

April 19, 2022

Via electronic mail only

Mayor Farrah Khan, Irvine
Honorable Members of the City Council, Irvine
1 Civic Center Plaza
Irvine, CA 92606

Dear Mayor Khan and Honorable Members of the City Council:

In our letter dated March 22, we expressed concern over Resolution and Proposed Ordinance Nos. 22-___ and the City Council's efforts to limit public participation. We recognize and support the changes adopted during the meeting in response to our letter. Nonetheless, we want to further elaborate on our concerns and address a related issue of the City Attorney's interfering with speakers giving public comment.

Remaining Concerns with the City Council's Public Comment and Decorum Rules

Public Comment

In our previous letter, we addressed two provisions embedded in Section 1-2-313(B) as clearly unconstitutional: (1) the requirement that speakers provide their name and address before giving comment, and (2) the requirement that remarks be addressed "to the Council as a body" and not to any individual member.¹ We also criticized the City Council's decision to limit the time provided for public comment as being counter to the spirit of the Brown Act and California Constitution.

We appreciate the Council's responsiveness to concerns with those provisions and are in favor of the amendments to Section 1-2-313(B) that Councilmember Carroll suggested and the Council adopted. We also support Mayor Khan's amendment removing the one-hour overall time limit for public comment and establishing a separate comment period for agenda and non-agenda items. We applaud these changes in favor of increasing public access and participation. However, we urge the City Council to provide additional clarification on the following:

- Whether, in removing the one-hour total time limit for public comment, the City Council also removed the tiered system for assigning time per speaker based on the number of speaker requests. *See* City Council Policy / Procedure guide § 1(d)(i); and
- Whether the amendment removing the one-hour total time limit applied to *both* the public comment period for agenda items and to the comment period for non-agenda items.

¹ We mistakenly referred to these provisions as among the revisions to the Municipal Code being proposed in the Resolution and Ordinance Nos. 22-___ but recognize that these provisions in particular were already in place.

EXECUTIVE DIRECTOR Hector O. Villagra

CHAIR Marla Stone **VICE CHAIRS** Sherry Frumkin and Frank Broccolo

CHAIRS EMERITI Shari Leinwand Stephen Rohde Danny Goldberg Allan K. Jonas* Burt Lancaster* Irving Lichtenstein, MD* Jarl Mohn Laurie Ostrow* Stanley K. Sheinbaum*

*deceased

Consistent with the Orange County Board of Supervisor's actions in response to our previous litigation challenging the "name and address" requirement, we also urge the Council to take proactive steps to rectify any chilling effect that having this unconstitutional rule in effect for years may have had. In particular, the City Council should edit the speaker request cards and public comment instructions to expressly state an individual may use a pseudonym when completing the speaker request card or addressing the Council.²

Decorum Rules

In our letter, we focused on two specific provisions but have additional concerns about Section 1-2-314(B) about decorum at City Council meetings. The staff report emphasized that federal courts had "reviewed and validated" the proposed language. The staff report did not reflect, and the Council did not discuss, that the Ninth Circuit has only approved this language subject to a narrow limiting construction. *See White v. City of Norwalk*, 900 F.2d 1421, 1424 (9th Cir. 1990) (adopting Norwalk's construction of identical provision as *only* permitting removal "when someone making a proscribed remark is acting in a way that *actually disturbs or impedes* the meeting") (emphasis added); *see also Norse v. City of Santa Cruz*, 118 Fed. App'x 177, 178 (9th Cir. 2004) (Santa Cruz decorum rules were "materially similar" to Norwalk rules and facially valid when read only to "proscribe only disruptive conduct"); *but see Acosta v. City of Costa Mesa*, 718 F.3d 800, 810-11, 813 (9th Cir. 2013) (Distinguishing from *Norwalk* and invalidating as overbroad the provision prohibiting "personal, impertinent, profane, or slanderous" remarks because the ordinance was not "susceptible to a limiting construction" proscribing only actual disruptions). In fact, the Ninth Circuit has been careful to emphasize citizens' "enormous first amendment interest in directing speech about public issues to those who govern their city." *Norwalk*, 900 F.2d at 1425.

While the language recently approved in Resolution and Ordinance Nos. 22-___ may be constitutional on its face, the Ninth Circuit has expressly left the door open for as applied challenges if City Councils apply it to speech that does not actually disrupt the meeting. *See Santa Cruz*, 118 Fed. App'x at 970 (remanding as applied challenge for further consideration of whether plaintiff's behavior in fact disrupted the meeting).

Given recent incidents of the City Attorney's interrupting speakers with accusations of slander, it is essential the City Council is aware that the new decorum rule must be narrowly confined if it is to operate within the bounds of the First Amendment. To apply this provision more broadly would be to "rewrite First Amendment law to extinguish the rights that citizens have when they attend public meetings." *Norse v. City of Santa Cruz*, 629 F.3d 966, 976 (9th Cir. 2010).

The City Attorney's Interrupting the Speaker is an Unconstitutional Prior Restraint

We are aware of two separate incidents of City Attorney Melching interfering with a speaker during the general public comment portion of the meeting. First, on March 8, Irvine

² Both the instructions on the City Council's website and the instructions read prior to the public comment period should reflect this change.

resident Dee Fox addressed the Council about concerns over the appointment of Councilmember Mike Carroll to various committees:

Previous to Mike Carroll inserting himself by getting appointed to various committee boards in OC, he managed and operated a corporation named Sage Credit Company. Several district court judges found *this corporation* liable of fraud. *Based on the accounts of the plaintiff in these suits*, Mike Carroll and his partner set up, as part of their scheme, a network of mortgage loan branches where they perpetrated—³

Approximately thirty seconds into her comment, Mr. Melching requested that the City Clerk mute her. As justification, Mr. Melching stated that Ms. Fox was “not speaking about something that is within the subject matter jurisdiction of the City.” Mr. Melching also took it upon himself to defend Councilmember Carroll by clarifying that “no court has found him personally guilty of fraud or any other crime” despite Ms. Fox’s having referred only to the corporation’s liability.⁴ Finally, Mr. Melching “caution[ed]” Ms. Fox that speaking at a City Council meeting did not shield her from liability for “slander or libel.” Ms. Fox disconnected before she had the opportunity to complete her remarks.

On March 22, Ms. Fox again addressed the City Council about her concerns with Councilmember Carroll’s fitness to sit on the board of the Orange County Power Authority (“OCPA”), a “billion-dollar taxpayer-funded organization.” When Ms. Fox began to discuss the basis for her concerns, Mr. Melching again interrupted to request at the City Clerk mute Ms. Fox.⁵ This time, he did not assert that her comments were outside the jurisdiction of the Council, but he again suggested that her comments amounted to slander and offered a “friendly warning” that in “proceeding down th[at] road of talking points,” she was “expos[ing] herself to personal liability” to Councilmember Carroll.

Mr. Melching unlawfully interfered with Ms. Fox’s statutory and constitutional rights to address the Council on matters of public concern. First, at the March 8 meeting, had Mr. Melching allowed Ms. Fox to contextualize her comments before interrupting, it would have been clear that her comments about Councilmember Carroll’s fitness to serve on multiple committees was related to his position as Chairman of the Board of the OCPA, the Community Choice Energy program initiated by Irvine and implemented via Joint Powers Agreement with

³ See City Council Meeting at 1:21:53, https://irvine.granicus.com/MediaPlayer.php?view_id=68&clip_id=5663 (March 8, 2022) (emphasis added).

⁴ See City Council Meeting at 1:22:23, https://irvine.granicus.com/MediaPlayer.php?view_id=68&clip_id=5663 (March 8, 2022)

⁵ See City Council Meeting at 3:21:57, https://irvine.granicus.com/MediaPlayer.php?view_id=68&clip_id=5680 (March 22, 2022) (“This Council has court documents that fill in Mike Carroll’s work history that he omitted between 2007-2011. He lied to this Council by not disclosing his past employment history. This is very important information since he is sitting on a billion-dollar taxpayer-funded organization with no accountability. Mike Carroll managed and operated Sage Credit Company, and *the company* was found liable of fraud by a district court judge. Plaintiffs stated he operated a—“) (emphasis added).

other OC cities.⁶ In 2020, the previous City Council committed the City of Irvine to funding the OCPA start-up costs.⁷ On November 24, 2020, the City Council voted to pass Ordinance 20-09 authorizing the implementation of the program and appointed then-Vice Mayor Carroll and then-Councilmember Khan to the OCPA Board.⁸ Irvine’s involvement in and funding of the OCPA, and the City Council’s appointment of Councilmember Carroll to the OCPA Board, therefore, are squarely within the City Council’s jurisdiction. Comments relating to Councilmember Carroll’s past performance in managing a financial services company speaks directly to his fitness to carry out his official duties, including his duties on a board that the Council appointed him to.

Second, true statements are not slanderous.⁹ At both the March 8 and March 22 meetings, Ms. Fox stated facts in the public record.¹⁰ And finally, even if Ms. Fox’s comments were false or slanderous, the remedy would be for the aggrieved party to file a civil lawsuit alleging slander—not for the government to prohibit her from speaking. Muting Ms. Fox as she addressed the Council was an unconstitutional prior restraint. A prior restraint may only be imposed by an injunction precisely tailored to specific statements after they have been found to be defamatory at trial. *Balboa Island Village Inn, Inc. v. Lemen*, 40 Cal.4th 1141, 1143 (2007). Otherwise, any prior restraint on alleged defamation is not permitted. *Gilbert v. Nat’l Enquirer*, 43 Cal. App. 4th 1135, 1139 (1996). It is settled that “prior restraints on speech and publication are the most serious and the least tolerable infringement on First Amendment rights.” *Nebraska Press Ass’n v. Stuart*, 427 U.S. 539, 559 (1976). The City Attorney does not have the authority to silence a member of the public addressing the City Council merely because the content of the speech is unpleasant or unflattering to an individual Councilmember even if he believes the comments

⁶ See *Community Choice Energy*, City of Irvine Official Website, <https://www.cityofirvine.org/energy/community-choice-energy> (last visited Apr. 17, 2022); City Council Minutes at 4 (November 10, 2020), https://irvine.granicus.com/MinutesViewer.php?view_id=68&clip_id=5210&doc_id=085b9e7c-6a4d-11eb-920e-0050569183fa (motion to direct staff to approve joint powers agreement with participating cities passes).

⁷ See *id.* (capital loan of up to \$2.5 million for start-up costs); see William D’Urso, *Irvine takes lead in Orange County Power Authority, hopes to be carbon neutral by 2030*, SPECTRUM NEWS 1 (Oct. 27, 2021, 10:59 AM), <https://spectrumnews1.com/ca/la-west/public-safety/2021/10/27/irvine-takes-lead-in-orange-county-power-authority->.

⁸ See City Council/Successor Agency Minutes, Items 6.4 (November 24, 2020) (motion to appoint Vice Mayor Carroll and Councilmember Khan to OSPA Board carries unanimously), available at https://irvine.granicus.com/MinutesViewer.php?view_id=68&clip_id=5220&doc_id=67649283-6a4d-11eb-920e-0050569183fa; *Board Members*, Orange County Power Authority Website, <https://www.ocpower.org/about-us/board-members/> (last visited Apr. 17, 2022).

⁹ “In all cases of alleged defamation, whether libel or slander, the truth of the offensive statements or communication is a complete defense against civil liability, regardless of bad faith or malicious purpose.” *Campanelli v. Regents of University of California*, 44 Cal.App.4th 572, 581–582 ((1996).

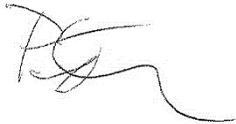
¹⁰ See Complaint ¶¶ 18-21, *Pisa et al. v. Sage Credit Co.*, No. 07-CIV-3537 (D.N.J. July 31, 2007) (attached as Exhibit A); Order Granting Default Judgment, *Pisa et al. v. Sage Credit Co.*, No. 07-CIV-3537 (D.N.J. Jan. 27, 2009), Dkt. 45 (attached as Exhibit B). “Default judgments are final judgments on the merits.” See, e.g., *Howard v. Lewis*, 905 F.2d 1318, 1323 (9th Cir. 1990).

may be slanderous. Rather, an official “who seeks or accepts public office invites and is properly subject to public criticism so far as it may relate to his fitness and qualifications for his office.” *Scott v. McDonnell Douglas Corp.*, 37 Cal. App. 3d 277, 289 (1974).

Conclusion

While we recognize the City Council’s removal of two facially unconstitutional provisions and amendments allowing more time for public comment, the changes warrant further clarification for the public’s benefit. We also remain concerned about the decorum provision in Section 1-2-314(B) prohibiting certain negative remarks. Even before the City Council voted to approve the amendments to Section 1-2-314(B) to proscribe “personal, impertinent, slanderous or profane” remarks, the City Attorney exceeded his authority by requesting that a speaker be muted. We are therefore concerned the new language may be read as an invitation to further restrain public participation. At the next regular meeting on April 26, the Council should rectify any chilling effect resulting from the new language in Section 1-2-314(B) or from the City Attorney’s improper interference with protected speech by (1) formally confirming that Section 1-2-314(B) shall be narrowly construed to apply only to actual disturbances and (2) officially recognizing that Mr. Melcher’s conduct was improper and permit Ms. Fox to complete her remarks without interruption from the Council.

Sincerely,



Peter Eliasberg
Chief Counsel
Manheim Family Attorney for
First Amendment Rights



Zoë McKinney
First Amendment and Democracy Staff Attorney

Cc:

Jeffrey Melching, Rutan & Tucker, LLP, Irvine City Attorney

ATTACHMENT A

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1-(888) 424-3728
Attorney for Plaintiffs

RECEIVED-CLERK
U.S. DISTRICT COURT

2007 JUL 31 A 9 28

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

-----X

JOSEPH PISA and MICHAEL
GLIOTTONE,

Plaintiffs,

-against-

SAGE CREDIT COMPANY, SAGE
MANAGEMENT LLC, DCG HOME LOANS
LLC, PRODIGY MARKETING LLC,
SKYWOOD STREET LLC, TRADELINE
HOME LOANS, INC., LINA CARUANA
TRUST, QUENTIN CARUANA, LINA
CARUANA and MICHAEL CARROLL,

Defendants.
-----X

No. 07 Civ 07-3537 (SDW)

COMPLAINT

Plaintiffs, Joseph Pisa (PISA) and Michael Gliottone (GLIOTTONE), by and through their attorney, Andrew L. Liput, Esq., as and for their Complaint against the above referenced defendants hereby allege as follows:

NATURE OF ACTION

1. PISA and GLIOTTONE bring this action to recover their losses from the defendant for breach of certain joint venture and employment agreements, for fraud and misrepresentation, and for state and federal civil RICO violations under 18 U.S.C. 1962 (a)-(d) and N.J.S.A. 2C:41-4, et al. in connection with the operation and management of

an interstate mortgage company's net branch operation for the origination of residential mortgage loans.

2. As a result of defendants' actions and omissions, acting in concert, and individually, PISA and GLIOTTONE have suffered losses due to unpaid commission income, other income, and rents.

THE PARTIES

3. Plaintiff PISA is a New Jersey resident with an address at 36 Denise Drive, Kinnelon, NJ 07405.

4. Plaintiff GLIOTTONE is a New Jersey resident with an address at 30 Allister Court, Lincoln Park, NJ 07035.

5. Upon information and belief, at all times hereinafter mentioned, Defendant Sage Credit Company (SAGE CREDIT) was and is a licensed mortgage lender in the State of California, having an address at 8001 Irvine Center Drive, # 200, Irvine, CA 92618, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

6. Upon information and belief, at all times hereinafter mentioned, Defendant Sage Management LLC (SAGE MANAGEMENT) was and is a limited liability company formed in the State of California, having an address at 11 Foliage Way, Ladera Ranch, CA 92694, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

7. Upon information and belief, at all times hereinafter mentioned, Defendant Prodigy Marketing LLC (PRODIGY) was and is a limited liability company formed in the State of California, having an address at 11 Foliage Way, Ladera Ranch,

CA 92694 and 3200 Park Center Drive, #720, Costa Mesa CA 92626, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

8. Upon information and belief, at all times hereinafter mentioned, Defendant DCG Home Loans LLC (DCG) was and is a limited liability company formed in the State of California, having an address at 8001 Irvine Center Drive, #400, Irvine, CA 92618 and 11 Foliata Way, Ladera Ranch, CA 92694, and 12 Old Boston Post Road, Old Saybrook, CT 06475, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

9. Upon information and belief, at all times hereinafter mentioned, Defendant Skywood Street LLC (SKYWOOD) was and is a limited liability company formed in the State of California, having an address at 3200 Park Center Drive, #720, Costa Mesa, CA 92626 and 11 Foliata Way, Ladera Ranch, CA 92694, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

10. Upon information and belief, at all times hereinafter mentioned, Defendant Tradeline Home Loans, Inc. (TRADELINES) was and is a licensed mortgage lender in the State of California, having an address at 8001 Irvine Center Drive, #200, Irvine, CA 92618, and is authorized to do business and is actually conducting business in various other states, including the State of New Jersey.

11. Upon information and belief, at all times hereinafter mentioned, Defendant Lina Caruana Trust (CARUANA TRUST) was and is a personal living trust for the benefit of Lina Caruana and Quentin Caruana, formed in the State of California,

having an address at 11 Foliata Way, Ladera Ranch, CA 92694 and 11802 Canons Brook Drive, Las Vegas, NV 89141.

12. Upon information and belief, defendant Quentin Caruana was and is a resident of the State of California, having a home address of 11 Foliata Way, Ladera Ranch, CA 92694, and is an owner, officer, director, or member in each of the defendant entities, having personal responsibility for the formation, management and operation of same.

13. Upon information and belief, defendant Lina Caruana was and is a resident of the State of California, having a home address of 11 Foliata Way, Ladera Ranch, CA 92694, and is an owner, officer, director, or member in each of the defendant entities, having personal responsibility for the formation, management and operation of same.

14. Upon information and belief, defendant Michael Carroll was and is a resident of the State of California, having an address of 264 Cabrillo Street, Costa Mesa, CA 92627, and is an owner, officer, director, or member in each of the defendant entities, having personal responsibility for the formation, management and operation of same.

15. Upon information and belief, at all times hereinafter mentioned, each of the named defendants participated in some way in the conduct and operation of the defendant entities.

JURISDICTION AND VENUE

16. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331, 1332, because the action (a) arises under the laws of the United States and (b) is between citizens of different states and the matter in controversy exceeds

\$75,000.00, exclusive of interest and costs. Additionally, the Court has supplemental jurisdiction over the subject matter of any state law claims pursuant to 28 U.S.C. §1367(a).

17. Venue is proper in this district as this is the district wherein the plaintiff's claim arose, pursuant to 28 U.S.C. §1391.

FACTUAL BACKGROUND

18. PISA and GLIOTTONE incorporate by reference as if fully set forth each of its statements and allegations set forth in Paragraphs "1" through "17" above.

19. On or about March 6, 2006, after lengthy discussions and negotiations with Quentin Caruana and Michael Carroll, PISA and GLIOTTONE were induced to enter into employment and joint venture agreements with SAGE CREDIT for the purposes of managing and operating a New Jersey net branch operation for the company.

20. As part of a scheme to create a network of mortgage branches nationwide, defendants Quentin Caruana and Michael Carroll had devised a plan to recruit mortgage industry professionals, like PISA and GLIOTTONE, and convinced them to enter into elaborate agreements and arrangements claiming to offer PISA and GLIOTTONE the opportunity to operate and manage a New Jersey lending division of SAGE CREDIT when in fact the defendants, acting in concert intended to defraud PISA and GLIOTTONE by encouraging their personal financial and time investment in the New Jersey division, diverting the income to which PISA and GLIOTTONE were entitled, into the defendant entities, all of which are controlled by the individual defendants and from which they derive personal financial benefits.

21. In actuality the net branch plan orchestrated by the defendants was a form of

“Ponzi Scheme” enterprise wherein financial investments and income generated from various net branch professionals nationwide were accumulated by the defendant SAGE CREDIT and diverted for its benefit and the benefit of the various defendants, and the net branch operators were not paid the agreed upon compensation and profit sharing income that had been agreed upon when they joined SAGE CREDIT.

22. Upon information and belief, defendants Quentin Caruana had previously created and operated a similar scheme when he was an owner and management officer of Dana Capital Group, Inc., an entity under state and federal investigation for regulatory violations and consumer fraud and barred from the State of New Jersey from doing business. According to the website for the New Jersey Department of Banking: *“On April 18, 2007, the New Jersey Department of Banking and Insurance issued legal documents ordering Dana Capital Group, Inc. to stop doing business in the state through unlicensed branch offices and unregistered mortgage solicitors. It ordered refunds of fees illegally charged to consumers and also took the initial step toward revoking the company's mortgage lender licenses based on such violations. Consumers who are considering any mortgage loan transaction involving Dana Capital Group, Inc., should be careful to ask if the branch office involved is licensed with the Department and to ask if anyone acting as a mortgage solicitor, loan officer, or loan originator for this company is registered as such with the Department. Consumers are advised not to apply for or close any loan with any entity purporting to be associated or acting on behalf of Dana Capital Group, Inc. with respect to the loan.”*

23. Upon further information and belief, defendants Quentin Caruana and Michael Carroll formed defendant DCG, as an alter ego for Dana Capital Group, Inc. and unknown to PISA and GLIOTTONE recruited them to open the SAGE CREDIT net branch as an illegal and improper continuation of the Dana Capital Group operations.

24. Between March 2006 and June 21, 2007, when PISA and GLIOTTONE separated from SAGE CREDIT, the defendants failed and refused to compensate PISA and GLIOTTONE for the sum of \$163,397.18 in income and commissions due, and also the sum of \$10,000.00 for rent due and owing under the terms of the parties agreements and business arrangements.

25. Upon information and belief, instead of paying PISA and GLIOTTONE the monies rightfully due to them, the individual defendants fraudulently diverted the funds due PISA and GLIOTTONE and the other net branch operators, to the defendants' personal and business accounts and other business interests, including a trust account established for the spouse of Quentin Caruana.

COUNT I

BREACH OF CONTRACT *(Defendants SAGE CREDIT & DCG)*

26. PISA and GLIOTTONE incorporate by reference as if fully set forth each of their allegations set forth in Paragraphs "1" through "25" above.

27. Defendants SAGE CREDIT and DCG breached the term of the agreements between the parties, causing PISA and GLIOTTONE to suffer damages.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants, jointly and severally, for damages in the principal amount of \$173,397.18, plus interest, attorney's fees and costs of suit, and for such other and further relief as this court deems fair, just and equitable.

COUNT II

FRAUD & MISREPRESENTATION *(Defendants Quentin Caruana, Michael Carroll, SAGE CREDIT, and DCG)*

28. PISA and GLIOTTONE incorporate by reference as if fully set forth each of

their allegations set forth in Paragraphs “1” through “27” above.

29. Defendants knowingly made material misrepresentations, and omitted material issues of fact, to induce PISA and GLIOTTONE to become employees and joint venture partners with them.

30. PISA and GLIOTTONE reasonably relied upon the statements, acts and omissions of the defendants to their detriment.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants for damages in the principal amount of \$173,397.18, plus interest, attorney’s fees and costs of suit, and for such other and further relief as this court deems fair, just and equitable.

COUNT III
FEDERAL CIVIL RICO VIOLATION: 18 U.S.C. 1962 (a)-(d)
(All Defendants)

31. PISA and GLIOTTONE incorporate by reference as if fully set forth each of their allegations set forth in Paragraphs “1” through “30” above.

32. The defendants acted in concert with one another, in an ongoing enterprise, and engaged in interstate activity, to perpetrate a pattern of fraud against the plaintiffs PISA and GLIOTTONE, and others through a “Ponzi Scheme” to collect and divert monies to their personal benefit.

33. Furthermore, the individual defendants invested their income from this activity in the various business enterprises named as defendants herein and elsewhere, to further their scheme and cause injury to plaintiffs.

34. The acts complained of all occurred within the past four (4) years.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants for treble damages, as provided by statute, in the principal amount of \$520,191.54, plus interest, attorney's fees and costs of suit, and for such other and further legal and equitable relief, including appropriate injunctive relief, as this court deems fair, just and equitable.

COUNT III
STATE RICO VIOLATION: N.J.S.A. 2C:41-4, et al.
(All Defendants)

35. PISA and GLIOTTONE incorporate by reference as if fully set forth each of their allegations set forth in Paragraphs "1" through "34" above.

36. The defendants acted in concert with one another, in an ongoing enterprise, and engaged in interstate activity, to perpetrate a pattern of fraud against the plaintiffs PISA and GLIOTTONE, and others through a "Ponzi Scheme" to collect and divert monies to their personal benefit.

37. Furthermore, the individual defendants invested their income from this activity in the various business enterprises named as defendants herein and elsewhere, to further their scheme and cause injury to plaintiffs.

38. The acts complained of all occurred within the past four (4) years.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants for treble damages, as provided by statute, in the principal amount of \$520,191.54, plus interest, attorney's fees and costs of suit, and for such other and further legal and equitable relief, including appropriate injunctive relief, as this court deems fair, just and equitable.

COUNT IV
VIOLATION OF FEDERAL FAIR LABOR
STANDARDS ACT, 28 U.S.C. 201, et seq.
(Defendants SAGE CREDIT and DCG)

39. PISA and GLIOTTONE incorporate by reference as if fully set forth each of their allegations set forth in Paragraphs “1” through “38” above.

40. Defendants SAGE and its alter ego DCG failed and refused to pay to plaintiffs compensation duly earned by them and owed by SAGE and DCG, despite demands for same.

41. The failure to pay this compensation is in violation of the plaintiffs rights under the FLSA.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants SAGE and DCG for damages in the principal amount of \$173,397.18, plus interest, attorney’s fees and costs of suit, and for such other and further relief as this court deems fair, just and equitable.

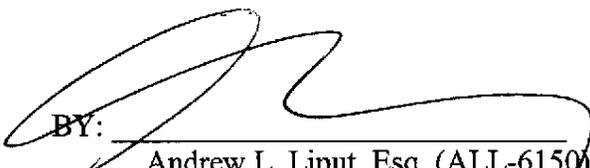
COUNT V
VIOLATION OF NEW JERSEY WAGE
PAYMENT LAW, N.J.S.A. 34:11-4.1 et seq.
(Defendants SAGE CREDIT and DCG)

42. PISA and GLIOTTONE incorporate by reference as if fully set forth each of their allegations set forth in Paragraphs “1” through “41” above.

43. The failure to pay this compensation is in violation of the plaintiffs rights under the New Jersey Wage Payment Law.

WHEREFORE, PISA and GLIOTTONE demand judgment against the defendants SAGE and DCG for damages in the principal amount of \$173,397.18, plus interest, attorney's fees and costs of suit, and for such other and further relief as this court deems fair, just and equitable.

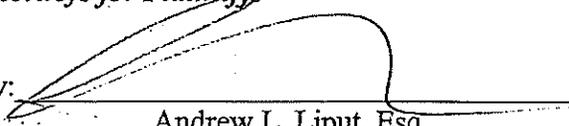
Dated: July 30, 2007

BY: 

Andrew L. Liput, Esq. (ALL-6150)
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Attorney for Plaintiffs

ATTACHMENT B

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(888) 424-3728
Attorneys for Plaintiffs

By: 
Andrew L. Liput, Esq.

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

////////////////////////////////////

JOSEPH PISA and MICHAEL GLIOTTONE

: Case No. 07 CIV 3537 (JLL)(CCC)

Plaintiffs,

vs.

SAGE CREDIT COMPANY, SAGE
MANAGEMENT LLC, DCH HOME LOANS,
PRODIGY MARKETING LLC, SKYWOOD
STREET LLC, TRADELINE HOMES INC.,
LINA CARUANA TRUST, QUENTIN
CARUANA, LINA CARUANA and
MICHAEL CARROLL,

Defendants.

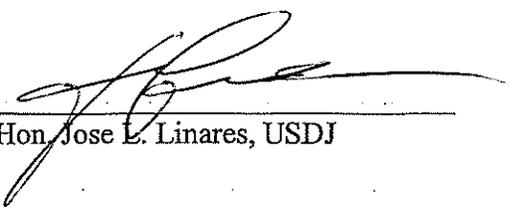
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ORDER GRANTING DEFAULT JUDGMENT

This action came on before the Court, Honorable Jose L. Linares, District Judge presiding with the defendant, Sage Credit Company having defaulted, under the terms of the Settlement Agreement negotiated between the parties,

It is Ordered and Adjudged

Judgment by Default is hereby entered in favor of plaintiffs, Joseph Pisa and Michael Gliottone and against defendant, Sage Credit Company, in the amount of \$65,000.00, as provided by law and its costs of action.



Hon. Jose L. Linares, USDJ