more than \$30 million in less than three years.

13 **CLASS ACTION ALLEGATIONS**

14 76. Plaintiffs bring this action on their own behalf and on behalf of all persons who are
15 similarly situated. The proposed Class is defined as follows:

16 Any and all persons or entities who from January 1, 2006 to July 25,
17 2008 either (a) invested with Financial Plus and received in return
18 less money from Financial Plus than they had invested, or
19 (b) refinanced or sold their real property via a loan application
20 prepared and/or submitted to a lender by Financial Plus or Eagle
21 Funding, whose loan proceeds were deposited in the account(s) of
22 Rangel, Financial Plus or any account owned or controlled by
Rangel, and/or whose title to real property was transferred to straw
buyers arranged by Rangel, Financial Plus or RQ Properties, after
the close of the real estate loan transaction. Excluded from the Class
are the Defendants herein, all officers and directors of Defendants,
any individuals or entities employed by Defendants, and their legal
representatives, heirs, successors or assigns.

23 77. Superiority (Code of Civil Procedure § 382): Class action treatment is a superior
24 method for the fair and efficient adjudication of this controversy because:

25 a. It will avoid a multiplicity of suits and the consequent burden on the courts
26 and Defendants;

27 b. It will allow numerous individuals with claims small enough so that
28 adjudication on an individual basis is impracticable and cost prohibitive to

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pursue their claims;

- c. It will provide court oversight of the claims process, once defendants’ liability is adjudicated.

78. Numerosity (Code of Civil Procedure § 382; Civil Code § 1781(b)(1)): Joinder and participation of all members of the Class individually would be impractical because they are too numerous and the cost and/or inefficiency of individual actions would outweigh any benefits that could be obtained thereby.

79. Common Questions of Law and Fact Predominate (Code of Civil Procedure § 382; Civil Code § 1781(b)(2)): There are common questions of law and fact as to each member of the Class that predominate over any questions that affect only individual members, including:

- a. Whether Rangel and others breached fiduciary duties owed to Plaintiffs and the Class;
- b. Whether the Defendants aided and abetted in the breach of fiduciary duties owed to the Plaintiffs and the Class;
- c. Whether the Defendants aided and abetted fraud;
- d. Whether Rangel and others knew that representations made to Plaintiffs and the Class were false and made to induce them to invest in Financial Plus and other businesses related to Rangel;
- e. Whether Bank of America, by and through its agents and/or employees, knew of and/or willfully disregarded that fraud;
- f. Whether Rangel and others participated in bribery, falsification of documents, and/or use of straw buyers and/or borrowers;
- g. Whether Rangel and others made untrue statement to Plaintiffs and the Class negligently and without any reasonable grounds for believing them to be true; and
- h. Whether Araque owed Plaintiffs and the Class a duty to act with reasonable care and to exercise the ordinary skill and ability commonly exercised by accounting professionals.

1 and embezzlement by Rangel, he breached his fiduciary duties owed to the Plaintiffs and the Class
2 Members.

3 85. Bank of America and Araque participated in Rangel's breach of his fiduciary duty
4 owed to Plaintiffs and the Class Members.

5 86. Bank of America and Araque knew of and/or willfully disregarded Rangel's breach
6 of his fiduciary duties. In addition to the actual knowledge of Gonzalez, Bank of America
7 willfully disregarded Rangel's breaches by its repeatedly ignoring suspicious activity in violation
8 of its own policies.

9 87. Bank of America actively and substantially assisted Rangel in the breach of his
10 fiduciary duties by, among other things: (1) continuing to provide Rangel, Financial Plus, RQP
11 and RQI with banking and wire services until July of 2008; (2) not investigating Rangel's activities
12 despite his engaging in suspicious activity since at least 2007; and (3) failing to file suspicious
13 activity reports required by the nature of the transactions with Rangel and his companies; (4)
14 issuing falsified VODs knowing that they would be used for obtaining a mortgage loan; and (5)
15 ignoring numerous red flags that were apparent from the nature of Rangel's banking transactions
16 and which it was required to review and investigate under existing banking rules and regulations.

17 88. By his actions in participating in the fraudulent scheme perpetrated by Rangel, as
18 alleged above, Araque knew of Rangel's breaches of his fiduciary duties and provided substantial
19 assistance in the breaches of those duties.

20 89. As a direct and proximate result of Defendants' aiding and abetting Rangel's
21 breaches of fiduciary duties, Plaintiffs and the Class Members have suffered substantial damages,
22 the exact amount of which will be proven at trial, but which amount plainly exceeds the
23 jurisdictional minimum of this Court. Defendants' conduct was a substantial factor in causing
24 Plaintiffs' and the Class Members' damages.

25 90. The conduct of Defendants was gross, reckless, and in bad faith or willful disregard
26 of the rights and interest of the Plaintiffs and the Class Members.

27 91. In aiding and abetting the breach of fiduciary duties detailed above, Defendants
28 acted intentionally, maliciously, and oppressively, with a willful and conscious disregard of the

1 rights of Plaintiffs and the Class Members, so as to constitute oppression, fraud, or malice under
2 the law. Accordingly, Plaintiffs and the Class Members are entitled to recover punitive and
3 exemplary damages in an amount sufficient to punish Defendants and to deter similar conduct in
4 the future.

5 **SECOND CAUSE OF ACTION**

6 **AIDING & ABETTING FRAUD**

7 **(Against Bank of America and Araque)**

8 92. Plaintiffs and the Class Members incorporate by reference the foregoing allegations
9 as though fully set forth herein.

10 93. Rangel and his accomplices, knew the representations made to Plaintiffs and Class
11 Members to induce them to invest in Financial Plus were false, and yet they still made those
12 representations to the investors in Financial Plus, with the intent to induce the Funds' investors to
13 invest and continue to invest in Financial Plus and/or sign over title to their properties so that
14 Rangel could defraud Plaintiffs and the Class Members and utilize their money for his own
15 purposes, and to pay others who had invested in Financial Plus and were expecting payments as a
16 result of those investments.

17 94. Plaintiffs and the Class Members justifiably relied on the material
18 misrepresentations of Rangel and his accomplices, and have lost all or nearly everything they
19 invested with Financial Plus as a result.

20 95. Bank of America knew of and/or willfully disregarded said fraud. In addition to
21 the actual knowledge of Gonzalez, Bank of America willfully disregarded Rangel's fraud, and it
22 willfully disregarded the actions of Gonzalez, as it continued to profit from its banking
23 relationship with Rangel and the companies he owned.

24 96. Bank of America actively and substantially assisted Rangel and his accomplices in
25 this fraud by, among other things: (1) continuing to provide Rangel, Financial Plus, RQP and RQI
26 with banking and wire services up until July of 2008; (2) not investigating Rangel's activities
27 despite his engaging in suspicious activity since at least 2007; and (3) failing to file reports
28 required by the nature of the transactions with Rangel and his companies; (4) issuing falsified

1 VODs knowing that they would be used for obtaining a mortgage loan; and (5) ignoring numerous
2 red flags that were apparent from the nature of Rangel's banking transactions and that it was
3 required to review and investigate under existing banking rules and regulations.

4 97. By his actions in participating in the fraudulent scheme perpetrated by Rangel and
5 his accomplices, as alleged above, Araque knew of Rangel's fraud and provided substantial
6 assistance in the execution of such fraud.

7 98. As a proximate result of Defendants' conduct, Plaintiffs and the Class Members
8 suffered damages in an amount to be proven at trial. Defendants' conduct was a substantial factor
9 in causing Plaintiffs' and the Class Members' damages.

10 99. Moreover, Defendants' actions were malicious, fraudulent, oppressive, and
11 intended to injure the Plaintiffs and the Class Members. Consequently, Plaintiffs and the Class
12 Members are entitled to punitive damages.

13 **THIRD CAUSE OF ACTION**

14 **AIDING AND ABETTING INTENTIONAL MISREPRESENTATION**

15 **(Against Bank of America and Araque)**

16 100. Plaintiffs and the Class Members incorporate by reference the foregoing allegations
17 as though fully set forth herein.

18 101. Rangel and his accomplices, intentionally represented to Plaintiffs and the Class
19 Members that important facts concerning investments with Financial Plus were true when Rangel
20 and his accomplices, knew they were false.

21 102. Rangel and his accomplices, made the aforementioned representations with the
22 intent to induce the Plaintiffs and the Class Members' reliance. Plaintiffs and the Class Members
23 in fact reasonably relied on these false representations. Had Plaintiffs and the Class Members
24 known of the true facts, they would have not made investments in the Financial Plus or
25 discontinued investing in Financial Plus.

26 103. As a result of Plaintiffs' and the Class Members' reliance on Rangel's and his
27 accomplices' numerous misrepresentations, Plaintiffs and the Class suffered substantial economic
28 damages in an amount to be determined according to proof at the time of trial.

1 as though fully set forth herein.

2 110. Rangel and his accomplices made numerous unwarranted and untrue assertions to
3 Plaintiffs and the Class Members concerning the financial investments in and financial status of
4 Financial Plus.

5 111. Rangel and his accomplices made the assertions negligently and without any
6 reasonable grounds for believing them to be true.

7 112. Rangel and his accomplices made these assertions with the intent of inducing
8 Plaintiffs and the Class Members to invest in Financial Plus, and to continue investing in Financial
9 Plus. Plaintiffs and the Class Members in fact reasonably relied on these negligent
10 representations. Had Plaintiffs and the Class Members known of the true facts, they would have
11 not made investments in the Financial Plus or discontinued investing in Financial Plus.

12 113. As a result of the investors' reliance on Rangel's and his accomplices' numerous
13 negligent misrepresentations, Plaintiffs and the Class Members suffered substantial economic
14 damages in an amount to be determined according to proof at the time of trial.

15 114. Bank of America knew of and/or willfully disregarded said negligent
16 misrepresentations. In addition to the actual knowledge of Gonzalez, Bank of America willfully
17 disregarded Rangel's negligent misrepresentations and the actions of Gonzalez, as alleged above,
18 as it continued to profit from its banking relationship with Rangel and the companies he owned.

19 115. Bank of America actively and substantially assisted Rangel and his accomplices in
20 their negligent misrepresentations by, among other things: (1) continuing to provide Rangel,
21 Financial Plus, RQP and RQI with banking and wire services until July 2008; (2) failing to
22 investigate Rangel's activities despite his engaging in suspicious activity since at least 2007; (3)
23 failing to file reports required by the nature of the transactions with Rangel and his companies; (4)
24 issuing falsified VODs knowing that they would be used for obtaining a mortgage loans; and (5)
25 ignoring numerous red flags that were apparent from the nature of Rangel's banking transactions
26 and that required review and investigation under the then-existing banking rules and regulations.

27 116. By his actions in participating in the fraudulent scheme perpetrated by Rangel, as
28 alleged above, Araque knew of Rangel's and his accomplices' negligent misrepresentations and

1 provided substantial assistance with regard to said misrepresentations.

2 117. As a proximate result of the Defendants' aiding and abetting Rangel's and his
3 accomplices' negligent misrepresentations, Plaintiffs and the Class suffered damages in an amount
4 to be proven at trial. Defendants' conduct was a substantial factor in causing Plaintiffs and the
5 Class Members to suffer damages.

6 118. Defendants' actions were malicious, fraudulent, oppressive, and intended to injure
7 Plaintiffs and the Class Members. Consequently, Plaintiffs and the Class Members are entitled to
8 punitive damages.

9 **FIFTH CAUSE OF ACTION**

10 **NEGLIGENCE**

11 **(Against Araque)**

12 119. Plaintiffs and the Class Members incorporate by reference the foregoing allegations
13 as though fully set forth herein.

14 120. Araque owed Plaintiffs and the Class Members who refinanced or sold their real
15 property as described in the proposed Class Definition a duty to act with reasonable care and to
16 exercise the ordinary skill and ability commonly exercised by accounting professionals.

17 121. At all times, said Plaintiffs and the Class Members relied on Araque to utilize his
18 skills and abilities as an accountant in reviewing and documenting Financial Plus', RQP's and
19 RQI's money and transactions and those of Plaintiffs and the Class Members.

20 122. As a direct and proximate result of the negligence of Araque, Plaintiffs and the
21 Class Members have suffered substantial damages, the exact amount of which will be proven at
22 trial.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, Plaintiffs and the Class Members pray for judgment as follows:

- 25 1. For general and special damages in an amount according to proof;
26 2. For punitive damages in an amount sufficient to punish Defendants and deter them
27 from engaging in similar conduct in the future;
28 3. For restitution of all moneys invested;

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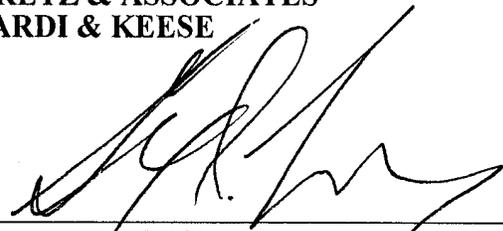
- 4. For attorneys fees and all costs of suit incurred herein;
- 5. For prejudgment interest; and
- 6. For such other and further relief as the court may deem just and proper.

JURY DEMAND

Plaintiffs and the Class respectfully demand a trial by jury on all claims so triable.

DATED: June 30, 2011

**PEARSON, SIMON, WARSHAW & PENNY, LLP
CAPRETZ & ASSOCIATES
GIRARDI & KEESE**

By: 

GEORGE S. TREVOR
Attorneys for Plaintiffs and the Class