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OF ORIGINAL FILED  
Los Angeles Superior Court

DEC 05 2005

John A. Clarke, Executive Officer/Clerk  
by \_\_\_\_\_, Deputy  
**J. SUNGA**

8  
9 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
10 FOR THE COUNTY OF LOS ANGELES

11  
12 THE PEOPLE OF THE STATE OF  
13 CALIFORNIA, by and through the California  
Corporations Commissioner,

14 Plaintiff,

15 v.

16 LEEDHA, INC., d.b.a. Flintridge Asset  
17 Management Company, a California  
Corporation;  
18 EARL D. ANSCHULTZ, an individual; and  
19 DOES 1 through 10, inclusive,

20 Defendants.

CASE NO. **BC343931**  
COMPLAINT FOR TEMPORARY  
RESTRAINING ORDER, PRELIMINARY  
INJUNCTION, PERMANENT INJUNCTION,  
ANCILLARY RELIEF AND SPECIFIC  
PERFORMANCE OF CONTRACT  
VIOLATIONS OF CALIFORNIA  
CORPORATIONS CODE SECTION 25230  
**(UNLICENSED INVESTMENT ADVISER)**  
VIOLATIONS OF CALIFORNIA  
CORPORATIONS CODE SECTION 25235(b)  
**(TRANSACTION, PRACTICE OR COURSE  
OF BUSINESS TO DEFRAUD)**  
CALIFORNIA CORPORATIONS CODE  
SECTION 25530  
**(INJUNCTION FOR VIOLATIONS OF BAR  
ORDER ISSUED BY THE CALIFORNIA  
CORPORATIONS COMMISSIONER)**  
CALIFORNIA CORPORATIONS CODE  
SECTION 25530  
**(INJUNCTION FOR VIOLATIONS OF  
DESIST AND REFRAIN ORDER ISSUED  
BY THE CALIFORNIA CORPORATIONS  
COMMISSIONER)**  
CALIFORNIA CIVIL CODE SECTION 3384  
**(SPECIFIC PERFORMANCE OF  
CONTRACT)**

COMPLAINT FOR TEMPORARY RESTRAINING ORDER, PRELIMINARY INJUNCTION,  
PERMANENT INJUNCTION, ANCILLARY RELIEF AND SPECIFIC PERFORMANCE OF  
CONTRACT

1 Wayne Strumpfer, Acting California Corporations Commissioner ("Commissioner"), acting  
2 to protect the public from unlawful activities by an unlicensed investment adviser, brings this action  
3 in the public interest in the name of the People of the State of California. The People of the State of  
4 California allege as follows on information and belief:

5 **JURISDICTION AND VENUE**

6 1. The Commissioner brings this action to enjoin the defendants from violating the  
7 provisions of the California Corporate Securities Law of 1968 ("CSL") (Cal. Corp. Code Sections  
8 25000 et seq.) and to request necessary equitable and ancillary relief. The Commissioner is  
9 authorized to administer and enforce the provisions of the CSL and the regulations thereunder at  
10 Title 10, California Code of Regulations, sections 260.000 et seq.

11 2. The Commissioner brings this action pursuant to California Corporations Code Section  
12 25530 and California Government Code Section 11180 et seq. in his capacity as head of the  
13 California Department of Corporations ("Department").

14 3. Defendants have transacted business within Los Angeles County and other counties in  
15 California. Defendants principle place of business is located in Los Angeles County. The  
16 violations of law described herein have occurred and will continue to occur, unless enjoined, within  
17 Los Angeles County and elsewhere within the state of California.

18 **DEFENDANTS**

19 4. Defendant Leedha, Inc., d.b.a. Flintridge Asset Management Company ("Leedha") is a  
20 California corporation. Leedha's last known business address is in the County of Los Angeles at  
21 2540 Huntington Drive, Suite 104, San Marino, California 91108.

22 5. Defendant Earl D. Anschultz ("Anschultz") is an individual and is a resident of Los  
23 Angeles County. Anschultz is and was conducting business in the County of Los Angeles and  
24 elsewhere within California. Anschultz was at all relevant times the president and owner of Leedha.

25 6. Defendants Does 1 through 10, inclusive, are persons, corporations, or other entities  
26 that have done or will do acts otherwise alleged in this Complaint. Plaintiff is informed and  
27 believes, and on such information and belief alleges, that Defendants Does 1 through 10 inclusive, at  
28 all times mentioned herein have acted and are continuing to act in concert with the Defendants

1 named herein, and that each of them has participated in the acts and transactions which are the  
2 subject of this Complaint. The true names and capacities of Does 1 through 10, whether individual,  
3 corporate, or otherwise, are unknown to Plaintiff, who therefore sues such Defendants under such  
4 fictitious names, pursuant to the provisions of section 474 of the California Code of Civil Procedure.  
5 Plaintiff asks leave of the court to amend the complaint to allege the true names and capacities of  
6 such Defendants at such time as the same have been ascertained.

7         7. Plaintiff is informed and believes and on such information and belief alleges that, at all  
8 relevant times, the defendants named as officers, directors, agents or employees, acted in such  
9 capacities in connection with the acts, practices and schemes of business set forth below.

10         8. Whenever any allegation is made in this Complaint to "Defendants" doing any act, the  
11 allegation shall mean the act of each individual Defendant acting individually, jointly and severally  
12 and the conspiring of these Defendants to so act. Each Defendant alleged to have committed any act  
13 did so pursuant to and in furtherance of a common plan, scheme and conspiracy and as the agent for  
14 each and every co-defendant. Each Defendant acted in conspiracy to violate the provisions of the  
15 CSL.

16         9. Plaintiff is informed and believes and on such information and belief alleges that, at all  
17 relevant times, each and every Defendant, directly or indirectly controlled other co-defendants by  
18 knowingly inducing, or by knowingly providing substantial assistance to other co-defendants, to  
19 violate the provisions of the CSL, as alleged in this Complaint within the meaning of California  
20 Corporations Code section 25403.

21         10. Whenever any allegation is made in this Complaint to any of the corporate Defendants  
22 doing any act, the allegation shall mean acts done or authorized by the officers, directors, agents, or  
23 employees of the corporate Defendants while actively engaged in the management, direction, or  
24 control of the affairs of the corporate Defendants, and while acting within the course and scope of  
25 their employment.

26         11. Plaintiff is informed and believes and on such information and belief alleges that, at all  
27 relevant times herein mentioned, Leedha continued in existence as an alter ego of Anschultz  
28 pursuant to a scheme to offer investment adviser services.



1 was in compliance with the capital requirements of California Code of Regulations, title 10, section  
2 260.237.1, except that if during the first 12 months of the reporting period there were no violations  
3 of Section 260.237.1, the reports were due quarterly; and 2) quarterly reports stating that Leedha was  
4 in compliance with the books and records requirements of California Code of Regulations, title 10,  
5 sections 260.241.1, 260.241.2 and 260.241.3, except that if during the first 12 months there were no  
6 violations, then the reports were due biannually. Both reports were due within fifteen days of the  
7 period covered and were to continue for a two year period until October 31, 2003.

8 19. On May 1, 2003, the Commissioner commenced a field examination of Leedha. As a  
9 result of this examination, the Commissioner determined that Leedha had violated the terms of the  
10 Undertaking, which entitled the Department to summarily revoke Leedha's investment adviser  
11 certificate.

12 20. During its May 2003 examination, the Commissioner not only determined that Leedha  
13 failed to comply with the terms of the Undertaking, but also discovered that Leedha continued to  
14 violate the same books and records requirements by failing to comply with California Code of  
15 Regulations, title 10, sections 260.241.2 and 260.241.3, by not filing an annual financial report, and  
16 by failing to maintain specific books and records, respectively. Furthermore, Leedha misrepresented  
17 to its clients the nature of the investment advisory fees charged, by not fully and clearly disclosing  
18 that clients would also be charged a fee based on assets that included securities purchased on margin.  
19 Leedha also overcharged some clients by double billing, calculating fees based on overvalued assets,  
20 charging clients fees while unlicensed and for charging on margin balances.

21 21. On August 17, 2004, the Commissioner served Leedha and Anschutz by certified mail  
22 with administrative pleadings to revoke Leedha's certificate as an investment adviser, bar Anschutz  
23 from any position of employment, management or control of any investment adviser, broker dealer  
24 or commodity adviser, to levy administrative penalties and for ancillary relief in the form of  
25 disgorgement and costs ("Administrative Pleadings").

26 22. On or about August 23, 2004, Defendants Leedha and Anschutz received the  
27 Administrative Pleadings. On or about August 26, 2004, Defendants filed Notices of Defense with  
28 the Commissioner, requesting a hearing. The hearing was scheduled to start June 30, 2005.

1           23. On June 29, 2005, in lieu of a hearing on the Administrative Pleadings, the  
2 Commissioner and Defendants Leedha and Anschutz executed a Stipulation (“Stipulation”)  
3 agreeing to the following: 1) an Order permanently barring Anschutz from any position of  
4 employment, management and control of any investment adviser, issued on October 1, 2005; 2)  
5 Leedha’s surrender of its investment adviser license, by no later than October 1, 2005, with the  
6 provision that if Leedha did not surrender its investment adviser license by October 1, 2005, then the  
7 Commissioner could immediately revoke Leedha’s investment adviser license and Leedha and  
8 Anschutz waived their rights to a hearing or appeal pursuant to the CSL or any other relevant  
9 provision of law; 3) that Leedha and Anschutz may not take on any new clients and may not  
10 overcharge any existing clients, with the provision that if the Department determined that Leedha  
11 charged fees in excess of the fees stated in the clients’ current investment advisory agreement from  
12 the date the Stipulation was entered until October 1, 2005, then Leedha agreed to pay a fine in the  
13 amount of \$5,000 for each client overcharged; 4) Leedha will disgorge any overcharged investment  
14 advisory fees, which are estimated to be approximately \$55,056.25, to its investment adviser clients  
15 and must provide proof that the clients have been reimbursed by no later than December 31, 2005; 5)  
16 that Leedha would contact its clients in writing within ten (10) days from the date of the execution of  
17 the Stipulation, disclose the Stipulation, including the stipulated Order permanently barring  
18 Anschutz, and to provide proof to the Department that it has done so; and 6) that Leedha will  
19 cooperate with two field examinations to occur sometime within one year from the date the  
20 Stipulation is executed and that Leedha must either provide adequate space for the examination  
21 where the books and records are maintained or bring all books and records to the Department for the  
22 exam.

23           24. The Stipulation also provided that the Commissioner would waive its administrative  
24 penalties and costs.

25           25. On October 1, 2005, the Commissioner issued the stipulated order permanently barring  
26 Anschutz from any position of employment, management and control of any investment adviser.  
27 On October 3, 2005, after Leedha failed to surrender its investment adviser license by October 1,  
28

1 2005, as agreed to in the Stipulation, the Commissioner issued an Order Revoking Certificate to  
2 Leedha.

3 26. In or about September 2005 and continuing thereafter, Anschultz solicited clients to act  
4 as their financial consultant. Anschultz sent a written proposal to some clients, offering to act as a  
5 financial consultant in an individual capacity for a fee, as of October 1, 2005, and after. The written  
6 proposal states that Anschultz as an individual will advise on client investment portfolios, execute  
7 trades with brokers with the client's limited power of attorney, and work for a fixed monthly fee.

8 **FIRST CAUSE OF ACTION**  
9 **UNLICENSED INVESTMENT ADVISER ACTIVITY**  
10 **IN VIOLATION OF CALIFORNIA CORPORATIONS CODE SECTION 25230**  
11 **(Against Defendant Anschultz)**

12 27. Plaintiff incorporates by reference paragraphs 1 through 26 of this Complaint as though  
13 fully set forth herein.

14 28. California Corporations Code Section 25230, in relevant part, provides:

15 (a) It is unlawful for any investment adviser to conduct business as an investment  
16 adviser in this state unless the investment adviser has first applied for and secured  
17 from the commissioner a certificate, then in effect, authorizing the investment adviser  
18 to do so or unless the investment adviser is exempted by the provisions of Chapter 1  
19 (commencing with Section 25200) of this part or unless the investment adviser is  
20 subject to Section 25230.1.

21 29. California Corporations Code Section 25009, in relevant part, provides that:

22 (a) "Investment adviser" means any person who, for compensation, engages in the  
23 business of advising others, either directly or through publications or writings, as to  
24 the value of securities or as to the advisability of investing in, purchasing or selling  
25 securities, or who, for the compensation and as part of a regular business, publishes  
26 analyses or reports concerning securities...

27 30. California Corporations Code Section 25013 defines a person, in relevant part, as:  
28

1 ... an individual, a corporation, a partnership, a limited liability company, a joint  
2 venture, an association, a joint stock company, a trust, an unincorporated  
3 organization, a government, or a political subdivision of a government.

4 31. On June 29, 2005, in accordance with the Stipulation, Defendant Anschutz agreed to,  
5 among other things, an Order permanently barring Anschutz from any position of employment,  
6 management and control of any investment adviser, effective October 1, 2005. The Commissioner  
7 issued this Order on October 1, 2005. Furthermore, on October 3, 2005, in accordance with the  
8 Stipulation, the Commissioner revoked Leedha's investment adviser certificate.

9 32. In or around September 2005 and continuing thereafter, including after October 1,  
10 2005, Defendant Anschutz held himself out to clients as a financial consultant. Orally, and in a  
11 written proposal to some clients, Defendant Anschutz as an individual offered to advise on client's  
12 investment portfolios and execute trades with brokers with client's limited power of attorney for a  
13 fixed monthly fee, as of October 1, 2005. Therefore, Defendant Anschutz is conducting business as  
14 an investment adviser in the State of California.

15 33. Defendant Anschutz continues to engage in the business of advising clients as to the  
16 value of securities and as to the advisability of purchasing and selling securities for compensation,  
17 after his bar from the investment adviser industry and the revocation of Leedha's investment adviser  
18 certificate, and as such is acting as an investment adviser within the meaning of California  
19 Corporations Code Section 25009.

20 34. Defendant Anschutz, by acting as an investment adviser within the meaning of  
21 California Corporations Code Section 25009 without a certificate from the Commissioner, is  
22 conducting unlicensed investment adviser business in violation of California Corporations Code  
23 Section 25230.

24 35. Defendant Anschutz is conducting investment adviser business that is not exempt from  
25 the licensing requirements mandated by California Corporations Code Section 25230. Unless  
26 enjoined by this Court, Anschutz will continue to violate California Corporations Code Section  
27 25230.





1           42. On or about April 26, 2001, the Commissioner issued an administrative order against  
2 Defendants Leedha and Anschutz, ordering them to immediately desist and refrain from engaging in  
3 unlicensed investment adviser business in the state of California, unless and until it applied for and  
4 secured from the Commissioner a certificate authorizing Leedha to conduct business as an  
5 investment adviser or unless Leedha is exempted from the provisions of Corporations Code section  
6 25230.

7           43. On October 1, 2005, the Commissioner issued an Order permanently barring Anschutz  
8 from any position of employment, management and control of any investment adviser. On October  
9 3, 2005, the Commissioner revoked Leedha's investment adviser certificate.

10           44. Notwithstanding the receipt and knowledge of the Desist and Refrain Order, Defendant  
11 Anschutz continues to engage in the business of advising clients as to the value of securities and as  
12 to the advisability of purchasing and selling securities for compensation, and as such is acting as an  
13 investment adviser in the state of California without a license in violation of the Commissioner's  
14 Order, and therefore should be enjoined from doing so.

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16                                   **FOURTH CAUSE OF ACTION**  
17                                   **VIOLATION OF BAR ORDER ISSUED BY THE COMMISSIONER**  
18                                   **(Against Defendant Anschutz)**

19           45. Plaintiff incorporates by reference paragraphs 1 through 44 of this Complaint as  
20 though fully set forth herein.

21           46. Corporations Code section 25530 provides, in pertinent part, as follows:

22                   (a) Whenever it appears to the commissioner that any person has engaged or is about  
23 to engage in any act or practice constituting a violation of any provision of this  
24 division or any rule or order hereunder, the commissioner may in the commissioner's  
25 discretion bring an action in the name of the people of the State of California in the  
26 superior court to enjoin the acts or practices or to enforce compliance with this law or  
27 any rule or order hereunder....

28           47. Corporations Code section 25232.1 provided, in pertinent part:

                  The commissioner may, after appropriate notice and opportunity for hearing, by order



1 enforcement.

2 54. Defendants Leedha and Anschultz have breached the Stipulation by failing to perform  
3 the following acts:

4 a. Defendants Leedha and Anschultz failed to provide proof to the Department that its  
5 clients were contacted in writing within ten (10) days from the date of the execution of the  
6 Stipulation, and that the Stipulation was disclosed to the clients. Defendants Leedha and Anschultz  
7 failed to notify clients of the Stipulation even after repeated assurances to the Department that they  
8 would do so. In September 2005, the Department provided written notification of the Stipulation to  
9 Leedha's clients;

10 b. Defendants Leedha and Anschultz failed to cooperate with the Commissioner's attempt  
11 to conduct a field examination of Leedha in August 2005;

12 c. Defendant Anschultz failed to abide by the terms of the Stipulation and Stipulated Bar  
13 Order, which permanently barred him from any position of employment, management and control of  
14 any investment adviser, as of October 1, 2005; and

15 d. To date, Defendants Leedha and Anschultz have failed to disgorge any overcharged  
16 investment advisory fees, which are estimated to be approximately \$55,056.25, to its investment  
17 adviser clients. Explicitly, Anschultz has told some clients that he does not owe them money and  
18 that he will not be paying them back. Further, by breaching other significant terms of the Stipulation  
19 as described above, it is clear that Anschultz has made an implied anticipatory breach of this  
20 provision in the Stipulation.

21 55. Plaintiff Commissioner performed all of the conditions on its part to be performed  
22 under said agreement, including waiving its administrative penalties and costs.

23 56. As a result thereof, the Department, on behalf of Leedha's clients as third party  
24 beneficiaries to the Stipulation, requests specific performance of the disgorgement provision in the  
25 Stipulation, in the amount of \$55,056.25, together with interest thereon at the legal rate per annum  
26 until said amounts are paid in full against Defendants Leedha and Anschultz, to be paid either  
27 directly to the clients or to the Department on their behalf.

28

1 **PRAYER**

2 WHEREFORE, plaintiff prays for judgment as follows:

3 **I. AGAINST DEFENDANT ANSCHULTZ:**

4 1. For Orders of Temporary, Preliminary and Permanent Injunctions enjoining Defendant  
5 Anschultz, and all persons acting in concert or participating with him, from directly or indirectly  
6 violating:

7 a. California Corporations Code section 25230 by acting as an investment adviser  
8 without a license.

9 b. California Corporations Code section 25235(b) by engaging in transactions,  
10 practices, or a course of business to defraud or deceive any client or prospective client.

11 c. The Desist and Refrain Order, dated April 26, 2001.

12 d. The Bar Order issued against Defendant Anschultz, dated October 1, 2005.

13 2. For an Order of Final Judgment requiring Defendant Anschultz to pay a civil penalty not  
14 to exceed \$25,000 for each violation of the CSL to the Department of Corporations as authorized by  
15 Corporations Code section 25535. Penalties should be assessed for the following:

16 a. As to the First Cause of Action against Defendant Anschultz for at least \$100,000 for  
17 violations of Corporations Code section 25230, or any amount according to proof;

18 b. As to the Second Cause of Action against Defendant Anschultz for at least \$100,000 for  
19 violations of Corporations Code section 25235(b), or any amount according to proof;

20 c. As to the Third Cause of Action against Defendant Anschultz for at least \$100,000 for  
21 violations of a Desist and Refrain Order, or any amount according to proof; and

22 d. As to the Fourth Cause of Action against Defendant Anschultz for at least \$100,000 for  
23 violations of a Bar Order, or any amount according to proof.

24 **II. AGAINST ALL DEFENDANTS**

25 For the Fifth Cause of Action, specific performance of the disgorgement provision in the  
26 Stipulation, in the amount of \$55,056.25, together with interest thereon at the legal rate per annum  
27 until said amounts are paid in full against Defendants Leedha and Anschultz, to be paid either  
28 directly to the clients or to the Department on their behalf.

1 **III. OTHER RELIEF:**

2 1. For an Order of Final Judgment that plaintiff recovers his costs and reasonable  
3 attorneys' fees from defendants, and each of them, individually, jointly and severally.

4 2. For an Order that this court will retain jurisdiction of this action in order to implement  
5 and carry out the terms of all orders and decrees that may be entered herein or to entertain any  
6 suitable application or motion by Plaintiff for additional relief within the jurisdiction of this Court.

7 3. For such other and further relief as the Court deems necessary and proper.

8 Dated: December 2, 2005  
9 Los Angeles, California

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Respectfully submitted,  
  
WAYNE STRUMPFER  
Acting California Corporations Commissioner  
  
By: \_\_\_\_\_  
MICHELLE LIPTON  
Senior Corporations Counsel  
Attorney for Plaintiff