



# REAL ESTATE BULLETIN

Official Publication of the California Department of Real Estate



GEORGE DEUKMEJIAN, Governor

Fall 1983

JAMES A. EDMONDS JR., Commissioner

## GEMSTONES FOR REAL PROPERTY?

A real estate licensee representing a client in a real property transaction in which gemstones are tendered as all or part of the consideration *should be alert to the many hazards to the client's interest.* Unless the licensee is highly skilled in evaluating gemstones, he should recommend that his client employ the services of a reputable gem appraiser to determine the value of the gems before entering into serious negotiations. Probably the best advice to the client is to recommend that the client insist that the offeror convert the gems to cash *before* giving any serious consideration to the offer.

Here are some facts for licensees and their clients concerning gemstones which have been extracted from a July 7, 1983, Federal Trade Commission *Release*. With this information, licensees should be better able to understand the risks to a client in dealing with a form of consideration about which they know very little.

### Gemstone Investing

Every year, thousands of consumers invest in diamonds, rubies, sapphires, emeralds, and other precious and semi-precious stones. Their decision to invest in these gemstones is often influenced by promises of immediate profits, with little or no risk. But, as many amateur investors have discovered, such promises can be misleading. Consumers who do not know the basics of gemstone investing can easily lose money.

If you are interested in gemstone investing, here are some points to keep in mind.

### Familiarize Yourself With The Gemstone Market

To determine if a particular gemstone would make a good investment, learn about the grades of gemstones, their market value, and their appreciation potential.

—Gemstone grades. The difference in the grade of gemstone (including size, color, clarity, and cut) can make the difference between a good and a bad investment. You

(Continued on page 7)

## CONTINUING EDUCATION OFFEROR HAS BROKER LICENSE REVOKED

A real estate broker engaged in a Continuing Education seminar business was found guilty of making, publishing and distributing material misstatements about his business and of dishonest dealing with registrants and attendants. His broker's license was revoked. (Business and Professions Code Sections 10177(c)(j).)

The broker solicited the attendance of real estate licensees at his seminars through brochures and other advertisements mailed to real estate offices and individuals. The brochures contained enrollment forms which were to be sent with a check to the broker prior to the scheduled seminar. Fees for the seminars ranged from \$20 to \$90. Seminars were geared and advertised to reach licensees needing credits to satisfy license renewal Continuing Education requirements.

Findings of fact at the DRE Administrative Hearing established:

- many licensees—including a broker, her husband and fifteen employees of her firm—who attended the seminars and paid in full for the courses never received the required attendance certificate from the broker nor the credit for the seminar
- some attendees received from the broker unsigned certificates or certificates without an appropriate thirteen digit identifying code number established by DRE for its computer internal control system as proof of course attendance
- some seminars were cancelled by the broker without notice to licensees and refunds of registration fees paid were not made by him although requested in writing to do so by those paying the fees
- cancelled classes which were later rescheduled by the broker were again cancelled without notice to licensees who paid to attend
- certificates of attendance issued by broker sometimes misspelled licensees names and 6-month delays in issuing corrected certificates sometimes required a licensee to take an additional course in order to qualify for license renewal

(Continued on page 4)

## REGULATION CHANGES

The regulation review process that was begun by DRE in late 1980 in accordance with the dictates of Assembly Bill 1111 of 1979 was recently completed with the repeal of 52 regulations and the amendment of 48 others. These repeals and amendments were approved by the Office of Administrative Law and filed with the Secretary of State on July 1, 1983, and became effective on July 31, 1983.

The review process required an evaluation of all regulations in force as of July 1, 1980, according to standards of clarity, consistency, necessity and authority. The one hundred regulations which did not meet one or more of the prescribed standards were amended or repealed. Regulations adopted or substantially amended by DRE after July 1, 1980, were not subject to the review process. As of August 1, 1983, there were 197 DRE regulations in force.

The following regulations were repealed in the A.B. 1111 review process:

2700	2807	2847.3
2711	2808	2849.7
2712	2809	2900
2713	2814.1	2901
2727	2814.3	2902
2732	2814.5	2903
2733	2814.6	2971
2744	2814.7	2973
2760	2814.8	2974
2762	2819.5	2975.1
2764	2819.7	2975.2
2790.5	2821.2	2975.3
2795.2	2825	2976.1
2799	2826	2976.2
2804	2827	2978.2
2805	2828	2980
2806	2835	3005
		3007.1

In the process the following regulations were amended. The amended regulations

(Continued on page 8)

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The Real Estate Bulletin (USPS 456600) is a quarterly published by the State of California, Department of Real Estate, as an educational service to all real estate licensees in the state under the provisions of Section 10083 of the California Business and Professions Code.

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**Disciplinary Action—March—May 1983**

REB—Real estate broker  
RREB—Restricted real estate broker  
RES—Real estate salesperson  
RRES—Restricted real estate salesperson  
REO—Real estate officer  
REC—Real estate corporation

NOTE: A list of actions is not published in this Bulletin until the 30-day period allowed for court appeal has expired; or if an appeal is taken on the disciplinary action stayed, until the stay is dissolved. Names of persons to whom licenses are denied upon application are not published.  
\* Not previously published

**FOR YOUR INFORMATION**

The following are brief summaries of the numerical code sections listed after each licensee's name. The full context of the various sections is found in the Business and Professions Code and the Regulations of the Real Estate Commissioner, both of which are printed in the Real Estate Law book available for purchase from the Department of Real Estate for \$7.00 plus tax. Code sections summarized will vary from issue to issue as they will correspond with the particular disciplinary listings.

**Business and Professions Code**

- 490 relationship of conviction to licensed activity
- 10085 failure to submit to Commissioner prior to use advance fee agreements or advertising
- 10130 performing acts for which a license is required without the appropriate license
- 10137 unlawful payment of compensation
- 10145 trust fund handling
- 10162 office abandonment
- 10167.3 failure to license each business location
- 10167.7 failure to provide bond each location
- 10167.10 failure to refund
- 10176(a) making any substantial misrepresentation
- 10176(b) making false promise
- 10176(c) course of misrepresentation through salespersons
- 10176(d) failure to disclose dual agency

- 10176(e) commingling trust funds
- 10176(f) fraud or dishonest dealing in licensed capacity
- 10176(g) secret profit or undisclosed compensation
- 10177(a) procuring a real estate license by misrepresentation or material false statement
- 10177(b) conviction of crime
- 10177(d) violation of real estate law or regulations
- 10177(f) conduct that would have warranted denial of a license
- 10177(g) negligence or incompetence as licensee
- 10177(h) failure to supervise salespersons
- 10177(j) fraud or dishonest dealing not in licensed capacity
- 10177(k) violation of restricted license condition
- 10177(n) violation of real estate syndicate provisions of corporate securities law
- 10177.5 civil fraud judgment based on licensed acts
- 10231 accepting loan funds for pooling

- 10231.1 retaining lender's funds for more than 60 days
- 10234 failure of broker to record trust deed in loan transaction or to cause recorded assignment of trust deed in sale of note secured by trust deed
- 10235 misleading advertising
- 10237.3 acting as real property securities dealer without endorsement
- 10238.3 real property securities permit

**Regulations**

- 2830 failure to maintain trust fund account
- 2831 inadequate trust fund records
- 2831.1 inadequate trust fund records
- 2832 improper handling of earnest money deposit
- 2832.1 trust fund accountability
- 2950 broker controlled escrow violation
- 2970 misleading advance fee advertising material

**LICENSES REVOKED**

Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Lee, Soledad Juan (RES)	1346 N. Detroit, #5, Los Angeles	3/1/83	490, 10177(b)
Justham, Carl Edward Sr. (RES)	29 Randall Ln., Santa Rosa	3/1/83	490, 10177(b)(f)
Cole, Chester James (RES)	150 S. Oxford Ave., Los Angeles	3/2/83	490, 10177(b)
Domingo, Richard Paul (RES)	3975 Kenway Ave., Los Angeles	3/2/83	490, 10177(b)
Douige, William Rae (RES)	17935 Quantic Rd., Apple Valley	3/2/83	490, 10177(b)
Allen, Gwen Patricia (RES)	5201 Ravine View, Fair Oaks	3/7/83	10176(a)(i), 10177(g)(f)(j)
Baker, Theresa D. (RES)	3067 Westgrove, San Jose	3/7/83	10176(a)(i), 10177(f)(g)(j)
Gammill, Robert Bruce (RES)	7518 Essex St., Citrus Heights	3/7/83	10177(f)(j)
Groth, Victor Evans (RES)	11765 Jones St., Auburn	3/8/83	490, 10177(b)(f)
Floriano, Tom Jr. (REB)	981 Lindsay Blvd., Lindsay	3/8/83	490, 10177(b)
Robertson, Howard Kent (RES)	2428 H St., Bakersfield	3/8/83	490, 10177(b)
Scordino, Robert O. (REB)	5150 North 6th, #120, Fresno	3/8/83	490, 10177(b)
Milliken, Lewis Duncan (RES)	240 W. Robertson Rd., Ridgecrest	3/8/83	490, 10177(b)
Figueroa, Jack J. (PRI.S)	7993 Valleygreen Rd., Sacramento	3/9/83	10167.3, 10167.7, 10167.10, 10167.12
Scotto, Michael John (RES)	165 Country Club Dr., Novato	3/9/83	490, 10177(b)
McMillan, Scott William (RES)	260 S. Halcyon, Arroyo Grande	3/9/83	490, 10177(b)
Stephenson, Betty Lou (REB) (REO)	910 Sunrise Ave., Roseville	3/15/83	2830, 2832, 10145, 10176(a)(e), 10177(d)(g), 10234
O'Leary, Gail Ann (RES)	P.O. Box 386, Novato	3/15/83	490, 10177(b)(f)
Melland, Bonita Lorene (RES)	1478 N. San Antonio Ave., Upland	3/17/83	490, 10177(b)
Shelden, Robert Arthur (REB)	11831 E. Firestone Blvd., Norwalk	3/23/83	490, 10177(b)
Keane, Robert Patrick (RES)	122 E. Ocean Front, Newport Beach	3/23/83	490, 10177(b)
Daruwalla, Eruch (RES)	1720 Ardmore, #305, Hermosa Beach	3/23/83	490, 10177(b)
Thompson, Jim Ferguson (REB)	2205 S. Bascom Ave., Campbell	3/24/83	10176(a)(e)(j)
Sorensen, Christian Neil (REO)	181 N. State Hwy 173, Lake Arrowhead	3/29/83	10176(a)(d)(g)(i), 10177(g)
Off—Arrowhead Homes Company Arrowhead Homes Company (REC)	181 N. State Hwy 173, Lake Arrowhead	3/29/83	10176(a)(d)(g)(i), 10177(g)
Off—Sorensen, Christian Neil			
Killins, David Andrew (RES)	P.O. Box 1342, Citrus Heights	3/29/83	490, 10177(b)
Lesko, Karin Cherie (RES)	7010 Heritage Oak Ct., Orangevale	3/31/83	10177(f)(j)
Phillips, Timothy N. (RES)	P.O. Box 277, Alamo	3/31/83	490, 10177(b)
Yanez, Richard Alan (RES)	P.O. Box 77111, Los Angeles	3/31/83	490, 10177(b)
Durkin-Kenney, Dorothy V. (RES)	P.O. Box 21, Campbell	4/4/83	490, 10177(b)(f)
Pierce, Darlene Ann (RES)	182 View Cir., Felton	4/4/83	490, 10177(b)(f)
Gurule, Luther Joe (RES)	P.O. Box 5517, Buena Park	4/5/83	490, 10177(b)
Thurman, James Douglas (RES)	1915 Vermeil Ave., Escondido	4/5/83	10130, 10131(b), 10137, 10176(i), 10177(d)
Helgesen, Joseph Roderick (REB)	1068 E. Main St., Ste. 210, Ventura	4/5/83	490, 10177(b)
Davis, Scott Lee (RES)	P.O. Box 246, Yermo	4/5/83	490, 10177(b)
Viva Realty, Inc. (REC)	7715 Lake Anorita Ave., San Diego	4/6/83	10176(a)(b)(f), 10177(d)(g)(j), 10234
Off—Dickenson, Charles Alexander Dickenson, Charles Alexander (REO)	7715 Lake Anorita Ave., San Diego	4/6/83	10176(a)(b)(f), 10177(d)(g)(j), 10234
Off—Viva Realty, Inc.			
Kennedy, Tedde Wayne (RES)	34090 Coast Hwy., Dana Point	4/7/83	490, 10177(b)
Gebell, Charles Vincent (RRES)	2791 McBride Ln., #203, Santa Rosa	4/8/83	10145, 10176(e)(j), 10177(d)(f)(k)
Bacon, Melvin Skip III (RES)	65 Washington St., Colma	4/13/83	490, 10177(b)(f)
Argiro, Aldo Orlando (RES)	15589 Calgary St., San Leandro	4/13/83	490, 10177(b)(f)
Erskine, William Charles (REB)	1361 S. Winchester Blvd., Ste. 208, San Jose	4/13/83	490, 10177(b)
Lucha, Ricardo Antonio (REB)	3285 Mission St., San Francisco	4/22/83	10176(a)(i), 10177(f)(j)
Harvey, Andrew (REB)	6027 Shattuck Ave., Oakland	4/25/83	490, 10177(b)(f)
Nelms, Robert Gary (REB) (REO)	1126 N. Central, #312, Glendale	4/25/83	10176(a)(b)(e)(i), 10177(d)(f)(g), 10235, 10238.3
Off—Sun Satellite Financial Inc.			
Djaifroodi, Hossein John (RES)	732 W. Holly, Oxnard	4/27/83	490, 10177(b)
Elblison, Victoria Lark (RES)	312 Ave. F, Redondo Beach	4/27/83	490, 10177(b)
Belz, Stanley Raymond (RES)	P.O. Box 46041, Los Angeles	4/27/83	490, 10177(b)
Knoll, Marvin Dean (RES)	P.O. Box 4026, Fresno	4/28/83	490, 10177(b)
Baptist, Wilbur B. (REB) (REO)	2160 Royale Rd., Ste. 34, Sacramento	5/3/83	10177(g)(h)
C.E.C. Mortgage Company (REC)	2001C Tully Rd., Modesto	5/3/83	2830, 2831, 2831.1, 2832.1, 2950, 10145, 10231, 10231.1, 10176(a)(e)(j), 10177(d)(g)(j)
Esperanza, Patt Ganai (REB) (REO)	1095 Market St., Ste. 615, San Francisco	5/4/83	10176(a)(i), 10177(f)(h)(j)
Esperanza, Romeo Ayson (RES)	P.O. Box 5532, San Francisco	5/4/83	10145, 10176(a)(i), 10177(d)(f)(g)
Llerna, Mark Alberto (RES)	P.O. Box SOS, South Lake Tahoe	5/4/83	490, 10177(b)
Whitaker, Anne Rebecca (RES)	740 Montecito Center, Santa Rosa	5/5/83	490, 10177(b)
Jeffries, Andrew Glen (RES)	204 Sage St., Vallejo	5/5/83	490, 10177(b)
Gault-Dudick, Joy (RES)	Rte. 1, Box 500, Shingle Springs	5/5/83	490, 10177(b)
Huie, Thomas Burton (RES)	777 E. Barstow, Fresno	5/5/83	490, 10177(b)

**LICENSES REVOKED**

Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Aragon, Del Robert (REB)	2262 E. Hwy 120, Lathrop	5/9/83	490, 10177(b)(k)
Zerweck, David Brommond (RES)	150B Thayer Rd., Santa Cruz	5/9/83	490, 10177(b)
Berthiaume, Henry Jr. (RES)	1915 Morena Blvd., San Diego	5/10/83	490, 10177(b)
Shuler, Lanny Mark (RES)	1936 Hornblend St., San Diego	5/10/83	490, 10177(b)
Lucero, Elmo Thomas (RES)	7130 Magnolia Ave., Riverside	5/10/83	490, 10177(b)
Bullock, Charles Herbert (RES)	P.O. Box 248, El Cajon	5/10/83	10177(d)(j), 10231
Pierce, Kenneth Crawford (REB)	2392 University Ave., Riverside	5/10/83	2832.1, 2950(g), 10137, 10145, 10176(i), 10177(d), 10177(d)(j), 10231, 10237.3, 10238.3
Enterline, Norman Webster (REB) (REO) Off - Cabrillo Home Loan Corporation	402 W. Broadway, San Diego	5/10/83	
Cabrillo Home Loan Corporation (REC)	402 W. Broadway, San Diego	5/10/83	10177(d)(j), 10231, 10237.3, 10238.3
Shurtleff, Lewis Warren (REB) (REO) Off - Lewis W. Shurtleff, Inc. Off - Frontier Properties, Inc. Off - Apartment Owners Management Co., Inc.	900 N. Cuyamaca, Ste. 205C, El Cajon	5/12/83	10177(j)(n)
Lewis W. Shurtleff, Inc. (REC) Off - Shurtleff, Lewis Warren	535 Broadway, El Cajon	5/12/83	10177(j)(n)
Frontier Properties, Inc. (REC) Off - Shurtleff, Lewis Warren	900 N. Cuyamaca, Ste. 206, El Cajon	5/12/83	10177(j)(n)
Baker, Thomas Joseph (RES)	595 S. Andover Dr., Anaheim Hills	5/17/83	490, 10177(b)
Herrera, Albert Jr. (RES)	1115 W. Huntington Dr., Arcadia	5/17/83	490, 10177(b)
Duncan, Jeffrey Brian (RES)	309 E. Main St., El Cajon	5/17/83	490, 10177(b)
Theisen, Norbert Joseph Jr. (RES)	2370 Chaledony St., San Diego	5/17/83	490, 10177(b)
Humber, Dewey Patrick (REB)	4908 Crenshaw Blvd., Los Angeles	5/17/83	490, 10177(b)
Baker, Sam Dale (RES)	4538 Cass St., San Diego	5/19/83	490, 10177(b)
Lyons, Duane William (RES)	17187 Brookhurst Ave., Fountain Valley	5/24/83	490, 10177(b)
Chilton, Linda Fay (RES)	11442 E. Belmont, Sanger	5/24/83	490, 10177(b)
Rounds, George Steven (RES)	535 Esplanade, Redondo Beach	5/24/83	490, 10177(b)
Klinge, Brian Foster (REB) (REO)	3831 Pentagon Rd., Ste. 2, South Lake Tahoe	5/31/83	490, 10177(b)

**LICENSES REVOKED WITH A RIGHT TO A RESTRICTED LICENSE**

Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
*Farmer, Karin (RES) (Right to RRES license on terms and conditions)	10275 Via Linda Vista, Spring Valley	2/3/83	2970, 10085, 10130, 10137, 10176(e), 10177(d)
*Richman, Jane C. M. (RES) (Right to RRES license on terms and conditions)	7940 University Ave., #8, La Mesa	2/3/83	2970, 10085, 10130, 10137, 10176(e), 10177(d)
Weaver, Louis A. (RES) (Right to RRES license on terms and conditions)	4922 Vineland Ave., North Hollywood	3/1/83	490, 10177(b)
Lim, Key Khan (RES) (Right to RRES license on terms and conditions)	1214 Silver Ridge Way, Sacramento	3/8/83	490, 10177(b)
Salem, Frederick Andrew (RES) (Right to RRES license on terms and conditions)	109 Buchanan St., #5, San Francisco	3/10/83	490, 10177(b)(f)
Catanzariti, Assunta (REB) (Right to RRES license on terms and conditions)	6201 West 87th St., Los Angeles	3/23/83	490, 10177(b)
Goldman, Steven B. (REB) (Right to RRES license on terms and conditions)	P.O. Box 1135, Los Alamitos	3/24/83	10177(h)
Watkins, Gilbert Wyatt (REB) (Right to RRES license on terms and conditions)	1026 McHenry, Ste. 5, Modesto	3/28/83	490, 10177(b)
Gutierrez, David (RES) (Right to RRES license after 30 days on terms and conditions)	2280 Gundersen Dr., San Jose	4/4/83	490, 10177(b)(f)
Cuevas, Oscar (RES) (Right to RRES license on terms and conditions)	1252 Civic Dr., Walnut Creek	4/4/83	490, 10177(b)(f)
Abramovich, Al (RES) (Right to RRES license on terms and conditions)	17902 Raymer St., Northridge	4/5/83	490, 10177(b)
Otsea, Marshall Sivert (RES) (Right to RRES license on terms and conditions)	8565 Fallbrook Cir., #718A, Huntington Beach	4/5/83	10137, 10176(i)
Moscip, Russell Franklin (RES) (Right to RRES license on terms and conditions)	16318 Flallon, Norwalk	4/6/83	490, 10177(b)
Ceragioli, Tony Eugene (RES) (Right to RRES license after 10 days on terms and conditions)	1617 53rd St., Sacramento	4/14/83	490, 10177(b)
Peters, Norman Lee (REB) (Right to RRES license on terms and conditions)	1029 McHenry Ave., Ste. 5, Modesto	4/18/83	490, 10177(b)
Woods, Robert Douglas (RES) (Right to RRES license on terms and conditions)	268 Main St., Pleasanton	4/18/83	490, 10177(b)(f)
Paul, Gwen (RES) (Right to RRES license on terms and conditions)	5807 Topanga Canyon Blvd., Apt. G101, Woodland Hills	4/26/83	490, 10177(b)
Hunt, Cindy (RES) (Right to RRES license on terms and conditions)	2101 Nottingham Dr., Fairfield	4/26/83	490, 10177(b)
Vazquez, Ana Maria (RES) (Right to RRES license on terms and conditions)	1109 W. Downs, Stockton	5/2/83	490, 10177(b)
Nelson, Marvin Albert (RES) (Right to RRES license on terms and conditions)	P.O. Box 160621, Sacramento	5/3/83	490, 10177(b)
Ewing, Jon Lewis (RES) (Right to RRES license on terms and conditions)	617 Serpentine Rd., Del Mar	5/11/83	490
Echt, Sonja S. Speyer (RES) (Right to RRES license after 60 days on terms and conditions)	6894 Boulder Lake Ave., San Diego	5/12/83	10177(f)(n)
Montelone, Dominick Pat (REB) (Right to RRES license after 90 days on terms and conditions)	438 Camino Del Rio South, #B111, San Diego	5/12/83	10177(f)(n)
Smith, Karen Dee (RES) (Right to RRES license after 60 days on terms and conditions)	1901 East 4th St., Santa Ana	5/17/83	490, 10177(b)
Ruiz, Sandra Ana (RES) (Right to RRES license after 30 days on terms and conditions)	3436 N. Verdugo Rd., Glendale	5/24/83	490, 10177(b)
Reynolds, Larry Kent (REB) (Right to RRES license on terms and conditions)	4075 Main St., Ste. 200, Riverside	5/24/83	490, 10177(b)

**LICENSES SUSPENDED**

Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Beaver, Paul Herman (RES)	5355 Eikhorn Blvd., Sacramento	3/7/83 (90 days)	10176(a), 10177(g)
Scotch, Anthony George (REB)	7 Park Center Dr., Sacramento	3/7/83 (90 days)	10177(g)(h)
Noble, Garrison Joseph (REB)	601 University Ave., Ste. 150, Sacramento	3/7/83 (40 days)	10177(f)(g)
Smart, Philip Ronald (REB)	6828 Palm Ave., Fair Oaks	3/7/83 (40 days)	10177(f)(g)
Stanley, Mark Eldon (REB)	825 M St., Ste. 1, Rio Linda	3/31/83 (90 days)	10176(a), 10177(g)

(Continued on page 7)

*Notes from Licensing*

By  
Lawrence J. Cannon  
Real Estate Manager I

You have just discussed tax strategies with your accountant or attorney and have concluded that you would like to operate all or part of your real estate activities as a corporation. What steps are needed to properly license a corporation, and how does this procedure affect you as an individual broker?

Any individual who has passed the real estate broker examination or who currently holds a broker license may apply to obtain a real estate corporation license. A Corporation Officer License Application (RE Form #201A) and a Corporation License Application (RE Form #201) must be completed and signed by the broker/officer applicant. These forms must be submitted with a license fee (currently \$165) and a Certificate of Status executed by the Secretary of State within thirty days prior to the date of application. The Certificate is a new requirement and must be submitted in lieu of a copy of the Articles of Incorporation.

The license allows one designated broker/officer to conduct licensed activities on behalf of the corporation. Individuals who hold a broker license or who have qualified for broker license may be licensed as additional officers of the corporation by submitting a fee of \$165 and a completed RE Form #201A. Salespersons may be employed by the corporation by submitting a completed Salesperson Change Application (RE Form #214).

A broker may hold an individual license and a corporation license simultaneously. However, each license is a separate entity, with its own expiration date. The status of one license is not transferable to another license in the event that one license expires. Separate forms must be submitted to file for renewal or effect changes on each license.

A broker may maintain only a corporation broker/officer license and is not required to maintain an individual license. However, Section 10171.1 of the Business & Professions Code requires an individual licensed only as a corporation broker/officer to submit evidence of completion of 45 hours of continuing education if he or she desires to obtain a second corporation broker/officer license or obtain an individual license, regardless of when the currently held corporation broker/officer license expires. On the other hand, brokers holding an individual license and one or more corporation officer licenses need only be

(Continued on page 7)

## COMMISSIONER FORMS COMMITTEES

Commissioner Edmonds has appointed/reactivated several advisory committees to the Department of Real Estate.

He has reactivated the Education and Research Advisory Committee. It will be divided into various subcommittees, including a subcommittee on Continuing Education. A newly created committee is the Mortgage Lending Advisory Committee. Initial meetings of these two committees occurred in late July and early August.

A new committee under consideration is the Commercial-Industrial Brokers Standing Committee.

The persons serving on the Education and Research Advisory Committee are:

Truman Brooks Chula Vista	John Mills Sacramento
Ray Carlisle Oakland	George B. Parks Marina del Rey
Herb A. Cross Dixon	Marjorie Lee Reed San Diego
Reginald F. Dupuy Long Beach	Kenneth T. Rosen Berkeley
Donald Fletcher Long Beach	Joel Singer Los Angeles
Ruth I. Frishman Emeryville	Hosea White Los Angeles
William H. Hippaka San Diego	W. A. McAlwee Oakland
Cecilia A. Hopkins San Mateo	

The individuals named to the Mortgage Lending Advisory Committee are:

Addison "Bob" Bowers Huntington Beach	J. W. "Bill" Stone Sacramento
Stanley Glickman Los Angeles	Michael E. Woodson San Rafael
Wallace Marinko San Francisco	Stanley Zimmerman Los Angeles
Richard L. Mower San Francisco	Joan Grenz Sacramento
Edward Siegel Los Angeles	Ron Bieber Sacramento
Leonard Simon Lawndale	William V. Watts Beverly Hills
Michael Linsk Burbank	Harry Yasumoto Arroyo Grande

### NOTICE

The new target date for the availability of the 1983 edition of the *Real Estate Law* is November 1, 1983. Cost—\$7.00 plus tax.

## Adult-Only Condominiums Declared Illegal

In May of this year the California Supreme Court held in a 5 to 2 decision that a condominium owners association could not restrict occupancy in the development to persons over the age of 18, *O'Connor v. Village Green Owners Association* (1983) 123 Cal. App. 3d 789. In reaching this determination, the majority of the court, speaking through Justice Kaus, held that the condominium owners association was a "business establishment" subject to the Unruh Civil Rights Act and then applied the rationale of its 1982 decision in *Marina Point, Ltd. v. Wolfson*, 30 Cal. 3d 721 (summarized in the Winter 1982 *Bulletin*) that the Unruh Act prohibited all forms of "arbitrary discrimination" including discrimination against residency of real property by minors.

While the Village Green Owners Association was a condominium association, the holding of the Supreme Court is clearly applicable as well to owners associations for stock cooperatives, planned developments and other common-interest subdivisions. DRE, therefore, will no longer issue public reports for common-interest subdivision developments with governing instruments which purport to restrict occupancy to adults.

The majority opinion in the *O'Connor* decision does not dispel the confusion remaining in the wake of the *Marina Point* decision concerning enforceability of occupancy restrictions based upon age in so-

called senior citizen or retirement housing projects including common-interest subdivisions. In the *Marina Point* opinion, Justice Tobriner, speaking for the majority, observed that "age qualifications as to a housing facility reserved for older citizens can operate as a reasonable and permissible means under the Unruh Act of establishing and preserving specialized facilities for those particularly in need of such services or environment" and that the effect of the decision was not to "bar age-limited admission policies of retirement communities or housing complexes reserved for older citizens." The dissent by Justice Mosk in the *O'Connor* case however raises the spectre of application of the holding on nonenforceability of age-occupancy restrictions to all rental and common-interest subdivision housing except that which offers special appurtenances and arrangements for the elderly and infirm. To date, there is no legislation, case law or opinion of the Attorney General to clarify the exception for so-called retirement or senior citizen complexes alluded to in the majority opinion in the *Marina Point* case.

DRE understands that private counsel for two of the major senior-citizen, common-interest subdivision developments in California have issued opinions since the *O'Connor* decision advising their clients that the developer and the owners association may continue to restrict sales and rentals to families in which no permanent occupant will be younger than a prescribed age. In neither of these projects is the prescribed minimum age lower than 45.



### CONTINUING ED

(Continued from page 1)

- in some instances the broker issued fee refund checks which were returned for insufficient funds
- some licensees attempting to contact the broker were unsuccessful because their letters were returned by the Post Office marked "box closed" or "undeliverable" and broker's phone was disconnected.

The DRE investigated complaints regarding the broker and his seminars. Although the broker repeatedly promised DRE investigators that he would send proof of refunds and resolve outstanding complaints, no proof was received that refunds were sent and the records of the seminars were not received, except that finally broker furnished a box of "records" which consisted of unorganized and indecipherable written documents.

The purpose of the Continuing Education Statute is to further consumer protection and consumer service by keeping real estate licensees knowledgeable about current real estate information. As is now generally known by licensees intending to renew their real estate licenses, licensees must complete, prior to filing their renewal application, 45 clock hours of attendance of continuing education courses. The 45 clock hours must include a three-hour course in ethics, professional conduct, and legal aspects of real estate. Licensees must then provide the department with proof of completed

continuing education credit hours in the form of a certificate or certificates bearing a thirteen digit code number issued by each course offering entity.

When the DRE issued its Offering Approval Certificate to the broker, authorizing him to conduct his seminars, DRE reminded offeror that the Real Estate Commissioner's regulations 3005 through 3013 must be complied with and that attendance credit was governed by regulation 3006(b). The Department also required the broker to keep attendance records for five years and imprint certificate numbers on all attendance certificates of attendees completing the course offering. The broker's repeated and willful violation of the Continuing Education statute and regulations resulted in his licenses and license rights being revoked.

The burden of obtaining proper certification proof of course attendance remains with each licensee. Licensees should allow extra time for the possible happening of unforeseen events, e.g., certificates needing correction, dealing with out-of-area CE sponsors, and cancellation of scheduled offerings. When certificates of attendance are distributed by the offeror to each attendee at the offering site, licensees should take time to then and there check the certificate for proper completion.



## LESS THAN PROMISED

When is "puffing" in the pitch innocent parlance and when is it trickery or worse?

How do you, a professional real estate practitioner, personally feel when you get less than promised from a retailer, manufacturer, distributor, or provider of services whose superlative advertising or sales talk influenced you to act to your detriment? Frustrated, angry, ripped-off . . . ? Potential clients feel no differently after responding to a real estate agent's exaggerated ad or phone pitch which turned out to be only puffery to gain the prospect's attention—even when the only thing lost was their time.

Real estate brokers are in business to persuade sellers and buyers to utilize their services. There are many ways to initially attract customers, but exaggerated or untrue superlative comments by an agent to capture the attention of prospects do little in the end to convince them of anything, except that the agent is intent on making sure of another payday.

We can all speak and write more accurately, clearly and decisively. Plain talk put into practice is and always has been the preferred pitch. 

## SORRY . . .

for the inconvenience caused many readers by our announcement in the Summer 1983 *Bulletin* that the 1983 *Real Estate Law* book would be available July 15, 1983.

The printing of the book was stopped just short of the pressrun when we learned that the Office of Administrative Law had completed its review of DRE Regulations (mandated by law in 1979) earlier than expected with the result that 52 Regulations were repealed, 48 amended.

The new target date for the availability of the 1983 edition of the *Real Estate Law* is November 1, 1983. Cost—\$7.00 plus tax. 

## CALIFORNIA SALES TAX

The most successful revenue program in the history of California was 50 years old August 1, reported William M. Bennett, Chairman, State Board of Equalization.

Born out of necessity during the Great Depression of the 1930s, the sales tax has produced \$102.79 billion in revenue during its first half-century, starting with \$46.2 million during its first year, increasing steadily through the years to a total this year of \$10.45 billion.

During the first 50 years of the sales tax, the sales tax rate changes have increased from 2½% (1933-35) to 4¾% (1974 to present). With local sales tax, total is 6%.

# COMMISSIONER EDMONDS APPOINTS NEW ADVISORY COMMISSION MEMBERS

The first meeting of the newly appointed Real Estate Advisory Commission members was held on July 15, 1983, in the San Francisco Hilton.

The individuals serving on the commission are pictured below.

### INDUSTRY MEMBERS:



J. CARTER WITT  
Alamo



EDWARD CLARE, SR.  
San Diego



CLARK WALLACE  
Moraga



T. L. "THOM" HOLMES  
Los Angeles



ADDISON "BOB" BOWERS  
Huntington Beach



ANTHONY "TONY" ANEWALT  
San Diego

### PUBLIC MEMBERS:



LEDA FONCERRADA-HARGROVE  
Long Beach



H. JACKSON PONTIUS  
La Jolla

Commissioner Edmonds presided at the meeting. Some of the items on the Agenda were: introduction of Chief Deputy Commissioner Robert P. Martinez and Assistant Commissioner/Administrative Services Ella T. Preston; reports on Budget and Fiscal Condition, Legislation and Regulations, Licensing, Continuing Education, Subdivisions, and the Joint DRE/Industry Dual Agency Committee Report of Meeting of June 28, 1983; an Open Forum discussion period participated in by the public member attendees.

The meeting was well attended by public and industry members. The next meeting is scheduled for San Diego in early October. Two additional public members are yet to be appointed.

The Commissioner must call meetings of the commission at least four times each year, following the giving of written notice to the commission members, and other interested persons, as required by law (Business and Professions Code Section 10057).

Members of the Real Estate Advisory Commission make suggestions and recommendations of policy to the Commissioner. 

## COMMISSIONER EDMONDS APPOINTS DRE ADMINISTRATORS

On July 11, 1983, DRE welcomed to the department Robert Martinez, Chief Deputy Commissioner, and Ella T. Preston, Assistant Commissioner/Administrative Services, both recommended by Real Estate Commissioner James A. Edmonds, Jr., to Governor Deukmejian for appointment.

Prior to joining DRE, Mr. Martinez served as Assistant Secretary to the California State Personnel Board since 1977. He has also held legislative positions with the California Association of Realtors and the California State Employees Association.



In his new position as Chief of Operations for the DRE, Mr. Martinez is looking forward to working closely with each of the Assistant Commissioners in the implementation of DRE's responsibilities to the public and to the profession.

Mr. Martinez will have his office at DRE's Principal Office in Sacramento.

To her new role of Assistant Commissioner/Administrative Services, Ella Preston brings extensive administrative experience in the areas of real estate, advertising, law, and governmental and public relations.



In addition to her responsibilities as Assistant Commissioner/Administrative Services, Mrs. Preston will act as Secretary to all advisory commissions, committees and task forces appointed by the Commissioner.

Mrs. Preston's office is located in the DRE Executive Offices in Los Angeles.



## BUSINESS OPPORTUNITIES

The State Board of Fabric Care has requested DRE to remind real estate agents engaged in Business Opportunity Transactions that all dry cleaning establishments in California are required to be licensed by the State Board of Fabric Care. These licenses are *NOT* transferable from one owner to another.

Before a new owner can operate a dry cleaning establishment, he must make application and obtain his own license from the Board. The license application process can take up to 3 months.

The Spring issue of the *Real Estate Bulletin* pointed out to real estate licensees that the sale of a licensed community care facility does not automatically include a transfer of the facility's license to the new owner. As in the case of a sale of a dry cleaning business, the purchaser must make application and the entire application for license process may take up to three months to complete.

Dry cleaning establishments are one of the enterprises covered by the Bulk Sale Statutes, Division 6 of the Commercial Code. Under Section 9538 of the Business and Professions Code, prior to entering into an agreement to sell a dry cleaning establishment, the seller must notify the buyer in writing that a license is required. In addition, the seller must notify the Board of Fabric Care that he is no longer in business, give the name and address of the new owners, and return his establishment license to the Board.

Any change in ownership status cancels the existing license. If the seller allows the buyer to use the existing establishment license, the seller is in violation of Business and Professions Code Section 125, a misdemeanor punishable by fine of up to \$500 and/or 6 months imprisonment in the county jail. Under Section 17206 of the Code (The Unlawful, Unfair, or Fraudulent Business Practices Act) penalties may be assessed of up to \$2,500 per day per violation.

The Board of Fabric Care staff will assist all new owners in completing the proper licensing application and forms. Applications may be obtained by calling the office of the Board nearest you.

Business and Professions Code Section 10030 (Real Estate Law) defines "business opportunity" as meaning and including the sale or lease of the business and goodwill of an existing business enterprise or opportunity. Business opportunities are generally referred to as "bulk transfers."

A bulk transfer is any transfer in bulk and not in the ordinary course of the transferor's business of a substantial part of the materials, equipment, supplies, merchandise, or other inventory (Section 9109) of an enterprise subject to Division 6.

The enterprises subject to Division 6 are all those whose principal business is the sale of merchandise, including those who manufacture what they sell, or that of a cleaner or dyer, garage owner, restaurant or cafe owner or a baker. Some transfers are exempt from the

(Continued on page 8)

## AMENDMENT TO CODE OF ETHICS

The recently completed review of DRE Regulations completed by the Office of Administrative Law (see Article on page 1) resulted in the addition of paragraphs (12) and (13) to subsection (a) of Section 2785, of Article 11, *Ethics and Professional Conduct Code*.

Subsection (a) lists professional conduct and business practices by real estate agents which are unlawful; subsection (b) itemizes types of conduct considered unethical; and subsection (c) contains a listing of conduct considered to be beneficial practices to be

adhered to by real estate licensees.

New paragraphs (12) and (13) of 2785(a) add the following acts to the list of acts or omissions considered unlawful under Section 2785(a):

(12) A representation made as principal or agent to a prospective purchaser of a promissory note secured by real property with respect to the fair market value of the securing property without a reasonable basis for believing the truth and accuracy of the estimate of fair market value.

(13) Making an addition to or modification of the terms of an instrument previously signed or initialed by a party to a transaction without the knowledge and consent of the party.



### Rankings of Ten California Counties with Largest Population Growth, 1980-1982

County	Absolute Growth 1980-82*	Population 1982	Average Annual Growth		
			1980-82*	1975-80**	1970-75**
(1) Los Angeles	223,979	7,701,400	99.546	60.464	28.251
(2) San Diego	106,454	1,968,300	47.313	56.368	44.999
(3) Orange	88,891	2,021,600	39.507	46.170	55.651
(4) San Bernardino	76,084	971,100	33.815	41.730	2.775
(5) Riverside	56,201	719,400	24.978	27.088	14.778
(6) Sacramento	48,619	832,000	21.608	19.322	10.900
(7) Santa Clara	36,529	1,331,600	16.235	24.162	21.902
(8) Kern	32,911	436,000	14.627	8.692	6.013
(9) Alameda	31,421	1,136,800	13.964	531	6,944
(10) Ventura	30,426	599,600	13.523	18.626	11.848

Source: Population Research Unit, California Department of Finance

\* Absolute and average annual growth are for the period April 1, 1980 - July 1, 1982.

\*\* The calculations for 1970-75 cover 5.25 years from April 1, 1970 - July 1, 1975, and for 1975-80 the 4.75 years from July 1, 1975 - April 1, 1980. The intercensal year population figures for 1975 were re-estimated by the California Department of Finance based on Census and other data.

(From *Real Estate Indicators* by Housing, Real Estate and Urban Land Studies Program, Graduate School of Management, UCLA.)

## FRANK J. RYAN RETIRES

Following a week of being the recipient of high commendations, special honors, acknowledgments and thank-yous from state officials, DRE administrators, fellow workers, and friends, Frank J. Ryan, Real Estate Specialist IV, Subdivisions, Sacramento Principal Office retired from DRE on July 15, 1983, after 36 years of public service.



The last 26 years of his public service career were with the Department of Real Estate.

The DRE staff takes pleasure in publically thanking Frank for his outstanding contributions to the department and wishing him the greatest satisfaction in his retirement.

Frank was born in San Francisco. His grandfather, Thomas Ryan, was one of the signers of the California Constitution in 1879. Frank served in the U.S. Army during World War II and in the Korean War.

In 1947 Frank entered state service with the State Board of Equalization. He joined the DRE in 1957 as a Deputy Real Estate Commissioner, and worked in San Francisco, Oakland, Los Angeles and Sacramento Offices. For the greater part of the last decade Frank has been in charge of Out-of-State Subdivisions; his responsibilities included Subdivision Advertising Review.

Frank devoted much time over the years to bettering his community and served on citizens commissions and boards.

Frank and his lovely wife Catherine are residents of Elk Grove and enjoy life on their 3-acre farm. They have two children, Joanne and Stephen.

Retirement for Frank and Catherine is certain to be a continuation of active service to others. DRE extends best wishes to them in all their future plans. 

### NOTES (Continued from page 3)

concerned about satisfying continuing education for the renewal of their individual license.

Frequently, the question is raised concerning whether an unlicensed officer of a licensed corporation can conduct activities for which a real estate license is required on the corporation's behalf. The answer is "No." Such a person may not conduct licensed activities for the corporation without first becoming licensed as either a salesperson to be employed by the corporation or as an additional licensed broker/officer.

Further questions about Corporation Licensing can be directed to our Corporation License Unit at (916) 322-9446. 

LICENSES SUSPENDED			
Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Chapo, Bonnie Lee (RES)	2828 Santa Paula Ct., Sacramento	3/31/83 (20 days)	10176(a), 10177(g)
Century 21 Abetter Realty (REC) Off—Beale, William Leslie Jr	2833 Marconi Ave., Sacramento	3/31/83 (3 days)	10177(g)(h)
Van Schnaik, Janete Teresa (REB)	3770 Toronto Rd., Cameron Park	3/31/83 (30 days)	10176(a), 10177(g)
Beale, William Leslie Jr. (REB) (RFO) Off—Century 21 Abetter Realty	2833 Marconi Ave., Sacramento	3/31/83 (3 days)	10177(g)(h)
Bohannon, David Eugene (REB) (REO) Off—Bohannon Realtors, Inc.	3416 American River Dr., Sacramento	4/30/83 (3 days)	10177(g)(h)
Stromick, Barbara Ann (RES)	9818 Mira Del Rio, Sacramento	4/30/83 (15 days)	10176(a), 10177(g)

LICENSES SUSPENDED WITH STAYS			
Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Tri-City Home Lenders Corporation (REC) Off—Doan, Robert Martin (All but 15 days stayed for 2 years on terms and conditions)	1361 Eastside Rd., El Cajon	3/22/83 (90 days)	10176(i)
Doan, Robert Martin (REB) (RFO) Tri-City Home Lenders Corporation (All but 15 days stayed for 2 years on terms and conditions)	1361 Eastside Rd., El Cajon	3/22/83 (90 days)	10176(i)
Raskov, David C. (REB) (REO) Off—Jefferson Home Loans, Inc. (Stayed for 2 years on terms and conditions)	1541 Wilshire Blvd., Los Angeles	4/12/83 (365 days)	2831, 2831.1, 2950, 10177(d)
Jefferson Home Loans, Inc. (REC) Off—Raskov, David C. (Stayed for 2 years on terms and conditions)	1541 Wilshire Blvd., Ste 111, Los Angeles	4/12/83 (365 days)	2831, 2831.1, 2950, 10177(d)
Ujdur, Anthony John (REB) (RFO) Off—Anthony J. Ujdur Inc. Off—Ygnacio Homes Inc. (Stayed for 1 year on terms and conditions)	626 Creekmore St., Walnut Creek	4/18/83 (60 days)	10177.5
Twyman, John Donald (REB) (All but 30 days may be stayed with compliance)	3367 Birdsall Ave., Oakland	4/18/83 (to & incl. 7/18/83)	10162, 10177(d)
Munch, Robert Wilson (REB) (REO) Off—Golden Vista Inc. (All but 20 days stayed for 1 year on condition)	855 Jamacha Rd., El Cajon	4/28/83 (120 days)	10176(a)
Bohannon Realtors, Inc. (REC) Off—Bohannon, David Eugene (Stayed for 1 year on condition)	3416 American River Dr., Sacramento	4/30/83 (5 days)	10177(g)(h)
Cook, Berlyn Joseph (RES) (All but 30 days stayed for 2 years on condition)	404 Horizon Hills Dr., El Cajon	5/12/83 (60 days)	10177(n)
Mahaffey, William Terrence (RES) (All but 30 days stayed for 2 years on condition)	900 N. Cuyamaca St., Ste. 206, El Cajon	5/12/83 (60 days)	10177(n)
Newbold, Max Thompson (RES) (All but 30 days stayed for 2 years on condition)	886 Hacienda Dr., El Cajon	5/12/83 (60 days)	10177(n)
Hayes, Norman Victor (RES) (All but 30 days stayed for 2 years on condition)	9024 Rives Ave., Downey	5/19/83 (90 days)	10177(g)

LICENSES SUSPENDED WITH A RIGHT TO A RESTRICTED LICENSE			
Name	Address	Effective Date	Violation Business and Professions Code/Commissioner's Regulations
Birchfield, Anastasia Marie (RES) (Right to RRES license on terms and conditions)	34620 Highland St., Barstow	3/1/83 (1 year)	490, 10177(b)

INDEFINITE SUSPENSIONS UNDER RECOVERY FUND PROVISIONS		
Name	Address	Date
*Mullford, James Logan (REB)	4630 Geary Blvd., San Francisco	1/19/83
Gonzales, Mary Grace (RES)	1642 W. Creek, San Jose	3/14/83
Executive Apartment Corporation (REC)	1959 LaCiega Blvd., Los Angeles	3/14/83
Harvey, Andrew (REB)	6027 Shattuck Ave., Oakland	4/7/83
Mungia, Jose Arnoldo (RES)	6300 Seville Ave., Huntington Park	5/5/83
Peters, David George (RES)	1300 E. Monte Vista, Vacaville	5/13/83
Rendon, Andres Jr. (REB)	P.O. Box 1610, Chula Vista	5/13/83

### GEMSTONES (Continued from page 1)

should know what these grading classifications mean. Books about gemstone investing are a good place to learn.

- Market value. You should know how much other sellers are charging for stones of a comparable grade. Even a rare and valuable gemstone might not be a good investment if you pay too much for it.
- Appreciation potential. You should know how prices have fluctuated for the *specific* grades of gemstones you are buying. Be wary of sellers who make exaggerated

promises about appreciation, saying such things as "diamonds have appreciated 300% in the last five years." This may refer to diamonds of totally different grades than the ones you are considering. This claim also reveals nothing about current price trends—which may be down instead of up.

### Count On Keeping Your Gemstones Until Their Value Increases

Gemstones are not a "liquid" investment.

(Continued on page 8)

## BUSINESS (Continued from page 6)

law, but if the Bulk Sale Law is applicable, a failure to comply will make the transfer fraudulent and void against the transferor's (seller's) creditors.

Should the transfer involve the perfecting of a security interest as well, the provisions of Article 9 of the Commercial Code dealing with secured obligations will have to be complied with.

A real estate licensee dealing in the transfer of business ownerships must be a specialist in the field of business opportunities, aware of all laws, licensing statutes and local ordinances which must be satisfied to effect a legal business transfer. Much technical knowledge is required and many practitioners limit their activities to a narrow field, handling only small stores; others specialize in only one type of business sale, such as service stations. Special laws and regulations affect different businesses.

It is the wise licensee who knows his limitations and practices his real estate activities in the field in which he is competent.

## REGULATIONS (Continued from page 1)

incorporate all or some part of regulations that were repealed:

2710	2819.6	2976
2731	2819.9	2978
2740	2819.96	2979
2742	2820.1	2979.1
2755	2822	3000
2785	2822.1	3001
2790	2825.5	3002
2790.8	2828.1	3003
2792.9	2831	3004
2792.20	2831.1	3006
2792.21	2842.5	3007
2798	2910	3008
2799.1	2960	3009
2800	2970	3010
2803	2972	3011
2814 (renumbered 2791.9)	2975	3013

All of these changes which became effective on July 31 are included in the 1983 edition of *Real Estate Law* which will soon be available for purchase from DRE for \$7 plus sales tax.

## GEMSTONES (Continued from page 7)

This means that they generally cannot be resold quickly for a profit. One reason is that the market for faceted gemstones, the type available to individual purchasers, fluctuates. So if you need to sell your stones quickly and the market value is down, you could lose money.

Also keep in mind that while you will be paying a *retail* price when you buy gemstones, you probably will be selling them at a *wholesale* price, or lower, if you sell to a dealer. To make a profit, you need to keep your gemstones until their value increases enough to make up the difference. This may take several years.

### Selling Your Gemstones May Be Difficult

Where will you sell your gemstones? Unlike the markets for stocks and bonds, there is no organized market where you can sell gemstones. For some grades or types of gemstones—those that professionals consider to be of poor investment quality—there may be no market at all. Locating a private buyer may be difficult and can take months. Dealers and jewelers are often reluctant to buy from an individual investor because they already have regular wholesale suppliers.

Some gemstone dealers may promise to buy back your gemstone or to sell it for you at a later date. However, there is no guarantee that their efforts will produce a profit. And you probably will have to pay a fee for this service. Also, there is a possibility that the company will go out of business, leaving you without your "guaranteed" buyer.

### Be Cautious About Laboratory Certificates and Appraisals

Gemstone certificates describe particular characteristics of an individual gemstone. They often are done by laboratories established for certification purposes. But bear in mind that certificates merely reflect the opinion of the laboratory doing the grading. Other laboratories may have a different opinion of the same gemstone. Also, some laboratories are more well-regarded in the industry than others. When you attempt to resell your investment, buyers may

disregard certificates from laboratories that are not well-recognized. Find out which laboratories are well-regarded and get a certificate from one of them.

Appraisals, as distinct from certificates, provide a dollar value for gemstones. Unless you have good reason to trust the accuracy of the appraisal, be wary of appraisals that are provided by the seller or are provided through the seller's direction. Some appraisals may evaluate a gemstone based on a jeweler's retail price, not what you could get for the gemstone if you had to sell it. Before you buy, get an independent appraisal from someone you trust.

### Take Your Time Before Making An Investment Decision

Be on guard if a seller pressures you to write a check immediately. Even though some sellers may tell you that "the offer is only good for a limited time," or that "supplies are running out," ask for several days to consider your decision. Although it is difficult to determine the normal selling price for a particular gemstone, make every effort to get this information from other sellers before you buy. By talking to other sellers, you may find that better investment opportunities are available.

Have the seller put all the terms of the sale in writing, including promises about return privileges and resale provisions. But keep in mind that even these written promises may not have value, especially if the company goes out of business.

If you receive an unsolicited phone call or a brochure from a gemstone seller, investigate *before* sending a check. Contact local and state consumer protection offices, the Postal Inspector, and the Better Business Bureau to inquire about the firm's reputation.

Make sure you understand the gemstone market *before* you make an investment.

If you do invest and have a complaint about the firm, contact your local consumer protection office and the Federal Trade Commission. While the FTC cannot resolve individual disputes, the information you provide may help show a pattern of practices requiring action by the Commission. 

Official Publication

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Sacramento, California 95816

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