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Department of Real Estate
107 South Broadway, Room 8107
Los Angeles, CA 90012
(213) 620-4790

APR 28 1987

DEPARTMENT OF REAL ESTATE
Jaura B. Orma

DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

TO:

KISMET REAL ESTATE INVESTMENTS,
INC., a corporation;
WILLARD MICHLIN, individually
and as designated officer of
Kismet Real Estate Investments,
Inc.

NO. H-22881 LA
ORDER TO DESIST
AND REFRAIN

The Real Estate Commissioner of the State of California has caused an investigation to be made of your activities as real estate brokers, and based upon the findings of that investigation, as set forth below, is of the opinion that, while engaged in activities which require a real estate broker license under the provisions of Section 10131(d) of the Business and Professions Code, (hereinafter "Code"), you violated Sections 10145 and 10240 of the Code and that you also violated Sections 2830, 2831, 2831.1 and 2950(i) of Chapter 6, Title 10, California Administrative Code (hereinafter the "Regulations").

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I

At all times mentioned herein from January 27, 1986 to the present, you, KISMET REAL ESTATE INVESTMENTS, INC. (hereinafter "KISMET"), a California corporation, held a corporate real estate broker license issued by the Department of Real Estate of the State of California (hereinafter "Department") by and through WILLARD MICHLIN (hereinafter ("MICHLIN") as designated officer.

II

At all times mentioned herein, from January 27, 1986 to the present, you, MICHLIN, held a license issued by the Department as a real estate broker, individually and as designated office of KISMET.

III

All further references herein to "you", include the parties identified in Paragraphs I and II above, and shall be deemed to refer also to the officers, directors, 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 and employment.

IV

At all times herein mentioned, you engaged in the business of, acted in the capacity of, advertised, or assumed to act as a real estate broker in the State of California within the meaning of Section 10131(d) of the Code, including the operation

1 of a mortgage loan brokerage business with the public, wherein you
2 solicited lenders and borrowers for loans secured by liens on real
3 property, wherein you arranged, negotiated, processed, and
4 consummated such loans on behalf of others, and wherein you
5 serviced such loans and collected payments thereon on behalf of
6 others, all for or in expectation of compensation.

7
8 At all times herein mentioned, in the course of or
9 incidental to said mortgage loan brokerage business, you also
10 engaged in the business of, acted in the capacity of, advertised,
11 or assumed to act as escrow holder or agent for the purpose of
12 effecting mortgage loan transactions, and thereby acted or assumed
13 to act under the exemption from the provisions of the Escrow Law
14 as provided by Section 17006(d) of the California Financial Code.

V

15 From January 1, 1986 to and including August 15, 1986,
16 in connection with the aforesaid mortgage loan activities, you
17 accepted or received funds in trust (hereinafter "trust funds")
18 from or on behalf of lenders and borrowers and thereafter made
19 disbursements of such funds.

VI

20
21 From January 1, 1986 to and including August 15, 1986,
22 you maintained the following-described trust accounts into which
23 you deposited the above-described trust funds in connection with
24 your mortgage loan activities:

- 25 A. "Trust Account 1"
26 Kismet Real Estate Escrow Account
27 Westside Savings & Loan Association
1575 Westwood Blvd.
Westwood, CA 90024
Account No. [REDACTED]

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B. "Trust Account 2"
Willard Michlin Escrow Acct. for Kismet
Real Estate Investments Inc.
First Los Angeles Bank
2049 Century Park East
Los Angeles, A 90067
Account No. [REDACTED]

VII

During 1986, you violated Section 10145 of the Code and Regulation 2832.1 by disbursing or allowing the disbursement of funds from the above-described Trust Account 1 without the prior written consent of every principal who then was an owner of funds in said account, wherein as of August 15, 1986 the disbursements had reduced the balance of funds in said account to an amount which was more than \$1,520.41 less than the then-existing aggregate trust fund liability to all owners of said funds.

VIII

During 1986, you violated Section 10145 of the Code and Regulation 2832.1 by disbursing or allowing the disbursement of funds from the above-described Trust Account 2 without the prior written consent of every principal who then was an owner of funds in said account, wherein as of August 15, 1986 the disbursements had reduced the balance of funds in the account to an amount which was more than \$1,635.72 less than the then-existing aggregate trust fund liability to all owners of said funds.

IX

During 1986, you violated Regulation 2830 by failing to designate the above-referenced Trust Account 1 and Trust Account 2 as "trust accounts" on the bank signature card of said accounts and by also failing to place said accounts in the name of Kismet

1 Real Estate Investments, Inc., as the trustee thereof.

2 X

3 During 1986, you violated Regulation 2831 in connection
4 with Trust Account 1 and Trust Account 2 by failing to maintain a
5 daily balance on the columnar records pertaining to said accounts.

6 XI

7 During 1986, you violated Regulation 2831.1 in
8 connection with Trust Account 1 and Trust Account 2 by failing to
9 maintain separate records of said accounts in columnar form and by
10 failing to maintain a record of daily balances of trust funds
11 deposited into and disbursed from said accounts.

12 XII

13 During 1986, you violated Section 10145(d) of the Code
14 in that all times material herein the above-described Trust
15 Account 1 was an interest-bearing account and when said account
16 was closed on August 4, 1986 the interest which had accrued in
17 said account (\$1,085.49) was not disbursed to the principals who
18 were the owners of trust funds which generated the said interest.

19 XIII

20 During 1986, you violated Regulation 2950(i) in
21 connection with loan escrows which you handled, as part of your
22 mortgage loan activities by failing to provide escrow closing
23 statements to the lenders on loans negotiated by you.

24 XIV

25 During 1986, you violated Section 10240 of the Code by
26 failing to provide to numerous borrowers a mortgage loan
27 disclosure statement signed by you or by the real estate licensee

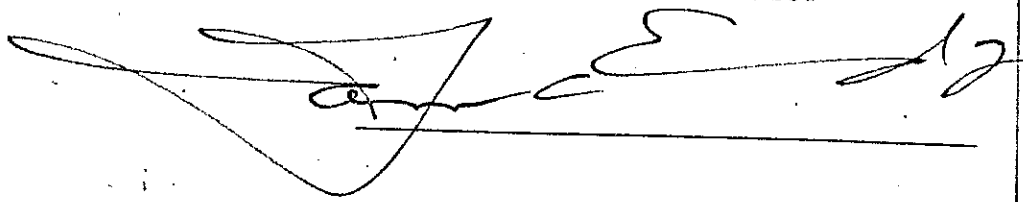
1 employed by you who negotiated the loan, secured by a lien on real
2 property, for the borrower.

3 NOW, THEREFORE, YOU AND YOUR AGENTS AND EMPLOYEES ARE
4 ORDERED TO DESIST AND REFRAIN from receiving funds in trust unless
5 said activities are performed in compliance with Sections 10145 of
6 the Code and Regulations 2830, 2831, 2831.1, and 2832.1.

7 YOU AND YOUR AGENTS AND EMPLOYEES ARE FURTHER ORDERED TO
8 DESIST AND REFRAIN from negotiating loans secured directly or
9 collaterally by a lien on real property unless said activities
10 are performed in compliance with Section 10240 of the Code and
11 Regulation 2950(i).

12
13 DATED: 4-13-87

14 JAMES A. EDMONDS, JR.
15 Real Estate Commissioner

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26 cc: Kismet Real Estate Investments, Inc.
Willard Michlin
1818 Greenfield Avenue
27 Los Angeles, CA 90025

TLN:MJF
lbo