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FILED

JUL 23 2018

DEPARTMENT OF REAL ESTATE

By K. Knapp

8
9 BEFORE THE DEPARTMENT OF REAL ESTATE

10 STATE OF CALIFORNIA

11 * * *

12 In the Matter of the Accusation of)

13 MAD, INC. and)
14 MICHAEL VICTOR SALVADORI,)

15 Respondents.)

No. H-3193 FR

ACCUSATION

16 The Complainant, BRENDA SMITH, a Supervising Special Investigator of the
17 State of California, for Accusation against Respondents MAD, INC. (MAD) and MICHAEL
18 VICTOR SALVADORI (SALVADORI), sometimes collectively referred to as Respondents, is
19 informed and alleges as follows:

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21 The Complainant makes this Accusation against Respondents in her official
22 capacity.

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24 MAD is presently licensed and/or has license rights under the Real Estate Law,
25 Part 1 of Division 4 of the California Business and Professions Code (Code), by the Department
26 of Real Estate (Department) as a corporate real estate broker whose license has since July 21,
27

1 2016, been, and now is, a restricted corporate real estate broker license subject to terms,
2 conditions and restrictions pursuant to Section 10156.6 and 10156.7 of the Code.

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4 SALVADORI is presently licensed and/or has license rights under the Code as a
5 real estate broker whose license has since July, 2016, been, and now is, a restricted real estate
6 broker license subject to terms, conditions and restrictions pursuant to Section 10156.6 and
7 10156.7 of the Code.

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9 At all times mentioned herein, SALVADORI was the designated broker-officer
10 of MAD. As the designated broker-officer, SALVADORI was responsible, pursuant to Section
11 10159.2 of the Code, for the supervision of the activities of officers, agents, real estate licensees
12 and employees of MAD for which a real estate license is required to ensure the compliance of
13 the corporation with the Real Estate law and the Regulations.

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15 At all times herein mentioned, Respondents engaged in the business of, acted in
16 the capacity of, advertised, or assumed to act as real estate brokers within the State of California
17 within the meaning of Section 10131(b) of the Code, including the operation and conduct of a
18 property management business with the public wherein, on behalf of others, for compensation or
19 in expectation of compensation, Respondents leased or rented or offered to lease or rent, or
20 placed for rent, or solicited listings of places for rent, or solicited for prospective tenants, or
21 negotiated the sale, purchase or exchanges of leases on real property, or on a business
22 opportunity, or collected rents from real property, or improvements thereon, or from business
23 opportunities.

24 FIRST CAUSE OF ACTION

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26 Complainant refers to Paragraphs 1 through 5, above, and incorporates the same,
27 herein.

Beginning on July 6, 2017, and continuing intermittently through August 22, 2017, an audit was conducted at MAD's office located at 3500 North G. Street, Merced, California, and at the Bureau's district office located at 1651 Exposition Blvd., California, where the auditor examined records for the period of August 1, 2016, through June 30, 2017 (the audit period).

While acting as a real estate broker as described in Paragraph 5, above, and within the audit period, MAD accepted or received funds in trust (trust funds) from or on behalf of property owners, lessees and others in connection with property management activities, and deposited or caused to be deposited those funds into bank accounts maintained by MAD, at WestAmerica Bank, 490 West Olive Drive, Merced, California 95348, as described below:

TRUST ACCOUNT #1	
Account No.:	XXXXXX515-3
Entitled:	SALVADORI REALTY COMMON CLIENT TRUST ACCOUNT (RENTAL ACCOUNT)

TRUST ACCOUNT #2	
Account No.:	XXXXXX514-6
Entitled:	SALVADORI REALTY COMMON CLIENT TRUST ACCOUNT (DEPOSIT ACCOUNT)

and thereafter from time-to-time made disbursement of said trust funds.

In the course of the activities described in Paragraph 5, in connection with the collection and disbursement of trust funds, it was determined that:

- (a) An accountability was performed on Trust Account #1, and as of May 31, 2017, a shortage of \$13,253.26 was revealed, in violation of Section 10145 of the Code;

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- (b) An accountability was performed on Trust Account #2, and as of May 31, 2017, shortage of \$18,161.92 was revealed, in violation of Section 10145 of the Code;
- (c) RESPONDENTS failed to obtain written permission from owners of trust funds in Trust Account #1 and Trust Account #2, to allow the balance to drop below accountability, in violation of Section 2832.1 of the Regulations; and
- (d) RESPONDENTS used the fictitious business names: "Century 21 Salvadori Realty" and "Salvadori Property Management", without registering them with the Department as required by Section 2731 of the Regulations and Section 10159.5 of the Code.

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The acts and/or omissions described above constitute violations of Sections 2731 (fictitious business name) and 2832.1 (written permission balance below accountability) of the Regulations and of Section 10145 (trust fund handling) of the Code, and are grounds for discipline under Sections 10177(d) (willful disregard of real estate laws) and 10177(g) (negligence/incompetence licensee) of the Code.

SECOND CAUSE OF ACTION

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Complainant refers to Paragraphs 1 through 10, above, and incorporates the same, herein, by reference.

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At all times herein above mentioned, SALVADORI was responsible, as the supervising designated broker/officer for MAD, for the supervision and control of the activities conducted on behalf of MAD's business by its employees to ensure its compliance with the Real Estate Law and Regulations. SALVADORI failed to exercise reasonable supervision and control over the property management activities of MAD. In particular, SALVADORI permitted,

1 ratified and/or caused the conduct described above to occur, and failed to take reasonable steps,
2 including but not limited to, the handling of trust funds, supervision of employees, and the
3 implementation of policies, rules, and systems to ensure the compliance of the business with the
4 Real Estate Law and the Regulations.

5 13

6 The above acts and/or omissions of SALVADORI violate Section 2725 (broker
7 supervision) of the Regulations and Section 10159.2 (responsibility/designated officer) of the
8 Code and constitute grounds for disciplinary action under the provisions of Sections 10177(d),
9 10177(g) and 10177(h) (broker supervision) of the Code.

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11 Prior Administrative Discipline

12 Effective July 21, 2016, in Case No. H-2904 FR, pursuant to a Stipulation and
13 Agreement, the Real Estate Commissioner revoked the respective real estate licenses of MAD
14 and SALVADORI, with the right for each to apply for a restricted real estate license.

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16 Audit Costs

17 The acts and/or omissions of Respondents, as alleged above, entitle the
18 Department to reimbursement of the costs of its audits pursuant to Section 10148(b) (audit costs
19 for trust fund handling violations) of the Code.

20 16

21 Costs of Investigation and Enforcement

22 Section 10106 of the Code provides, in pertinent part, that in any order issued
23 in resolution of a disciplinary proceeding before the Department, the Commissioner may request
24 the administrative law judge to direct a licensee found to have committed a violation of this part
25 to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

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