

1 Department of Real Estate
107 South Broadway, Room 8107
2 Los Angeles, California 90012
(213) 897-3937

FILED
OCT 11 1995
DEPARTMENT OF REAL ESTATE

By Laura B. Crane

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DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * * * *

In the Matter of the Accusation of) No. H-26050 LA
)
ARMSTRONG and ARMSTRONG, INC., a)
Corporation doing business as)
Armstrong Realty Century 21,)
LILLIAN JEANNETTE ARMSTRONG)
individually, and as)
designated officer of Armstrong)
and Armstrong; DENISE JEAN)
DANIELS)
)
)
)
Respondents.)

STIPULATION AND AGREEMENT IN SETTLEMENT AND ORDER

It is hereby stipulated by and between ARMSTRONG and
ARMSTRONG, INC., a Corporation doing business as Armstrong
Realty Century 21, LILLIAN JEANNETTE ARMSTRONG individually,
and as designated officer of Armstrong and Armstrong Inc.
(hereinafter referred to as Respondents) and the Complainant,
acting by and through V. Ahda Sands, Counsel for the Department
of Real Estate, as follows, for the purpose of settling and

1 disposing of the Accusation filed on January 25, 1995, in this
2 matter:

3 1. All issues which were to be contested and all
4 evidence which was to be presented by Complainant and
5 Respondents at a formal hearing on the Accusation, which
6 hearing was to be held in accordance with the provisions of the
7 Administrative Procedure Act (APA), shall instead and in place
8 thereof be submitted solely on the basis of the provisions of
9 this Stipulation.

10 2. Respondents have received, read and understand
11 the Statement to Respondents, the Discovery Provisions of the
12 APA and the Accusation filed by the Department of Real Estate
13 in this proceeding.

14 3. Respondents have filed a Notice of Defense
15 pursuant to Section 11505 of the Government Code for the
16 purpose of requesting a hearing on the allegations in this
17 Accusation. Respondents hereby freely and voluntarily withdraw
18 said Notice of Defense. Respondents acknowledge and understand
19 that by withdrawing said Notice of Defense, Respondents thereby
20 waive the right to require the Commissioner to prove the
21 allegations in the Accusation at a contested hearing held in
22 accordance with the provisions of the APA and that Respondents
23 will waive other rights afforded to Respondents in connection
24 with the hearing, such as the right to present evidence in
25 defense of the allegations in the Accusation and the right to
26 cross-examine witnesses.

27



1 4. Respondents, pursuant to the limitations set
2 forth below, hereby admit that the factual allegations of the
3 Accusation filed in this proceeding are true and correct and
4 the Real Estate Commissioner shall not be required to provide
5 further evidence of such allegations.

6 5. It is understood by the parties that the Real
7 Estate Commissioner may adopt the Stipulation and Agreement as
8 his decision in this matter thereby imposing the penalty and
9 sanctions on Respondents' real estate license and license
10 rights as set forth in the below "Order". In the event that
11 the Commissioner, in his discretion does not adopt the
12 Stipulation and the Agreement, the Agreement shall be void and
13 of no effect, and Respondents shall retain the right to a
14 hearing and proceeding on the Accusation under all the
15 provisions of the APA and shall not be bound by any admission
16 or waiver made herein.

17 6. The Order or any subsequent Order of the Real
18 Estate Commissioner made pursuant to this Stipulation shall not
19 constitute an estoppel, merger or bar to any further
20 administrative or civil proceedings by the Department of Real
21 Estate with respect to any matters which were not specifically
22 alleged to be causes for accusation in this proceeding.

23 DETERMINATION OF ISSUES

24 By reason of the foregoing stipulations, admissions
25 and waivers and solely for the purpose of settlement of the
26 pending Accusation without a hearing, it is stipulated and
27



1 agreed that the following determination of issues shall be
2 made:

3 I

4 The conduct of Respondents, as described in the
5 Accusation is in violation of Sections 10145, 10159.2, of the
6 Business and Professions Code and Sections 2832.1, 2831,
7 2831.1, 2831.2 and 2834 of the Regulations cited in the
8 Accusation, and is grounds for the suspension or revocation of
9 the real estate license and license rights of Respondent
10 ARMSTRONG and ARMSTRONG INC., under the provisions of Section
11 10177(d) of the code and the license and rights of LILLIAN
12 JEANNETTE ARMSTRONG under Section 10177(h) of the Business and
13 Professions Code.

14
15 ORDER

16 All licenses and licensing rights of Respondents
17 ARMSTRONG and ARMSTRONG INC. and LILLIAN JEANNETTE ARMSTRONG,
18 are hereby revoked; provided, however, a restricted real estate
19 broker license shall be issued to Respondent LILLIAN JEANNETTE
20 ARMSTRONG, and a restricted real estate corporate license shall
21 be issued to Respondent ARMSTRONG and ARMSTRONG INC. pursuant
22 to Section 10156.5 of the Business and Professions Code if
23 Respondents make application therefor and pays to the
24 Department of Real Estate the appropriate fee for said licenses
25 within 90 days from the effective date of this Decision. The
26 restricted licenses issued to Respondents shall be subject to
27 all of the provisions of Section 10156.7 of the Business and

1 Professions Code and to the following limitations, conditions
2 and restrictions imposed under authority of Section 10156.6 of
3 the Code:

4 1. The restricted license issued to Respondent
5 LILLIAN JEANNETTE ARMSTRONG may be suspended prior to hearing
6 by Order of the Real Estate Commissioner in the event of
7 Respondent's conviction or plea of guilty or nolo contendere to
8 a crime which is substantially related to Respondent's fitness
9 or capacity as a real estate licensee.

10 2. The restricted license issued to Respondents may
11 be suspended prior to hearing by Order of the Real Estate
12 Commissioner on evidence satisfactory to the Commissioner that
13 Respondents have violated provisions of the California Real
14 Estate Law, the Subdivided Lands Law, Regulations of the Real
15 Estate Commissioner or conditions attaching to the restricted
16 license.

17 3. Respondents shall not be eligible to apply for
18 the issuance of an unrestricted real estate license nor for the
19 removal of any of the conditions, limitations or restrictions
20 attaching to the restricted license until three years have
21 elapsed from the effective date of the Decision.

22 4. Respondent LILLIAN JEANNETTE ARMSTRONG shall
23 within nine months from the effective date of this Decision,
24 present evidence satisfactory to the Real Estate Commissioner
25 that Respondent has, since the most recent issuance of an
26 original or renewal real estate license, taken and successfully
27 completed the continuing education requirements of Article 2.5



1 of Chapter 3 of the Real Estate Law for renewal of a real
2 estate license. If Respondent fails to satisfy this condition,
3 the Commissioner may order the suspension of the restricted
4 license until the Respondent presents such evidence. The
5 Commissioner shall afford Respondent the opportunity for a
6 hearing pursuant to the Administrative Procedure Act to present
7 such evidence.

8 5. Prior to the issuance of a restricted license,
9 Respondent, ARMSTRONG and ARMSTRONG, shall provide proof
10 satisfactory to the Commissioner, that the trust fund shortage
11 of \$3,145.46 has been cured.

12 6. Respondent LILLIAN JEANNETTE ARMSTRONG shall,
13 within six months from the effective date of this Decision,
14 take and pass the Professional Responsibility Examination
15 administered by the Department including the payment of the
16 appropriate examination fee. If Respondent fails to satisfy
17 this condition, the Commissioner may order suspension of
18 Respondent's license until Respondent passes the examination.

19 7. Pursuant to Section 10148 of the Business and
20 Professions Code, Respondent ARMSTRONG and ARMSTRONG INC. shall
21 pay the Commissioner's reasonable cost, not to exceed
22 \$4,300.00, for an audit to determine if Respondent has
23 corrected the trust fund violations(s) found in the
24 Determination of Issues. In calculating the amount of the
25 Commissioner's reasonable cost, the Commissioner may use the
26 estimated average hourly salary for all persons performing
27 audits of real estate brokers, and shall include an allocation



1 for travel time to and from the auditor's place of work.
2 Respondent shall pay such cost within 45 days of receiving an
3 invoice from the Commissioner detailing the activities
4 performed during the audit and the amount of time spent
5 performing those activities. The Commissioner may suspend the
6 restricted license issued to Respondent pending a hearing held
7 in accordance with Section 11500, et. seq., of the Government
8 Code, if payment is not timely made as provided for herein, or
9 as provided for in a subsequent agreement between the
10 Respondent and the Commissioner. The suspension shall remain
11 in effect until payment is made in full or until Respondent
12 enters into an agreement satisfactory to the Commissioner to
13 provide for payment, or until a decision providing otherwise is
14 adopted following a hearing held pursuant to this condition.

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DATED:

7/10/95

V. Ahda Sands
V. AHDA SANDS
Counsel for Complainant



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I have read the Stipulation and Agreement, 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 (including but not limited to Sections 11506, 11508, 11509 and 11513 of the Government Code), 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 mitigation of the charges.

ARMSTRONG and ARMSTRONG

DATED: 8/2/95 By Lillian J. Armstrong
Brother / Pres.
(Name)
(Title)

DATED: 8/2/95 Lillian J. Armstrong
LILLIAN JEANNETTE ARMSTRONG

WALLECK, SHANE, STANDARD & BLENDER

DATED: 8/2/95 By Karen L. Cohen
KAREN L. COHEN
Attorney for Respondents
Armstrong and Armstrong;
Lillian Jeannette Armstrong

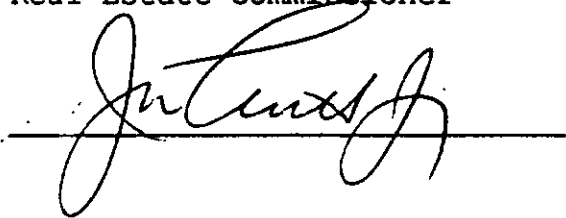
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The foregoing Stipulation and Agreement in Settlement
and Order is hereby adopted by the Real Estate Commissioner as
the Decision and Order and shall become effective at 12 o'clock
noon on October 31, 1995, as to Respondents ARMSTRONG
and ARMSTRONG, INC., and LILLIAM JEANNETTE ARMSTRONG.

IT IS SO ORDERED 9-27-95.

JIM ANTT, JR.
Real Estate Commissioner



1 Respondent at a formal hearing on the Accusation, which
2 hearing was to be held in accordance with the provisions of the
3 Administrative Procedure Act (APA), shall instead and in place
4 thereof be submitted solely on the basis of the provisions of
5 this Stipulation.

6 2. Respondent has received, read and understand
7 the Statement to Respondent, the Discovery Provisions of the
8 APA and the Accusation filed by the Department of Real Estate
9 in this proceeding.

10 3. Respondent has filed a Notice of Defense
11 pursuant to Section 11505 of the Government Code for the
12 purpose of requesting a hearing on the allegations in this
13 Accusation. Respondent hereby freely and voluntarily
14 withdraws said Notice of Defense. Respondent acknowledges
15 and understand that by withdrawing said Notice of Defense,
16 Respondent thereby waives the right to require the
17 Commissioner to prove the allegations in the Accusation at a
18 contested hearing held in accordance with the provisions of the
19 APA and that Respondent will waive other rights afforded to
20 Respondent in connection with the hearing, such as the right
21 to present evidence in defense of the allegations in the
22 Accusation and the right to cross-examine witnesses.

23 4. Respondent, pursuant to the limitations set
24 forth below, hereby admits that the factual allegations of the
25 Accusation filed in this proceeding are true and correct and
26 the Real Estate Commissioner shall not be required to provide
27 further evidence of such allegations.



1 5. It is understood by the parties that the Real
2 Estate Commissioner may adopt the Stipulation and Agreement as
3 his decision in this matter thereby imposing the penalty and
4 sanctions on Respondent's real estate license and license
5 rights as set forth in the below "Order". In the event that
6 the Commissioner, in his discretion does not adopt the
7 Stipulation and the Agreement, the Agreement shall be void and
8 of no effect, and Respondent shall retain the right to a
9 hearing and proceeding on the Accusation under all the
10 provisions of the APA and shall not be bound by any admission
11 or waiver made herein.

12 6. The Order or any subsequent Order of the Real
13 Estate Commissioner made pursuant to this Stipulation shall not
14 constitute an estoppel, merger or bar to any further
15 administrative or civil proceedings by the Department of Real
16 Estate with respect to any matters which were not specifically
17 alleged to be causes for accusation in this proceeding.

18 DETERMINATION OF ISSUES

19 By reason of the foregoing stipulations, admissions and
20 waivers and solely for the purpose of settlement of the pending
21 Accusation without a hearing, it is stipulated and agreed that
22 the following determination of issues shall be made:

23 I

24 The conduct of Respondent, as described in the Accusation
25 consists of negligence, and is grounds for the suspension or
26 revocation of the real estate license and license rights of
27

1 Respondent under the provisions of Section 10177(g) of the
2 Business and Professions Code.

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ORDER

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All licenses and licensing rights of Respondent

6

DENISE JEAN DANIELS, are hereby revoked; provided, however, a

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restricted real estate salesperson license shall be issued to

8

DENISE JEAN DANIELS pursuant to Section 10156.5 of the Business

9

and Professions Code if Respondent makes application therefor

10

and pays to the Department of Real Estate the appropriate fee

11

for said license within 90 days from the effective date of the

12

Decision herein. The restricted license issued to Respondent

13

shall be subject to all of the provisions of Section 10156.7 of

14

the Business and Professions Code and to the following

15

limitations, conditions and restrictions imposed under

16

authority of Section 10156.6 of the Code:

17

1. The restricted license issued to Respondent

18

may be suspended prior to hearing by Order of the Real Estate

19

Commissioner in the event of Respondent's conviction or plea of

20

guilty or nolo contendere to a crime which is substantially

21

related to Respondent's fitness or capacity as a real estate

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licensee.

23

2. The restricted license issued to Respondent

24

may be suspended prior to hearing by Order of the Real Estate

25

Commissioner on evidence satisfactory to the Commissioner that

26

Respondent has violated provisions of the California Real

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Estate Law, the Subdivided Lands Law, Regulations of the Real



1 Estate Commissioner or conditions attaching to the restricted
2 license.

3 3. Respondent shall not be eligible to apply for
4 the issuance of an unrestricted real estate license nor for the
5 removal of any of the conditions, limitations or restrictions
6 attaching to the restricted license until one year has elapsed
7 from the effective date of this Decision.

8 4. Respondent shall submit with any application
9 for license under an employing broker, or any application for
10 transfer to a new employing broker, a statement signed by the
11 prospective employing real estate broker on a form approved by
12 the Department of Real Estate which shall certify:

13 (a) That the employing broker has read the
14 Decision of the Commissioner which granted
15 the right to a restricted license; and

16 (b) That the employing broker will exercise
17 close supervision over the performance by
18 the restricted licensee relating to the
19 activities for which a real estate license
20 is required.

21 5. Respondent shall, within six months from the
22 effective date of this Decision, take and pass the Professional
23 Responsibility Examination administered by the Department
24 including the payment of the appropriate examination fee. If
25 Respondent fails to satisfy this condition, the Commissioner
26 may order suspension of Respondent's license until Respondent
27 passes the examination.



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6. Respondent DENISE JEAN DANIELS shall prior to
the issuance of any restricted license take and pass the real
estate salesperson's examination upon payment of the
appropriate examination fee.

DATED:

7/18/95

V. Ahda Sands

V. AHDA SANDS
Counsel for Complainant



* * *

1
2 I have read the Stipulation and Agreement, and its terms
3 are understood by me and are agreeable and acceptable to me. I
4 understand that I am waiving rights given to me by the
5 California Administrative Procedure Act (including but not
6 limited to Sections 11506, 11508, 11509 and 11513 of the
7 Government Code), and I willingly, intelligently and
8 voluntarily waive those rights, including the right of
9 requiring the Commissioner to prove the allegations in the
10 Accusation at a hearing at which I would have the right to
11 cross-examine witnesses against me and to present evidence in
12 defense and mitigation of the charges.

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DATED:

8-7-95

Denise Jean Daniels
DENISE JEAN DANIELS

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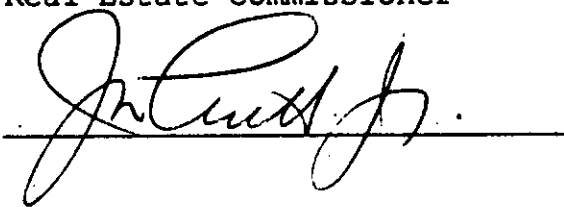
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* * *

The foregoing Stipulation and Agreement in Settlement and
Order is hereby adopted by the Real Estate Commissioner as
Decision and Order and shall become effective at 12 o'clock
noon on October 31, 1995 as to Respondent DENISE JEAN
DANIELS.

IT IS SO ORDERED 9-27-95.

JIM ANTT, JR.
Real Estate Commissioner



Victor Jay

1 V. AHDA SANDS, Counsel
Department of Real Estate
2 107 South Broadway, Room 8107
Los Angeles, California 90012
3 (213) 897-3937

FILED
JAN 25 1995
DEPARTMENT OF REAL ESTATE

By James B. Orme

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DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * * *

In the Matter of the Accusation of) NO. H-26050 LA
)
12 ARMSTRONG AND ARMSTRONG, INC.,) A C C U S A T I O N
a corporation; doing business as)
13 Armstrong Realty Century 21,)
LILLIAN JEANNETTE ARMSTRONG,)
14 individually and as Designated)
Of Armstrong and Armstrong;)
15 DENISE JEAN DANIELS)
)
)
16 Respondents.)
17)

Complainant, Steven J. Ellis, a Deputy Real Estate
Commissioner of the State of California, as and for cause of
Accusation against ARMSTRONG AND ARMSTRONG a corporation; LILLIAN
JEANNETTE ARMSTRONG, individually and as designated officer of
Armstrong and Armstrong, and DENISE JEAN DANIELS (herein
"Respondents") alleges as follows:

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The term "the Regulations" as used herein refers to
provisions of Chapter 6, Title 10, California Code of
Regulations.

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The Complainant, Steven J. Ellis, a Deputy Real Estate Commissioner of the State of California, makes this Accusation against Respondents in his official capacity.

3

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 (herein "the Code").

4

At all times mentioned herein, Respondent ARMSTRONG AND ARMSTRONG INC. (herein "AAI"), was and now is licensed by the Department of Real Estate of the State of California (herein "the Department") as a corporate real estate broker. At all times mentioned herein AAI was and now is licensed as a corporate real estate broker by and through LILLIAN JEANETTE ARMSTRONG (herein "ARMSTRONG") 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 AAI by AAI's officers and employees.

5

At all times mentioned herein Respondent ARMSTRONG was and now is licensed by the Department as an individual real estate broker and as an officer, of AAI.

6

At all times mentioned herein Respondent DENISE JEAN DANIELS was and now is licensed by the Department as a real estate salesperson.

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All further references herein to "Respondents" include the parties identified in Paragraphs 4 through 6, above, and also includes 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 employment.

At all times herein mentioned, Respondents engaged in the business of, acted in the capacity of, advertised or assumed to act as real estate brokers for others in the State of California within the meaning of Code Section 10131(b): Leases or rents or offers to lease or rent, or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale, purchase or exchanges of leases on real property, or on a business opportunity, or collects rents from real property, or improvements thereon, or from business opportunities.

FIRST CAUSE OF ACCUSATION
MISREPRESENTATION AND
GROSS NEGLIGENCE
IN MANAGEMENT OF PROPERTY

Complainant incorporates herein the allegations of Paragraphs 1 through 8, inclusive, herein.

1
2 On or about March 1992, Respondents entered into an
3 agreement with Donna Staley Kline and Kennen B. Staley (herein
4 the owners) for the management of their rental property located
5 at 209 S. Capital Drive, Santa Maria, CA 93454. On or about
6 April 6, 1992, tenants moved in. Thereafter Respondents breached
7 their Property Management Agreement, misstated the manner in
8 which property was to be managed and were negligent and grossly
9 negligent in managing the property in that Respondents did the
10 following:

- 11 (a) to induce reliance by the owners, represented to
12 owners that the property management agreement
13 would be honored, then failed to honor that
14 agreement causing large monetary losses to the
15 owners based on that reliance.
- 16 (b) failed to collect a security deposit from the
17 tenants;
- 18 (c) failed to collect the first month's rent by way of
19 secured funds;
- 20 (d) failed to credit check for one tenant;
- 21 (e) failed to tell the property owners of bad credit
22 for the other tenant. The bad credit included
23 two prior judgments and Respondents represented
24 that the credit was "o.k.";
- 25 (f) failed to get the driver's license and social
26 security number for the tenant for whom the credit
27 check was done;

- 1 (g) failed to verify employment;
2 (h) failed to verify tenant's bank balance;
3 (i) failed to give a timely accounting to the
4 property owners;
5 (j) failed to notify the owners that the \$750.00 check
6 written by the tenants was returned not sufficient
7 funds.
8 (k) failed to provide timely and accurate accountings
9 to the owners;
10 (l) negligently filed eviction papers resulting in a
11 three month delay in the eviction process.

12 11

13 The conduct, acts and omissions of Respondents, as
14 described in Paragraph 10, above, independently and collectively
15 constitute failure on the part of ARMSTRONG, as officer
16 designated by a corporate broker licensee, to exercise the
17 reasonable supervision and control over the licensed activities
18 of AAI required by Section 10159.2 of the Code, and is cause for
19 the suspension or revocation of all real estate licenses and
20 license rights of ARMSTRONG pursuant to the provisions of Section
21 10177(h) and 10177(d) of the Code.

22 12

23 The conduct, acts and omissions of Respondents, as
24 described in Paragraph 10, above, independently and collectively
25 constitute misrepresentation, negligence, and gross negligence
26 on behalf of Respondents, and is cause for the suspension or
27 revocation of all real estate licenses and license rights of all

1 respondents pursuant to the provisions of Section 10176(a),
2 10176(b), 10176(c), 10177(g), 10177(j)

3 SECOND CAUSE OF ACCUSATION

4 AUDIT OF AAI

5 13

6 Complainant incorporates herein the allegations of
7 Paragraphs 1 through 12, inclusive, herein.

8 14

9 In connection with the aforesaid real estate brokerage
10 activities, Respondent AAI by and through ARMSTRONG accepted or
11 received funds in trust (hereinafter "trust funds") from or on
12 behalf of owners and renters and thereafter made disbursements of
13 such funds. Respondent AAI by and through ARMSTRONG deposited
14 certain of said funds into the following accounts (herein "said
15 accounts"):

16 (a) Account No. 01502-33049 (hereinafter "T/A #1"),
17 the "Property Management Trust Account", located at Bank of
18 America, 300 Town Center East, Santa Maria, CA 93454;

19 (b) Account No. 152529600 (hereinafter "T/A #2"), the
20 "Property Management Trust Account", at the Bank of America
21 located at 2739 Santa Maria Way, Santa Maria, CA 93455.

22 15

23 On June 29, 1993, the Department concluded its
24 examination of Respondent AAI, doing business as Century 21
25 Armstrong Realty's books and records pertaining to the real
26 estate activities described in Paragraph 8, above, for the
27 fifteen month period ending March 31, 1993, which examination

1 revealed violations of the Code and of the Regulations as set
2 forth in the following paragraphs.

3 16

4 In connection with the aforesaid real estate brokerage
5 activities and trust funds, per Paragraphs 8 and 14, above,
6 Respondent AAI, doing business as Century 21 Armstrong Realty, by
7 and through Respondent ARMSTRONG acted in violation of the Code
8 and the Regulations in that Respondents:

9 (a) Violated Section 2832.1 of the Regulations and
10 10145 of the Code by disbursing or causing or allowing the
11 disbursement of trust funds from the Trust Account, wherein the
12 disbursement of said funds reduced the funds in the said account
13 to an amount which, on March 31, 1993, was approximately
14 \$3,145.46 less than the existing aggregate trust fund liability
15 to all owners of said funds, without first obtaining the prior
16 written consent of every principal who was an owner of said
17 funds.

18 (b) Failed to maintain adequate formal trust fund
19 receipt journal and a formal trust fund disbursements journals
20 for any of the accounts identified in Paragraph 14, above, or
21 other records of the receipt and disposition of trust funds
22 received, conforming to the requirements of Sections 2831 and
23 2951 of the Regulations;

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

1 (d) Violated Section 2831.2 of the Regulations by
2 failing to perform a monthly reconciliation of the records of the
3 receipt and disposition of all trust funds received, and the
4 balance of all separate beneficiary or transaction records;

5 (e) Allowed R. Lance Armstrong and Diane L. Long,
6 unlicensed persons, to be signatories on Respondent's trust
7 account. In addition, Respondent failed to obtain fidelity bond
8 coverage for either person, in violation of Section 2834 of the
9 Code.

10 THIRD CAUSE OF ACCUSATION

11 LACK OF SUPERVISION OF AAI

12 17

13 Complainant incorporates herein the allegations of
14 Paragraphs 1 through 16, inclusive, herein.

15 18

16 Respondent ARMSTRONG, caused, suffered, and permitted
17 Respondent AAI to violate Section 10145, of the Code and Sections
18 2831, 2831.1, 2831.2, 2832.1, 2834 of the Regulations in
19 conjunction with Section 2951 of the Regulations, as described
20 above.

21 19

22 The conduct, acts and omissions of Respondent
23 ARMSTRONG, as described in Paragraph 18, above, independently and
24 collectively constitute failure on the part of ARMSTRONG, as
25 officer designated by a corporate broker licensee, to exercise
26 the reasonable supervision and control over the licensed
27 activities of AAI required by Section 10159.2 of the Code, and is

