Department of Real Estate
P. O. Box 187007
Sacramento, CA 95818-7007

Telephone: (916) 227-0789

FILED

MAR 05 2012

DEPARTMENT OF REAL ESTATE

By L. Jones

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of SUB 500 MORTGAGE, INC., and MICHAEL S. MONACO, Respondents.	DRE Case No. H-4152 SD DRE Case No. H-4167 SD DRE Case No. H-4185 SD STIPULATION FOR REVOCATION; ISSUANCE OF ORDER OF DEBARMENT; AND ORDER OF COMMISSIONER ADOPTING STIPULATION

STIPULATION

It is hereby stipulated by and between SUB 500 MORTGAGE, INC. ("SUB 500"), MICHAEL S. MONACO ("MONACO"), individually, doing business as Monaco Finance & Investments, Inc., Investor's Finance Inc. (A California Corporation), Investor's Finance Inc. (A Hawaii Corporation), Monaco Finance & Investments, Inc., and as the designated officer/broker of SUB 500 (collectively "Respondents"), acting by and through Respondent's legal counsel Debra C. Scheufler, Esq., and the Complainant, acting by and through Kenneth C. Espell, Real Estate Counsel II for the Department of Real Estate, for the purpose of settling and disposing of Accusations H-4125 SD and H-4167 SD as follows:

1. All issues which were to be contested and all evidence which was to be presented by Complainant at the formal hearings on the accusations, which were to be held in accordance with the provisions of the Administrative Procedure Act ("APA"), shall instead and in place thereof be submitted solely on the basis of the provisions of this *Stipulation for*

Revocation; Issuance of Order of Debarment; and Order of Commissioner Adopting Stipulation.

2. Respondents have received, read and understand the *Statement to Respondent*, and the *Discovery Provisions* of the APA filed by the Department of Real Estate ("the Department") in these proceedings.

3. Respondents filed a *Notice of Defense* pursuant to Section 11505 of the Government Code for the purpose of requesting a hearing on the allegations of Accusations H-4152 SD and H-4167 SD. Respondents hereby freely and voluntarily withdraw said *Notice of Defense*. Respondents acknowledge that they understand that by withdrawing said *Notice of Defense,* Respondents waive all rights to require the Real Estate Commissioner ("the Commissioner") to prove the allegations in Accusations H-4152 SD and H-4167 SD at contested hearings held in accordance with the provisions of the APA, and that Respondents waive all other rights afforded to them in connection with a hearing, such as the right to present evidence in defense of the allegations in the accusations and the right to confront and cross-examine witnesses.

4. It is understood by the parties that the Commissioner may adopt this *Stipulation for Revocation; Issuance of Order of Debarment; and Order of Commissioner Adopting Stipulation* as the Commissioner's decision in this matter thereby imposing the penalty and sanctions on the real estate licenses and license rights of Respondents as set forth in the "Orders," below. In the event that the Commissioner, in the Commissioner's sole discretion, does not adopt this *Stipulation for Revocation; Issuance of Order of Debarment; and Order of Commissioner Adopting Stipulation*, it shall be void and of no effect, and the Department and Respondents shall retain the rights to hearings and proceedings on the accusations under all the provisions of the APA and each party hereto shall not be bound by any admission or waiver made herein.

5. This Order, or any subsequent Order of the Commissioner made pursuant to this *Stipulation for Revocation; Issuance of Order of Debarment; and Order of Commissioner Adopting Stipulation*, shall not constitute an estoppel, merger or bar to any further administrative

or civil proceedings by the Department with respect to any violation of real estate law which were not alleged to be causes for accusation in Accusations H-4152 SD and H-4167 SD.

6. For the sole purpose of settling the above captioned matters and, at least in part, due to MONACO's cancer treatments, Respondents choose not to contest the factual allegations in the Accusations H-4152 SD and H-4167 SD filed in these proceedings and the Real Estate Commissioner shall not be required to provide further evidence to prove such allegations. Any admissions made by Respondents herein are made for the purpose of reaching an agreed disposition of these proceedings and are expressly limited to these proceedings and any subsequent administrative or civil action brought by or on behalf of the Department against Respondents.

7. Pursuant to Section 10087 of the Code, Respondents are hereby notified of the Commissioner's intention to issue an Order of Debarment against Respondents pursuant to Section 10087(a)(1) of the Code. Respondents hereby stipulate that the Commissioner may issue an Order of Debarment in accordance with Section 10087(b) of the Code; as an Order of Debarment is justified, proper, in the best interest of the public; and that this *Stipulation for Revocation; Issuance of Order of Debarment; and Order of Commissioner Adopting Stipulation* complies with the requirements for the issuance of an Order of Debarment as set forth in Section 10087(b) of the Code.

8. The parties hereto stipulate to the following facts, findings and conclusions of the Commissioner and pursuant to the authority granted to the Commissioner under Section 10087 of the Code, and after review and consideration of the Determination of Issues, below, the Commissioner finds:

a. A Bar Order is in the public interest; and

b. The violations of the Real Estate Law by SUB 500, and MONACO, individually, doing business as Monaco Finance & Investments, Inc., Investor's Finance Inc. (A California Corporation), Investor's Finance Inc., (A Hawaii Corporation);

Monaco Finance & Investments, Inc., and as the designated officer/broker of SUB 500, have caused material damage to the public.

9. Respondents each acknowledge and understand that each waives any and all rights to request a hearing to contest this Order of Debarment held in accordance with the provisions of the APA.

10. MONACO, acting as the proposed Designated Officer Broker for Investor's Finance Inc. (A California Corporation) and with the consent and ratification of the remaining officers and directors of Investor's Finance Inc. (A California Corporation), hereby withdraws Investor's Finance Inc's application for a corporate broker license. Further, MONACO withdraws his application to act as Designated Officer/Broker for Investor's Finance Inc.

DETERMINATION OF ISSUES

By reason of the foregoing stipulations, admissions and waivers, and solely for the purpose of settlement of the now pending actions of the Department against Respondents without the necessity of a hearing, it is stipulated and agreed by and between the parties hereto that the acts and/or omissions of Respondents MONACO and SUB 500, and each of them, as described in Accusations H-4152 SD and H-4167 SD, constitute grounds for the revocation of all licenses and license rights of Respondents, and each of them, on the following grounds:

Case Number H-4152 SD:

Section 10130 (Brokers license required to conduct licensed activities); Section 10131(d) (Brokers license necessary for services associated with loans secured by real property); Section 10137 (Unlawful Compensation); Section 10145 (Trust Fund Handling); Section 10159.5 (Fictitious Business Name Registration); Section 10176(a) (Making a substantial misrepresentation); Section 10176(c) (Continual and flagrant course of misrepresentation); Section 10176(i) (Dishonest Dealing); Section 10177(j) (Dishonest Dealing); 10177(g) (Negligence

or incompetence); Section 10231.1 (Retention of funds; loan proceeds to be paid within 25 days of receipt unless otherwise authorized in writing); Section 10233(a) (Authorization required to service Promissory Note); Section 10238(k) (1, 2, 4, and 5) (Promissory Note servicing requirements); and Section 10177(d) (Willful disregard or violation of Real Estate Law) of the California Business and Professions Code and Section, 2834(b) (Trust fund account withdrawals) and Section 2830.1 (Funds to be deposited in trust account) of Title 10, California Code of Regulations.

Case Number H-4167 SD:

Section 10130, Section 10131(d); Section 10137; Section 10176(a); Section 10176(c); Section 10176(i); Section 10177(j); and Section 10177(d) of the California Business and Professions Code.

COMMISSIONER'S ORDER REVOKING REAL ESTATE LICENSES

1. All licenses and license rights of Respondents are revoked. MICHAEL S. MONACO's and SUB 500 MORTGAGE, INC.'s license certificates, pocket cards and all branch office license certificates shall be sent to the below listed address so that they reach the Department on or before the effective date of this Order:

DEPARTMENT OF REAL ESTATE
Attn: Licensing Flag Section
P. O. Box 187000
Sacramento, CA 95818-7000

2. Presently, the full extent of losses suffered by the clients of Respondents is unknown. However, as a condition precedent to the Department granting any future petition for reinstatement of a real estate license of any category, MONACO shall submit proof satisfactory to the Commissioner that restitution in the full amount of all losses sustained as a result of malfeasance and/or misfeasance of Respondents has been made in full to all parties

submitting documented claims to the Department's Recovery Account upon which the Department made a payout and/or the judgments or settlement of lawsuits filed against MONACO and/or SUB 500, to recover losses proximately caused by MONACO and/or SUB 500, in connection with acts which required a real estate license.

ORDER OF DEBARMENT

1. The Department dismisses, without prejudice, the Bar Order issued against Respondents in Department of Real Estate Case Number H-4185 SD and the Commissioner hereby substitutes this Order of Debarment in its stead.

2. Respondents, pursuant to the authority of Section 10087 of the Code, are each hereby barred and prohibited for a period of thirty-six (36) months from performing in any position of employment, management, or control of the following activities in the State of California:

a. Participating in any capacity to further the business activity of a real estate salesperson or real estate broker or engaging in any business activity involving real estate that is subject to regulation under the Real Estate Law;

b. Participating in any activity of a real estate salesperson or a real estate broker;

c. Engaging in any real estate related business activity on the premises where a real estate salesperson or real estate broker is conducting business which requires a real estate license;

d. Participating in any real estate related business activity of a finance lender, residential mortgage lender, bank, credit union, escrow company, title company or underwritten title company and;

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e. Holding any position of employment, management, control, or ownership, as a real estate broker, a real estate salesperson, or an unlicensed person, in any business involving the activities mentioned in paragraphs (a) through (d), above.

1/6/2012
DATED

KENNETH C. ESPELL,
Real Estate Counsel II
DEPARTMENT OF REAL ESTATE

I have read the *Stipulation for Revocation; and Issuance of Order of Debarment,* discussed it with my counsel, and its terms are understood by me and are agreeable and acceptable to me. I understand that I am waiving rights given to me by the California Administrative Procedure Act, and I willingly, intelligently, and voluntarily waive those rights, including the right of requiring the Commissioner to prove the allegations in the Accusation at a hearing at which I would have the right to cross-examine witnesses against me and to present evidence in defense and in mitigation of the charges.

11-22 2011
DATED

MICHAEL S. MONACO, individually, doing business as Monaco Finance & Investments, Inc., Investor's Finance Inc. (A California Corporation), Investor's Finance Inc. (A Hawaii Corporation); Monaco Finance & Investments, Inc., and as the designated officer/broker of SUB 500 MORTGAGE, INC., SUB 500 MORTGAGE, INC., Monaco Finance & Investments, Inc.; Investor's Finance Inc. (a California Corporation); Investor's Finance Inc. (a Hawaii Corporation); Monaco Finance & Investments, Inc., Respondents

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I have reviewed Stipulation for Revocation and Issuance of Order of Debarment as to form and content and have advised my client accordingly.

11/29/11
DATED

DC Scheufler
DEBRA C. SCHEUFLER, Esq.
Attorney for Respondents

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ORDER OF REVOCATION AND ISSUANCE OF ORDER OF DEBARMENT BY THE COMMISSIONER OF THE DEPARTMENT OF REAL ESTATE

The foregoing *Stipulation for Revocation and Issuance of Order of Debarment* is hereby adopted by me as my Decision in this matter and this *ORDER of REVOCATION and ISSUANCE of ORDER of DEBARMENT* shall become effective at 12 o'clock noon on MAR 2 6 2012.

IT IS SO ORDERED 3/1/12.

BARBARA J. BIGBY
Acting Real Estate Commissioner

Barbara J. Bigby

KENNETH C. ESPELL, (SBN 178757)
Real Estate Counsel II
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FILED
FEB 17 2011
DEPARTMENT OF REAL ESTATE
By L. Frost

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of SUB 500 MORTGAGE, INC., and MICHAEL STEPHEN MONACO, Respondents.	No. H-4167 SD ACCUSATION

The Complainant, JOSEPH AIU, in his official capacity as a Deputy Real Estate Commissioner of the State of California, for cause of Accusation against MICHAEL STEPHEN MONACO (hereinafter "MONACO") and SUB 500 MORTGAGE, INC (hereinafter "SUB 500") (and collectively referred to as "Respondents") is informed and alleges as follows:

1

Respondents are presently licensed and/or have license rights under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) (hereinafter "the Code").

2

At all times mentioned, Respondent SUB 500 was and did have license rights under the Real Estate Law as a corporate real estate broker and is the alter ego of MONACO. On or about August 12, 2009, SUB 500's real estate license expired. On or about May 1, 2009 and continuing to the present the corporate powers, rights and privileges of SUB 500 were

suspended by the California Franchise Tax Board pursuant to the provisions of the California Revenue and Taxation Code and SUB 500's legal standing with the California Office of the Secretary of State was "SUSPENDED." As a result of the suspension of its corporate privileges, SUB 500 was, and no longer is, entitled to conduct business within the State of California; cannot defend itself in any legal action brought against it in California; prosecute a legal action in California; and is unable renew its license as a corporate real estate broker until it has been issued a *Tax Clearance* by the Franchise Tax Board and a *Certificate of Revivor* is issued by the California Secretary of State.

3

At all times relevant herein MONACO was licensed by the Department of Real Estate as a real estate broker. MONACO holds the following fictitious business names which are registered with the Department: San Diego Home Loans, San Diego Mortgage, and San Diego Home Loan.

4

Respondent MONACO was the designated officer/broker of Respondent SUB 500. Pursuant to Sections 10159.2 and 10177(h) of the Code, as the designated officer/broker of Respondent SUB 500, Respondent MONACO was at all times mentioned herein responsible for the supervision of the activities of the officers, directors, employees, agents, affiliated corporations, including but not limited to, Investor's Finance Inc., and Monaco Finance & Investments, Inc., and real estate licensees employed by or associated with Respondent SUB 500.

5

At all times mentioned, Respondents, and each of them, were engaged in the business of, acted in the capacity of, advertised or assumed to act as real estate brokers in the State of California within the meaning of Sections 10131(d) and 10131(e) of the Code, including, but not limited to, the operation and the conduct of a mortgage loan brokerage business with the public wherein Respondents solicited private money lenders and private

borrowers for loans secured directly or collaterally by liens on real property or a business opportunity, and wherein such loans were arranged, negotiated, processed, consummated and serviced by Respondents on behalf of others and wherein promissory notes or interests therein were sold or purchased on behalf of another or others for compensation or in expectation of compensation.

6

At all times relevant herein and continuing to the present, Investor's Finance Inc. (hereinafter "IFI") was and is a Hawaii corporation and is the alter ego of MONACO which for compensation or in the expectation of compensation performs services for borrowers and/or lenders in connection with loans secured by real property including loan servicing and loan modification services. MONACO, at all times relevant herein, was and is the Chief Operating Officer of IFI. At all times relevant herein IFI has not been and is not licensed as a corporate real estate broker by the Department, in violation of Sections 10130, 10131(d) and 10137 of the Business and Professions Code, and which constitute separate grounds for the revocation or suspension of MONACO's real estate license and license rights under Section 10177(d) of the Code.

7

At all times relevant herein Monaco Finance & Investments, Inc., (hereinafter "MFI") was and is the alter ego of MONACO and was acting in the capacity of a "Loan Servicer" for compensation or in the expectation of compensation and on behalf of individual investor/lenders, including, but not limited to, the loan transactions identified herein. However, at all times relevant herein MFI was not and currently is not licensed by the Department as a corporate real estate broker in violation of Sections 10130, 10131(d) and 10137 of the Code and which constitute separate grounds for the revocation of MONACO's real estate license and license rights under Section 10177(d) of the Code.

8

On or about November 18, 2008 in *Ernesto Vazquez- Elias, et al v. Michael*

Monaco, et al, Superior Court of California, County of San Diego, Case Number 37-2008-00096318-CU-BC-CTL, a civil action was brought against Michael Monaco, Wendy Monaco, Monaco Finance & Investment's Inc.[1], Sub 500 Mortgage, Inc. and Investors Finance Company, Inc., a Hawaii corporation, by three (3) plaintiffs. (A true and correct copy of the Complaint is attached hereto as Exhibit "1" and is incorporated herein by reference.) The complaint alleged fraud, breach of contract and constructive trust upon fraud and conversion. Specifically it was alleged, *inter alia*, that MONACO, SUB 500, MFI and IFI committed fraud in connection with private money investments the Plaintiffs made through MONACO and SUB 500. The private money investments were to be "loans" made to certain third parties borrowers and were to be secured by Deeds of Trust on certain properties located in California and Arizona. In fact the loans were never made to the third parties borrowers and the funds were never secured by the real property MONACO represented would be the Plaintiffs' security or were secured by properties so over encumbered that the security interest did not provide any security at all.

9

On or about January 26, 2010 in *Ernesto Vazquez- Elias, et al v. Michael Monaco, et al*, a stipulated judgment in favor of the Plaintiffs for $733,000 was entered against Defendant/Respondents. (A true and correct copy of the stipulated judgment is attached hereto as Exhibit "2" and is incorporated herein by reference.) In connection with the *Stipulated Judgment*, on March 11, 2009 Monaco executed a declaration wherein he admits the "stipulated judgment stems from fraudulent acts, the nature of which would not be dischargeable if it was forced to be litigated in the Bankruptcy Court in a non-discharebility matter." (sic) (A true and correct copy of the Monaco Declaration is attached hereto as Exhibit "3" and is incorporated herein by reference.) Therefore, Monaco's admission to fraud in his declaration which was the basis for entry of the *Stipulated Judgment* constitutes a violation of Section 10177.5 of the Code

[1] The Complaint originally named Monaco Finance & Investment's Inc., as Monaco Finance. But the complaint was amended to correct the corporate name to Monaco Finance & Investment's Inc.

(Judgment of Fraud in a Civil Action) which constitutes cause under Section 10177.5 of the Code for the suspension or revocation of all licenses and license rights of Respondents under the Real Estate Law and is grounds for the issuance of a Bar Order against Respondents, and each of them, pursuant to Section 10087 of the Code.

10

Additionally, Monaco's admission concerning fraud constitutes grounds for the suspension or revocation of all licenses and license rights of Respondents pursuant to Section 10176 (c) (A Continual and Flagrant Course of Misrepresentation); Section 10176(a) (Making a Substantial Misrepresentation); Section 10176(i) (Fraud or Dishonest Dealing); Section 10177 (j) (Fraud or Dishonest Dealing) and; Section 10177(d) (Willful Violation of Real Estate Law) of the Code and is grounds for the issuance of a Bar Order against Respondents, and each of them, pursuant to Section 10087 of the Business and Professions Code. .

11

MONACO, as the designated officer/broker of Respondent SUB 500 was required to exercise reasonable supervision and control over the activities of Respondent SUB 500. MONACO failed to exercise reasonable supervision over the acts of SUB 500 thereby allowing, permitting and/or ratifying the acts and omissions as described in the paragraphs above to occur, all in violation of Section 10159.2 of the Code, which constitutes cause for suspension or revocation of all licenses and license rights of Respondent MONACO under Sections 10177(d) and 10177(h) of the Code (Failure to Exercise Reasonable Supervision Over the Activities of the Corporation, Salespersons and Employees).

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WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered revoking all licenses and license rights of Respondents under the Real Estate Law; for the issuance of a Bar Order pursuant to the terms and conditions of Section 10087 of the Code; and for such other and further relief as may be proper under the provisions of law.

JOSEPH AIU
Deputy Real Estate Commissioner

Dated at San Diego, California,
this 9 day of ~~January~~ FEBRUARY, 2011

Michael B. McDonnell, State Bar No. 107053
Douglas M. Field, State Bar No. 237888
McDONNELL & ASSOCIATES, P.C.
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San Diego, California 92101
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Facsimile: (619) 294-4237

Attorneys for Plaintiffs

FILED
CIVIL BUSINESS OFFICE 5
2008 NOV 18 P 4: 17
CLERK-SUPERIOR COURT
SAN DIEGO COUNTY, CA

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN DIEGO - CENTRAL DISTRICT

ERNESTO VAZQUEZ-ELIAS, an individual, CARMELA DE JESUS ARIAS KONG, an individual, and GUSTAVO MARTINEZ SANTOS Plaintiffs, vs. MICHAEL MONACO, an individual, WENDY MONACO, an individual, MONACO FINANCE, an unknown business entity, SUB 500 MORTGAGE, INC, an unknown business entity, COMPANY INVESTORS FINANCE, INC., a Hawaii Corporation; and DOES 1 through 100, inclusive Defendants.	37-2008-00096318-CU-BC-CTL **COMPLAINT FOR BREACH OF CONTRACT, FRAUD, CONSTRUCTIVE TRUST AND DECLARATORY RELIEF**

COME NOW, ERNESTO VAZQUEZ-ELIAS, an individual, CARMELA DE JESUS ARIAS KONG, an individual, and GUSTAVO MARTINEZ SANTOS (sometimes collectively referred to as "Plaintiffs") and, for causes of action against MICHAEL MONACO, an individual, WENDY MONACO, an individual, MONACO FINANCE, an unknown business entity, SUB 500 MORTGAGE, INC, an unknown business entity, COMPANY INVESTORS FINANCE, INC., a Hawaii Corporation; and DOES 1 through 100, inclusive, (sometimes collectively referred to as "Defendants") respectfully alleges as follows:

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EXHIBIT 1

JURISDICTION

1. Plaintiff, ERNESTO VAZQUEZ-ELIAS (hereinafter "VAZQUEZ" or "Plaintiff") is an individual who, at all times mentioned in this Complaint, was a resident of the County of San Diego, CA.

2. Plaintiff, CARMELA DE JESUS ARIAS KONG (hereinafter "KONG" or "Plaintiff") is an individual who, at all times mentioned in this Complaint, was a resident of the County of San Diego, CA.

3. Plaintiff, GUSTAVO MARTINEZ SANTOS (hereinafter "SANTOS" or "Plaintiff") is an individual who, at all times mentioned in this Complaint, was a resident of the County of San Diego, CA.

Defendants

4. Defendant, MICHAEL MONACO (hereinafter "MONACO" or "Defendant") is an individual who, at all times mentioned in this Complaint, was a resident of the County of San Diego.

5. Defendant, WENDY MONACO is an individual who, at all times mentioned in this Complaint, was a resident of the County of San Diego WENDY MONACO, along with MICHAEL MONACO maintains a residence at 7563 Montien Rd., San Diego, CA 92127. WENDY MONACO is the spouse of MONACO, and Plaintiffs are informed and believe and based thereon allege that the property at 7563 Montien Rd., San Diego, CA 92127, described as APN 269-260-10-00, is the community property of MONACO and WENDY MONACO.

6. Defendant, MONACO FINANCE (hereinafter sometimes referred to as "Defendant") was an unknown business entity, who does business in the County of San Diego, CA.

7. Defendant, SUB 5000 MORTGAGE COMPANY (hereinafter "SUB 500" or "Defendant") is a California Corporation, that does business in the County of San Diego.

8. Defendant INVESTORS FINANCE, INC (hereinafter "IFI" or "Defendant")is a Hawaii Corporation doing business in the County of San Diego, CA.

9. Plaintiff is ignorant of the names of those defendants listed herein as DOES 1

through 100 inclusive, and therefore sues these defendants by such fictitious names. When Plaintiff has ascertained the true names and capacities of these fictitiously named defendants, Plaintiff will seek leave of the Court to amend this complaint.

10. Plaintiff is informed and believes, and based thereon alleges, that each of the fictitiously named Defendants is responsible in some manner for the occurrences herein alleged, and that Plaintiffs' losses, as herein alleged, were proximately caused by their actions.

11. Based on information and belief and alleged thereon, at all times herein mentioned, each defendant was and is the agent, representative, servant, independent contractor, subcontractor, partner, joint venturer, alter ego, successor-in-interest, affiliate, subsidiary, and/or employee of each or some of the other defendants, and, in doing those acts herein referred to, was acting within the course and scope of its authority as such and with the express and/or implied permission, knowledge, consent, and ratification of all said other defendants.

12. Whenever in this Complaint reference is made to any act or omission of a particular defendant, such allegation shall be deemed to mean that said Defendant and its officers, directors, agents, representatives, and employees, did authorize such act while actively engaged in the management direction or control of that Defendant, and while acting within the course and scope of their employment.

13. Venue is proper in this jurisdiction in that the acts giving rise to this lawsuit, which are described more fully below, occurred within this Court's jurisdictional area. Further, the relief sought through this Civil Complaint is within the jurisdiction of this Court as damages are believed to be well in excess of $1,000,000.00

COMMON ALLEGATIONS

14. MICHAEL MONACO is/was the Chief Executive Officer, Chief Financial Officer, and Chairman of IFI.

15. IFI operates as a licensed financial services loan company primarily as an originator and broker of first and second mortgage loans. The principal services of IFI are the origination, brokerage and servicing of residential and commercial mortgages.

16. IFI formed the wholly owned subsidiary, SUB 500, a California Corporation at

10080 Carroll Canyon Road, San Diego, California.

17. SUB 500 was allegedly formed to originate and fund mortgage loans in the State of Hawaii and California for the purpose of assisting credit impacted borrowers who are unable to acquire mortgage loans in the marketplace.

FRAUD

(Against Michael Monaco, Monaco Finance, Sub 500 Mortgage, Inc., Company Investors Finance, Inc., and Does 1 through 100)

18. Plaintiffs hereby incorporate Paragraphs 1 through 17 and alleges the same as though fully set forth herein.

19. MONACO, on behalf of himself, and as an Officer of IFI, SUB 500 and MONACO FINANCE, falsely and fraudulently represented investment opportunities to Plaintiffs in the manner herein alleged.

20. When Defendants made these representations they knew them to be false, and these representations were made by defendant with the intent to defraud and deceive Plaintiffs and with the intent to induce Plaintiffs to act in the manner herein alleged. At the time Defendants made the herein described representations, Defendants had no intention of performing as represented.

21. Plaintiffs, at the time these representations were made by Defendants and at the time Plaintiffs took the actions herein alleged, were ignorant of the falsity of Defendants' representations and believed them to be true. In reliance on these representations, Plaintiffs were induced to and did provide Defendants with the sums of money more fully described below in the belief that Plaintiffs were funding loans which were being secured by Deeds of Trust. Had Plaintiffs known the actual facts, Plaintiffs would not have taken such action.

22. As a proximate result of Defendants' fraud and deceit and the facts herein below alleged, Plaintiffs have been damaged in a sum uncertain, believed to be in excess of $1,000,000.00, to be proven at trial.

23. In doing the acts herein alleged, Defendants acted with oppression, fraud, and malice. Plaintiffs are therefore entitled to punitive damages.

24. The following accounts, entitled, Williams Loan, Mitchell Loan, Blackburn Loan, and Bradley Loan, detail instances of currently known frauds, perpetrated by Defendants against Plaintiffs. The titles are misnomers as no such loans were ever made.

Williams Loan

25. The WILLIAMS LOAN allegedly involved a $300,000 loan at Fourteen Percent (14%) to Andre and Karen Williams ("WILLIAMS") Defendants represented to Plaintiffs, that the monthly payment on the loan was to be $3,500.00 with the first three years being interest only. The property, located at 14530 Lakeshore Drive was appraised at Six Hundred Fifty Thousand ($650,000.00) for a Loan to Value of Forty Six Percent (46%).

26. On or about January 11, 2008, WILLIAMS signed a note promising to pay Three Hundred Thousand Dollars ($300,000.00) plus interest to the order of the Lender, SUB 500.

27. On or about January 11, 2008, SUB 500, by and through MICHAEL MONACO prepared a Deed of Trust allegedly securing the WILLIAMS LOAN. At the time MICHAEL MONACO prepared the Deed of Trust, MICHAEL MONACO had no intention of delivering a loan to WILLIAMS.

28. On or about January 14, 2008, SUB 500 by and through MICHAEL MONACO prepared an Assignment of Deed of Trust. By this assignment, Defendants represented in writing that SUB 500, for value received, transferred the Deed of Trust dated January 11, 2008 executed by WILLIAMS to VAZQUEZ. The notarized assignment was signed by MONACO, C.E.O. of SUB 500.

29. Similarly, on January 14, 2008, MONACO signed a Bill of Sale and Assignment representing that:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3748 Andre Williams, 14530 Lakeshore Drive, Clearlake, CA 95422 to ERNESTO VAZQUEZ-ELIAS...(hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $300,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

30. At the time the above written representations were made, MONACO, as agent for

the remaining Corporate Defendants, had no intention to sell, assign and transfer all of its right, title, and interest, including the Promissory Note and Deed of Trust to VAZQUEZ. MONACO, having not procured the loan for WILLIAMS, knew that SUB 500 had no interest to transfer.

31. WILLIAMS never received the loan and though MONACO had represented, verbally and in writing that the Deed of Trust would be filed and a copy provided to VAZQUEZ, the Deed of Trust was never filed.

32. Although WILLIAMS never received the loan promised by SUB 500, SUB 500, MONACO FINANCE, and MONACO represented to VAZQUEZ that they were servicing the loan. Defendants made monthly payments to VAZQUEZ. The checks coming first from SUB 500 and, later, through MONACO FINANCE, represented that they were made pursuant to the WILLIAMS loan. At the time each of these representations were made in the note sections of the checks, Defendants knew that the representations were false, as they had never made a loan to WILLIAMS.

Mitchell Loan

33. The MITCHELL LOAN allegedly involved a one hundred and ninety five thousand dollar ($195,000) loan at 11.75% to Robert and Melinda Mitchell ("MITCHELL") MONACO, by and through SUB 500 represented verbally and in writing, that the monthly payment on the loan was to be $1,909.38 with the first two years being interest only. The property, located at 11838 Cheschire St. Norwalk, CA 90650 was appraised at Five Hundred Twenty five Thousand Dollars ($525,000.00) for a Loan to Value of Thirty Seven Percent (37%).

34. On or about February 6, 2008,SUB 500 by and through MICHAEL MONACO prepared a Deed of Trust to secure the MITCHELL LOAN. Defendants represented that the Deed of Trust secured the One Hundred Ninety Five Thousand Dollar loan to MITCHELL. MITCHELL is listed as the borrower and SUB 500 is listed as the Lender. The Deed of Trust is signed by MITCHELL.

35. On or about January 14, 2008, SUB 500 by and through MONACO, prepared an Assignment of Deed of Trust. By this fraudulent written assignment, Defendants represented that, for value received, SUB 500 transferred the Deed of Trust dated February 5, 2008 executed

by MITCHELL to Fifty Percent (50%) VAZQUEZ and Fifty Percent (50%) SANTOS. The notarized assignment was signed by MICHAEL MONACO, C.E.O. of SUB 500.

36. On February 19, 2008, Michael Monaco represented by a signed Bill of Sale and Assignment Agreement that:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3761 Robert Mitchell,-11838 Cheshire St. Norwalk, CA 90650 to 50% ERNESTO VAZQUEZ-ELIAS...50% Gustavo M. Santos...(hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $195,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

37. At the time the above written representations were made, MONACO, as agent for the remaining Corporate Defendants, had no intention to sell, assign and transfer all of its right, title, and interest, including the Promissory Note and Deed of Trust to VAZQUEZ and SANTOS. MONACO, having not procured the loan for MITCHELL, knew that SUB 500 had no interest to transfer.

38. MITCHELL never received the loan, and though MONACO had represented, verbally and in writing, that the Deed of Trust would be filed and a copy provided to VAZQUEZ and SANTOS, the Deed of Trust was never filed.

39. Although, MITCHELL never received the loan promised by SUB 500 by and through MONACO, SUB 500, MONACO FINANCE, and MONACO represented to VAZQUEZ and SANTOS that they were servicing the loan. Defendants made monthly payments to VAZQUEZ and SANTOS, the checks coming first from SUB 500 and, later, through MONACO FINANCE represented that they were made pursuant to the MITCHELL loan. At the time each of these representations were made, Defendants knew that the representations were false, as they had never made a loan to MITCHELL.

Blackburn Loan

40. The BLACKBURN LOAN allegedly involved a $68,000. loan at 12% to Sandra D. Blackburn ("BLACKBURN"). The security instrument represented that it encumbered the Property located at 00 Ryan Ave, Lake Elisinore, California 92530, more specifically the

property included three lake view lots, 9,000 square feet total located in Lake Elsinore, CA off 15 Hwy in between Murrieta and Corona, CA. .

41. On or about March 17, 2008, SUB 500 by and through MICHAEL MONACO prepared a Deed of Trust allegedly securing the BLACKBURN LOAN. Through the Deed of Trust, SUB 500, by and through MONACO represented verbally and in writing, that they were securing the Sixty Eight Thousand Dollar loan. BLACKBURN is listed as the borrower and SUB 500 is listed as the Lender.

42. On March 21, 2008, MONACO, on behalf of SUB 500 signed a Bill of Sale and Assignment Agreement representing:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3756 Sandra Blackburn, 3 Parcels, Lake Elsinore, CA 92530 to Carmela de Jesus Arias Kong, an unmarried woman (hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $68,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

43. At the time the above written representations were made, MONACO, as agent for the remaining Corporate Defendants, had no intention to sell, assign and transfer all of its right, title, and interest, including the Promissory Note and Deed of Trust to KONG. MONACO, having not procured the loan for BLACKBURN, knew that SUB 500 had no interest to transfer.

44. BLACKBURN never received the loan and though MONACO had represented, verbally and in writing that the Deed of Trust would be filed and a copy provided to KONG, the Deed of Trust was never filed.

45. Although BLACKBURN never received the loan promised by SUB 500 by and through MONACO, SUB 500, MONACO FINANCE, and MONACO represented to VAZQUEZ and SANTOS that they were servicing the loan. Defendants made monthly payments to KONG the checks coming first from SUB 500 and, later, through MONACO FINANCE represented that they were made pursuant to the BLACKBURN loan. At the time each of these representations were made, Defendants knew that the representations were false, as they had never made a loan to BLACKBURN.

Bradley Loan

47. On the BRADLEY LOAN, the potential buyer was applying for a One Hundred Seventy Thousand ($170,000.000) loan.

48. Upon SUB 500's request, by and through MONACO, to fund the BRADLEY LOAN, VAZQUEZ put up the $170,000.00, but BRADLEY had backed out of the deal.

49. MONACO asked VAZQUEZ verbally and in writing if he could hold onto the money and pay VAZQUEZ an interest rate of 11 3/4%.

50. When MONACO made these representations on behalf of the remaining corporate Defendants, he knew that he did not have the funds available to pay VAZQUEZ as promised.

50. VAZQEUZ accepted MONACO's offer on the condition that MONACO pay the full amount back to VAZQUEZ in one year. MONACO failed to pay the loan back in the year.

51. MONACO owned a peace of property in Arizona. In a letter of August 2008, in an effort to appease VAZQUEZ, MONACO represented to VAZQUEZ that if a loan was secured against the Arizona property VAZQUEZ would receive Twenty Five Thousand Dollars as a partial pay down of the loan, and if the property were sold, VAZQUEZ would receive Thirty Thousand Dollars as a partial pay down of the loan, whichever came first. MONACO represented both verbally and in a letter that he was, at that time, pursuing both options.

52. Though MONACO made the above stated representations regarding the promise of payment from the refinance or the sale, MONACO was aware that any such funds would be unavailable as, based on information and belief, MONACO had made similar representations to other individuals and there were insufficient funds to cover the promises made by MONACO.

52. The Arizona Property Sold, but VAZQUEZ did not receive the sum promised by MONACO, and VAZQUEZ was damaged thereby in a sum uncertain, but to be proven at trial.

BREACH OF CONTRACT

(Against Michael Monaco, Monaco Finance, Sub 500 Mortgage, Inc., Company Investors Finance, Inc., and Does 1 through 100)

53. Plaintiff hereby incorporates Paragraphs 1 through 52 and alleges the same as though fully set forth herein. .

Williams Loan

54. On or about January 11, 2008, WILLIAMS signed a note promising to pay Three Hundred Thousand Dollars ($300,000.00) plus interest to the order of the Lender, SUB 500.

55. On or about January 11, 2008, SUB 500, by and through MICHAEL MONACO prepared a Deed of Trust allegedly securing the WILLIAMS LOAN.

56. Defendants entered into a contract with VAZQUEZ. On or about January 14, 2008, SUB 500 by and through MICHAEL MONACO prepared an Assignment of Deed of Trust. By this assignment, Defendants stated that SUB 500, for value received, transferred the Deed of Trust dated January 11, 2008 executed by WILLIAMS to VAZQUEZ. The notarized assignment was signed by MONACO, C.E.O. of SUB 500.

57. On January 14, 2008, MONACO signed a Bill of Sale and Assignment representing that:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3748 Andre Williams, 14530 Lakeshore Drive, Clearlake, CA 95422 to ERNESTO VAZQUEZ-ELIAS...(hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $300,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

58. Defendants breached the contract. Defendants did not procure the loan for WILLIAMS,and Defendants did not file a Deed of Trust on behalf of VASQUEZ.

Mitchell Loan

59. On or about February 6, 2008,SUB 500 by and through MICHAEL MONACO, prepared a Deed of Trust to secure the MITCHELL LOAN. Defendants represented that the Deed of Trust secured the One Hundred Ninety Five Thousand Dollar loan to MITCHELL.

60. On or about January 14, 2008, SUB 500 by and through MONACO, prepared an Assignment of Deed of Trust. Defendants agreed that, for value received, SUB 500 transferred the Deed of Trust dated February 5, 2008 executed by MITCHELL to Fifty Percent (50%) VAZQUEZ and Fifty Percent (50%) SANTOS. The notarized assignment was signed by MICHAEL MONACO, C.E.O. of SUB 500.

61. On February 19, 2008, Michael Monaco signed a Bill of Sale and Assignment

Agreement stating that:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3761 Robert Mitchell, 11838 Cheshire St. Norwalk, CA 90650 to 50% ERNESTO VAZQUEZ-ELIAS...50% Gustavo M. Santos...(hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $195,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

62. Defendants breached the contract. MONACO did not procure the loan for MITCHELL. MITCHELL never received the loan. VAZQUEZ and SANTOS did not receive a copy of the Deed of Trust to secure their investment.

Blackburn Loan

63. On or about March 17, 2008, SUB 500 by and through MICHAEL MONACO prepared a Deed of Trust allegedly securing the BLACKBURN LOAN. Through the Deed of Trust, SUB 500, by and through MONACO represented verbally and in writing, that they were securing the Sixty Eight Thousand Dollar loan. BLACKBURN is listed as the borrower and SUB 500 is listed as the Lender.

64. On March 21, 2008, MONACO, on behalf of SUB 500 signed a Bill of Sale and Assignment Agreement stating:

> SUB 500 Mortgage., ('Seller') hereby agrees to sell assign and transfer all of its right, title, and interest in that certain residential mortgage loan referenced as Loan No. 3756 Sandra Blackburn, 3 Parcels, Lake Elsinore, CA 92530 to Carmela de Jesus Arias Kong, an unmarried woman (hereinafter "Buyer"). The purchase price which Buyer shall pay Seller for the Mortgage Loan is the current balance of the Promissory Note which is the sum of $68,000. Seller agrees to sell, assign and transfer all of its right, title, and interest (100%) in the entire Mortgage Loan File including the Promissory Note and Deed of Trust to Buyer, without recourse.

65. Defendants breached the contract. BLACKBURN never received the loan , and the Deed of Trust securing KONG's investment was never filed.

Bradley Loan

66. On the BRADLEY LOAN, the potential buyer was applying for a One Hundred Seventy Thousand ($170,000.000) loan.

67. Upon SUB 500's request, by and through MONACO, to fund the BRADLEY LOAN, VAZQUEZ put up the $170,000.00, but BRADLEY had backed out of the deal.

68. MONACO asked VAZQUEZ verbally and in writing if he could hold onto the money and pay VAZQUEZ an interest rate of 11 3/4%.

69. VAZQEUZ accepted MONACO's offer on the condition that MONACO pay the full amount back to VAZQUEZ in one year. MONACO failed to pay the loan back in the year.

70. MONACO owned a peace of property in Arizona. In a letter of August 2008 MONACO represented to VAZQUEZ that if a loan was secured against the Arizona property VAZQUEZ would receive Twenty Five Thousand Dollars as a partial pay down of the loan, and if the property were sold, VAZQUEZ would receive Thirty Thousand Dollars as a partial pay down of the loan. MONACO represented both verbally and in a letter that he was, at that time, pursuing both options.

71. MONACO breached the contract. The Arizona Property Sold, but VAZQUEZ did not receive the sum promised by MONACO, and VAZQUEZ was damaged thereby in a sum uncertain, but to be proven at trial.

CONSTRUCTIVE TRUST BASED UPON FRAUD AND CONVERSION

(Against All Defendants)

72. Plaintiff incorporates by reference Paragraphs 1 through71 and alleges the same as though fully set forth herein.

73. As a proximate result of Defendant MONACO's, or any of their fraudulent misrepresentation and otherwise wrongful conduct as alleged herein, Plaintiffs are threatened to lose an amount uncertain to be proven at trial, but believed to be in excess of One Million Dollars.

74. By reason of the fraudulent and otherwise wrongful manner in which the Defendant MONACO or any of them, obtained their alleged right, claim or interest in and to the property, Defendant MONACO, and each of them have no legal or equitable right, claim or interest therein, but instead, Defendant MONACO and each of them are involuntary trustees holding said property and profits therefrom in constructive trust for Plaintiffs with the duty to convey the same to Plaintiffs forthwith.

DECLARATORY RELIEF

(Against All Defendants)

75. Plaintiffs hereby incorporate by reference Paragraphs 1 through 74 and allege the same as though fully set forth herein.

76. An actual controversy has arisen and now exists between Plaintiffs and Defendants concerning their respective rights and duties in that Plaintiff contends that Defendants are involuntary trustees holding funds fraudulently acquired and belonging to Plaintiffs with a duty to convey the same forthwith to Plaintiffs. Defendants dispute this contention. Based on information and belief, the property at is community property of Defendants MICHAEL MONACO and WENDY MONACO.

77. A judicial declaration is necessary and appropriate at this time under the circumstances in order that Plaintiff may ascertain their rights in the equity to the property at 7563 Montien Rd., San Diego, CA 92127 as well as all funds in the Defendants' possession, ~~custody or control; all deposit accounts held by any Defendant; and any and all real property and~~ interest in real property held by any defendant as Plaintiffs have suffered the above stated losses.

WHEREFORE PRAYS FOR:

1. Compensatory damages in an amount to be proved at trial, but estimated to exceed $1,000,000;

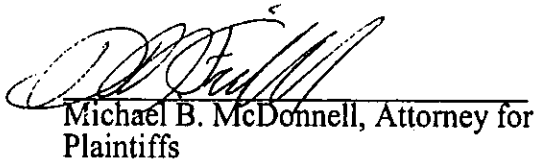
2. Punitive Damages for Fraud;

3. Attorneys' Fees and Costs of Suit incurred herein;

4. For such further relief as the Court believes just and proper. .

DATED: 11/18/08

McDONNELL & ASSOCIATES, P.C.



Michael B. McDonnell, Attorney for Plaintiffs

CLERK'S CERTIFICATE

The foregoing document, consisting of 13 page(s), is a full, true, and correct copy of the ☐ original ☒ copy on file in this office.

Clerk of the Superior Court

10/20/10 by KHill

Date Deputy

V3 Input done

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, state bar number, and address):	FOR COURT USE ONLY
Douglas M. Field, SBN 237888 McDonnell & Associates, P.C. 2040 Harbor Island Dr., Ste 202, San Diego, CA 92101 TELEPHONE NO.: 6192944230 FAX NO.: 6192944237 ATTORNEY FOR (Name): Plaintiffs	FILED D. Lee Ryan Clerk of the Superior Court NOV 26 2008 By: LEE RYAN, Deputy
SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO ☒ CENTRAL DIVISION. HALL OF JUSTICE, 330 W. BROADWAY, SAN DIEGO, CA 92101 ☐ EAST COUNTY DIVISION, 250 E. MAIN ST., EL CAJON, CA 92020 ☐ EAST COUNTY DIVISION, RAMONA BRANCH, 1428 MONTECITO RD., RAMONA, CA 92065 ☐ NORTH COUNTY DIVISION, 325 S. MELROSE DR., SUITE 1000, VISTA, CA 92081 ☐ SOUTH COUNTY DIVISION, 500 3RD AVE., CHULA VISTA, CA 91910	
PLAINTIFF(S) Vazquez-Elias, et al	JUDGE Honorable Ronald S. Prager
DEFENDANT(S) Monaco, et al	DEPT 71
AMENDMENT TO COMPLAINT	CASE NUMBER 37-2008-00096318-CU-BC-CTL

Under Code of Civ. Pro. § 474:
FICTITIOUS NAME (Court order required once case is at issue. SDSC Local Rule 2.1.10)

Plaintiff(s), being ignorant of the true name of a defendant when the complaint in the above-named case was filed, and having designated defendant in the complaint by the fictitious name of

_____

and having discovered the true name of defendant to be

_____,

amends the complaint by inserting such true name in place of such fictitious name wherever it appears in the complaint.

Date: _____ _____
Attorney(s) for Plaintiff(s)

Under Code of Civ. Pro. § 473:
NAME - Add or Correct (Court order required)

Plaintiff(s), having designated ☒ defendant ☐ plaintiff in the complaint by the name of

MONACO FINANCE

and having discovered ☒ name to be incorrect and the correct name is ☐ defendant also uses the name of

MONACO FINANCE & INVESTMENTS, INC.

amends the complaint by ☒ substituting ☐ adding such name(s) wherever the name of

MONACO FINANCE

appears in the complaint.

CLERK'S CERTIFICATE
The foregoing document, consisting of 1 page(s), is a full, true, and correct copy of the original ☐ copy on file in this office.
Clerk of the Superior Court
10/20/10 by [signature] Deputy
Date

Date: November 25, 2008 Douglas M. Field
Attorney(s) for Plaintiff(s)

ORDER

The above amendment to the complaint is allowed.

Date: DEC 01 2008 Ronald S. Prager
Ronald S. Prager
Judge of the Superior Court

Michael B. McDonnell, State Bar No. 107053
Douglas M. Field, State Bar No. 237888
McDONNELL & ASSOCIATES, P.C.
2040 Harbor Island Drive, Suite 202
San Diego, California 92101
Telephone: (619) 294-4230
Facsimile: (619) 294-4237

Attorneys for Plaintiffs, ERNESTO VAZQUEZ-ELIAS, CARMELA DE JESUS ARIAS KONG, and GUSTAVO MARTINEZ SANTOS

FILED
Clerk of the Superior Court
JAN 26 2010
By: Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN DIEGO - CENTRAL DISTRICT

ERNESTO VAZQUEZ-ELIAS, an individual, CARMELA DE JESUS ARIAS KONG, an individual, and GUSTAVO MARTINEZ SANTOS Plaintiffs, vs. MICHAEL MONACO, an individual, WENDY MONACO, an individual, MONACO FINANCE, an unknown business entity, SUB 500 MORTGAGE, INC, an unknown business entity, COMPANY INVESTORS FINANCE, INC., a Hawaii Corporation; and DOES 1 through 100, inclusive Defendants.	Case No.: 37-2008-00096318-CU-BC-CTL FINAL JUDGMENT PURSUANT TO STIPULATION

Plaintiffs ERNESTO VAZQUEZ-ELIAS, CARMELA DE JESUS ARIAS KONG and GUSTAVO MARTINEZ SANTOS having entered into the Stipulation for Entry of Judgment attached hereto, wherein the parties stipulated and agreed to the existence of certain facts and conclusions of law and to the issuance of this Final Judgment; and

Defendants, MICHAEL MONACO, MONACO FINANCE, and SUB 500 MORTGAGE, INC. Having authorized the Court to enter judgment in this action, pursuant to stipulation, on request of Plaintiffs, without notice to Defendants; and good cause appearing therefore:

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EXHIBIT 2

IT IS HEREBY ORDERED, DECREED, AND ADJUDGED THAT:

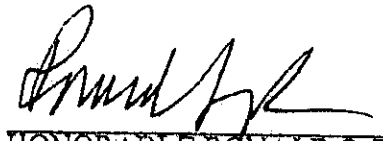
Defendants, MICHAEL MONACO, MONACO FINANCE, and SUB 500 MORTGAGE, INC. have admitted that they are jointly and severally liable to Plaintiffs and that Judgment be entered against said Defendants for the principal sum of $733,000 along with interest thereon accruing at the rates as detailed below and attorneys' fees associated with the collection of said monies.

The $733,000 Principal is comprised of the sums contractually owed Plaintiffs, and shall be paid at the following rates until such time as the debt is completely discharged:

1. ERNESTO VAZQUEZ-ELIAS is owed the principal sum of $567,000,
   - A. $300,000 of which is accruing interest at the rate of 14% from December 15, 2008,
   - B. $97,500 of which is accruing interest at the rate of 11.75% from December 15, 2008, and
   - C. $170,000 of which is accruing interest at the rate of 11.75% from December 15, 2008;
2. GUSTAVO MARTINEZ SANTOS is owed the principal of $97,500 which is accruing interest at 11.75% from December 15, 2008;
3. CARMELA DE JESUS ARIAS KONG is owed the principal sum of $68,000 which is accruing interest at the rate of 12% from December 15, 2008.

This Final Judgment shall take effect immediately upon entry. The clerk is directed to enter this Final Judgment forthwith.

Dated: JAN 26 2010



HONORABLE RONALD S. PRAGER
JUDGE OF THE SUPERIOR COURT

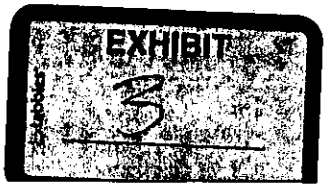
SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN DIEGO - CENTRAL DISTRICT

ERNESTO VAZQUEZ-ELIAS, an individual, CARMELA DE JESUS ARIAS KONG, an individual, and GUSTAVO MARTINEZ SANTOS Plaintiffs, vs. MICHAEL MONACO, an individual, WENDY MONACO, an individual, MONACO FINANCE, an unknown business entity, SUB 500 MORTGAGE, INC, an unknown business entity, COMPANY INVESTORS FINANCE, INC., a Hawaii Corporation; and DOES 1 through 100, inclusive Defendants.	**Case No.: 37-2008-00096318-CU-BC-CTL** **DECLARATION OF MICHAEL MONACO** Complaint Filed: 11/18/2008 Judge: Honorable Ronald S. Prager

I, Michael Monaco, declare and state as follows:

1. I have entered into a written stipulation for the entry of judgment in the Ernesto Vazquez, et al v. Monaco et al matter, SDSC Case No: 37-2008-00093618-CU-BC-CTL. It is my intention that this judgment not be dischargeable. By this declaration I am directing any Court of Bankruptcy that this judgment not be dischargeable becuase the liability giving rise to my stipulated judgment stems from fraudulent acts, the nature of which would not be dischargeable if it was forced to be litigated in the Bankruptcy Court in a non-dischareability



matter. It is my intent to avoid causing these parties any further harm and I hereby stipulate that the judgment is non-dischargeable and that this declaration along with the Stipulated Entry of Judgment may be utilized to avoid the necessity of the filing of a non-dischargeability claim should this judgment be listed a chargeable debt in any bankruptcy proceeding.

I declare, under penalty of perjury, that the foregoing is true and corrected, executed this 11th day ~~February~~ March, 2009, in San Diego, California.

Michael Monaco