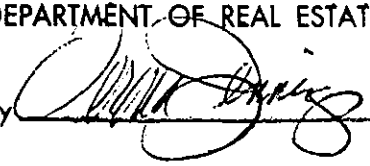


1 Department of Real Estate
320 West 4th Street, Suite 350
2 Los Angeles, California 90013-1105
3 Telephone: (213) 576-6982

FILED
FEB 26 2001
DEPARTMENT OF REAL ESTATE
By 

8 DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of) NO. H-28654 LA
12 SOUTH COAST HOLDINGS, INC., a) L-2000080456
13 California corporate broker, doing) STIPULATION AND AGREEMENT
14 business as South Coast Mortgage,)
& Investments; and EUGENE RICHARD)
15 DORN, individually, doing business)
as South Coast Mortgage, doing)
16 business as South Coast Mortgage)
Co., and as designated officer of)
South Coast Holdings, Inc.,)
17 Respondents.)

18
19 It is hereby stipulated by and between Respondents
20 SOUTH COAST HOLDINGS, INC., a California corporate broker, doing
21 business as South Coast Mortgage, & Investments; and EUGENE
22 RICHARD DORN, individually, doing business as South Coast
23 Mortgage, doing business as South Coast Mortgage Co., and as
24 designated officer of South Coast Holdings, Inc. (sometimes
25 referred to herein as "Respondents"), and their attorney of
26 record, Frank M. Buda, Esq., and the Complainant, acting by and
27 through Sean Crahan, Counsel for the Department of Real Estate,

1 as follows for the purpose of settling and disposing of the
2 Accusation filed on July 24, 2000, in this matter.

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

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

14 3. On August 8, 2000, Respondents filed a Notice of
15 Defense Pursuant to Section 11506 of the Government Code for
16 the purpose of requesting a hearing on the allegations in the
17 Accusation. Respondents hereby freely and voluntarily withdraw
18 said Notice of Defense. Respondents acknowledge that they
19 understand that by withdrawing said Notice of Defense, they will
20 thereby waive their right to require the Commissioner to prove
21 the allegations in the Accusation at a contested hearing held
22 in accordance with the provisions of the APA and that they will
23 waive other rights afforded to them in connection with the
24 hearing, such as the right to present evidence in defense of
25 the allegations in the Accusation and the right to cross-examine
26 witnesses.

27 ///

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

18 5. This Stipulation and any Order made pursuant to
19 this Stipulation shall have no collateral estoppel or res
20 judicata effect in any proceedings in which the Respondents and
21 the Department (or the Department's representative) are not
22 parties. This Stipulation is made by Respondents and received
23 by the Commissioner and the Department, with the express
24 understanding and agreement that it is for the purpose of
25 settling these proceedings only, and that this Stipulation is
26 not intended as, and shall not be deemed, used, or accepted as
27 an acknowledgment or admission of fact in any other judicial,



1 administrative, or other proceeding to which the Department is
2 not a party.

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

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

19 8. Respondents understand that by agreeing to this
20 Stipulation, they agree to pay, pursuant to Business and
21 Professions Code Section 10148, the cost of the audit which
22 led to this disciplinary action. The amount of said cost is
23 \$3,186.81.

24 ///
25 ///
26 ///
27 ///

2 The conduct, acts and/or omissions of Respondent,
3 EUGENE RICHARD DORN, as set forth in the Accusation, constitute
4 cause to suspend or revoke the real estate licenses and license
5 rights of Respondent, EUGENE RICHARD DORN, under the provisions
6 of Code Section 10177(d) for violation of Code Section 10159.2.

7 ORDER

8 WHEREFORE, THE FOLLOWING ORDER is hereby made:

9 All licenses and licensing rights of Respondents
10 SOUTH COAST HOLDINGS, INC. and EUGENE RICHARD DORN under the
11 Real Estate Law are suspended for a period of sixty (60) days
12 from the effective date of this Decision; provided, however,
13 that said sixty (60) day suspension shall be stayed for two (2)
14 years upon the following terms and conditions:

15 1. Respondents shall obey all laws, rules and
16 regulations governing the rights, duties and responsibilities
17 of a real estate licensee in the State of California.

18 2. That no final subsequent determination be made,
19 after hearing or upon stipulation, that cause for disciplinary
20 action occurred within two (2) years of the effective date of
21 this Decision. Should such determination be made, the
22 Commissioner may, in her discretion, vacate and set aside the
23 stay order and re-impose all or a portion of the stayed
24 suspension. Should no such determination be made, the stay
25 imposed herein shall become permanent.

26 ///


27 ///

1 2. Pursuant to Section 10148 of the Business and
2 Professions Code, Respondents shall jointly or severally, pay
3 the Commissioner's reasonable cost for (a) the audit which
4 led to this disciplinary action, and (b) a subsequent audit
5 to determine if Respondents are now in compliance with the
6 Real Estate Law. The cost of the audit which led to this
7 disciplinary action is \$3,186.81. In calculating the amount
8 of the Commissioner's reasonable cost for the subsequent audit,
9 the Commissioner may use the estimated average hourly salary for
10 all persons performing audits of real estate brokers, and shall
11 include an allocation for travel costs including mileage, time
12 to and from the auditor's place of work and per diem. Said
13 amount for the subsequent audit shall not exceed \$3,186.81.

14 Respondents shall pay the cost of both audits within
15 sixty (60) days of receiving an invoice from the Commissioner
16 detailing the activities performed during the audit and the
17 amount of time spent performing those activities. The
18 Commissioner may in her discretion, vacate and set aside any
19 stay order, if payment is not timely made as provided for
20 herein, or as provided for in a subsequent agreement between
21 the Respondents and the Commissioner. The vacation and the
22 set aside of the stay shall remain in effect until payment
23 is made in full, or until Respondents enter into an agreement
24 satisfactory to the Commissioner to provide for payment.
25 Should no order vacating the stay be issued, the stay imposed
26 herein shall become permanent.

27 ///

1 DATED: 1-12-01

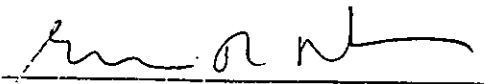

SEAN CRAHAN, Counsel for
Department of Real Estate

3 * * *

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

15 Respondents can signify acceptance and approval of the
16 terms and conditions of this Stipulation and Agreement by faxing
17 a copy of its signature page, as actually signed by Respondents,
18 to the Department at the following telephone/fax number: (213)
19 576-6917. Respondents agree, acknowledge and understand that
20 by electronically sending to the Department a fax copy of his
21 or her actual signature as it appears on the Stipulation and
22 Agreement, that receipt of the faxed copy by the Department
23 shall be as binding on Respondents as if the Department had
24 received the original signed Stipulation and Agreement.

25 DATED: 1-3-01


SOUTH COAST HOLDINGS, INC.,
Respondent, by Eugene Richard
Dorn, designated officer of
South Coast Holdings, Inc.

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DATED: 1-3-01

Eugene R. Dorn
EUGENE RICHARD DORN, Respondent
individually and as designated
officer of South Coast Holdings,
Inc.

DATED: 1-5-01

Frank M. Buda
FRANK M. BUDA, ESQ., Attorney for
Respondents, Approved as to Form

* * *

The foregoing Stipulation and Agreement is hereby
adopted as my Decision as to Respondents SOUTH COAST HOLDINGS,
INC., a California corporate broker, doing business as South
Coast Mortgage & Investments; and EUGENE RICHARD DORN,
individually, doing business as South Coast Mortgage, doing
business as South Coast Mortgage Co., and as designated officer
of South Coast Holdings, Inc., and shall become effective at
12 o'clock noon on March 19, 2001.

IT IS SO ORDERED February 6, 2001.

PAULA REDDISH ZINNEMANN
Real Estate Commissioner

Paula Reddish Zinnemann

Sacto. Hagg

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

FILED
SEP - 7 2000
DEPARTMENT OF REAL ESTATE

In the Matter of the Accusation of)
)
SOUTH COAST HOLDINGS INC.,)
et al.,)
)
Respondents.)

Case No. H-28654 LA
OAH No. L-2000080456

By *[Signature]*

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, 320 West Fourth Street, Suite 630, Los Angeles, California, on **January 2 and 3, 2001**, 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: September 7, 2000.

cc: South Coast Holdings Inc.
Eugene Richard Dorn
Frank M. Buda, Esq.
Danio Fajardo
Martha Gallardo
Sacto./OAH

DEPARTMENT OF REAL ESTATE

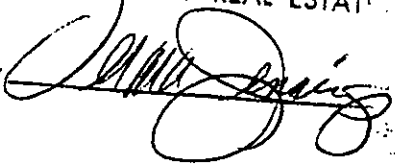
By: *[Signature]*
SEAN CRAHAN, Counsel

SACTO.
Plan

1 SEAN CRAHAN, Counsel
2 Department of Real Estate
3 320 West 4th Street, Suite 350
4 Los Angeles, CA 90013-1105
5 California Bar #49351

6 (213) 576-6982 General
7 (213) 576-6907 Direct

FILED
JUL 24 2000
DEPARTMENT OF REAL ESTATE

By 

8 DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * * * *

11 In the Matter of the Accusation of)
12 SOUTH COAST HOLDINGS, INC., a)
13 California corporate broker, doing)
14 business as South Coast Mortgage &)
15 Investments; and EUGENE RICHARD)
16 DORN, individually, doing business)
17 as South Coast Mortgage, doing)
18 business as South Coast Mortgage)
19 Co., and as designated officer of)
20 South Coast Holdings, Inc.,)
21 Respondents.)

No. H-28654 LA
A C C U S A T I O N

22 The Complainant, Thomas McCrady, a Deputy Real Estate
23 Commissioner of the State of California, for cause of accusation
24 against SOUTH COAST HOLDINGS, INC., a California corporate broker,
25 doing business as South Coast Mortgage & Investments; and EUGENE
26 RICHARD DORN, individually, doing business as South Coast Mortgage,
27 doing business as South Coast Mortgage Co., and as designated
officer of South Coast Holdings, Inc., alleges as follows:

1. 1

2 The Complainant, Thomas McCrady, a Deputy Real Estate
3 Commissioner, brings this Accusation in his official capacity.

2.

4
5 SOUTH COAST HOLDINGS, INC. (hereafter respondent SCH), is
6 presently licensed and/or has license rights under the Real Estate
7 Law, Part 1 of Division 4 of the California Business and
8 Professions Code (hereafter cited as the Code). At all times
9 herein mentioned, respondent SCH was licensed by the Department of
10 Real Estate of the State of California (hereafter the Department)
11 as a corporate real estate broker, doing business as South Coast
12 Mortgage & Investments.

3.

13
14 EUGENE RICHARD DORN (hereafter respondent DORN) is
15 presently licensed and/or has license rights under the Real Estate
16 Law. At all times herein mentioned, respondent DORN was licensed
17 by the Department as a real estate broker, individually doing
18 business as South Coast Mortgage, doing business as South Coast
19 Mortgage Co., and as designated officer of respondent SCH.
20 Pursuant to Code Section 10159.2, respondent DORN was responsible
21 for the supervision of the activities of officers, agents and
22 employees of respondent SCH for which a real estate license was
23 required.

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At all times herein mentioned, respondent SCH was engaged in the mortgage loan brokerage business, as defined by Code Sections 10131(d), 10131(e) and 10131.1, in that respondent SCH, for or in expectation of compensation, solicited and negotiated with borrowers for loans from third-party lenders secured by real property (secured loans), solicited and negotiated with owners and purchasers of secured notes, and engaged in the business as principal of buying from and selling to the public secured notes. In addition, Respondents collected payments from borrowers on behalf of the note owners.

From October 7 through 19, 1999, an auditor from the Department examined the books and records of respondent SCH covering a period of time from February 13, 1998 through August 31, 1999 (hereafter the "audit period"), and found that respondents SCH and DORN violated the following Code sections and regulations from Title 10, Chapter 6 of the California Code of Regulations (hereafter the Regulations):

(a) Between January 1, 1999, through August 31, 1999, respondent SCH negotiated the sale of 26 secured loans from buyers to sellers and arranged one new loan to a borrower from a third-party lender aggregating approximately \$1,622,540. During this period of time, respondent SCH collected \$1,608,955 payments in trust on 119 notes for 15 investors. As of August 31, 1999, respondent SCH met the 12-month threshold of business volume



1 defined by Code Section 10232. Within 30 days after August 31,
2 1999, respondent SCH was required by Code Section 10232(e) to
3 notify the Department that it had met threshold status. Respondent
4 SCH, after August 31, 1999, was required by Code Section 10232.25
5 and Regulation 2846.8 to file quarterly trust fund reports within
6 30 days after the end of each fiscal quarter. Until October 25,
7 1999, Respondent SCH failed to notify the Department that it had
8 met threshold status, in willful violation of Code Section
9 10232(e).

10 (b) On or about May 1, 1998, respondent SCH negotiated
11 the sale of a single secured note, Loan No. 98133, from a seller to
12 two buyers holding undivided interests in said note. Respondent
13 SCH was required by Code Section 10229(a) to notify the Department
14 of that sale within 30 days thereafter but failed to do so, in
15 willful violation of Code Section 10229(a).

16 (c) Between May 1, 1998, through April 23, 1999,
17 respondent SCH negotiated the sale of three secured notes, Loans
18 No. 98133, 99103 and 99121, from sellers to two buyers holding
19 undivided interests each in said notes. Respondents SCH and DORN
20 were one of the investors in the above notes. Respondent SCH was
21 required by Code Section 10229(e) to obtain and retain for four
22 years written statements from each investor about investor
23 qualification but failed to do so.

24 /
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1 (d) Failed to maintain separate records for the
2 servicing trust account in compliance with Regulation 2831.1. The
3 separate records for the servicing trust account were incomplete or
4 inaccurate in that they were missing dates of deposit, date and
5 check number of disbursements and a daily balance, in willful
6 violation of Regulation 2831.1.

7 6.

8 Respondent DORN knew or should have known that the above
9 violations occurred or were occurring. Respondent DORN failed to
10 exercise reasonable supervision over the activities of
11 officers and employees of respondent SCH for which a real estate
12 license was required so as to prevent the violations from
13 occurring.

14 7.

15 The conduct or omissions of respondents as set forth
16 above subject their real estate licenses and license rights to
17 suspension or revocation under the following Code Sections:

18 (a) Code Section 10177(d) for willful violations of the
19 following Code Sections and Regulations:

20 (i) Code Section 10232.25 and Regulation 2846.8
21 for willful failure to notify the Department that it had met
22 threshold status, as set forth in paragraph 5(a) above.

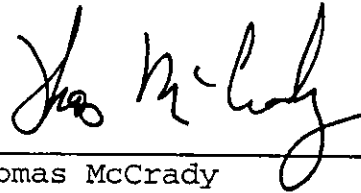
23 (ii) Code Section 10229(a), for failure to notify
24 the Department of the sale of a note to multiple lenders, within 30
25 days thereafter, as set forth in paragraph 5(b) above.

26 /

27 /



1 WHEREFORE, Complainant prays that a hearing be conducted
2 on the allegations of this Accusation and, that upon proof thereof,
3 a decision be rendered imposing disciplinary action against all
4 licenses and license rights of respondents SOUTH COAST HOLDINGS,
5 INC., a California corporate broker, doing business as South Coast
6 Mortgage & Investments; and EUGENE RICHARD DORN, individually,
7 doing business as South Coast Mortgage, doing business as South
8 Coast Mortgage Co., and as designated officer of South Coast
9 Holdings, Inc., under the Real Estate Law (Part 1 of Division 4 of
10 the Business and Professions Code) and for such other and further
11 relief as may be proper under other applicable provisions of law.
12 Dated at Los Angeles, California,
13 this 24th day of July, 2000.



Thomas McCrady
Deputy Real Estate Commissioner

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23 cc: South Coast Holdings, Inc.
24 Eugene Richard Dorn
25 Thomas McCrady
26 L. A. Audit Section
27 Sacto.
MLB

