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**FILED**  
OCT 27 2000  
DEPARTMENT OF REAL ESTATE

*[Handwritten Signature]*

DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

\* \* \* \*

In the Matter of the Accusation of	)	
	)	No. H-26851 LA
COAST CITIES FINANCIAL, INC.,	)	
a California Corporation and	)	
DARRELL LOREN PETERSON	)	
	)	
Respondents	)	

ORDER GRANTING REINSTATEMENT OF LICENSE

On August 11, 1998, a Decision was rendered herein, revoking the corporate real estate broker license of COAST CITIES FINANCIAL, INC. and the real estate broker license of DARRELL LOREN PETERSON, effective September 23, 1998. Respondents were given the right to apply for and receive a restricted corporate real estate broker license and a restricted real estate broker license which were issued on September 23, 1998.

On April 24, 2000, Respondents petitioned for reinstatement of their unrestricted real estate licenses and

1 the Attorney General of the State of California has been  
2 given notice of both filings.

3 I have considered Respondents' petitions and the  
4 evidence and arguments in support thereof. Respondents have  
5 demonstrated to my satisfaction that grounds do not presently  
6 exist to deny the issuance of an unrestricted real estate  
7 license to each Respondent.

8 NOW, THEREFORE, IT IS ORDERED that Respondent COAST  
9 CITIES FINANCIAL, INC.'s petition for reinstatement is  
10 granted and that an unrestricted corporate real estate broker  
11 license be issued to this Respondent after it satisfies the  
12 following condition within six (6) months from the date of  
13 this Order:

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

17 IT IS ALSO ORDERED that Respondent DARRELL LOREN  
18 PETERSON's petition for reinstatement is granted and that an  
19 unrestricted real estate broker license be issued to him  
20 after he satisfies the following conditions within six (6)  
21 months from the date of this Order:

22 1. Submittal of a completed application and payment  
23 of the fee for a real estate broker license.

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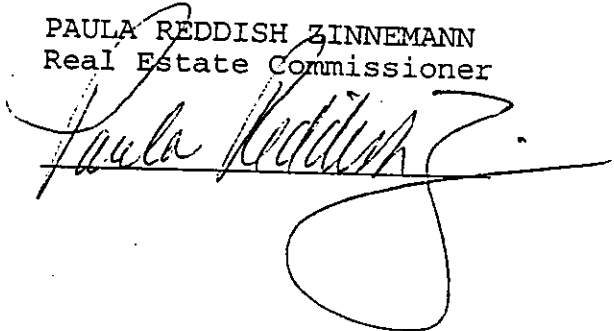
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2. Submittal of evidence satisfactory to the Real Estate Commissioner that Respondent has, since his license was revoked, taken and successfully completed the continuing education requirements of Article 2.5 of Chapter 3 of the Real Estate Law for renewal of a real estate license.

This Order shall become effective immediately.

DATED: *October 24, 2000*

PAULA REDDISH ZINNEMANN  
Real Estate Commissioner



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

**FILED**  
SEP - 3 1998  
DEPARTMENT OF REAL ESTATE

By *[Signature]*

8 BEFORE THE DEPARTMENT OF REAL ESTATE  
9 STATE OF CALIFORNIA

10 \* \* \*

11 In the Matter of the Accusation of )  
12 COAST CITIES FINANCIAL, INC.; ) NO. H-26851 LA  
13 KARL FRANCIS BAUMANN, individually ) L-9611076  
14 and formerly as designated officer ) STIPULATION AND AGREEMENT  
15 of Coast Cities Financial, Inc.; )  
16 and DARRELL LOREN PETERSON, )  
17 individually and as designated )  
18 officer of Coast Cities Financial, )  
19 Inc., )  
20 Respondents. )

18 It is hereby stipulated by and between COAST CITIES  
19 FINANCIAL, INC., KARL FRANCIS BAUMANN, individually and formerly  
20 as designated officer of Coast Cities Financial, Inc., and  
21 DARRELL LOREN PETERSON, individually and as designated officer of  
22 Coast Cities Financial, Inc. (sometimes referred to collectively  
23 herein as "Respondents"), and their attorney of record, Wacy  
24 Armstrong, Jr., Esq., and the Department of Real Estate  
25 ("Department") and it's attorney, Darlene Averetta, as follows  
26 for the purpose of settling and disposing of the Accusation filed  
27 ///

1 on October 22, 1996 and amended on December 22, 1997, 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 Respondents  
5 at a formal hearing on the Accusation, which hearing was to be  
6 held in accordance with the provisions of the Administrative  
7 Procedure Act ("APA"), shall instead and in place thereof be  
8 submitted solely on the basis of the provisions of this  
9 Stipulation and Agreement.

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

14 3. On November 1, 1996, Respondents COAST CITIES  
15 FINANCIAL, INC., and KARL FRANCIS BAUMANN, filed a Notice of  
16 Defense; and on March 27, 1998, Respondent DARRELL LOREN  
17 PETERSON, filed a Notice of Defense. Said Notices were filed  
18 pursuant to Section 11506 of the Government Code for the purpose  
19 of requesting a hearing on the allegations in the Accusation.  
20 Respondents hereby freely and voluntarily withdraw said Notices  
21 of Defense. Respondents acknowledge that they understand that by  
22 withdrawing said Notices of Defense, they will thereby waive  
23 their right to require the Commissioner to prove the allegations  
24 in the Accusation at a contested hearing held in accordance with  
25 the provisions of the APA and that they will waive other rights  
26 afforded to them in connection with the hearing, such as the  
27 right to present evidence in defense of the allegations in the



1 Accusation and the right to cross-examine witnesses.

2           4. This Stipulation and Agreement is based on the  
3 factual allegations contained in the Accusation filed in this  
4 proceeding. In the interest of expedience and economy,  
5 Respondents choose not to contest these factual allegations, but  
6 to remain silent and understand that, as a result thereof, these  
7 factual statements, without being admitted or denied, will serve  
8 as a prima facie basis for the disciplinary action stipulated to  
9 herein. This Stipulation and Agreement and Respondents' decision  
10 not to contest the Accusation are hereby expressly limited to  
11 this proceeding and made for the sole purpose of reaching an  
12 agreed disposition of this proceeding. Respondents' decision not  
13 to contest the factual allegations is made solely for the purpose  
14 of effectuating this Stipulation and Agreement and is intended by  
15 Respondents to be non-binding upon them in any actions against  
16 Respondents by third parties. The Real Estate Commissioner shall  
17 not be required to provide further evidence to prove such  
18 allegations.

19           5. It is understood by the parties that the Real  
20 Estate Commissioner may adopt the Stipulation and Agreement as  
21 his Decision in this matter, thereby imposing the penalty and  
22 sanctions on Respondents' real estate licenses and license rights  
23 as set forth in the below "Order". In the event that the  
24 Commissioner in his discretion does not adopt the Stipulation and  
25 Agreement, it shall be void and of no effect and Respondents  
26 shall retain their right to a hearing and proceeding on the  
27 Accusation under all the provisions of the APA and shall not be



1 bound by any stipulation or waiver made herein.

2 6. The Order or any subsequent Order of the Real  
3 Estate Commissioner made pursuant to this Stipulation and  
4 Agreement shall not constitute an estoppel, merger or bar to any  
5 further administrative or civil proceedings by the Department of  
6 Real Estate with respect to any matters which were not  
7 specifically alleged to be causes for accusation in this  
8 proceeding.

9 DETERMINATION OF ISSUES

10 By reason of the foregoing stipulations and waivers and  
11 solely for the purpose of settlement of the pending Accusation  
12 without a hearing, it is stipulated and agreed that the following  
13 determination of issues shall be made.

14 I

15 The conduct, acts and/or omissions of COAST CITIES  
16 FINANCIAL, INC., as set forth in the Accusation, constitute cause  
17 for the suspension or revocation of all real estate licenses  
18 and license rights of COAST CITIES FINANCIAL, INC., under the  
19 provisions of Business and Professions Code ("Code") Section  
20 10177(d), for violations of Code Section 10145 and Sections  
21 2832 and 2834 of Title 10, Chapter 6, California Code of  
22 Regulations ("Regulations").

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II

The conduct, acts and/or omissions of KARL FRANCIS BAUMANN, as set forth in the Accusation, constitute cause for the suspension or revocation of all real estate licenses and license rights of KARL FRANCIS BAUMANN under the provisions of Code Sections 10177(d) and 10177(h) for violation of Code Sections 10145 and 10159.2.

III

The conduct, acts and/or omissions of DARRELL LOREN PETERSON, as set forth in the Accusation, constitute cause for the suspension or revocation of all real estate licenses and license rights of DARRELL LOREN PETERSON under the provisions of Code Sections 10177(d) and 10177(h) for violation of Code Sections 10145 and 10159.2.

ORDER

WHEREFORE, THE FOLLOWING ORDER is hereby made:

All real estate licenses and license rights of Respondents COAST CITIES FINANCIAL, INC.; KARL FRANCIS BAUMANN, individually and formerly as designated officer of Coast Cities Financial, Inc.; and DARRELL LOREN PETERSON, individually and as designated officer of Coast Cities Financial, Inc., under the Real Estate Law are revoked; provided, however:

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A. A restricted real estate corporate broker license  
shall be issued to Respondent COAST CITIES FINANCIAL, INC.,  
pursuant to the provisions of Section 10156.5 of the Business and  
Professions Code if Respondent COAST CITIES FINANCIAL, INC.,  
first:

- (1) provides evidence satisfactory to the Real Estate Commissioner that the trust account shortage set forth in the Accusation has been cured;
- (2) makes application therefor and pays to the Department of Real Estate the appropriate fee for the restricted license within 90 days from the effective date of this Decision.

B. Any restricted real estate license issued to Respondent COAST CITIES FINANCIAL, INC., shall be suspended for thirty (30) days from the date of issuance of said restricted license; provided, however, that if Respondent petitions, said suspension shall be permanently stayed upon condition that:

- (1) Respondent pays a monetary penalty pursuant to Section 10175 of the Business and Professions Code Section in the amount of One Thousand Dollars (\$1,000).
- (2) Said payment shall be in the form of a cashier's check or certified check, made payable to the Recovery Account of the Real Estate Fund. Said check must be delivered to the Department prior to the effective date of the Decision in this matter.

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1                   (2) makes application therefor and pays to the  
2 Department of Real Estate the appropriate fee for the restricted  
3 license within 90 days from the effective date of this Decision.

4                   (3) presents evidence satisfactory to the Real  
5 Estate Commissioner that Respondent has, since the most recent  
6 issuance of an original or renewal real estate license, taken and  
7 successfully completed the continuing education requirements of  
8 Article 2.5 of Chapter. 3 of the Real Estate Law for renewal of a  
9 real estate license.

10                   B. Any restricted real estate license issued to  
11 Respondent KARL FRANCIS BAUMANN shall be suspended for thirty  
12 (30) days from the date of issuance of said restricted license;  
13 provided, however, that if Respondent petitions, said suspension  
14 shall be permanently stayed upon condition:

15                   (1) Respondent pays a monetary penalty pursuant to  
16 Section 10175 of the Business and Professions Code Section in the  
17 amount of One Thousand Dollars (\$1,000).

18                   (2) Said payment shall be in the form of a  
19 cashier's check or certified check, made payable to the Recovery  
20 Account of the Real Estate Fund. Said check must be delivered to  
21 the Department prior to the effective date of the Decision in  
22 this matter.

23                   C. The restricted license issued to Respondent KARL  
24 FRANCIS BAUMANN shall be subject to all of the provisions of  
25 Section 10156.7 of the Business and Professions Code and to the  
26 following limitations, conditions and restrictions imposed under  
27 authority of Section 10156.6 of that Code:



1                   (1) The restricted license issued to Respondent  
2 KARL FRANCIS BAUMANN may be suspended prior to hearing by Order  
3 of the Real Estate Commissioner in the event of Respondent's  
4 conviction or plea of nolo contendere to a crime which is  
5 substantially related to Respondent's fitness or capacity as a  
6 real estate licensee.

7                   (2) The restricted license issued to Respondent  
8 KARL FRANCIS BAUMANN may be suspended prior to hearing by Order  
9 of the Real Estate Commissioner on evidence satisfactory to the  
10 Commissioner that Respondent has violated provisions of the  
11 California Real Estate Law, the Subdivided Lands Law, Regulations  
12 of the Real Estate Commissioner, or conditions attaching to this  
13 restricted license.

14                   (3) Respondent KARL FRANCIS BAUMANN shall not be  
15 eligible to apply for the issuance of an unrestricted real estate  
16 license nor for the removal of any of the conditions, limitations  
17 or restrictions of a restricted license until one (1) year has  
18 elapsed from the effective date of this Decision.

19                   (4) Respondent KARL FRANCIS BAUMANN shall, within  
20 six (6) months from the effective date of this Decision, take and  
21 pass the Professional Responsibility Examination administered by  
22 the Department, including the payment of the appropriate  
23 examination fee. If Respondent fails to satisfy this condition,  
24 the Commissioner may order suspension of the restricted license  
25 until Respondent passes the examination.

26 ///

27 ///



1 III

2 A. A restricted real estate broker license shall be  
3 issued to Respondent DARRELL LOREN PETERSON pursuant to the  
4 provisions of Section 10156.5 of the Business and Professions  
5 Code if Respondent DARRELL LOREN PETERSON makes application  
6 therefor and pays to the Department of Real Estate the  
7 appropriate fee for the restricted license within 90 days from  
8 the effective date of this Decision.

9 B. Any restricted real estate license issued to  
10 Respondent DARRELL LOREN PETERSON shall be suspended for thirty  
11 (30) days from the date of issuance of said restricted license;  
12 provided, however, that if Respondent petitions, said suspension  
13 shall be permanently stayed upon condition:

14 (1) Respondent pays a monetary penalty pursuant to  
15 Section 10175 of the Business and Professions Code Section in the  
16 amount of One Thousand Dollars (\$1,000).

17 (2) Said payment shall be in the form of a  
18 cashier's check or certified check, made payable to the Recovery  
19 Account of the Real Estate Fund. Said check must be delivered to  
20 the Department prior to the effective date of the Decision in  
21 this matter.

22 C. The restricted license issued to Respondent DARRELL  
23 LOREN PETERSON shall be subject to all of the provisions of  
24 Section 10156.7 of the Business and Professions Code and to the  
25 following limitations, conditions and restrictions imposed under  
26 authority of Section 10156.6 of that Code:

27 ///



1                   (1) The restricted license issued to Respondent  
2 DARRELL LOREN PETERSON may be suspended prior to hearing by Order  
3 of the Real Estate Commissioner in the event of Respondent's  
4 conviction or plea of nolo contendere to a crime which is  
5 substantially related to Respondent's fitness or capacity as a  
6 real estate licensee.

7                   (2) The restricted license issued to DARRELL LOREN  
8 PETERSON may be suspended prior to hearing by Order of the Real  
9 Estate Commissioner on evidence satisfactory to the Commissioner  
10 that Respondent has violated provisions of the California Real  
11 Estate Law, the Subdivided Lands Law, Regulations of the Real  
12 Estate Commissioner, or conditions attaching to this restricted  
13 license.

14                   (3) Respondent DARRELL LOREN PETERSON shall not be  
15 eligible to apply for the issuance of an unrestricted real estate  
16 license nor for the removal of any of the conditions, limitations  
17 or restrictions of a restricted license until one (1) year has  
18 elapsed from the effective date of this Decision.

19                   (4) Respondent DARRELL LOREN PETERSON shall,  
20 within nine (9) months from the effective date of this Decision,  
21 present evidence satisfactory to the Real Estate Commissioner  
22 that Respondent has, since the most recent issuance of an  
23 original or renewal real estate license, taken and successfully  
24 completed the continuing education requirements of Article 2.5 of  
25 Chapter 3 of the Real Estate Law for renewal of a real estate  
26 license. If Respondent fails to satisfy this condition, the  
27 Commissioner may order the suspension of any restricted license

1 until Respondent presents such evidence. The Commissioner shall  
2 afford Respondent the opportunity for a hearing pursuant to the  
3 Administrative Procedure Act to present such evidence.

4 (5) Respondent DARRELL LOREN PETERSON shall,  
5 within six (6) months from the effective date of this Decision,  
6 take and pass the Professional Responsibility Examination  
7 administered by the Department, including the payment of the  
8 appropriate examination fee. If Respondent fails to satisfy this  
9 condition, the Commissioner may order suspension of the  
10 restricted license until Respondent passes the examination.

11 IV

12 Pursuant to Section 10148 of the Business and  
13 Professions Code, Respondents COAST CITIES FINANCIAL, INC.,  
14 KARL FRANCIS BAUMANN, and DARRELL LOREN PETERSON, jointly or  
15 severally, shall pay the Commissioner's reasonable costs for an  
16 audit to ensure that Respondents are now in compliance with the  
17 Real Estate Law. In calculating the amount of the Commissioner's  
18 reasonable costs, the Commissioner may use the estimated average  
19 hourly salary for all persons performing audits of real estate  
20 brokers and shall include an allocation for travel time to and  
21 from the auditor's place of work. The Commissioner's reasonable  
22 costs shall in no event exceed \$3,600.

23 A. Respondents shall pay such costs within 45 days of  
24 receiving an invoice from the Commissioner detailing the  
25 activities performed during the audit and the amount of time  
26 spent performing those activities.

27 ///



1                     B. The Commissioner may suspend the restricted real  
2 estate licenses issued to Respondents pending a hearing held in  
3 accordance with Section 11500, et seq., of the Government Code  
4 if payment is not timely made as provided for herein or as  
5 provided in a subsequent agreement between Respondents and the  
6 Commissioner. The suspension shall remain in effect until  
7 payment is made in full or until Respondents enter into an  
8 agreement satisfactory to the Commissioner to provide for such  
9 payment or until a decision providing otherwise is adopted  
10 following a hearing held pursuant to this condition.

11 DATED: July 31, 1998

*Darlene Averetta*  
DARLENE AVERETTA  
Complainant's Counsel

13 \* \* \*

14                     We have read the Stipulation and Agreement, have  
15 discussed it with our counsel, and its terms are understood by us  
16 and are agreeable and acceptable to us. We understand that we  
17 are waiving rights given to us by the California Administrative  
18 Procedure Act (including but not limited to Sections 11506,  
19 11508, 11509 and 11513 of the Government Code) and we willingly,  
20 intelligently and voluntarily waive those rights, including the  
21 right of requiring the Commissioner to prove the allegations in  
22 the Accusation at a hearing at which we would have the right to  
23 cross-examine witnesses against us and to present evidence in  
24 defense and mitigation of the charges.

25 DATED: July 21, 1998

*Darrell Peterson - Pres.*  
COAST CITIES FINANCIAL, INC.,  
Respondent, by Darrell Loren  
Peterson, designated officer of  
Coast Cities Financial, Inc.





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DATED: JULY 21, 1998

*Darrell Loren Peterson*  
DARRELL LOREN PETERSON, Respondent,  
individually and as designated  
officer of Coast Cities Financial,  
Inc.

DATED: \_\_\_\_\_

\_\_\_\_\_  
KARL FRANCIS BAUMANN, Respondent,  
individually and formerly as  
designated officer of Coast Cities  
Financial, Inc.

DATED: July 27, 1998

*Wacy Armstrong*  
WACY ARMSTRONG, JR., ESQ.  
Respondents' Counsel  
Approved as to Form

\* \* \*

The foregoing Stipulation and Agreement is hereby  
adopted as my Decision in this matter and shall become effective  
at 12 o'clock noon on \_\_\_\_\_, 1998.

IT IS SO ORDERED \_\_\_\_\_, 1998.

JIM ANTT, JR.  
Real Estate Commissioner

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DATED: \_\_\_\_\_

DARRELL LOREN PETERSON, Respondent,  
individually and as designated  
officer of Coast Cities Financial,  
Inc.

DATED: 7-27-98

Karl F. Baumann  
KARL FRANCIS BAUMANN, Respondent,  
individually and formerly as  
designated officer of Coast Cities  
Financial, Inc.

DATED: \_\_\_\_\_

WACY ARMSTRONG, JR., ESQ.  
Respondents' Counsel  
Approved as to Form

\* \* \*

. The foregoing Stipulation and Agreement is hereby  
adopted as my Decision in this matter and shall become effective  
at 12 o'clock noon on September 23, 1998.

IT IS SO ORDERED 8/11, 1998.

JIM ANTT, JR.  
Real Estate Commissioner



SACTO-Flag

BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

FILED  
MAR - 9 1998  
DEPARTMENT OF REAL ESTATE

\* \* \* \*

In the Matter of the Accusation of )  
)  
COAST CITIES FINANCIAL, )  
INC., et al., )  
)  
Respondents. )

Case No. H-26851 LA  
OAH No. L-9611076

BY 

NOTICE OF CONTINUED HEARING ON ACCUSATION

To the above-named Respondents:

You are hereby notified that a hearing will be held before the Department of Real Estate at Office of Administrative Hearings, 107 South Broadway, 2nd Floor, Los Angeles, California, on July 8 and 9, 1998, at the hour of 9:00 a.m., or as soon thereafter as the matter can be heard, upon the Accusation served upon you. If you object to the place of hearing, you must notify the presiding administrative law judge of the Office of Administrative Hearings within ten (10) days after this notice is served on you. Failure to notify the presiding administrative law judge within ten days will deprive you of a change in the place of the hearing.

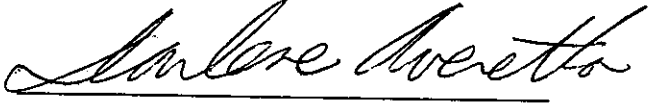
You may be present at the hearing. You have the right to be represented by an attorney at your own expense. You are not entitled to the appointment of an attorney to represent you at public expense. You are entitled to represent yourself without legal counsel. If you are not present in person nor represented 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 and pay his or her costs. The interpreter must be certified in accordance with Sections 11435.30 and 11435.55 of the Government Code.

Dated: March 9, 1998.

cc: Coast Cities Financial, Inc.  
Karl Francis Baumann  
Darrell Loren Peterson  
Wacy Armstrong, Jr., Esq.  
Sacto.  
OAH

DEPARTMENT OF REAL ESTATE  
By:   
DARLENE AVERETTA, Counsel

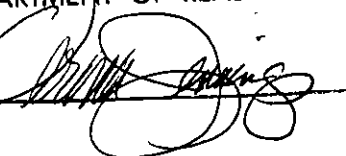
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DARLENE AVERETTA, Counsel  
STATE BAR NO. 159969  
Department of Real Estate  
107 South Broadway, Room 8107  
Los Angeles, California 90012

(213) 897-3937

FILED  
DEC 22 1997  
DEPARTMENT OF REAL ESTATE

By 

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

\* \* \*

In the Matter of the Accusation of )  
 )  
COAST CITIES FINANCIAL, INC.; )  
KARL FRANCIS BAUMANN, individually )  
and formerly as designated officer )  
of Coast Cities Financial, Inc.; )  
and DARRELL LOREN PETERSON, )  
individually and as designated )  
officer of Coast Cities Financial, )  
Inc., )  
 )  
Respondents. )

NO. H-26851 LA  
L-9611076

FIRST AMENDED ACCUSATION

The Complainant, Thomas McCrady, a Deputy Real Estate  
Commissioner of the State of California, for cause of accusation  
against COAST CITIES FINANCIAL, INC.; KARL FRANCIS BAUMANN,  
individually and formerly as designated officer of Coast Cities  
Financial, Inc.; and DARRELL LOREN PETERSON, individually and as  
designated officer of Coast Cities Financial, Inc., is informed  
and alleges in his official capacity as follows:

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1.

COAST CITIES FINANCIAL, INC. ("COAST CITIES"), and  
KARL FRANCIS BAUMANN ("BAUMANN"), individually and formerly as  
designated officer of Coast Cities Financial, Inc. and DARRELL  
LOREN PETERSON ("PETERSON"), individually and as designated  
officer of Coast Cities Financial, Inc. (sometimes collectively  
referred to herein as "Respondents"), are presently licensed  
and/or have license rights under the Real Estate Law, Part 1 of  
Division 4 of the California Business and Professions Code  
("Code").

2.

From approximately February 1, 1995, to August 29, 1996,  
COAST CITIES was licensed by the Department of Real Estate of the  
State of California ("Department") as a corporate real estate  
broker by and through BAUMANN as the designated officer and  
broker. From approximately August 30, 1996, to present, COAST  
CITIES was and is licensed by the Department as a corporate real  
estate broker by and through PETERSON as the designated officer  
and broker.

3.

As the designated broker-officers, BAUMANN was and  
PETERSON is responsible pursuant to the provisions of Code Section  
10159.2 for the supervision and control of the activities  
requiring a real estate license conducted on behalf of COAST  
CITIES, by COAST CITIES' officers, agents and employees as  
necessary to secure full compliance with the provisions of the  
Real Estate Law.

4.

At all times material herein, BAUMANN and PETERSON were licensed by the Department as real estate brokers.

5.

All further references to "Respondents", unless otherwise specified, include the parties identified in Paragraphs 1 through 4, above, and also include the officers, directors, managers, employees, agents and real estate licensees employed by or associated with said parties, 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, agency or employment.

6.

At all times material herein, Respondents 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 Code Section 10131(d), including the operation and conduct of a mortgage loan brokerage business with the public wherein Respondents solicited prospective borrowers, lenders or investors, for and/or negotiated, serviced, processed and/or arranged loans secured directly or collaterally by liens on real property for another or others, for or in expectation of compensation.

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FIRST CAUSE OF ACCUSATION

7.

At all times material herein, in connection with the activities described in Paragraph 6 above, Respondents COAST CITIES and BAUMANN accepted or received funds including funds in trust (hereinafter "trust funds") from or on behalf of actual and prospective borrowers, lenders, investors and/or parties to mortgage loan transactions handled by Respondents COAST CITIES and BAUMANN and thereafter made deposits and/or disbursements of such funds. From time to time herein mentioned, said trust funds were deposited and/or maintained by Respondents COAST CITIES' and BAUMANN in bank accounts, including but not necessarily limited to Account Number 00689-12470, "Coast Cities Financial, Inc. Trust Account" ("Trust Account 1"); Account Number 00686-02685, "Coast Cities Financial, Inc. Title 1 Funding Account" ("Title 1 Account"); and Account Number 00689-11381, "Coast Cities Financial, Inc. Mission Viejo General Account" ("General Account"), all maintained at Bank of America, 14723 Seventh Street, Victorville, California 92392 (hereinafter "Bank of America").

8.

On or about June 14, 1996, the Department completed an examination of Respondents' books and records, pertaining to the real estate and trust fund handling activities described in Paragraphs 5 and 6, above covering a period from approximately November 1, 1995, through April 30, 1996, which examination revealed violations of the Code and of Title 10, Chapter 6,



1 California Code of Regulations ("Regulations"), as set forth  
2 below.

3 9.

4 In the course of activities described in Paragraphs 6  
5 and 7, above and during the examination period described in  
6 Paragraph 8, Respondents COAST CITIES and BAUMANN acted in  
7 violation of the Code and the Regulations in that:

8 (a) Respondents COAST CITIES and BAUMANN failed to  
9 place all trust funds received by Respondents into a neutral  
10 escrow depository, or into the hands of the principal on whose  
11 behalf the funds were received, or into trust accounts in the name  
12 of the broker as trustee in a bank or other financial institution,  
13 in that Respondents COAST CITIES and BAUMANN deposited, allowed,  
14 permitted or caused the deposit of trust funds into the Title 1  
15 Account, which account was not designated as a trust account in  
16 violation of Code Section 10145 and Regulation 2830.

17 (b) Respondents COAST CITIES and BAUMANN failed to  
18 maintain a complete, accurate and adequate columnar record for the  
19 Trust Account, in violation of Regulation 2831.

20 (c) Respondents COAST CITIES and BAUMANN failed to  
21 maintain sufficient separate beneficiary records for the Trust  
22 Account, and failed to maintain any separate beneficiary records  
23 for the Title 1 Account in violation Regulation 2831.1.

24 (d) Respondents COAST CITIES and BAUMANN failed to  
25 maintain a reconciliation of the control records with the separate  
26 records for the Trust Account or the Title 1 Account, in violation  
27 of Regulation 2831.2.





1 (e) Respondents COAST CITIES and BAUMANN failed to  
2 deliver to borrowers a statement, in writing, containing all the  
3 information required by Code Section 10241, in violation of Code  
4 Section 10240 and Regulation 2840.

5 (f) Respondents COAST CITIES and BAUMANN caused,  
6 permitted and/or allowed Kathie Peterson, who at the time was  
7 neither licensed by the Department nor covered by a fidelity bond,  
8 to make withdrawals from the Trust Account and the Title 1  
9 Account, in violation of Regulation 2834.

10 10.

11 The conduct, acts and/or omissions of Respondents COAST  
12 CITIES and BAUMANN, as described in Paragraph 9 above, violated  
13 the Code and the Regulations as set forth below:

14	<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
15	9(a)	Code Section 10145 and Regulation 2830
16	9(b)	Regulation 2831
17	9(c)	Regulation 2831.1
18	9(d)	Regulation 2831.2
19	9(e)	Code Section 10240 and Regulation 2840
20	9(f)	Regulation 2834

22 Each of the foregoing violations constitutes cause for the  
23 suspension or revocation of all real estate licenses and license  
24 rights of Respondents COAST CITIES and BAUMANN under the  
25 provisions of Code Section 10177(d).

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SECOND CAUSE OF ACCUSATION

11.

Complainant incorporates herein by reference the Preamble and the allegations of Paragraphs 1 through 10, inclusive, herein above.

12.

At all times material herein, in connection with the activities described in Paragraph 6 above, Respondents accepted or received funds including funds in trust (hereinafter "trust funds") from or on behalf of actual and prospective borrowers, lenders, investors and/or parties to mortgage loan transactions handled by Respondents and thereafter made deposits and/or disbursements of such funds. From time to time herein mentioned, said trust funds were deposited and/or maintained by Respondents in bank accounts, including but not necessarily limited to Account Number 00689-12470, "Coast Cities Financial, Inc. Trust Account" ("Trust Account 1") at Bank of America; Account Number 00680-09453, "Coast Cities Financial, Inc." ("Trust Account 2") at Bank of America; Account Number 1310445, "Coast Cities Financial, Inc." ("Trust Account 3") at Sun Country Bank, 19181 Town Center Dr., Apple Valley, CA 92308 (hereinafter "Sun Country Bank"); Account Number 00686-02685, "Coast Cities Financial, Inc." ("Trust Account 4") at Bank of America; and Account Number 1310054, "Coast Cities Financial, Inc." ("Trust Account 5") at Sun Country Bank.

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13.

On or about June 5, 1997, the Department completed an examination of Respondents' books and records, pertaining to the real estate and trust fund handling activities described in Paragraphs 6 and 12 above, covering a period from approximately May 1, 1996, through May 30, 1997, which examination revealed violations of the Code and the Regulations, as set forth below.

14.

In the course of activities described in Paragraphs 6 and 12, above, and during the examination period described in Paragraph 13, Respondents COAST CITIES, BAUMANN and PETERSON acted in violation of the Code and the Regulations in that:

(a) Respondents COAST CITIES and BAUMANN caused, permitted and/or allowed the withdrawal or disbursement of trust funds from Trust Account 1, thereby reducing the account balance in the account as of August 29, 1996, to an amount of approximately Three Thousand Eight Hundred Forty-Seven Dollars and Seventy Cents (\$3,847.70) less than their aggregate trust fund liability to all owners of the trust funds without prior written consent of every principal who then was an owner of funds in the account, in violation of Code Section 10145 and Regulation 2832.1.

(b) As of May 30, 1997, Respondents COAST CITIES and PETERSON had an overage of funds in Trust Account 1 in the amount of approximately Three Thousand Nine Hundred Eighty-Six Dollars and Sixty-Two Cents (\$3,986.62), in violation of Code Section 10145.

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(c) As of August 29, 1996, Respondents COAST CITIES and BAUMANN had an overage of funds in Trust Account 4, in the amount of approximately Three Hundred Twenty-Seven Dollars and Sixty-Six Cents (\$327.66), in violation of Code Section 10145 and Regulation 2835.

(d) As of May 30, 1996, Respondents COAST CITIES and PETERSON had an overage of funds in Trust Account 4 in the amount of approximately Five Hundred Fifty-Eight Dollars and Ninety-Eight Cents (\$558.98), in violation of Code Section 10145 and Regulation 2835.

(e) Respondents failed to place all trust funds received by Respondents into the hands of the owner of the funds, a neutral escrow depository, or into a trust account in the name of the broker as trustee in a bank or other financial institution, in that Respondents deposited, allowed, permitted or caused the deposit of trust funds into Trust Accounts 2, 3, 4, 5, which accounts were not designated as trust accounts in violation of Code Section 10145 and Regulation 2832.

(f) Respondents failed to maintain complete, accurate and adequate columnar records for the Trust Accounts, in violation of Code Section 10145 and Regulation 2831.

(g) Respondents failed to maintain accurate separate records for the Trust Accounts, in violation of Code Section 10145 and Regulation 2831.1.

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15.

The conduct, acts and/or omissions of Respondents as described in Paragraph 14, above, violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
14(a)	Code Section 10145 and Regulation 2832.1
14(b)	Code Section 10145
14(c)	Code Section 10145 and Regulation 2835
14(d)	Code Section 10145 and Regulation 2835.
14(e)	Code Section 10145 and Regulation 2832
14(f)	Code Section 10145 and Regulation 2831
14(g)	Code Section 10145 and Regulation 2831.1

Each of the foregoing violations constitutes cause for the suspension or revocation of all real estate licenses and license rights of Respondents under the provisions of Code Section 10176(e) and/or 10177(d).

THIRD CAUSE OF ACCUSATION

(Violation of Code Section 10159.2)

16.

Complainant incorporates herein by reference the Preamble and the allegations of Paragraphs 1 through 15, inclusive, herein above.

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The conduct, acts and/or omissions of Respondents BAUMANN and PETERSON in allowing COAST CITIES to violate the Real Estate Law as described herein above constitute a failure by Respondents BAUMANN and PETERSON, as the officers designated by a corporate broker licensee, to exercise the supervision and control over the activities of COAST CITIES, as required by Code Section 10159.2. Said conduct is cause to suspend or revoke the real estate licenses and license rights of Respondents BAUMANN and PETERSON under Code Section 10177(d) or 10177(h).

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and license rights of COAST CITIES FINANCIAL, INC.; KARL FRANCIS BAUMANN, individually and formerly as designated officer of Coast Cities Financial, Inc., and DARRELL LOREN PETERSON, individually and as designated officer of Coast Cities Financial, Inc. under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) and for such other and further relief as may be proper under other applicable provisions of law.

Dated at Los Angeles, California  
this 22nd day of December, 1997.

*Thomas McCaskey*  
FOR THOMAS McCaskey  
Deputy Real Estate Commissioner

cc: Coast Cities Financial, Inc.  
Karl Francis Baumann  
Darrell Loren Peterson  
Wacy Armstrong, Jr., Esq.  
LA Audits  
SACTO  
OAH  
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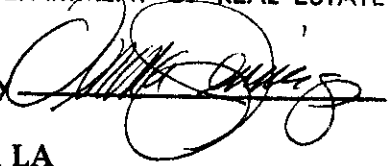
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BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

\* \* \* \* \*

**FILED**  
DEC 30 1996  
DEPARTMENT OF REAL ESTATE

In the Matter of the Accusation of )  
 )  
COAST CITIES FINANCIAL, )  
INC., et al., )  
 )  
Respondents. )

By 

Case No. H-26851 LA  
OAH No. L-9611076

**NOTICE OF HEARING ON ACCUSATION**

To the above-named Respondents:

You are hereby notified that a hearing will be held before the Department of Real Estate at Office of Administrative Hearings, 314 West First Street, Los Angeles, California, on November 12 and 13, 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.

Dated: December 30, 1996.

DEPARTMENT OF REAL ESTATE



DARLENE AVERETTA, Counsel

cc: Coast Cities Financial, Inc.  
Karl Francis Baumann  
Sacto.  
OAH

*Shirley  
Flynn*

1 DARLENE AVERETTA, Counsel  
2 Department of Real Estate  
3 107 South Broadway, Room 8107  
4 Los Angeles, California 90012

(213) 897-3937

**FILED**  
OCT 22 1996

DEPARTMENT OF REAL ESTATE

By *[Signature]*

DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

\* \* \* \* \*

In the Matter of the Accusation of	)	No. H-26851 LA
	)	
COAST CITIES FINANCIAL, INC.	)	<u>A C C U S A T I O N</u>
and KARL FRANCIS BAUMANN,	)	
individually and as designated	)	
officer of Coast Cities	)	
Financial, Inc.,	)	
	)	
Respondents.	)	

17 The Complainant, Thomas McCrady, a Deputy Real Estate  
18 Commissioner of the State of California, for cause of accusation  
19 against COAST CITIES FINANCIAL, INC. and KARL FRANCIS BAUMANN,  
20 individually and as designated officer of Coast Cities Financial,  
21 Inc., is informed and alleges in his official capacity as follows:

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1 FIRST CAUSE OF ACCUSATION

2 (Audit Findings)

3 1.

4 COAST CITIES FINANCIAL, INC. ("COAST CITIES") and KARL  
5 FRANCIS BAUMANN ("BAUMANN"), individually and as designated  
6 officer of Coast Cities Financial, Inc., sometimes collectively  
7 referred to herein as "Respondents"), are presently licensed  
8 and/or have license rights under the Real Estate Law, Part 1  
9 of Division 4 of the California Business and Professions Code  
10 ("Code").

11 2.

12 At all times material herein, COAST CITIES was licensed  
13 by the Department as a corporate real estate broker by and through  
14 BAUMANN as the designated officer and broker responsible pursuant  
15 to the provisions of Code Section 10159.2 for supervising the  
16 activities requiring a real estate license conducted on behalf of  
17 COAST CITIES, by COAST CITIES' officers, agents and employees.

18 3.

19 At all times material herein, BAUMANN was licensed by  
20 the Department as a real estate broker and as the designated  
21 broker-officer of COAST CITIES. As the designated broker-officer,  
22 BAUMANN was responsible for the supervision and control of the  
23 activities requiring a real estate license conducted on behalf of  
24 COAST CITIES by its officers, agents and employees, as necessary  
25 to secure full compliance with the provisions of the Real Estate  
26 Law as required pursuant to the provisions of Code Section  
27 10159.2.



4.

All further references to "Respondents", unless otherwise specified, include the parties identified in Paragraphs 1 through 3, above, and also include the officers, directors, managers, employees, agents and real estate licensees employed by or associated with said parties, 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, agency or employment.

5.

At all times material herein, Respondents 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 Code Section 10131(d), including the operation and conduct of a mortgage loan brokerage business with the public wherein Respondents solicited prospective borrowers, lenders or investors, for, and/or negotiated, serviced, processed, and/or arranged loans secured directly or collaterally by liens on real property for another or others, for or in expectation of compensation.

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6.

At all times material herein, in connection with the activities described in Paragraph 5, above, Respondents accepted or received funds including funds in trust (hereinafter "trust funds") from or on behalf of actual and prospective borrowers, lenders, investors and/or parties to mortgage loan transactions handled by Respondents and thereafter made deposits and/or disbursements of such funds. From time to time herein mentioned, said trust funds were deposited and/or maintained by Respondents in bank accounts, including but not necessarily limited to Account Number 00689-12470, "Coast Cities Financial, Inc. Trust Account" ("Trust Account"); Account Number 00686-02685, "Coast Cities Financial, Inc. Title 1 Funding Account" ("Title 1 Account"); and Account Number 00689-11381, "Coast Cities Financial, Inc. Mission Viejo General Account" ("General Account"); all maintained at Bank of America, 14723 Seventh Street, Victorville, California 92392.

7.

On or about June 14, 1996, the Department completed an examination of Respondents' books and records, pertaining to the real estate and trust fund handling activities described in Paragraphs 5 and 6, above, covering a period from approximately November 1, 1995 through April 30, 1996, which examination revealed violations of the Code and of Title 10, Chapter 6, California Code of Regulations ("Regulations"), as set forth below.

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In the course of activities described in Paragraphs 5 and 6, above, and during the examination period described in Paragraph 7, Respondents acted in violation of the Code and the Regulations in that:

(a) Respondents failed to place all trust funds received by Respondents into a neutral escrow depository, or into the hands of the principal on whose behalf the funds were received, or into trust accounts in the name of the broker as trustee in a bank or other financial institution, in that Respondents deposited, allowed, permitted or caused the deposit of trust funds into the Title 1 Account, which account was not designated as a trust account in violation of Code Section 10145 and Regulation 2830;

(b) Respondents failed to maintain a complete, accurate and adequate columnar record for the Trust Account, in violation of Regulation 2831;

(c) Respondents failed to maintain sufficient separate beneficiary records for the Trust Account, and failed to maintain any separate beneficiary records for the Title 1 Account in violation Regulation 2831.1;

(d) Respondents failed to maintain a reconciliation of the control records with the separate records for the Trust Account or the Title 1 Account, in violation of Regulation 2831.2;

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1 (e) Respondents failed to deliver to borrowers a  
2 statement, in writing, containing all the information required by  
3 Code Section 10241, in violation of Code Section 10240 and  
4 Regulation 2840;

5 (f) Respondents caused, permitted and/or allowed Kathie  
6 Peterson, who at the time was neither licensed by the Department  
7 nor covered by a fidelity bond, to make withdrawals from the Trust  
8 Account and the Title 1 Account, in violation of Regulation 2834.

9 9.

10 The conduct, acts and/or omissions of Respondents as  
11 described in Paragraph 8, above, violated the Code and the  
12 Regulations as set forth below:

13	<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
14	8(a)	Code Section 10145 and Regulation 2830
15	8(b)	Regulation 2831
16	8(c)	Regulation 2831.1
17	8(d)	Regulation 2831.2
18	8(e)	Code Section 10240 and Regulation 2840;
19	8(f)	Regulation 2834

21 Each of the foregoing violations constitutes cause for the  
22 suspension or revocation of all real estate licenses and license  
23 rights of Respondents under the provisions of Code Section  
24 10177(d).

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SECOND CAUSE OF ACCUSATION

(Violation of Code Section 10159.2)

10.

Complainant incorporates herein by reference the Preamble and the allegations of Paragraphs 1 through 9, inclusive, herein above.

11.

The conduct, acts and/or omissions of Respondent BAUMANN in allowing COAST CITIES to violate the Real Estate Law as described herein above, constitute a failure by Respondent BAUMANN, as the officer designated by a corporate broker licensee, to exercise the supervision and control over the activities of COAST CITIES, as required by Code Section 10159.2. Said conduct is cause to suspend or revoke the real estate licenses and license rights of Respondent BAUMANN under Code Section 10177(h).

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WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and license rights of COAST CITIES FINANCIAL, INC. and KARL FRANCIS BAUMANN, individually and as designated officer of Coast Cities Financial, Inc., under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) and for such other and further relief as may be proper under other applicable provisions of law.

Dated at Los Angeles, California  
this 22nd day of October, 1996.

  
Deputy Real Estate Commissioner

cc: Coast Cities Financial, Inc.  
Karl Francis Baumann  
LA Audits  
SACTO  
JF