

Sub.
File

FILED
MAR - 8 2001

DEPARTMENT OF REAL ESTATE

By

[Signature]

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of) NO. H-26601 LA
MARTA ALICIA MASTERS-MELTON,)
Respondent.)

ORDER GRANTING REINSTATEMENT OF LICENSE

On June 4, 1997, a Decision was rendered herein
revoking the real estate salesperson license of Respondent
MARTA ALICIA MASTERS-MELTON ("Respondent") but granting
Respondent the right to the issuance of a restricted real estate
salesperson license. Respondent did not apply for a restricted
real estate salesperson license.

On September 6, 2000, Respondent petitioned for
reinstatement of said real estate salesperson license and the
Attorney General of the State of California has been given
notice of the filing of said petition.

///

///

1
2 I have considered the petition of Respondent and the
3 evidence and arguments in support thereof. Respondent has
4 demonstrated to my satisfaction that Respondent meets the
5 requirements of law for the issuance to Respondent of an
6 unrestricted real estate salesperson license and that it would
7 not be against the public interest to issue said license to
8 Respondent MARTA ALICIA MASTERS-MELTON.

9 NOW, THEREFORE, IT IS ORDERED that Respondent's
10 petition for reinstatement is granted and that a real estate
11 salesperson license be issued to Respondent, if Respondent
12 satisfies the following conditions within nine (9) months from
13 the date of this Order:

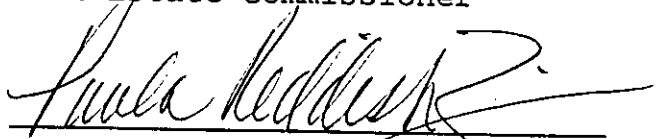
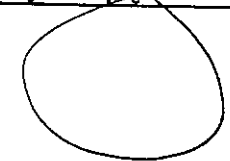
14 1. Submittal of a completed application and payment
15 of the fee for a real estate salesperson license.

16 2. Submittal of evidence of having, since the most
17 recent issuance of an original or renewal real estate license,
18 taken and successfully completed the continuing education
19 requirements of Article 2.5 of Chapter 3 of the Real Estate
20 Law for renewal of a real estate license.

21 This Order shall be effective immediately.

22 Dated: February 24, 2001

23 PAULA REDDISH ZINNEMANN
24 Real Estate Commissioner

25 
26 

27 cc: M. A. Masters-Melton
2569 Janin Way
Post Office Box 93
Solvang, CA 93464

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

FILED
JUN 10 1997
DEPARTMENT OF REAL ESTATE

* * * * *

By C. By

In the Matter of the Accusation of)
SOLVANG REAL ESTATE COMPANY,)
a corporation; HOMER THOMAS)
FRANKHOUSER, individually and)
as designated officer of)
Solvang Real Estate Company;)
and MARTA ALICIA MASTERS-MELTON,)
Respondents.)

NO. H-26601 LA
L-9608060

DECISION

The Proposed Decision, as to MARTA ALICIA MASTERS-MELTON, dated May 15, 1997, of the Administrative Law Judge of the Office of Administrative Hearings, is hereby adopted as the Decision of the Real Estate Commissioner in the above-entitled matter.

This Decision shall become effective at 12 o'clock
noon on July 1, 1997.

IT IS SO ORDERED

6/4/97
JIM ANTT, JR.
Real Estate Commissioner

J. Antt Jr.

DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of)

SOLVANG REAL ESTATE COMPANY,)

a Corporation:)

HOMER THOMAS FRANKHOUSER, individually)

and ass designated officer of)

SOLVANG REAL ESTATE COMPANY; and)

MARTA ALICIA MASTERS-MELTON)

Respondent.)

NO. H-26601 LA

OAH L-9608060

PROPOSED DECISION

This matter came on regularly for hearing before Leslie H. Greenfield, Administrative Law Judge, Office of Administrative Hearings, on February 26 and April 22, 1997, at Los Angeles, California.

Chris Leong, Real Estate Counsel, represented the complainant Department of Real Estate. Respondent Marta Alicia Masters-Melton represented herself on the first day of hearing and Dennis J. Shea, Attorney at Law represented her on the second day of hearing. Respondent was present throughout the hearing.

Respondents Solvang Real Estate Company, a Corporation and Homer Thomas Frankhouser having been previously resolved by the Department, no Findings will be made with regard to those respondents except as it helps explain the Findings against respondent Masters-Melton.

Oral and documentary evidence and evidence by way of oral stipulation on the record having been received and the matter submitted, the Administrative Law Judge finds as follows:

1. Thomas McCrady, Deputy Real Estate Commissioner, State of California, made the Accusation in his official capacity.

2. On July 16, 1993, respondent was issued conditional salesperson license ID#01162067. On January 17, 1995, respondent's license was suspended pursuant to Business and Professions Code section 10153.4(c) for failure to submit evidence of completion of the courses required by the Real Estate Law. Respondent's license was reinstated June 4, 1996, and is due to expire July 15, 1997.

3. As of July 16, 1993, respondent was employed as a salesperson for Homer Thomas Frankhouser (Frankhouser) dba Solvang Realty, a corporate Broker licensee. On July 4, 1995, while acting as an agent for Frankhouser, respondent executed an Exclusive Authorization and Right to Sell Agreement with Chanthip Phonothongsy (Chanthip) to sell real property located at 333 Calor Drive, Buelton, California (Calor property). As part of said agreement, respondent executed an Advance Fee Agreement wherein Chanthip paid \$200.00 to Frankhouser for advertising and brochures at the time of the listing and as a condition of qualifying for a 2% listing fee.

4. On July 5, 1995, while acting as an agent for Frankhouser, respondent executed a Real Estate Purchase Contract and Receipt for Deposit agreement with Albert Hess (Hess) to buy the Calor property. Respondent subsequently mailed the offer to Chanthip and opened an escrow at Chicago Title on July 11, 1995 as Escrow Number 4950885.

5. On July 20, 1995, Escrow Number 4950885 closed and Frankhouser received a commission of \$3,500.00. On July 21, 1995, Frankhouser issued a check to respondent in the amount of \$2,000, for the Calor transaction.

6. Respondent's contention that she, in fact, had timely taken the necessary course and proof thereof was furnished to the Department by her Broker is unsubstantiated by any credible testimony. However, her incorrect, but nevertheless good faith belief, that she was licensed at the time of the above described transactions is credible and is considered in mitigation in determining the appropriate degree of discipline.

* * * * *

Pursuant to the foregoing findings of fact, the Administrative Law Judge makes the following determination of issues:

1. Grounds exist to revoke or suspend respondent's license pursuant to Business and Professions Code section 10177(d) for violating section 10130 of said code, based on Findings 2, 3, 4 and 5, in that respondent performed acts requiring a license at a time when her licensee had been suspended.

2. Consideration has been given to all competent evidence of mitigation. The public welfare can be adequately protected by the issuance to respondent of a restricted salesperson's license.

* * * * *

WHEREFORE, THE FOLLOWING ORDER is hereby made:

Real estate salesperson's license ID#01162067, issued to respondent Marta Alicia Masters-Melton is revoked, provided, however, a restricted real estate salesperson license shall be issued to respondent pursuant to Section 10156.5 of the Business and Professions Code if respondent makes application therefor and pays to the Department of Real Estate the appropriate fee for the restricted license within ninety (90) days from the effective date of this Decision. The restricted license issued to respondent shall be subject to all of the provisions of Section 10156.7 of the Business and Professions Code and to the following limitations, conditions and restrictions imposed under authority of section 10156.6 of said Code:

1. The restricted license issued to respondent may be suspended prior to hearing by Order of the Real Estate Commissioner in the event of respondent's conviction or plea of nolo contendere to a crime which is substantially related to respondent's fitness or capacity as a real estate licensee.
2. The restricted license issued to respondent may be suspended prior to hearing by Order of the Real Estate Commissioner on evidence satisfactory to the Commissioner that respondent has violated provisions of the California Real Estate Law, the Subdivided Lands Law, Regulations of the Real Estate Commissioner or conditions attaching to the restricted license.
3. Respondent shall not be eligible to apply for the issuance of an unrestricted real estate license nor for the removal of any of the conditions, limitations or restrictions of a restricted license until three years have elapsed from the effective date of the Decision herein.
4. Respondent shall submit with any application for license under an employing broker, or any application for transfer to a new employing broker, a statement signed by the prospective employing real estate broker on a form approved by the Department of Real Estate which shall certify:
 - a. That the employing broker has read the Decision of the Commissioner which granted the right to a restricted license; and

- b. That the employing broker will exercise close supervision over the performance by the restricted licensee relating to activities for which a real estate license is required.
5. Respondent shall, within nine months from the effective date of this decision, present evidence satisfactory to the Commissioner that he has taken and successfully completed the courses specified in subdivisions (a) and (b) of Section 10170.5 of the Real Estate Law for renewal of a real estate license. The restricted license issued pursuant to this Decision shall be deemed to be the first renewal of respondent's real estate salesperson license for the purpose of applying the provisions of Section 10153.4. Upon renewal of the license issued pursuant to this Decision or upon reinstatement of Respondent's real estate license, Respondent shall submit evidence of having taken and successfully completed the continuing education requirements of Article 2.5 of Chapter 3 of the Real Estate Law for renewal of a real estate license. If respondent fails to satisfy this condition, the Commissioner may order the suspension of the restricted license until Respondent presents such evidence. The Commissioner shall afford respondent the opportunity for a hearing pursuant to the Administrative Procedure Act to present such evidence.
6. Respondent shall, within six months from the effective date of the Decision herein, take and pass the Professional Responsibility Examination administered by the Department including the payment of the appropriate examination fee. If respondent fails to satisfy this condition, the Commissioner may order suspension of respondent's license until respondent passes the examination.

Dated: May 15, 1997



Leslie H. Greenfield
Administrative Law Judge
Office of Administrative Hearings

LHG:me

SAE

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of)
MARTA ALICIA MASTERS-MELTON,)
Respondent(s)

Case No. H-26601 LA

OAH No. L-9608060

FILED
MAR 14 1997
DEPARTMENT OF REAL ESTATE

NOTICE OF CONTINUED HEARING ON ACCUSATION

To the above-named Respondent(s):

You are hereby notified that a hearing will be held before the Department of Real Estate at the Office of Administrative Hearings, 314 W. First Street, Los Angeles, CA 90012 on TUESDAY, April 22, 1997, at the hour of 9:00 A.M., or as soon thereafter as the matter can be heard, upon the Accusation served upon you.

You may be present at the hearing. You have the right to be represented by an attorney at your own expense. You are not entitled to the appointment of an attorney to represent you at public expense. You are entitled to represent yourself without legal counsel. If you are not present in person nor represented by counsel at the hearing, the Department may take disciplinary action against you based upon any express admission or other evidence including affidavits, without any notice to you.

You may present any relevant evidence and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents or other things by applying to the Department of Real Estate.

The hearing shall be conducted in the English language. If you want to offer the testimony of any witness who does not proficiently speak the English language, you must provide your own interpreter. The interpreter must be approved by the Administrative Law Judge conducting the hearing as someone who is proficient in both English and the language in which the witness will testify. You are required to pay the costs of the interpreter unless the Administrative Law Judge directs otherwise.

DEPARTMENT OF REAL ESTATE

Dated: March 14, 1997

By

Chris Leong
CHRIS LEONG, Counsel

cc: Marta Alicia Masters-Melton
Sacto.
OAH

CEB

RE 501 (La Mac 11/92)

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

FILED
AUG 15 1996
DEPARTMENT OF REAL ESTATE

* * *

By C. B. [Signature]

In the Matter of the Accusation of)
)
 SOLVANG REAL ESTATE COMPANY,)
 a corporation; HOMER THOMAS)
 FRANKHOUSER, individually and)
 as designated officer of Solvang)
 Real Estate Company; and MARTA)
 ALICIA MASTERS-MELTON,)
)
 Respondents.)

NO. H-26601 LA

DECISION

The Proposed Decision dated July 31, 1996, of Randolph Brendia, Regional Manager, Department of Real Estate, State of California, is hereby adopted as the Decision of the Real Estate Commissioner in the above-entitled matter as to respondents SOLVANG REAL ESTATE COMPANY and HOMER THOMAS FRANKHOUSER only.

This Decision shall become effective at
12 o'clock noon on September 4, 1996.

IT IS SO ORDERED 8/12, 1996.

JIM ANTT, JR.
Real Estate Commissioner

[Signature]

DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * * * *

In the Matter of the Accusation of	)	No. H-26601 LA
SOLVANG REAL ESTATE COMPANY,	)	
a corporation;	)	
HOMER THOMAS FRANKHOUSER, individually	)	
and as designated officer of Solvang	)	
Real Estate Company; and	)	
MARTA ALICIA MASTERS-MELTON,	)	
	)	
Respondents.	)	
	)	
	)	

PROPOSED DECISION

This matter was presided over as an uncontested case by Randolph Brendia, Regional Manager, Department of Real Estate, as the designee of the Real Estate Commissioner, in Los Angeles, California on July 31, 1996.

Chris Leong, Counsel, represented the Complainant.

No personal appearance was made by or on behalf of Respondent SOLVANG REAL ESTATE COMPANY, a corporation (hereinafter "SREC") and HOMER THOMAS FRANKHOUSER, individually and as designated officer of Solvang Real Estate Company (hereinafter "FRANKHOUSER") (hereinafter sometimes both referred to as "Respondents"). MARTA ALICIA MASTERS-MELTON (hereinafter "MELTON") filed a Notice of Defense and will be addressed separately. On proof of compliance with Government Code Section 11505, the matter proceeded as a default pursuant to Government Code Section 11520.

The following Decision is proposed, certified and recommended for adoption:

FINDINGS OF FACT

1.

The Complainant, Thomas McCrady, a Deputy Real Estate Commissioner of the State of California, made the Accusation in his official capacity.

2.

All Sections of Title 10, Chapter 6, California Code of Regulations, are hereinafter referred to as "Regulations".

3.

At all times herein mentioned, FRANKHOUSER was and still is licensed by the Department of Real Estate of the State of California (hereinafter "Department") as a real estate broker in his individual capacity and/or as the designated officer of SREC.

4.

On or about July 16, 1993, MELTON was conditionally licensed by the Department as a real estate salesperson. On or about January 17, 1995, MELTON's license was suspended pursuant to Section 10153.4 of the Code. MELTON's license rights expire on or about July 15, 1997.

5.

On or about February 21, 1983, SREC was licensed or had license rights with the Department as a corporate real estate broker. On or about February 21, 1995, this license expired. SREC has license rights until about February 21, 1997.

6.

At all times material herein, Respondent FRANKHOUSER was and still is licensed by the Department as the designated officer of SREC, and was responsible for the supervision and control of the activities conducted on behalf of the corporation by its officers and employees as necessary to secure full compliance with the Real Estate Law as set forth in Section 10159.2 of the Code.

7.

At all times herein mentioned, International Foundation for the Handicapped (hereinafter "IFFTH") was not licensed by the Department. IFFTH's Chief Executive Officer and Chief Financial Officer is FRANKHOUSER. IFFTH's Corporate Secretary is FRANKHOUSER's ex-wife, Pauline Frankhouser.

8.

At all times herein mentioned, Central Coast Accomodators, Inc. (hereinafter "CCA") was not licensed by the Department. On or about September 1, 1995, CCA's corporate status was suspended by the Secretary of State. CCA's Chief Executive Officer, Secretary and Chief Financial Officer is FRANKHOUSER.

9.

All further references to SREC, CCA and IFFTH shall be deemed to refer to, in addition to SREC, CCA and IFFTH, the officers, directors, employees, agents and real estate licensees employed by or associated with SREC, CCA and IFFTH, 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 corporate authority and employment.

10.

At all times mentioned herein, in Los Angeles County, California, FRANKHOUSER, SREC, IFFTH and CCA engaged in the business of, acted in the capacity of, advertised or assumed to act as real estate brokers in the State of California, within the meaning of Section 10131(a), (d) and (e) of the Code, wherein they arranged, negotiated, processed, and consummated on behalf of others, sales and purchases of real property, loans secured by interests in real property, and sales and purchases of notes secured by real property and performed services for the note holders, for compensation or in expectation of compensation. In addition, Respondents conducted escrows for these transactions under Section 17006 of the Financial Code.

11.

On or about July 4, 1995, MELTON, acting as an agent of FRANKHOUSER, dba Solvang Realty, executed an Exclusive Authorization and Right to Sell Agreement with Chanthip Phonthongsy to sell real property located at 333 Calor Drive in Buelton, California. MELTON, also, as part of the agreement entered into above, executed an Advance Fee Agreement wherein Phonthongsy paid \$200.00 to FRANKHOUSER, dba Solvang Realty, for advertising and brochures at the time of the listing and as a condition of qualifying for a 2% listing fee.

12.

FRANKHOUSER did not obtain an approval of the advance fee agreement with the Department prior to its use. FRANKHOUSER, also, did not provide the seller with a verified accounting of how this advance fee was used.

13.

On or about July 5, 1995, MELTON, acting as an agent of FRANKHOUSER, dba Solvang Realty, executed a Real Estate Purchase Contract and Receipt for Deposit agreement with Albert Hess to buy the real property located at 333 Calor Drive in Buelton, California. MELTON subsequently mailed the offer to Chanthip and opened an escrow at Chicago Title Company in Solvang on July 11, 1995 as Escrow Number 4950885.

14.

On or about July 20, 1995, Escrow Number 4950885 at Chicago Title Company closed and FRANKHOUSER, dba Solvang Realty, received a commission of \$3,500.00. Then on or about July 21, 1995, FRANKHOUSER, dba Solvang Realty, issued check #2069 to MELTON in the amount of \$2,000.00 drawn on the account of Solvang Realty at Union Bank in Solvang for the Calor transaction.

15.

FRANKHOUSER failed to execute a Broker/Salesperson Agreement with MELTON at any time, including the time period in which she had a conditional license from July 16, 1993 to January 17, 1995. FRANKHOUSER also did not adequately supervise MELTON by allowing her to continue to perform acts which require a license after her license was suspended and for failing to review, initial and date contracts contained in the Calor sales file. FRANKHOUSER is conducting business from 1623 #3 Mission Road, Solvang, which is not a business address on file with the Department.

16.

On or about June 19, 1991, Kristian Klibo (hereinafter "Klibo") was approached by FRANKHOUSER to invest \$6,000.00 with his International Foundation For the Handicapped. FRANKHOUSER stated that the investment would provide a monthly income at the rate equal to 14% per annum. According to the Revocable Trust Agreement, dated June 19, 1991, Klibo was to be paid monthly installments of the interest earned from the investment in the International Foundation for the Handicapped. In addition, upon his death, his wife, Olga, was to receive the same monthly payments paid to her for her life as well. According to Klibo's Revocable Trust Agreement, dated June 19, 1991, FRANKHOUSER was specifically authorized to invest in Securities, Notes Secured by Deeds of Trust, Certificates of Deposit, and/or Evidences of Indebtedness of the International Foundation for the Handicapped, or any affiliated organization. Beginning on July 18, 1991, Klibo received monthly payments of \$70.00 for his \$6,000.00 investment, which represents a monthly payment at a rate of return equal to 14% interest.

17.

On October 4, 1991, Klibo invested an additional \$12,000.00 in the International Foundation for the Handicapped in the same Trust Agreement as stated above. Then beginning on December 27, 1991, Klibo received payments of \$210.00 per month which is reflective of a 14% monthly rate of return on an \$18,000.00 investment.

18.

Beginning in 1993, interest payments became sporadic. FRANKHOUSER agreed that if Klibo lowered the interest rate to 12% that the interest due for nine (9) months or \$1,890.00 would be added to the principal balance of the investment with IFFTH bringing it to a total aggregate balance of \$19,890.00. Then an interest rate of 12% and payments of \$198.90 would be paid to Klibo. Such payments began in December of 1993. Then in 1994, payments again were sporadic with no payment being made in January. Payments of \$198.90 were received on February 28, April 6, May 5, May 24, June 29, and July 29, 1994. Since that date, no payments have been made on the total amount of \$19,890.00 purportedly invested on Klibo's behalf in the trust.

19.

On or about December 29, 1992, FRANKHOUSER approached Klibo and his wife to make another investment, this time in Central Coast Accommodators, Inc. as Trustee. Based upon the representations made by FRANKHOUSER, the investment of \$25,000.00 would earn interest at 18% per annum payable monthly. Klibo invested the funds with FRANKHOUSER in the belief that the monies would be invested in Securities, Notes Secured by Deeds of Trust, Certificates of Deposit, and/or Evidences of Indebtedness of Central Coast Accommodators. Additionally, Klibo made this investment with the understanding that it was written into the Trust Agreement that upon written demand the investment would be returned within 48 hours.

20.

During the year 1993 interest payments on the \$25,000.00 investment were received sporadically; however, all interest due Klibo for the year of 1993 was paid. Beginning in 1994, Klibo agreed to reduce the rate of return of the investment with Central Coast Accommodators to 12% interest per annum, and began to receive irregular payments of \$250.00 per month until July of 1994 when all payments stopped.

21.

On February 22, 1994, FRANKHOUSER approached Klibo to make a loan of \$20,000.00 for a period of 90-days to the International Foundation for the Handicapped to be secured by one-half interest in a \$52,467.00 First Deed of Trust and Note on 20

acres in Lancaster, California, which was appraised at approximately \$250,000.00. For making the loan, Klibo received an unrecorded Assignment of Deed of Trust and Request for Special Notice which assigned to Klibo an undivided one-half interest in the Deed of Trust, dated July 13, 1990, which was executed by Robert W. Kirby, naming Klibo as the beneficiary. According to Klibo's agreement with FRANKHOUSER, the loan was to be repaid on or before May 31, 1994, which is a period of 90 days. Klibo was to receive an additional \$2,000.00 interest for making the loan. On July 18, 1994, FRANKHOUSER assigned 100% of the Kirby Note to Mary Chandler Bradley as partial satisfaction for a debt owed to her. FRANKHOUSER has not repaid Klibo the \$20,000.00 investment or interest as promised, and to date has made no payments on the Note.

22.

Had Klibo known that the money given to FRANKHOUSER would not be invested in tangible assets as promised in the Revocable Trust Agreements, Klibo would not have made the investments. To date, Klibo has invested a total of \$63,000.00 with FRANKHOUSER in his various investment vehicles.

23.

On or about June 19, 1992, Frank Ed Hoffman was approached by FRANKHOUSER to invest \$6,000.00 in the IFFTH and receive "an amount equal to 14% per annum or 50% of the prorated investment in the net income generated from the IFFTH Fund, whichever is greater." These interest payments were to be made monthly. In addition, the income was to continue for life with the remainder paid to Hoffman's estate. According to the Revocable Trust Agreement, FRANKHOUSER was specifically authorized to invest Hoffman's money in "Securities, Notes Secured by Deeds of Trust, Certificates of Deposit, and/or Evidences of Indebtedness of IFFTH or any affiliated organization. Then on November 16, 1993, Hoffman invested an additional \$4,000.00 in the IFFTH Fund.

24.

Then on January 16, 1993, Hoffman was asked by FRANKHOUSER to invest another \$12,000.00 in a Revocable Trust Agreement, this time with CCA. In order to fund the agreement, Hoffman withdrew \$12,000.00 from his AARP GNMA/U.S. Treasury Fund account. FRANKHOUSER represented that Hoffman's investment would earn "an amount equal to 18% per annum or 50% of the prorated investment in the net income generated from the CCA Fund, whichever is greater." These interest payments were to be made monthly. According to the Revocable Trust Agreement, FRANKHOUSER was specifically authorized to invest Hoffman's money in "Securities, Notes Secured by Deeds of Trust, Certificates of

Deposit, and/or Evidences of Indebtedness of CCA, or any affiliated organization."

25.

As an inducement to make this investment, FRANKHOUSER stated and the agreement includes, a clause that "upon written demand, within 48 hours, the entire fund including any assets being held, are transferable to the Funding Party, along with a full accounting of all cash and assets being held at the time of the demand."

26.

On February 1, 1993, FRANKHOUSER, again, came to Hoffman and asked that he invest \$10,000.00 in a Revocable Trust Agreement with CCA as Trustee. Based upon the representations made by FRANKHOUSER, that the investment would earn interest at 18% per annum payable monthly, Hoffman invested the funds with FRANKHOUSER. FRANKHOUSER stated that Hoffman's \$10,000.00 would be invested in Securities, Notes Secured by Deeds of Trust, Certificates of Deposit, and/or Evidences of Indebtedness of CCA. Additionally, Hoffman made this investment with the understanding that it was written into the Trust Agreement that upon written demand the investment would be returned within 48 hours. On January 28, 1994, Hoffman added an additional \$4,000.00 to this CCA agreement.

27.

On March 1, 1995, FRANKHOUSER asked Hoffman to invest an additional \$10,000.00 in a Revocable Trust Agreement with CCA and transfer his previous investments into the new agreement. In doing so, Hoffman received two \$21,000.00 contracts wherein Hoffman was to receive "an amount equal to 12% per annum or 50% of the prorated investment in the net income generated from the CCA Fund, whichever is greater." These interest payments were to be made monthly. According to Hoffman's Revocable Trust Agreement, FRANKHOUSER was specifically authorized to invest Hoffman's money in "Securities, Notes Secured by Deeds of Trust, Certificates of Deposit, and/or Evidences of Indebtedness of CCA or any affiliated organization."

28.

On November 7, 1995, through Detective Ken Reinstadler, Hoffman asked FRANKHOUSER to provide information on what assets were being held on his behalf in this investment. Hoffman has had no response from FRANKHOUSER, and Hoffman has not been provided with a list of assets.

On November 11, 1995, Hoffman made a demand in writing that FRANKHOUSER return his principal of \$42,000 and interest due since June 1995. FRANKHOUSER has failed to comply with the request and has not contacted Hoffman.

29.

On November 15, 1995, and December 1, 1995, Department personnel, in conjunction with the Santa Barbara Sheriff's Office, conducted a review of FRANKHOUSER's business practices as they relate to the trust agreements. Based upon this review, it was established that there are no assets held in trust for benefit of these beneficiaries. In truth and fact, FRANKHOUSER converted all funds held in trust to his personal use and has spent the funds on personal and business expenses to the detriment of those people who placed their trust in him.

30.

Had Klibo or Hoffman known that the money given to FRANKHOUSER would not be invested in tangible assets as promised in the Revocable Trust Agreements, Klibo and Hoffman would not have made these investments.

31.

In or about October of 1991, FRANKHOUSER solicited Helen A. Askier (hereinafter "Askier") to donate her home located at 1617 Sycamore Way in Solvang to IFFTH. FRANKHOUSER stated Askier could donate the Sycamore property to IFFTH in order to get \$1,500 per month, an amount equal to a 9% return on the home's value, for life, plus 20 years. FRANKHOUSER also stated that if Askier donated the Sycamore Way property to IFFTH, Askier could avoid having to pay taxes on the gain in value.

32.

On or about October 15, 1991, Askier relied on these representations made by FRANKHOUSER and transferred the Sycamore Way property to IFFTH and received a CHARITABLE REMAINDER UNITRUST from FRANKHOUSER in which Askier was to be paid \$1,500.00 per month for life, plus 20 years. On or about October 17, 1991, FRANKHOUSER recorded a Grant Deed as Document No. 91-069806 in the Santa Barbara County Recorder's Office transferring title in the Sycamore property from Askier to IFFTH.

33.

On or about November 5, 1991, Rosalba Serrano, an officer of Carisa Enterprises, Inc., a California corporation, offered to purchase the Sycamore Way property for \$210,000.00 with a new loan being created in the amount of \$147,000.00. IFFTH, the seller, was to carry in All Inclusive Trust Deed on the entire balance of \$210,000.00 at 4% amortized over 30 years. According

to additional terms in the Offer to Purchase, all costs of obtaining the loan and of the escrow were to be paid from the loan proceeds. Additionally, according to terms of the Offer, the buyers, Rosalba Serrano and Carisa Enterprises, were to receive cash of \$25,000.00 from the loan proceeds. Additional terms agreed to later called for the 8 1/2 points charged for obtaining the \$147,000.00 loan to be paid also out of the loan proceeds.

34.

On or about December 26, 1991, FRANKHOUSER transferred title in the Sycamore Way property to Carisa Enterprises Inc. (hereinafter "Carisa") by recording a Grant Deed as Document No. 91-086501 in the Santa Barbara County Recorder's Office so that Carisa could obtain a refinance loan to be secured by the Sycamore property. Then on or about February 21, 1992, Carisa obtained a loan in the amount of \$12,000.00 secured by Deed of Trust on the Sycamore Property recorded as Document No. 92-011195 in the Santa Barbara County Recorder's Office. This loan was used to pay off the existing loan of approximately \$8,000.00 owed by Askier.

35.

On December 31, 1991, an escrow was opened at Odyssey Escrow, Inc., located at 134 East Live Oak Avenue in Arcadia, California 91006. The escrow, number 11533-J, is entitled Refinance Escrow Instructions and contains instructions for the obtaining of a \$147,000.00 loan secured by the Sycamore Way property in Solvang. Additional Escrow Instructions, dated February 24, 1992, called for Carisa Enterprises to sign a Note and Deed of Trust in the amount of \$90,000.00 in favor of IFFTH. The interest rate on the Note is to be 4% with interest only monthly installments in the amount of \$300.00, payable for the first 36 months. Additional terms of the Note call for the IFFTH to sell the Note within six months from close of escrow and to distribute the funds as follows: \$20,000.00 to Carisa Enterprises, Inc., \$2,050.00 to Douglas Brooker and Associates, and \$4,050.00 to Dick Nakamura. The instruction is signed by FRANKHOUSER on behalf of the IFFTH, and by Rosalba Serrano on behalf of Carisa.

36.

On or about March 4, 1992, a Grant Deed recorded as Document Number 92-014165 transferred title in the Sycamore property from IFFTH to Carisa. A Borrower Final Settlement Statement, dated March 4, 1992, for the Sycamore Way property, shows only the origination of \$145,000.00 New First Deed of Trust recorded as Document Number 92-014166 in the Santa Barbara County Recorder's Office. Disbursements made from the credit of the New First Trust Deed include a payment of \$4,250.00 to Douglas Brooker, a payment of \$2,250.00 to Dick Nakamura, a payment of \$5,000.00 to Carisa Enterprises, Inc., and a payment of \$99,216.34 to IFFTH. An additional debit from the Final Settlement Statement

is a loan fee of \$12,325.00, although it is not clear who received the loan fee.

37.

On or about March 30, 1992, FRANKHOUSER had the \$90,000.00 second deed of trust in favor of IFFTH secured against the Sycamore Property recorded as Document Number 92-021679 in the Santa Barbara County Recorder's Office.

38.

On or about June 10, 1993, Mabry recorded a Notice of Default as document Number 93-044175 in the Santa Barbara County Recorder's Office on the \$145,000.00 Deed of Trust to Carisa stating that no payments had been made on the property since April 3, 1993.

39.

On September 20, 1993, Mabry recorded a Notice of Trustee's Sale as Document Number 93-073578 in the Santa Barbara County Recorder's Office for the Sycamore Property.

On October 18, 1993, Mabry obtained title to the Sycamore property by Trustee's Deed after Default and recorded as Document Number 93-081613 in the Santa Barbara County Recorder's Office.

40.

On November 7, 1995, through Detective Ken Reinstadler, Askier asked FRANKHOUSER to provide information on what assets are being held on Askier's behalf in the Unitrust.

On December 1, 1995, Askier learned from Detective Reinstadler that her house was sold to someone who has since stopped making payments on the mortgage. The loan proceeds of approximately \$99,000.00 were paid to IFFTH and are no longer being held in any trust account or other asset. A \$90,000.00 Note and Deed of Trust carried back by IFFTH as part of the purchase price has been wiped out by the foreclosure with no attempt by FRANKHOUSER to protect this investment.

41.

Askier transferred the Sycamore Way Property to IFFTH because FRANKHOUSER represented that it would be used for a handicapped person. Askier also believed that there was a Board of Directors for IFFTH that would assure her that the assets purchased after the sale of her home would be invested in safe investments and would not be mishandled. Had Askier known that the assets given to FRANKHOUSER would not be invested in other

tangible assets as promised in the Unitrust Agreement, Askier would not have made this investment. This investment represents the majority of Askier's retirement savings and income, and will cause serious financial difficulty if it is not repaid.

42.

On or about March 5, 1993, FRANKHOUSER and MELTON purchased a real property located at 1631 Mission Drive in Solvang from Erik Pedersen. FRANKHOUSER and Pedersen agreed to a market value and sale price of \$450,000.00 for the Mission Drive property with FRANKHOUSER putting \$50,000.00 down and Pedersen carrying a Note Secured by First Deed of Trust against the Mission Drive property.

43.

On or about April 15, 1993, FRANKHOUSER and MELTON entered into an agreement to create and exchange a \$210,000.00 Note Secured by a Second Deed of Trust against the Mission Drive Property for a real property located at 1321 Catarina Street, Santa Ynez, California, owned by Richard Shannon (hereinafter "Shannon"). The Catarina Street property was free and clear from any liens or encumbrances and had a fair market value of \$210,000.00. Shannon was to receive payments of \$1,600 per month on the Mission Drive Second Trust Deed including interest at 9% with the Note all due and payable in 15 years.

44.

On or about May 12, 1994, FRANKHOUSER arranged to sell the Catarina Street Property to Leslie J. Ames (hereinafter "Ames") for a price of approximately \$182,500.00. In order to complete the sale, FRANKHOUSER had MELTON Quitclaim, recorded as Document Number 94-040336 in the Santa Barbara County Records Office, her interest in the Catarina property to him. Then FRANKHOUSER transferred the Catarina Property to Ames by Grant Deed, recorded as Document Number 94-040337 in the Santa Barbara County Recorder's Office. To complete the purchase from FRANKHOUSER, Ames took out a new loan in the amount of \$164,250.00 from Wells Fargo Bank and recorded by Deed of Trust as Document Number 94-040338 in the Santa Barbara County Recorder's Office.

45.

Patricia Masingale (hereinafter "Masingale"), is the daughter of Richard Shannon. Shannon was led to believe by FRANKHOUSER that the second trust deed he was getting was secure and would provide a monthly income of \$1,600.00 per month for 15 years. Shannon received 9 payments of \$1,600.00 per month from May of 1993 to January 1994. In November 1994, Masingale's father passed away. At that time FRANKHOUSER owed Shannon \$20,000.00 in back payments on the note. Masingale contacted FRANKHOUSER about

the payments and he told her that the first trust deed holder had foreclosed and suggested she accept an unsecured note in the amount of \$235,000.00 with payments of \$500.00 per month. On the advice of her attorney she accepted the note from FRANKHOUSER. FRANKHOUSER subsequently made no payments on this note and forced Masingale to bring suit against him for payment. Since that time a default judgment in the amount of \$242,589.00 has been entered in the Ventura County Superior Court against FRANKHOUSER and he still has made no attempt to repay the debt.

46.

In April 1993, the Mission Drive Property was worth no more than the March 1993, \$450,000.00 purchase price paid by FRANKHOUSER and MELTON. The Mission Drive Property was encumbered by a \$400,000.00 First Deed of Trust in April 1993, when it was used to secure payment for a \$210,000.00 home owned by Shannon on Catarina Street. The \$210,000.00 note given to Shannon was therefore worthless when exchanged for the Catarina Street property and was used as a device to defraud Shannon of his property.

47.

The transactions specified herein are egregious acts perpetrated upon elderly victims who wrongly placed their trust in FRANKHOUSER to secure a future income for themselves. For these fraudulent acts FRANKHOUSER is indebted as follows:

Klibo	\$ 63,000.00
Hoffman	\$ 42,000.00
Askier	\$210,000.00
Shannon	<u>\$210,000.00</u>
Total	\$505,000.00

DETERMINATION OF ISSUES

1.

The conduct of Respondents FRANKHOUSER and SREC, in handling trust funds to perform loan and note servicing brokerage activities, as alleged in Findings 1 through 47, constitutes violations under Sections 2715, 2725, 2726, 2970 and 2972 of the Regulations. Said conduct is cause pursuant to Section 10177(d) of the Code for the suspension or revocation of all licenses and license rights of Respondents FRANKHOUSER and SREC under Real Estate Law.

2.

The conduct of Respondent SREC in performing acts requiring a license, while they were unlicensed is a violation of Section 10130 of the Code, and is cause for the suspension or

revocation of all licenses and license rights of Respondent SREC, under Real Estate Law, pursuant to Section 10177(d) of the Code.

3.

The conduct of Respondent FRANKHOUSER, in employing and compensating MASTERS-MELTON for performing acts, requiring a license while she was unlicensed is a violation of Section 10137 of the Code, and is cause for the suspension or revocation of all licenses and license rights of Respondents FRANKHOUSER and SREC under Real Estate Law.

4.

The conduct of Respondent FRANKHOUSER, in making misrepresentations and misappropriating funds, constitutes fraud and dishonest dealings and is a violation of Section 10177(j) of the Code, and is cause for the suspension or revocation of all licenses and license rights of Respondent FRANKHOUSER under Real Estate Law.

5.

The conduct of Respondents FRANKHOUSER and SREC, in operating in a location not registered with the Department, is a violation of Section 10162 of the Code, and is cause for the suspension or revocation of all licenses and license rights of Respondents FRANKHOUSER and SREC, under Real Estate Law, pursuant to Section 10165 of the Code.

6.

The conduct of Respondent FRANKHOUSER in allowing Respondent SREC to violate Sections 10130, 10137, 10162, 10165, 10146, 10177(d) and (j) of the Code and Sections 2715, 2725, 2726, 2970 and 2972 of the Regulations, is cause for the suspension or revocation of all licenses and license rights of Respondent FRANKHOUSER, under Real Estate Law, pursuant to Sections 10159.2 and 10177(h) of the Code.

7.

The standard of proof applied at the hearing was clear and convincing proof to a reasonable certainty.

ORDER

All licenses and license rights of Respondents SOLVANG
REAL ESTATE COMPANY, a corporation and HOMER THOMAS FRANKHOUSER,
individually and as designated officer of Solvang Real Estate
Company, under the provisions of Part 1 of Division 4 of the
Business and Professions Code, are revoked.

DATED: 11 July 1976.

Randolph Brendia
RANDOLPH BRENDIA
Regional Manager
Department of Real Estate

SAC

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of

MARTA ALICIA MASTERS-MELTON,

Respondent(s)

) Case No. H-26601 LA

) OAH No. L-9608060

FILED
AUG 20 1996
DEPARTMENT OF REAL ESTATE

NOTICE OF HEARING ON ACCUSATION

To the above-named Respondent(s):

By C. Bay

You are hereby notified that a hearing will be held before the Department of Real Estate at the Office of Administrative Hearings, 314 W. First Street, Los Angeles, CA 90012 on FEBRUARY 26 and 27, 1997, at the hour of 9:00 A.M., or as soon thereafter as the matter can be heard, upon the Accusation served upon you.

You may be present at the hearing. You have the right to be represented by an attorney at your own expense. You are not entitled to the appointment of an attorney to represent you at public expense. You are entitled to represent yourself without legal counsel. If you are not present in person nor represented by counsel at the hearing, the Department may take disciplinary action against you based upon any express admission or other evidence including affidavits, without any notice to you.

You may present any relevant evidence and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents or other things by applying to the Department of Real Estate.

The hearing shall be conducted in the English language. If you want to offer the testimony of any witness who does not proficiently speak the English language, you must provide your own interpreter. The interpreter must be approved by the Administrative Law Judge conducting the hearing as someone who is proficient in both English and the language in which the witness will testify. You are required to pay the costs of the interpreter unless the Administrative Law Judge directs otherwise.

DEPARTMENT OF REAL ESTATE

Dated: August 20, 1996

By Chris Leong

CHRIS LEONG, Counsel

cc: Marta Alicia Masters-Melton
Sacto.
OAH

CEB

RE 501 (La Mac 11/92)

SAC
1 CHRIS LEONG, Counsel
2 Department of Real Estate
3 107 South Broadway, Room 8107
4 Los Angeles, CA 90012

(213) 897-3937

FILED
MAY 09 1996
DEPARTMENT OF REAL ESTATE

By C. Bay

DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * * * *

11 In the Matter of the Accusation of)
12 SOLVANG REAL ESTATE COMPANY,) No. H-26601 LA
13 a corporation;) A C C U S A T I O N
14 HOMER THOMAS FRANKHOUSER, individually)
15 and as designated officer of Solvang)
16 Real Estate Company; and)
17 MARTA ALICIA MASTERS-MELTON,)
18 Respondents.)

17 The Complainant, Thomas McCrady, a Deputy Real Estate
18 Commissioner of the State of California, for cause of Accusation
19 against SOLVANG REAL ESTATE COMPANY, a corporation (hereinafter
20 "SREC"); HOMER THOMAS FRANKHOUSER, individually and as
21 designated officer of Solvang Real Estate Company (hereinafter
22 "FRANKHOUSER"); and MARTA ALICIA MASTERS-MELTON (hereinafter
23 "MELTON") (hereinafter sometimes referred to as "Respondents"),
24 is informed and alleges as follows:

25 1.

26 The Complainant, Thomas McCrady, a Deputy Real Estate
27 Commissioner of the State of California, makes this Accusation

1 against Respondents in his official capacity.

2 2.

3 All Sections of Title 10, Chapter 6, California Code
4 of Regulations, are hereinafter referred to as "Regulations".

5 3.

6 At all times herein mentioned, FRANKHOUSER was and
7 still is licensed by the Department of Real Estate of the State
8 of California (hereinafter "Department") as a real estate broker
9 in his individual capacity and/or as the designated officer of
10 SREC.

11 4.

12 On or about July 16, 1993, MELTON was conditionally
13 licensed by the Department of Real Estate of the State of
14 California as a real estate salesperson. On or about January
15 17, 1995, MELTON's license was suspended pursuant to Section
16 10153.4 of the Code. MELTON's license rights expire on or about
17 July 15, 1997.

18 5.

19 On or about February 21, 1983, SREC was licensed or
20 had license rights with the Department as a corporate real
21 estate broker. On or about February 21, 1995, this license
22 expired. SREC has license rights until about February 21, 1997.

23 6.

24 At all times material herein, Respondent FRANKHOUSER
25 was and still is licensed by the Department as the designated
26 officer of SREC, and was responsible for the supervision and
27 control of the activities conducted on behalf of the corporation

1 by its officers and employees as necessary to secure full
2 compliance with the Real Estate Law as set forth in
3 Section 10159.2 of the Code.

4 7.

5 At all times herein mentioned, International
6 Foundation for the Handicapped (hereinafter "IFFTH") was not
7 licensed by the Department. IFFTH's Chief Executive Officer and
8 Chief Financial Officer is FRANKHOUSER. IFFTH's Corporate
9 Secretary is FRANKHOUSER's ex-wife, Pauline Frankhouser.

10 8.

11 At all times herein mentioned, Central Coast
12 Accomodators, Inc. (hereinafter "CCA") was not licensed by the
13 Department. On or about September 1, 1995, CCA's corporate
14 status was suspended by the Secretary of State. CCA's Chief
15 Executive Officer, Secretary and Chief Financial Officer is
16 FRANKHOUSER.

17 9.

18 All further references to SREC, CCA and IFFTH shall be
19 deemed to refer to, in addition to SREC, CCA and IFFTH, the
20 officers, directors, employees, agents and real estate licensees
21 employed by or associated with SREC, CCA and IFFTH, who at all
22 times herein mentioned were engaged in the furtherance of the
23 business or operations of said parties and who were acting
24 within the course and scope of their corporate authority and
25 employment.

26 /

27 /

10.

At all times mentioned herein, in Los Angeles County, California, FRANKHOUSER, SREC, IFFTH and CCA engaged in the business of, acted in the capacity of, advertised or assumed to act as real estate brokers in the State of California, within the meaning of Section 10131(a), (d) and (e) of the Code, wherein they arranged, negotiated, processed, and consummated on behalf of others, sales and purchases of real property, loans secured by interests in real property and sales and purchases of notes secured by real property and performed services for the note holders, for compensation or in expectation of compensation. In addition, Respondents conducted escrow's for these transactions under Section 17006 of the Financial Code.

11.

On or about July 4, 1995, MELTON, acting as an agent of FRANKHOUSER, dba Solvang Realty, executed an Exclusive Authorization and Right to Sell agreement with Chanthip Phonthongsy to sell real property located at 333 Calor Drive in Buelton, California. MELTON, also, as part of the agreement entered into above, executed an Advance Fee Agreement wherein Phonthongsy paid \$200.00 to FRANKHOUSER, dba Solvang Realty, for advertising and brochures at the time of the listing and as a condition of qualifying for a 2% listing fee.

12.

FRANKHOUSER did not obtain an approval of the advance fee agreement with the Department prior to its use.

1 FRANKHOUSER, also, did not provide the seller with a verified
2 accounting of how this advance fee was used.

3 13.

4 On or about July 5, 1995, MELTON, acting as an agent
5 of FRANKHOUSER, dba Solvang Realty, executed a Real Estate
6 Purchase Contract and Receipt for Deposit agreement with Albert
7 Hess to buy the real property located at 333 Calor Drive in
8 Buelton, California. MELTON subsequently mailed the offer to
9 Chanthip and opened an escrow at Chicago Title Company in
10 Solvang on July 11, 1995 as Escrow Number 4950885.

11 14.

12 On or about July 20, 1995, Escrow Number 4950885 at
13 Chicago Title Company closed and FRANKHOUSER, dba Solvang
14 Realty, received a commission of \$3,500.00. Then on or about
15 July 21, 1995, FRANKHOUSER, dba Solvang Realty, issued check
16 #2069 to MELTON in the amount of \$2,000.00 drawn on the account
17 of Solvang Realty at Union Bank in Solvang for the Calor
18 transaction.

19 15.

20 FRANKHOUSER failed to execute a Broker/Salesperson
21 Agreement with MELTON at any time, including the time period in
22 which she had a conditional license from July 16, 1993 to
23 January 17, 1995. FRANKHOUSER also did not adequately supervise
24 MELTON by allowing her to continue to perform acts which require
25 a license after her license was suspended and for failing to
26 review, initial and date contracts contained in the Calor sales
27 file. FRANKHOUSER is conducting business from 1623 #3 Mission

1 Road, Solvang, which is not a business address on file with the
2 Department.

3 16.

4 On or about June 19, 1991, Kristian Klibo (hereinafter
5 "Klibo") was approached by FRANKHOUSER to invest \$6,000.00 with
6 his International Foundation For the Handicapped. FRANKHOUSER
7 stated that the investment would provide a monthly income at the
8 rate equal to 14% per annum. According to the Revocable Trust
9 Agreement, dated June 19, 1991, Klibo was to be paid monthly
10 installments of the interest earned from the investment in the
11 International Foundation for the Handicapped. In addition, upon
12 his death, his wife, Olga, was to receive the same monthly
13 payments paid to her for her life as well. According to Klibo's
14 Revocable Trust Agreement, dated June 19, 1991, FRANKHOUSER was
15 specifically authorized to invest in Securities, Notes Secured
16 by Deeds of Trust, Certificates of Deposit, and/or Evidences of
17 Indebtedness of the International Foundation for the
18 Handicapped, or any affiliated organization. Beginning on
19 July 18, 1991, Klibo received monthly payments of \$70.00 for his
20 \$6,000.00 investment, which represents a monthly payment at a
21 rate of return equal to 14% interest.

22 17.

23 On October 4, 1991, Klibo invested an additional
24 \$12,000.00 in the International Foundation for the Handicapped
25 in the same Trust Agreement as stated above. Then beginning on
26 December 27, 1991, Klibo received payments of \$210.00 per month
27

1 which is reflective of a 14% monthly rate of return on an
2 \$18,000.00 investment.

4 18.

5 Beginning in 1993, interest payments became sporadic.
6 FRANKHOUSER agreed that if Klibo lowered the interest rate to
7 12% that the interest due for nine (9) months or \$1,890.00 would
8 be added to the principal balance of the investment with IFFTH
9 bringing it to a total aggregate balance of \$19,890.00. Then an
10 interest rate of 12% and payments of \$198.90 would be paid to
11 Klibo. Such payments began in December of 1993. Then in 1994,
12 payments again were sporadic with no payment being made in
13 January. Payments of \$198.90 were received on February 28,
14 April 6, May 5, May 24, June 29, and July 29, 1994. Since that
15 date, no payments have been made on the total amount of
16 \$19,890.00 purportedly invested on Klibo's behalf in the trust.

17 19.

18 On or about December 29, 1992, FRANKHOUSER approached
19 Klibo and his wife to make another investment, this time in
20 Central Coast Accommodators, Inc. as Trustee. Based upon the
21 representations made by FRANKHOUSER, the investment of
22 \$25,000.00 would earn interest at 18% per annum payable monthly.
23 Klibo invested the funds with FRANKHOUSER in the belief that the
24 monies would be invested in Securities, Notes Secured by Deeds
25 of Trust, Certificates of Deposit, and/or Evidences of
26 Indebtedness of Central Coast Accommodators. Additionally,
27 Klibo made this investment with the understanding that it was

1 written into the Trust Agreement that upon written demand the
2 investment would be returned within 48 hours.

3 20.

4 During the year 1993 interest payments on the
5 \$25,000.00 investment were received sporadically; however, all
6 interest due Klibo for the year of 1993 was paid. Beginning in
7 1994, Klibo agreed to reduce the rate of return of the
8 investment with Central Coast Accommodators to 12% interest per
9 annum, and began to receive irregular payments of \$250.00 per
10 month until July of 1994 when all payments stopped.

11 21.

12 On February 22, 1994, FRANKHOUSER approached Klibo to
13 make a loan of \$20,000.00 for a period of 90-days to the
14 International Foundation for the Handicapped to be secured by
15 one-half interest in a \$52,467.00 First Deed of Trust and Note
16 on 20 acres in Lancaster, California, which was appraised at
17 approximately \$250,000.00. For making the loan, Klibo received
18 an unrecorded Assignment of Deed of Trust and Request for
19 Special Notice which assigned to Klibo an undivided one-half
20 interest in the Deed of Trust, dated July 13, 1990, which was
21 executed by Robert W. Kirby. According to Klibo's agreement
22 with FRANKHOUSER, the loan was to be repaid on or before May 31,
23 1994, which is a period of 90-days. Klibo was to receive an
24 additional \$2,000.00 interest for making the loan. On July 18,
25 1994, FRANKHOUSER assigned the Kirby Note to Mary Chandler
26 Bradley as partial satisfaction for a debt owed to her.
27 FRANKHOUSER has not repaid Klibo the \$20,000.00 investment or

1 interest as promised, and to date has made no payments on the
2 Note.

3 22.

4 Had Klibo known that the money given to FRANKHOUSER
5 would not be invested in tangible assets as promised in the
6 Revocable Trust Agreements, Klibo would not have made the
7 investments. To date, Klibo has invested a total of \$63,000.00
8 with FRANKHOUSER in his various investment vehicles.

9 23.

10 On or about June 19, 1992, Frank Ed Hoffman was
11 approached by FRANKHOUSER to invest \$6,000.00 in the IFFTH and
12 receive "an amount equal to 14% per annum or 50% of the prorated
13 investment in the net income generated from the IFFTH Fund,
14 whichever is greater." These interest payments were to be made
15 monthly. In addition, the income was to continue for life with
16 the remainder paid to Hoffman's estate. According to the
17 Revocable Trust Agreement, FRANKHOUSER was specifically
18 authorized to invest Hoffman's money in "Securities, Notes
19 Secured by Deeds of Trust, Certificates of Deposit, and/or
20 Evidences of Indebtedness of IFFTH or any affiliated
21 organization. Then on November 16, 1993, Hoffman invested an
22 additional \$4,000.00 in the IFFTH Fund.

23 24.

24 Then on January 16, 1993, Hoffman was asked by
25 FRANKHOUSER to invest another \$12,000.00 in a Revocable Trust
26 Agreement, this time with CCA. In order to fund the agreement,
27 Hoffman withdrew \$12,000.00 from his AARP GNMA/U.S. Treasury



1 Fund account. FRANKHOUSER represented that Hoffman's investment
2 would earn "an amount equal to 18% per annum or 50% of the
3 prorated investment in the net income generated from the CCA
4 Fund, whichever is greater." These interest payments were to be
5 made monthly. According to the Revocable Trust Agreement,
6 FRANKHOUSER was specifically authorized to invest Hoffman's
7 money in "Securities, Notes Secured by Deeds of Trust,
8 Certificates of Deposit, and/or Evidences of Indebtedness of
9 CCA, or any affiliated organization."

10 25.

11 As an inducement to make this investment, FRANKHOUSER
12 stated and the agreement includes, a clause that "upon written
13 demand, within 48 hours, the entire fund including any assets
14 being held, are transferable to the Funding Party, along with a
15 full accounting of all cash and assets being held at the time of
16 the demand."

17 26.

18 On February 1, 1993, FRANKHOUSER, again, came to
19 Hoffman and asked that he invest \$10,000.00 in a Revocable Trust
20 Agreement with CCA as Trustee. Based upon the representations
21 made by FRANKHOUSER, that the investment would earn interest at
22 18% per annum payable monthly, Hoffman invested the funds with
23 FRANKHOUSER. FRANKHOUSER stated that Hoffman's \$10,000.00 would
24 be invested in Securities, Notes Secured by Deeds of Trust,
25 Certificates of Deposit, and/or Evidences of Indebtedness of
26 CCA. Additionally, Hoffman made this investment with the
27 understanding that it was written into the Trust Agreement that



1 upon written demand the investment would be returned within 48
2 hours. On January 28, 1994, Hoffman added an additional
3 \$4,000.00 to this CCA agreement.

4 27.

5 On March 1, 1995, FRANKHOUSER asked Hoffman to invest
6 an additional \$10,000.00 in a Revocable Trust Agreement with CCA
7 and transfer his previous investments into the new agreement.
8 In doing so, Hoffman received two \$21,000.00 contracts wherein
9 Hoffman was to receive "an amount equal to 12% per annum or 50%
10 of the prorated investment in the net income generated from the
11 CCA Fund, whichever is greater." These interest payments were
12 to be made monthly. According to Hoffman's Revocable Trust
13 Agreement, FRANKHOUSER was specifically authorized to invest
14 Hoffman's money in "Securities, Notes Secured by Deeds of Trust,
15 Certificates of Deposit, and/or Evidences of Indebtedness of CCA
16 or any affiliated organization."

17 28.

18 On November 7, 1995, through Detective Ken
19 Reinstadler, Hoffman asked FRANKHOUSER to provide information on
20 what assets were being held on his behalf in this investment.
21 Hoffman has had no response from FRANKHOUSER, and Hoffman has
22 not been provided with a list of assets.

23 On November 11, 1995, Hoffman made a demand in writing that
24 FRANKHOUSER return his principal of \$42,000 and interest due
25 since June 1995. FRANKHOUSER has failed to comply with the
26 request and has not contacted Hoffman.

27 /

1 29.

2 On November 15, 1995, and December 1, 1995, Department
3 personnel, in conjunction with the Santa Barbara Sheriff's
4 Office, conducted a review of FRANKHOUSER's business practices
5 as they relate to the trust agreements. Based upon this review,
6 it appears that there are no assets held in trust for benefit of
7 these beneficiaries. In truth and fact, FRANKHOUSER converted
8 all funds held in trust to his personal use and has spent the
9 funds on personal and business expenses to the detriment of
10 those people who placed their trust in him.

11 30.

12 Had Klibo or Hoffman known that the money given to
13 FRANKHOUSER would not be invested in tangible assets as promised
14 in the Revocable Trust Agreements, Klibo and Hoffman would not
15 have made these investments.

16 31.

17 In or about October of 1991, FRANKHOUSER solicited
18 Helen A. Askier (hereinafter "Askier") to donate her home
19 located at 1617 Sycamore Way in Solvang to IFFTH. FRANKHOUSER
20 stated Askier could donate the Sycamore property to IFFTH in
21 order to get \$1,500 per month, an amount equal to a 9% return on
22 the home's value, for life, plus 20 years. FRANKHOUSER also
23 stated that if Askier donated the Sycamore Way property to
24 IFFTH, Askier could avoid having to pay taxes on the gain in
25 value.

26 /

27



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

32.

On or about October 15, 1991, Askier relied on these representations made by FRANKHOUSER and transferred the Sycamore Way property to IFFTH and received a CHARITABLE REMAINDER UNITRUST from FRANKHOUSER in which Askier was to be paid \$1,500.00 per month for life, plus 20 years. On or about October 17, 1991, FRANKHOUSER recorded a Grant Deed as Document No. 91-069806 in the Santa Barbara County Recorder's Office transferring title in the Sycamore property from Askier to IFFTH.

33.

On or about November 5, 1991, Rosalba Serrano, an officer of Carisa Enterprises, Inc., a California corporation, offered to purchase the Sycamore Way property for \$210,000.00 with a new loan being created in the amount of \$147,000.00. IFFTH, the seller, was to carry in All Inclusive Trust Deed on the entire balance of \$210,000.00 at 4% amortized over 30 years. According to additional terms in the Offer to Purchase, all costs of obtaining the loan and of the escrow were to be paid from the loan proceeds. Additionally, according to terms of the Offer, the buyers, Rosalba Serrano and Carisa Enterprises, were to receive cash of \$25,000.00 from the loan proceeds. Additional terms agreed to later called for the 8 1/2 points charged for obtaining the \$147,000.00 loan to be paid also out of the loan proceeds.

/

/

34.

On or about December 26, 1991, FRANKHOUSER transferred title in the Sycamore Way property to Carisa Enterprises Inc. (hereinafter "Carisa") by recording a Grant Deed as Document No. 91-086501 in the Santa Barbara County Recorder's Office so that Carisa could obtain a refinance loan to be secured by the Sycamore property. Then on or about February 21, 1992, Carisa obtained a loan in the amount of \$12,000.00 secured by Deed of Trust on the Sycamore Property recorded as Document No. 92-011195 in the Santa Barbara County Recorder's Office. This loan was used to pay off the existing loan of approximately \$8,000.00 owed by Askier.

35.

On December 31, 1991, an escrow was opened at Odyssey Escrow, Inc., located at 134 East Live Oak Avenue in Arcadia, California 91006. The escrow, number 11533-J, is entitled Refinance Escrow Instructions and contain instructions for the obtaining of a \$147,000.00 loan secured by the Sycamore Way property in Solvang. Additional Escrow Instructions, dated February 24, 1992, called for Carisa Enterprises to sign a Note and Deed of Trust in the amount of \$90,000.00 in favor of IFFTH. The interest rate on the Note is to be 4% with interest only monthly installments in the amount of \$300.00, payable for the first 36 months. Additional terms of the Note call for the IFFTH to sell the Note within six months from close of escrow and to distribute the funds as follows: \$20,000.00 to Carisa Enterprises, Inc., \$2,050.00 to Douglas Brooker and Associates,

1 and \$4,050.00 to Dick Nakamura. The instruction is signed by
2 FRANKHOUSER on behalf of the IFFTH, and by Rosalba Serrano on
3 behalf of Carisa.

4 36.

5 On or about March 4, 1992, a Grant Deed recorded as
6 Document Number 92-014165 transferred title in the Sycamore
7 property from IFFTH to Carisa. A Borrower Final Settlement
8 Statement, dated March 4, 1992, for the Sycamore Way property,
9 shows only the origination of \$145,000.00 New First Deed of
10 Trust recorded as Document Number 92-014166 in the Santa Barbara
11 County Recorder's Office. Disbursements made from the credit of
12 the New First Trust Deed include a payment of \$4,250.00 to
13 Douglas Brooker, a payment of \$2,250.00 to Dick Nakamura, a
14 payment of \$5,000.00 to Carisa Enterprises, Inc., and a payment
15 of \$99,216.34 to IFFTH. An additional debit from the Final
16 Settlement Statement is a loan fee of \$12,325.00, although it is
17 not clear who received the loan fee. Nakamura believes
18 FRANKHOUSER received the fee for originating the loan with C. E.
19 Mabry.

20 37.

21 On or about March 30, 1992, FRANKHOUSER had the
22 \$90,000.00 second deed of trust in favor of IFFTH and secured
23 against the Sycamore property recorded as Document Number
24 92-021679 in the Santa Barbara County Recorder's Office.

25 38.

26 On or about June 10, 1993, Mabry recorded a Notice of
27 Default as document Number 93-044175 in the Santa Barbara County

1 Recorder's Office on the \$145,000.00 Deed of Trust to Carisa
2 stating that no payments had been made on the property since
3 April 3, 1993.

4 39.

5 On September 20, 1993, Mabry recorded a Notice of
6 Trustee's Sale as Document Number 93-073578 in the Santa Barbara
7 County Recorder's Office for the Sycamore Property.

8 On October 18, 1993, Mabry obtained title to the Sycamore
9 property by Trustee's Deed after Default and recorded as
10 Document Number 93-081613 in the Santa Barbara County Recorder's
11 Office.

12 40.

13 On November 7, 1995, through Detective Ken
14 Reinstadler, Askier asked FRANKHOUSER to provide information on
15 what assets are being held on Askier's behalf in the Unitrust.
16 On December 1, 1995, Askier learned from Detective Reinstadler
17 that her house was sold to someone who has since stopped making
18 payments on the mortgage. The loan proceeds of approximately
19 \$99,000.00 were paid to IFFTH and are no longer being held in
20 any trust account or other asset. A \$90,000.00 Note and Deed of
21 Trust carried back by IFFTH as part of the purchase price has
22 been wiped out by the foreclosure with no attempt by FRANKHOUSER
23 to protect this investment.

24 41.

25 Askier transferred the Sycamore Way Property to IFFTH
26 because FRANKHOUSER represented that it would be used for a
27 handicapped person. Askier also believed that there was a Board

1 of Directors for IFFTH that would assure her that the assets
2 purchased after the sale of her home would be invested in safe
3 investments and would not be mishandled. Had Askier known that
4 the assets given to FRANKHOUSER would not be invested in other
5 tangible assets as promised in the Unitrust Agreement, Askier
6 would not have made this investment. This investment represents
7 the majority of Askier's retirement savings and income, and will
8 cause serious financial difficulty if it is not repaid.

9 42.

10 On or about March 5, 1993, FRANKHOUSER and MELTON
11 purchased a real property located at 1631 Mission Drive in
12 Solvang from Erik Pedersen. FRANKHOUSER and Pedersen agreed to
13 a market value and sale price of \$450,000.00 for the Mission
14 Drive property with FRANKHOUSER putting \$50,000.00 down and
15 Pedersen carrying a Note Secured by First Deed of Trust against
16 the Mission Drive property.

17 43.

18 On or about April 15, 1993, FRANKHOUSER and MELTON
19 entered into an agreement to create and exchange a \$210,000.00
20 Note Secured by a Second Deed of Trust against the Mission Drive
21 Property for a real property located at 1321 Catarina Street,
22 Santa Ynez, California, owned by Richard Shannon (hereinafter
23 "Shannon"). The Catarina Street property was free and clear
24 from any liens or encumbrances and had a fair market value of
25 \$210,000.00 Shannon was to receive payments of \$1,600 per month
26 on the Mission Drive Second Trust Deed including interest at 9%
27 with the Note all due and payable in 15 years.

On or about May 12, 1994, FRANKHOUSER arranged to sell the Catarina Street Property to Leslie J. Ames (hereinafter "Ames") for a price of approximately \$182,500.00. In order to complete the sale, FRANKHOUSER had MELTON Quitclaim, recorded as Document Number 94-040336 in the Santa Barbara County Recorders Office, her interest in the Catrina property to him. Then FRANKHOUSER transferred the Catrina Property to Ames by Grant Deed, recorded as Document Number 94-040337 in the Santa Barbara County Recorder's Office. To complete the purchase from FRANKHOUSER, Ames took out a new loan in the amount of \$164,250.00 from Wells Fargo Bank and recorded by Deed of Trust as Document Number 94-040338 in the Santa Barbara County Recorder's Office.

Patricia Masingale (hereinafter "Masingale"), is the daughter of Richard Shannon. Shannon was led to believe by FRANKHOUSER that the second trust deed he was getting was secure and would provide a monthly income of \$1,600.00 per month for 15 years. Shannon received 9 payments of \$1,600.00 per month from May of 1993 to January 1994. In November 1994, Masingale's father passed away. At that time FRANKHOUSER owed Shannon \$20,000.00 in back payments on the note. Masingale contacted FRANKHOUSER about the payments and he told her that the first trust deed holder had foreclosed and suggested she accept an unsecured note in the amount of \$235,000.00 with payments of \$500.00 per month. On the advice of her attorney she accepted

1 the note from FRANKHOUSER. FRANKHOUSER subsequently made no
2 payments on this note and forced Masingale to bring suit against
3 him for payment. Since that time a default judgment in the
4 amount of \$242,589.00 has been entered in the Ventura County
5 Superior Court against FRANKHOUSER and he still has made no
6 attempt to repay the debt.

7 46.

8 In April 1993, the Mission Drive Property was worth no
9 more than the March 1993, \$450,000.00 purchase price paid by
10 FRANKHOUSER and MELTON. The Mission Drive property was
11 encumbered by a \$400,000.00 First Deed of Trust in April 1993,
12 when it was used to secure payment for a \$210,000.00 home owned
13 by Shannon on Catrina Street. The \$210,000.00 note given to
14 Shannon was therefore worthless when exchanged for the Catarina
15 Street property and was used as a device to defraud Shannon of
16 his property.

17 47.

18 The transactions specified herein are egregious acts
19 perpetrated upon elderly victims who wrongly placed their trust
20 in FRANKHOUSER to secure a future income for themselves. For
21 these fraudulent acts FRANKHOUSER is indebted as follows:

22	Klibo	\$ 63,000.00
23	Hoffman	\$ 42,000.00
24	Askier	\$210,000.00
	Shannon	<u>\$210,000.00</u>
	Total	\$505,000.00

25 /

26 /

1 FIRST CAUSE OF ACCUSATION

2 (Violation by Respondents FRANKHOUSER and SREC of Sections 10146
3 and 10177(d) of the Code and Sections 2715, 2725, 2726, 2970 and
4 2972 of the Regulations)

5 48.

6 As a First Cause of Accusation, Complainant
7 incorporates herein by this reference the Preamble and each of
8 the allegations in Paragraphs 1 through 47, herein above.

9 49.

10 The conduct of Respondents FRANKHOUSER and SREC, in
11 handling trust funds to perform loan and note servicing
12 brokerage activities, as alleged in Paragraphs 1 through 47,
13 constitutes violations under Sections 2715, 2725, 2726, 2970 and
14 2972 of the Regulations. Said conduct is cause pursuant to
15 Section 10177(d) of the Code for the suspension or revocation of
16 all licenses and license rights of Respondents FRANKHOUSER and
17 SREC under Real Estate Law.

18 SECOND CAUSE OF ACCUSATION

19 (Violation by Respondent MELTON and SREC of Section 10130 of
20 the Code)

21 50.

22 As a Second Cause of Accusation, Complainant
23 incorporates herein by this reference the Preamble and each of
24 the allegations in Paragraphs 1 through 47, herein above.

25 51.

26 The conduct of Respondent MELTON and SREC in
27 performing acts requiring a license, while they were unlicensed

1 is a violation of Section 10130 of the Code, and is cause for
2 the suspension or revocation of all licenses and license rights
3 of Respondents MELTON and SREC, under Real Estate Law, pursuant
4 to Section 10177(d) of the Code.

5 THIRD CAUSE OF ACCUSATION

6 (Violation by Respondent FRANKHOUSER of Section 10137 of the
7 Code)

8 52.

9 As a Third Cause of Accusation, Complainant
10 incorporates herein by this reference the Preamble and each of
11 the allegations in Paragraphs 1 through 47, herein above.

12 53.

13 The conduct of Respondent FRANKHOUSER, in employing
14 and compensating MELTON and SREC for perform acts, requiring a
15 license while they were unlicensed is a violation of Section
16 10137 of the Code, and is cause for the suspension or revocation
17 of all licenses and license rights of Respondents FRANKHOUSER
18 and SREC under Real Estate Law.

19 FOURTH CAUSE OF ACCUSATION

20 (Violation by Respondent FRANKHOUSER of Sections 10177(j) of
21 the Code)

22 54.

23 As a Fourth Cause of Accusation, Complainant
24 incorporates herein by this reference the Preamble and each of
25 the allegations in Paragraphs 1 through 47, herein above.

26 /

27 /

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

55.

The conduct of Respondent FRANKHOUSER, in making misrepresentations and misappropriating funds, constitutes fraud and dishonest dealings and is a violation of Section 10177(j) of the Code, and is cause for the suspension or revocation of all licenses and license rights of Respondent FRANKHOUSER under Real Estate Law.

FIFTH CAUSE OF ACCUSATION

(Violation by Respondents FRANKHOUSER and SREC of Sections 10162 and 10165 of the Code)

56.

As a Fifth Cause of Accusation, Complainant incorporates herein by this reference the Preamble and each of the allegations in Paragraphs 1 through 47, herein above.

57.

The conduct of Respondents FRANKHOUSER and SREC, in operating in a location not registered with the Department, is a violation of Section 10162 of the Code, and is cause for the suspension or revocation of all licenses and license rights of Respondents FRANKHOUSER and SREC, under Real Estate Law, pursuant to Section 10165 of the Code.

SIXTH CAUSE OF ACCUSATION

(Violation by Respondent FRANKHOUSER of Sections 10159.2 and 10177(h) of the Code)

58.

As a Sixth Cause of Accusation, Complainant incorporates herein by this reference the Preamble and each of

1 the allegations in Paragraphs 1 through 47, herein above.

2 59.

3 The conduct of Respondent FRANKHOUSER in allowing
4 Respondent SREC to violate Sections 10130, 10137, 10162, 10165,
5 10146, 10177(d) and (j) of the Code and Sections 2715, 2725,
6 2726, 2970 and 2972 of the Regulations, is cause for the
7 suspension or revocation of all licenses and license rights of
8 Respondent FRANKHOUSER, under Real Estate Law, pursuant to
9 Sections 10159.2 and 10177(h) of the Code.

10 WHEREFORE, Complainant prays that a hearing be
11 conducted on the allegations of this Accusation and that upon
12 proof thereof, a decision be rendered imposing disciplinary
13 action against all licenses and license rights of Respondents,
14 SOLVANG REAL ESTATE COMPANY, a corporation; HOMER THOMAS
15 FRANKHOUSER, individually and as designated officer of Solvang
16 Real Estate Company; and MARTA ALICIA MASTERS-MELTON, under the
17 Real Estate Law (Part 1 of Division 4 of the Business and
18 Professions Code), and for such other and further relief as may
19 be proper under other applicable provisions of law.

20 Dated at Los Angeles, California

21 this 9th day of May, 1996.

22
23 THOMAS MCCRADY

24 Deputy Real Estate Commissioner

25 cc: Solvang Real Estate Company
26 Homer Thomas Frankhouser
27 Marta Alicia Masters-Melton
Sacto.
PI