

1 Department of Real Estate  
107 South Broadway, Room 8107  
2 Los Angeles, California, 90012  
3 Telephone: (213) 620-4790

OCT -2 1991

SECRET  
*C. Berg*

8 DEPARTMENT OF REAL ESTATE  
9 STATE OF CALIFORNIA

10 \* \* \* \* \*

11 To: ) H-24839 LA  
12 )  
12 McDONNELL & CHURCH INVESTMENTS, INC., a )  
California Corporation, formerly B. )  
13 McDonnell Investments, Inc.; ERNEST SALT, )  
individually and as designated officer )  
14 McDonnell & Church Investments, Inc.; )  
and BRIAN WILLIAM McDONNELL. )  
15 )

16 The Real Estate Commissioner of the State of California  
17 has caused an investigation to be made of your activities as real  
18 estate brokers, and based upon the findings of that investigation,  
19 as set forth below, is of the opinion that you, McDONNELL & CHURCH  
20 INVESTMENTS, INC., a California Corporation, you, ERNEST SALT, and  
21 you, BRIAN WILLIAM McDONNELL, have violated Sections 10130, 10137,  
22 10145 and 10240 of the California Business and Professions Code  
23 (herein "the Code") and Sections 2830, 2831, 2831.1, 2831.2,  
24 2832.1, and 2834 of Chapter 6, Title 10, California Code of  
25 Regulations (herein "the Regulations"), and in addition, you,  
26 ERNEST SALT, have violated Section 10159.2 of the Code.

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I

At all times mentioned herein, you, McDONNELL & CHURCH INVESTMENTS, INC., a California Corporation, formerly B. McDonnell Investments, Inc. (herein "MCI"), were and now are licensed by the Department of Real Estate of the State of California (herein "the Department") as a corporate real estate broker by and through ERNEST SALT (herein "SALT") as the officer and broker responsible pursuant to the provisions of Section 10159.2(a) of the Code for supervising the activities requiring a real estate license conducted on behalf of MCI by MCI's officers and employees.

II

At all times mentioned herein, you, SALT, were and now are licensed by the Department individually as a real estate broker and as an officer of MCI.

III

At all times mentioned herein since April 18, 1991, you, BRIAN WILLIAM McDONNELL, (herein "McDONNELL") have been and now are licensed by the Department as a real estate salesperson. Prior to April 18, 1991, you, McDONNELL, were unlicensed.

IV

All further references herein to "you" include the parties identified in Paragraphs I through III, inclusive, above, and also include the officers, directors, employees, agents and real estate licensees employed by or associated with said parties and who at all times herein mentioned were engaged in the furtherance of the business or operations of said parties and who were acting within the course and scope of their authority and

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2 employment.

3 V

4 At all times herein mentioned, you engaged in the  
5 business of, acted in the capacity of, advertised or assumed to  
6 act as real estate brokers in the State of California within the  
7 meaning of Section 10131(d) of the Code, including the operation  
8 and conduct of a mortgage loan brokerage with the public wherein  
9 you solicited prospective borrowers and lenders for and negotiated  
10 and arranged loans secured by a lien on real property, for another  
11 or others, for or in expectation of compensation.

12 VI

13 From on or about February 27, 1989, through on or about  
14 September 10, 1989, in course of the activities described in  
15 Paragraph VII, above, you, MCI, and you, SALT, employed and  
16 compensated Danny Erez and McDONNELL, persons then not licensed by  
17 the Department and known to you, MCI, and you, SALT, not to be  
18 licensed by the Department, to perform acts requiring a real  
19 estate license for and in the name of MCI, including but not  
20 limited to soliciting borrowers for applications for loans to be  
21 secured directly by liens on real property, and including but not  
22 limited to the acts described in Paragraph VII, below.

23 VII

24 In the course of the employment described in Paragraph  
25 VI, above:

26 (a) On or about February 27, 1989, you, McDONNELL,  
27 without first obtaining any license from the Department, for and  
in expectation of compensation, as agent for MCI, solicited and

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2 obtained an application from Charles and Laurie Weissman for a  
3 purchase money mortgage loan to be arranged by MCI to be secured  
4 by a lien on real property at 1762 Regan Circle, Simi Valley,  
5 California;

6 (b) On or about September 10, 1989, Danny Erez, without  
7 first obtaining any license from the Department, for and in  
8 expectation of compensation, as agent for MCI, solicited and  
9 obtained an application from Ben and Edna Yedid for a mortgage  
10 loan to be arranged by MCI to be secured by a lien on real  
11 property at 5928 Tulane Street, San Diego, California.

12 VIII

13 In employing Danny Erez and MCDONNELL, as described in  
14 Paragraphs VI and VII, above, you, MCI, and you, SALT, violated  
15 Section 10137 of the Code.

16 IX

17 In acting as described in Paragraphs VI and VII, above,  
18 you, MCDONNELL, violated Section 10130 of the Code.

19 X

20 At all times mentioned herein, in connection with the  
21 activities described in Paragraph V, above, you, MCI, and you,  
22 SALT, accepted or received funds in trust (herein "trust funds")  
23 from or on behalf of actual and prospective borrowers and lenders  
24 and thereafter made disbursement of such funds. From time to time  
25 mentioned herein these trust funds were maintained by you, and  
26 each of you, in bank accounts, including but not necessarily  
27 limited to the following accounts:

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B. McDonnell Investments, Inc. dba IFC Mortgage  
Account Number [REDACTED]  
Wells Fargo Bank  
9600 Santa Monica Blvd.  
Beverly Hills, CA 90210  
(herein "MCI Account #1")

McDonnell & Church Investments, Inc. IFC Trust Account  
Account No. [REDACTED]  
World Trade Bank  
9944 Santa Monica Blvd.  
Beverly Hills, CA 90212  
(herein "MCI Account #2")

XI

On or about April 29, 1991, the Department completed an examination of the books and records pertaining to the activities described in Paragraph V, above, for a twenty-six month period ending March 31, 1991, which revealed the violations of the Code and the Regulations described in the following paragraphs.

XII

In connection with the trust funds described in Paragraph X, you, MCI, and you, SALT:

(a) Failed to deposit said trust funds into a neutral escrow depository, into the hands of a principal on whose behalf the funds were received, or into a trust fund account in the name of MCI as broker and as trustee, but instead deposited said funds into the two accounts identified in Paragraph X, above, which accounts were then maintained by you under fictitious business names, and not in the name of MCI as broker and as trustee;

(b) Failed to maintain a formal trust fund receipts journal and a formal trust fund disbursements journal in connection with the two accounts identified above, or other records of the receipt and disposition of all trust funds accepted

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2 in trust by you conforming to the requirements of Section 2831 of  
3 the Regulations;

4 (c) Failed to maintain adequate separate records for  
5 each beneficiary or transaction, accounting therein for all trust  
6 funds received, deposited, and disbursed, conforming to the  
7 requirements of Section 2831.1 of the Regulations;

8 (d) Failed to perform a monthly reconciliation of the  
9 records of the receipt and disposition of all trust funds received  
10 in trust by you, and the balance of all separate beneficiary or  
11 transaction records;

12 (e) Disbursed or caused or allowed the disbursement of  
13 trust funds from MCI Account #2, where the disbursement of said  
14 funds reduced the funds in the said account to an amount which, on  
15 January 31, 1990, was approximately \$1771.12 less than the  
16 existing aggregate trust fund liability to all owners of said  
17 funds, without first obtaining the prior written consent of every  
18 principal who was an owner of said funds;

19 (f) Permitted the withdrawal of trust funds from the  
20 two accounts by McDONNELL, who was neither licensed by the  
21 Department nor covered by a fidelity bond in any amount at the  
22 time of the withdrawals.

23 XIII

24 During the twenty-six month period described in  
25 Paragraph XI, above, in connection with the mortgage loan  
26 brokerage activities described in Paragraph V, above, you, MCI,  
27 and you, SALT, failed to provide borrowers the written mortgage  
loan disclosure statement prescribed by Section 10240(a) of the

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Code before the borrower became obligated to complete the loan.

XIV

You, SALT, caused, suffered, and permitted MCI and McDONNELL to violate Sections 10130, 10137, 10145, and 10240 of the Code, and Sections 2830, 2831, 2831.1, 2831.2, 2832.1, and 2834 of the Regulations, as described hereinabove.

XV

The acts and omissions on the part of you, SALT, described in Paragraph XIV, above, independently and collectively constitute failure on your part, SALT, as the designated officer-broker of a corporate broker licensee, to exercise the reasonable supervision and control over the licensed activities of MCI required by Section 10159.2 of the Code.

NOW, THEREFORE, YOU, McDONNELL & CHURCH INVESTMENTS, INC., YOU, ERNEST SALT, AND YOU, BRIAN WILLIAM McDONNELL, ARE ORDERED TO DESIST AND REFRAIN from performing any of the acts for which a license is required described in Section 10131(d) of the Code, unless and until you comply with Sections 10130 and 10137 of the Code.

FURTHERMORE, YOU, McDONNELL & CHURCH INVESTMENTS, INC., AND YOU, ERNEST SALT, ARE ORDERED TO DESIST AND REFRAIN from performing any of the acts for which a license is required described in Section 10131(d) of the Code, unless and until you comply with Sections 10145 and 10240 of the Code, and Sections 2830, 2831, 2831.1, 2831.2, 2832.1, and 2834 of the Regulations.

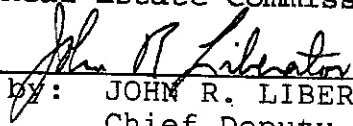
FURTHERMORE, YOU, ERNEST SALT, ARE ORDERED TO DESIST AND REFRAIN from performing any of the acts for which a real estate

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license is required unless and until you comply with Section 10159.2 of the Code.

DATED: September 26, 1991

CLARK WALLACE  
Real Estate Commissioner

  
by: JOHN R. LIBERATOR  
Chief Deputy Commissioner

cc: McDonnell & Church Investments, Inc.  
9615 Brighton Way, Suite 222  
Beverly Hills, CA 90210

Ernest Salt  
c/o McDonnell & Church Investments, Inc.  
9615 Brighton Way, Suite 222  
Beverly Hills, CA 90210

Brian William McDonnell  
c/o McDonnell & Church Investments, Inc.  
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