



Why Licenses Are Suspended Or Revoked

Editor's Note: This is the first of a series of fifteen articles to be run in a like number of issues of the California Licensed Contractor. Each will be preceded by a brief restatement of all of the sections of the Business and Professions Code which constitute grounds for action against a contractor's license. In each of the articles one of the sections will be featured by an explanation and by examples taken from our files.

The sections are 7106 to 7120, inclusive, and are grouped in Article 7 of Chapter 9, Division III, Business and Professions Code of California.

Power to suspend for a violation of these sections is given to the Registrar by section 7090 of the same article, which states that he "—may temporarily suspend or permanently revoke any license if the holder * * * is guilty of or commits any one or more of the acts or omissions constituting causes for disciplinary action."

The "Contractors' License Law" by which informal title the portion of California's Business and Professions Code relating to contractors is known, establishes a large number of causes of action against holders of state contractors' licenses. The scope of the law on this point is far greater than is generally known.

While there are only fifteen sections (sections 7106 to 7120, inclusive), many of the sections cover several different subjects. Of particular interest for study purposes, because of the broadness of its scope, is the first (section 7106) which is the principal subject of this article.

7106. In connection with any action otherwise proper in any court involving a licensee in the performance of his legal obligations as a contractor, the suspension or revocation of the contractor's license may also be embraced.

7107. Abandonment without legal excuse of a construction project, operation or contract.

"THE CALIFORNIA LICENSED CONTRACTOR" GROWS

WITHOUT ADVANCE NOTICE, IT IS MY PLEASURE TO INTRODUCE TO THE INDUSTRY, WITH THIS ISSUE, OUR LARGER "CALIFORNIA LICENSED CONTRACTOR."

THE PURPOSE OF THIS PUBLICATION IS TO DISSEMINATE THROUGHOUT THE INDUSTRY SUCH PERTINENT INFORMATION IN REGARD TO THE OPERATIONS OF THE CONTRACTORS' LICENSE BOARD AND OF THE PROVISIONS OF THE CONTRACTORS' ACT ITSELF AS WILL BE OF MATERIAL ADVANTAGE IN ITS DAILY BUSINESS.

BY ENGENDERING A BETTER UNDERSTANDING OF THE WORK AND METHODS OF THE BOARD AS WELL AS OF THE PROVISIONS OF THE CONTRACTORS' ACT, A CLOSER COOPERATION BETWEEN THE BOARD AND THE INDIVIDUAL MEMBERS OF THE INDUSTRY WILL, I AM CERTAIN, BE ACCOMPLISHED.

TO THAT END, THEN, THIS LARGER PUBLICATION IS DEDICATED AND IT IS WITH SINCERE PLEASURE THAT I AM ABLE TO NOT ONLY ANNOUNCE THE APPROVAL OF THE STATE LICENSE BOARD OF THIS EXPANSION BUT TO ACTUALLY SHOW THE RESULTS AT THE SAME TIME.

REGISTRAR OF CONTRACTORS

7108. Diversion of funds or property.

7109. Departure from or disregard of plans or specifications in any material respect and without the consent of the person or persons entitled to the plans.

7110. Wilful or deliberate disregard and violation of the (a) building laws of the state; (b) building laws of a political subdivision; (c) safety, labor, or compensation insurance laws of the state.

7111. Failure to make and keep records (open to the inspection of the Registrar) for a period of not less than three years.

7112. Misrepresentation of a material fact by an applicant in obtaining a license.

7113. Failure in a material respect to complete a construction project or operation for the price stated in the

contract after due consideration for extras, modifications, or alterations.

7114. Aiding or abetting an unlicensed person to evade the provisions of Chapter 3 of the Code, or knowingly combining or con-

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spiring with an unlicensed person, or allowing one's license to be used by an unlicensed person, or acting as agent or partner or associate of an unlicensed person for the purpose of evading the provisions of the Law.

7115. Failure in a material respect to comply with the provisions of the chapter.

7116. The doing of a wilful or fraudulent act by the contractor causing substantial injury.

7117. Acting in the capacity of a contractor except (a) in the name as set forth upon the license, or (b) in accordance with the personnel as set forth upon the application.

7118. Knowingly entering into a contract with a contractor while such contractor is not licensed.

7119. Wilful failure or refusal to prosecute a construction project or to operate with reasonable diligence, causing material injury.

7120. Wilful or deliberate failure to pay moneys when due for materials or services rendered in connection with contracting operations when having the capacity to pay or when sufficient funds have been received from

the particular project to provide for payment, or the false denial of any such amount or of the validity of a claim with the intent to secure a discount or to hinder, delay or defraud.

In this issue we are dealing with section 7106, which reads in full as follows: "The suspension or revocation of a license as in this chapter provided may also be embraced in any action otherwise proper in any court involving the licensee's performance of his legal obligation as a contractor."

This means that a subcontractor or general contractor, or any other person who sues a licensee, may ask for suspension or revocation of the defendant's license (in addition to judgment) if the cause of suit arises out of a failure of the defendant to discharge his "legal" obligations as a contractor. The word "legal" may be taken to mean any obligation to another which may be enforced by a court order or which may be reduced to judgment. It includes obligations to observe all laws of the state, city and county, as well as orders of boards and commissions appointed and empowered by law, such as the State Industrial Accident Commission and State Board of Health.

A subcontractor, for instance, has performed work for a general contractor who has failed to pay him for that work. The subcontractor could successfully institute an action before the registrar under the Contractors' License Law charging the diversion of funds, providing he could prove that the general contractor received sufficient funds from the particular job with which to have paid him. Or the subcontractor could charge the general contractor under the Contractors' License Law with failure to pay a construction obligation providing he could also prove that the general contractor from some source actually would have the capacity to pay the obligation.

But the subcontractor can also sue the general contractor civilly and secure a judgment by merely proving the unpaid obligation. Having proved to the court that there is an obligation due him arising out of work he did for the general contractor, he can petition and the court would have the power and authority to suspend the general contractor's license in addition to rendering judgment for the amount due.

Reversing this situation, we might have the instance of a general contractor who employed a subcontractor. The subcontractor drew certain moneys for portions of his work and then abandoned the job. The general contractor found it necessary to pay unpaid material claims incurred by the subcontractor

and to employ other means to finish the subcontractor's work. Both because of the unpaid bills and the cost of the additional work the general contractor is caused a loss by the subcontractor. The general contractor could successfully charge the subcontractor, in an action filed before the registrar, with failure to complete his contract for the contract price, and probably could also charge him with diversion of funds in the same action. But if the general contractor preferred to take the matter to civil court and proved to the court's satisfaction that the facts were as above stated, in addition to securing a judgment he could also ask the court to suspend the contractor's license.

For that matter, a material man who is able to prove that a contractor has failed to pay for construction materials used in his business, instead of prosecuting before the registrar under charges similar to those which the subcontractor above described could bring, has the right also to go directly to the civil courts. After proving that there is an unpaid obligation arising out of the contractor's business, the material man may petition the court to suspend or revoke the contractor's license.

In any such civil action the plaintiff need not prove a violation of the Business and Professions Code. Nor need he even show any such violation. It is only necessary to show that the defendant owes an obligation and that the obligation arose out of the defendant's operations in the contracting business. If the suit involved a claim arising from medical service to defendant, or clothier's bills, the court of course could not consider suspension.

Likewise, a contractor who should be found guilty of criminal acts which included a failure to observe his duties as a contractor, such as compliance with local building laws and ordinances, could be suspended or his license revoked by the court under the provisions of the act being considered. This action would be in addition to any fine or imprisonment imposed or ordered.

It is not necessary that a request to a court for suspension be made by the party bringing suit. Nor is the petitioning right limited to a complaining witness or a prosecuting officer in a criminal action. Any person may appear and ask for the suspension or revocation order, and he need have no interest in the case at hand. Or the court, upon its own motion may order such suspension or revocation.

The court is not compelled, however, to grant a petition for action against license rights just because it finds the defendant has failed to perform duties as a contractor. The court may, in its discretion, award judgment

against the defendant and refuse the petition for suspension or revocation.

It may be assumed that a court in a civil proceeding will give scant consideration to a petition against a defendant's license if the petitioner has no interest in the action at hand. On the other hand, should a contractor be successfully prosecuted criminally because of his contracting activities, it seems reasonable to expect the court to carefully consider the merit of a request for suspension if made by the complaining witness or the prosecuting officer, or possibly from any public or semi-public body having an interest in law enforcement matters.

Where the party seeking redress in a civil action fails to so petition, it would probably be assumed that he did not desire the court to retire the contractor from business. An order of suspension might, in the injured party's eyes, interfere with a possible monetary settlement of a judgment.

It is interesting to note that no limit is set as to the length of suspension the court may order. It seems clear that the court could follow its own inclinations entirely, without respect to a petitioner's wishes, if a petition is once made for suspension or revocation. Thus a court could, without regard to the amount of loss arrived at, permanently revoke the loser's license. There appears to be no reason why the court could not, upon petition, suspend the contractor's license until such time as he paid a judgment also given, or until compliance with any other orders or terms imposed by the court.

This section of the law has rarely been invoked and we believe for the reason that it has never been sufficiently publicized, and one of the principal purposes of this article is to accomplish just this.

Too many persons appearing before the registrar as complainants only have in mind the securing of monetary relief and give no thought to the fact that were a licensee disciplined by a suspension of his license they would thus aid the building public. Seeking such a suspension from a court adjudicating a civil obligation would accomplish this.

This provision is only one of the many "teeth" now found in the present law.

Licenseses and others doing business with contractors should bear in mind the provisions of the Section of the Business and Professions Code above discussed. In any action seeking judgment from or punishment of a licensed contractor, if the action arises out of his business as a contractor, call this section to the attention of your attorney.

The May "California Licensed Contractor" will have an article upon section 7107, "Abandonment without legal excuse of a construction project, operation or contract."

Examination of Applicants Becomes Fact

Commencing on October 9, 1939, all applicants (except as hereinafter described) have been required to qualify by written examination.

Examinations have been given to 1300 applicants for the period October 9, 1939, to January 15, 1940, during which time the written test has been applied to all new entrants into the contracting business in California.

In approximately 5 per cent of the cases the party failed, but subsequently, and we presume after study of the various State laws regulating construction, took another examination and passed.

Under the procedure established, a party taking a second examination is given a different examination. Questions are also varied from time to time so that no person taking an examination can, by memory, give any particular assistance to a subsequent examinee.

The procedure, as previously described in our article in the September bulletin in which the rules of the board were quoted in full, requires an applicant to present a satisfactory application form and pay a fee and at that time to take a written examination consisting of twenty questions.

The examination consists of twenty statements of fact, some of which are true statements and some of which are false. The applicant is required to show whether or not they are true or false and if he fails to make a grade of 70 per cent his application is not approved.

After examination the examinee's application form, which has already been approved by the examiner, and his examination paper are sent to Sacramento for grading. The applicant's name, if he is successful in passing his examination, is then posted for ten days and if, at the end of the ten days, no written protest against issuance of his license has been filed, his license is issued. If he failed to pass, a notice to that effect is sent him.

Examinations are being given at the rate of 430 per month. Examinations are given Monday through Friday, inclusive, from 1:00 to 4:00 p.m. at our Sacramento, Los Angeles and San Francisco offices and at less frequent intervals in a few of the more distant cities of the state. A schedule of examinations is given to each party securing an application form.

Registration prior to the commencement of the examination procedure indicated a greater number of newly licensed contractors in Cali-

fornia in 1938 than in 1939 after the inauguration of the examination procedure. Based on the 1938 registration, 576 original licenses were issued monthly during November and December of 1938. However, only 420 licenses were issued monthly during November and December of 1939, and it therefore must be assumed that the registration rate was cut by some 156 licenses per month due to the examination requirement.

The requirement that applicants secure certifications of honesty and integrity is still in full force and the application form adopted at the time the examinations were commenced requires additional information from applicants not required prior to that time. The scope of the examination is set by statute and is limited to questions designed to test an applicant's "—general knowledge of the building, safety, health and lien laws of the state and of the rudimentary principles of the contracting business." Since the examination must at present be the same for all classes of applicants, care has been taken to see that the examination questions, in so far as is possible, are equally applicable to the business operations in which every type of applicant expects to engage.

Until such time as classification of licensees is established this procedure will be necessary, since at present, while an applicant is required to state the general nature of the business in which he intends to engage, he is not prohibited from deviating from that business and therefore the license, once it is secured, legalizes any type of operations the holder desires to undertake.

Every possible precaution has been taken to see that the examination procedure does not become onerous or restrictive against parties who are properly qualified by reputation and knowledge to enter the business. During the first year of the procedure there will undoubtedly be some rough spots in the department's work along this line and if it is found that any of the board's rules interfere in any way with the conduct of legitimate operators in the contracting business the registrar and the board would appreciate having the facts in regard to the particular circumstance placed before them. The industry in all of its branches has cooperated splendidly with the department in its pre-qualification work and the lack of difficulties which would ordinarily be assumed to occur at the start of a step of this sort is attributed by the registrar to the willingness of the

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Suspensions and Revocations by Order of the Registrar

The following list sets forth the names of contractors whose licenses have been suspended or revoked since July 1, 1939 to approximately January 31, 1940, at which time copy for this issue of the CALIFORNIA LICENSED CONTRACTOR has gone to press.

This record is compiled from the original decisions of the Registrar and does not reflect reinstatements that have automatically occurred or modifications of judgment that may have been ordered. Many of the suspensions were for a set period of days with no other provisions for reinstatement and reinstatement has, therefore, automatically occurred. Readers of this article are cautioned not to assume that the listing of a contractor's name means that his license is under suspension at the time this publication occurs.

- ACOSTA, C., Los Angeles, lic. no. 55428, plastering—suspended for 60 days and until restitution.
- ARNETT, P. G. & CO., Los Angeles, lic. no. 61139, plastering—suspended until restitution plus 30 days.
- BACHMAN, HERMAN C., Chula Vista, lic. no. 43015, general building—suspended for 30 days.
- BAIRD, ROBERT, Oakland, lic. no. 61205, general building— indefinite suspension for failure to answer.
- BAKER, GEORGE, Los Angeles, lic. no. 59955, painting and decorating— indefinite suspension for failure to answer.
- BAKER ROOF COMPANY, Los Angeles, lic. no. 26237, roofing— indefinite suspension.
- BARTLOW, H. T., Los Angeles, lic. no. 48049, cabinet work— indefinite suspension.
- BATES, EDGAR D., Burbank, lic. no. 50379, masonry brick, etc.—suspended until restitution plus 30 days.
- BERKES, JOHN W., Los Angeles, lic. no. 49756, general building—suspended until settled plus 60 days.
- BERTRAM, M. C., Los Angeles, lic. no. 57025, general building— indefinite suspension.
- BIECK, HERMAN G., Burbank, lic. no. 41210, general building—suspended for 60 days and until restitution.
- BLOESER, WILLIAM H., West Los Angeles, lic. no. 53328, general building—suspended for 30 days.
- BOSNYAK, BOB, Los Angeles, lic. no. 2049, engineering, all classes—suspended pending further order.
- BOWEN & THIRKILL, Los Angeles, lic. no. 54528, plumbing—suspended pending further order.
- BOYD, EARL I., Compton, lic. no. 49784, electrical—suspended pending further order.
- BRAIKER & BRAIKER, Los Angeles, lic. no. 64941, general building—revoked.
- BROWN, J. D., San Jose, lic. no. 37480, general building—suspended for 60 days provided restitution made satisfactory to Registrar.
- BROWN, WARREN HOMER, Hemet, lic. no. 11221, general building—suspended until restitution plus 60 days.
- BROWN, WILLIAM A., Los Angeles, lic. no. 56189, general building—suspended for 60 days with reinstatement by order of Registrar.
- BUSH, E. S., Los Angeles, lic. no. 5523, general building—suspended until restitution plus 90 days.
- CALDWELL, P. F. & C. G. LOGAN, Los Angeles, lic. no. 34805, cement and concrete—suspended for 60 days, to be reinstated on order of Registrar.
- CALIF. ROOFING & SIDING COMPANY, Los Angeles, lic. no. 51002, roofing—revoked.
- CALLARAFFI, SAM, Oakland, lic. no. 21487, plastering—suspended for 30 days.
- CASTENDYCK, J. ROSS, Los Angeles, lic. no. 53121, general building—suspended until restitution.
- CEBALLOS & CEBALLOS, Los Angeles, lic. no. 34103, plastering— indefinite suspension.
- CHILDERS, DENNIS S., Oakland, lic. no. 46127, general building—suspended for 90 days and until restitution.
- CHRISENBERRY, N. A., Glendale, lic. no. 60913, plastering— indefinite suspension.
- CONDART, CHARLES F., Watsonville, lic. no. 40970, painting and decorating— indefinite suspension for failure to answer.
- COOK, A. E., Los Angeles, lic. no. 48706, cement and concrete—suspended until settlement made.
- COOK, E. S., San Diego, lic. no. 37175, engineering, all classes—revoked.
- COOPER, T. W., San Bernardino, lic. no. 7470, general building—suspended for 60 days.
- COPE ELECTRIC CO., Santa Ana, lic. no. 8989, electrical—revoked.
- CORNELSON, G. H. Jr., North Hollywood, lic. no. 50128, general building—suspended pending further order.
- COX, G. V., San Diego, lic. no. 39550, plastering—revoked.
- CRIST, BLAIR, Los Angeles, lic. no. 45446, unclassified and miscellaneous— indefinite suspension.
- CROMWELL & PARKER, San Bernardino, lic. no. 54515, general building—revoked.
- CZIN, J. HENRY, Los Angeles, lic. no. 62167, general building—suspended for three months and until restitution.
- DI CANIO, D., Sanger, lic. no. 22851, cement and concrete—suspended for 30 days.
- ESPARZA, GONZALO, Los Angeles, lic. no. 44128, house moving—suspended for 60 days and until restitution.
- FELDMAN, HARRY, Ocean Park, lic. no. 41646, glazing—suspended until restitution, plus 60 days.
- FELLING, C. V., Inglewood, lic. no. 58945, ornamental plaster and cast stone—revoked.
- FITZPATRICK AND GRAY, Los Angeles, lic. no. 41918, plastering—revoked.
- FLATEN, A. E., San Francisco, lic. no. 60742, general building—revoked.
- FOX, TED, Long Beach, lic. no. 54164, painting and decorating—suspended pending further order.
- FULVIO, BRUNO, TILE CONTRACTOR, Monrovia, lic. no. 60848, tile and tiling—suspended for 30 days.
- GEORGE, C. & SON, Los Angeles, lic. no. 55410, general building—suspended for 30 days.
- GLASS, A. CO., West Los Angeles, lic. no. 55960, plastering—suspended until restitution plus 120 days and further suspended for three months.
- GORDET, FRANK M., Eureka, lic. no. 37275, painting and decorating—suspended for 30 days.
- GORDON, DAVID J., Oakland, lic. no. 24144, painting and decorating—suspended for 60 days and until restitution made.
- GRAY, J. W., ROOFING, Mission Beach, San Diego, lic. no. 39300, roofing— indefinite suspension pending further order.
- GREGOLI, C. J., Los Angeles, lic. no. 37545, plastering— indefinite suspension pending further order of registrar.
- GRENIER, KEN, Long Beach, lic. no. 48447, general building—suspended until restitution plus 60 days.
- GURR, REUBEN J., Lynwood, lic. no. 24029, painting and decorating— indefinite suspension.
- HAWKINS, HERBERT JAMES, Berkeley, lic. no. 36089, general building—suspended for 60 days and until restitution made.
- HEFFERAN, RAYMOND L., West Los Angeles, lic. no. 48746, general building—suspended until restitution made.
- HEUER, EDWIN C., Eureka, lic. no. 40491, painting and decorating—suspended for 30 days.
- HINKLE, FRED WEBB, Hanford, lic. no. 53573, general building—suspended for 15 days.
- HOLCOMBE, CHARLES D., Lynwood, lic. no. 53729, general building—suspended until restitution plus ninety days.
- INDEPENDENT CONSTRUCTION CO., San Francisco, lic. no. 26883, general building— indefinite suspension.
- JENKINS, J. L., & WILLIAM JENKINS, Merced, lic. no. 61810, painting and decorating—suspended for 1 day.
- JONES, ROBERT R., Los Angeles, lic. no. 5404, general building—suspended until restitution plus not to exceed 30 days.

- KENNICOTT, NORMAN T., North Hollywood, lic. no. 48254, general building—suspended until restitution.
- KINDSTROM, A. C., San Bernardino, lic. no. 42514, cement and concrete—suspended for 30 days and until restitution made.
- KING, WILLIAM PAUL, Oceanside, lic. no. 56642, masonry-brick, etc.—suspended until work completed plus 30 days.
- KONING, ROBERT A., Adelanto, lic. no. 43791, ornamental plaster and cast stone—revoked.
- LACH, HARRY LEE, Compton, lic. no. 57637, general building—indefinite suspension.
- LAGUNA BEACH PLUMBERS, Laguna Beach, lic. no. 36556, plumbing—suspended for 30 days.
- LARKIN, A. W., Los Angeles, lic. no. 59121, painting & decorating—suspended for 60 days and until restitution is made.
- LARSON, LARS, North Hollywood, lic. no. 17170, cement and concrete—suspended for 60 days.
- LOPEZ, EUGENE, Sacramento, lic. no. 65142, general building—indefinite suspension.
- MARSHALL, GREGORY, Pasadena, lic. no. 46691, general building—indefinite suspension.
- MATTHEWS, EARL E., Santa Ana, lic. no. 48621, painting & decorating—suspended for 30 days.
- McCLURE, G. R., Bakersfield, lic. no. 61036, general building—revoked.
- McGREW, DAVID D., Long Beach, lic. no. 40608, general building—suspended until restitution is made plus 90 days.
- MELIN, JOHN S., Los Angeles, lic. no. 51633, general building—suspended for 30 days.
- MERRILL, R. E., Long Beach, lic. no. 20112, plastering—suspended for 30 days.
- MILLAGE, LOUIS, San Bernardino, lic. no. 51468, general building—suspended for 60 days.
- MITCHELL, HAROLD DONALD, Los Angeles, lic. no. 53128, roofing—suspended for 30 days.
- MODERNIZATION MODE, Los Angeles, lic. no. 56099, general building—indefinite suspension.
- MOORE, TOM, Fresno, lic. no. 43487, general building—suspended for 60 days.
- MORGAN, DON, Inglewood, lic. no. 58967, painting & decorating—indefinite suspension.
- MURDOCK & FOSTER, Los Angeles, lic. no. 61842, general building—suspended until restitution is made plus 60 days.
- MURRAY, GEORGE E., Modesto, lic. no. 39714, excavating & grading—suspended for 30 days and until restitution is made.
- NATIONAL IMPROVEMENT CO., Los Angeles, lic. no. 58671, general building—indefinite suspension.
- NICKEL, ALFRED H., Los Angeles, lic. no. 24017, general building—indefinite suspension.
- ODENTHAL CONSTRUCTION CO., Los Angeles, lic. no. 48287, general building—suspended until restitution plus 60 days.
- OFFERLEE, OTTO F., Carlsbad, lic. no. 51106, plumbing—suspended for 30 days.
- PACIFIC HOME MODERNIZERS, Los Angeles, lic. no. 64619, general building—revoked.
- PACIFIC IMPROVEMENT CO., Hollywood, lic. no. 59993, roofing—suspended for 30 days. (Compl. no. 2344.)
- PACIFIC IMPROVEMENT CO., Beverly Hills, lic. no. 59993, roofing—suspended for 30 days and until restitution made. (Compl. no. 2447.)
- PACIFIC MODERNIZATION CO., Los Angeles, lic. no. 56608, general building—indefinite suspension.
- PATMOR AND SMITH, Santa Ana, lic. no. 53883, general building—suspended pending further order.
- PEARCE, REUBEN S., Hawthorne, lic. no. 55855, general building—suspended until restitution made plus 90 days.
- PIONEER BUILDERS, Los Angeles, lic. no. 1336, general building—indefinite suspension.
- RANDOLPH, ALFRED ROLLAND, Orosi, lic. no. 43431, plastering—suspended for 30 days.
- RENAKER, C. R., Los Angeles, lic. no. 62617, general building—suspended for 90 days.
- RICE, WM., Oakland, lic. no. 39962, general building—suspended for 60 days.
- RICH, SCOTT, Van Nuys, lic. no. 55582, general building—suspended for 30 days.
- ROBERTS, R. W. & R. G. ROBERTS, Oakland, lic. no. 52847, general building—suspended for 6 months and until restitution made to complainant.
- ROSALES & SON, Los Angeles, lic. no. 35808, general building—indefinite suspension.
- ROSSITER, FRANK L., Los Angeles, lic. no. 46286, general building—indefinite suspension.
- RYNO, REXFORD, Long Beach, lic. no. 53893, plastering—suspended for 90 days if restitution made in that time.
- ST. CLAIR BLDG. SERVICE, Santa Barbara, lic. no. 59410, general building—suspended for 15 days.
- SALO, GUST, Albany, lic. no. 7577, floors—suspended for 30 days.
- SCHROEDER, CARL, San Carlos, lic. no. 60244, general building—suspended for 30 days each for two cases; suspensions to run consecutively.
- SCHULTZ, DAVID, Reedley, lic. no. 22047, painting and decorating—suspended for 30 days.
- SELF & MYERS, San Bernardino, lic. no. 43379, painting & decorating—revoked.
- SHEPPARD, A. C., Los Angeles, lic. no. 63949, masonry-brick, etc.—suspended for 30 days.
- SHIRK, C. W., Hanford, lic. no. 43174, general building—suspended for 15 days.
- SILVERBERG, M., Los Angeles, lic. no. 30890, plumbing—revoked.
- SLAVENS, CAMERON E., Vallejo, lic. no. 57045, general building—suspended for 3 months.
- SMITH BROS., Puente, lic. no. 54404, masonry-brick, etc.—suspended for 60 days.
- SMITH, CHARLES E., Long Beach, lic. no. 23362, general building—revoked.
- STARING, ART, Merced, lic. no. 47751, plumbing—suspended for 30 days.
- STARR CONSTRUCTION CO., Los Angeles, lic. no. 55782, general building—indefinite suspension.
- STEADMAN, H. K., Huntington Park, lic. no. 55160, painting & decorating—indefinite suspension.
- STEVENS, D. M., Hynes, lic. no. 60433, cement & concrete—indefinite suspension.
- STEWART, ERNEST J., Glendale, lic. no. 50617, general building—indefinite suspension.
- STROUB, WILLIS S., Los Angeles, lic. no. 41736, painting & decorating—suspended until settled plus 120 days.
- STURGEON, JESS, Westwood, lic. no. 52304, general building—suspended for not less than 6 months and until restitution is made.
- TALLEY, M. D., Bell, lic. no. 53015, tile and tiling—indefinite suspension.
- TEALE, WILBUR, Oakland, lic. no. 62090, painting & decorating—suspended for 30 days and until restitution made.
- TERRILL, P. L., Compton, lic. no. 58573, painting & decorating—suspended for 90 days and until restitution made.
- THOMAS, L. W., Perris, lic. no. 22215, painting & decorating—indefinite suspension.
- TILLER, C. B., Los Banos, lic. no. 16943, painting & decorating—suspended for 30 days.
- TODD, J. M., Monrovia, lic. no. 33533, general building—revoked.
- UNDERWOOD, RAY C., Santa Ana, lic. no. 44646, general building—indefinite suspension.
- UNEEDA PAINTING-DECORATING-BUILDING, Sacramento, lic. no. 60264, general building—suspended for 6 months and until restitution made.
- UNIVERSAL CONSTRUCTION LTD., Sacramento, lic. no. 43569, general building—indefinite suspension.
- UPDEGRAFF, DANIEL E., San Diego, lic. no. 57278, general building—indefinite suspension.
- VALENZUELA, JOE L., Indio, lic. no. 59952, roofing—suspended for 30 days.
- VAN UNEN, J. W., San Bernardino, lic. no. 43038, plastering—indefinite suspension.
- WADDELL, LOUIS OLIVER, Los Angeles, lic. no. 3982, cement and concrete—indefinite suspension.
- WALKER, PAUL, Glendale, lic. no. 35819, general building—indefinite suspension.
- WELLING, E. H., Hawthorne, lic. no. 42668, general building—suspended for 1 year with 10 months suspended.
- WELTON, CHARLES, Los Angeles, lic. no. 46004, general building—indefinite suspension.
- WESTFALL, EARL, dba HOLLY HOME BUILDERS, Burbank, lic. no. 40723, general building—revoked.
- WHEELER, WILLIAM C., Bakersfield, lic. no. 49944, general building—indefinite suspension.
- WHITE, J. H., Port Chicago, lic. no. 43603, plastering—suspended for 60 days and until restitution is made.
- WHITNEY & SULTZBAUGH, Arlington, lic. no. 60786, general building—revoked.
- WILCOXEN, WILLIAM, Bakersfield, lic. no. 62028, general building—suspended for 30 days.
- WILSON, R. L., Beverly Hills, lic. no. 53070, general building—indefinite suspension.
- WOLFSON, W., Los Angeles, lic. no. 50415, general building—indefinite suspension.
- WOOD, CARTER MARSHALL, North Hollywood, lic. no. 42515, plastering—indefinite suspension.
- WOOLSON, LEIGH, Tujunga, lic. no. 50795, general building—revoked.
- ZIEMANN, GUS G., Monrovia, lic. no. 26622, painting & decorating—suspended for 1 year with 10 months suspended if defendant abides by compensation insurance laws.
- ZORZIE, FRANK L., Berkeley, lic. no. 4454, heating & ventilating—indefinite suspension.

Federal Government Prosecuting Contractors For Loan Frauds

By

WM. O. HARRIS, Southern California Production Manager

That all projects upon which mortgages are to be insured by the Federal Housing Administration must be economically sound is a plain mandate of the FHA Administrator. An economically sound project involves neighborhood, construction, and financial responsibility of a borrower. If one is out of line the project is out of balance. The neighborhood must be typical for the type of construction desired; the building must be structurally sound, and suited to the needs of the typical family that might occupy it; and the financing plan must bear a sound relationship to the borrower's ability to repay the loan. Otherwise the project can not be economically sound for any of the parties to the contract.

Contractors should be vitally and equally concerned with each of the three angles of such a transaction—for a well-balanced project definitely and favorably affects their present standing and future progress, while an unbalanced project as definitely injures the most valuable business asset a contractor possesses * * * his reputation.

There is no compulsion in the National Housing Act, but if a project does not conform with FHA requirements or can not be made to conform, the only course the FHA Administrator has left open to him, in a case of this kind, is to refuse to insure the mortgage.

Nonconformity does not apply only to such factors as neighborhoods, structures, or borrower, but includes as well putting the application in proper form taking especial care that there are no misstatements made which are allowed to go through to the Federal Housing Administration and which may influence the FHA to base its commitment upon them.

PERMITTING such misstatements to go through to the FHA for the purpose of influencing the commitment makes the CONTRACTOR, as well as any other person responsible for such misstatements liable to conviction for perpetrating a crime against the Federal Government which carries a penalty of fine or imprisonment, or both.

Other Federal statutes apply to such cases, but section 512 (a) of the National Housing Act specifically provides for such violations of the act as follows:

"Sec. 512. (a) Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or accepted by the Federal Housing Administration for insurance, or for the purpose of obtaining any extension or renewal of any loan advance of credit, or mortgage insured by the said administration, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said administration under this act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or wilfully overvalues any security, asset, or income, shall be punished by a fine of not more than \$3,000 or by imprisonment for not more than two years, or both."

Forty-five cases of probable violations have come to the attention of the United States District Attorney's office; some of which have been investigated, others are in process of investigation, and still others on the calendar to be investigated. Seventeen cases have been completed; of which indictments were issued in eight cases running from one to six indictments in each case. In the remaining nine cases the conduct of the principals was not brought before the grand jury because the FHA felt that the evidence did not warrant such action. In all but two or three cases the accused has acknowledged his fault. The few cases mentioned are now set for trial.

The range of misstatements made in these cases are bounded only by human ingenuity. Among the misstatements are (1) Issuance of false affidavits whereby the contractor will swear that he has received a certain amount of money from the applicant, and where the applicant will swear that he has given the same amount of money to the contractor, both of which are untrue; (2) They induce the FHA to issue commitments on fictitious facts upon

which commitments would not have been issued had the true facts been known; (3) They state that they have paid down a certain amount for a lot which is not true. In some instances the discrepancy between what has actually been paid and the amount sworn to is as great as \$50 versus \$700; (4) False statements as to assets; (5) Failure to list all debts; (6) Two contracts made out; one for a larger amount of payment will be presented with the application, and one for a lesser amount is used in connection with the building contract. All these statements have been made knowingly with a view to getting a commitment from the FHA.

If such practice continues it may be likened to a cancer eating into wholesome flesh, and should it assume any considerable proportions the results may be that the Administrator under the Federal Housing Administration will be unable to function thereby destroying a fertile field for the honest contractor by depriving worthy families of the possibility of owning a home.

It has been our purpose to make these investigations in as widely scattered areas as possible so that contractors will know that violations of the act can not be effected with impunity.

We have closed cases in which sentences were imposed in Ventura, San Diego, San Bernardino, and Los Angeles counties.

The examination has for its prime purpose the protection of the building public as too often are they led to believe that one possessing a license has qualified for such a license by a qualification yardstick of some description. Oftentimes certain contractors have set themselves forth as being recommended by the State by virtue of their having such a license. This is entirely erroneous as the possession of a license merely grants the possessor thereof the right to do that which the law defines as being subject to its provisions. It is to be hoped that the examination will accomplish the purposes for which it was designed.

Examination of Applicants Becomes Fact

(Continued from page 4)

industry to assist the department in establishing a reasonable program of qualification of applicants.

Licensees who so desire may appear and qualify in the person of a responsible managing officer but in the event this officer leaves the employ of the licensee, he must be immediately replaced under rules provided for by the board by some manager who has likewise been qualified.

Imposters Posing as State Board Inspectors

Imposters posing as inspectors of the Contractors' State License Board are reported busy again in the central California counties. Avoiding direct representations of official capacity, these men nevertheless lead persons to believe they are inspectors under the State license law. In the recent reports, the men are actually selling compensation insurance and are also alleged to have made false representations as to the actual provisions of the law relating to covering men with compensation insurance.

Previously men have been reported as soliciting subscriptions to construction magazines as well as applications for contractors' licenses.

No representative of the Contractors' State License Board, the Registrar desires to declare, will ever be found soliciting or even endorsing any particular company, policy of insurance, service or magazine. Inspectors are able to show conclusive evidence of their actual official position, upon request, and will gladly do so.

In case of doubt, ask for the party's credentials. If you are not satisfied, quickly advise our nearest office. If you are sure you have a case of misrepresentation, also report the facts to the police. Carefully note any statements made by a suspect obviously phrased to mislead you, and if possible, pin down the party to a direct statement of his connection with this department.

New Rule—Classifications

The Contractors' State License Board in accordance with the provisions found in the law is at the present time considering the possibility of establishing rules for the classification of contractors.

It is contemplated to make the rules effective at the time of renewal of licenses, and in order to prevent any licensee from obtaining any advantage over other licensees under any plan or program that the Board might adopt, the following resolution was adopted by the board at its meeting of January 26, 1940:

"Resolved, that henceforth and until June 30, 1940, the next renewal period, the Registrar shall not, upon application of any licensee, change the classification of said license as it exists as of date hereof."

The rule works no hardship on licensees, for under the present rules those holding licenses may contract in any field or classification, regardless of how they are classified in the records of the Board.

Sales Frauds General Throughout Country

A recent article in a magazine of national circulation for the layman dealing with home building and improvement, presented an interesting article on fraud in reconditioning and remodeling work throughout the Nation.

The article mentioned a few isolated cases in California, but it dealt more generally with practices of crooked contractors and specialty contractors in the eastern states and cited a large number of such cases and types of fraud perpetrated in the more populous states of the east. California, apparently, despite the belief commonly held here to the contrary, is not the center of operations of that sort.

But it is true that California constantly has its crop of get-rich-quick artists who spring up, flourish for a short time, and disappear. The records of the Contractors' State License Board indicate that these operators are curbed fairly quickly and it seems likely that they are occurring here in a lesser proportion than elsewhere.

The correction of such evils is a difficult problem. The average owner knows full well that it is of little use to sue civilly for a loss occasioned by misrepresentation in the securing of a contract. Business men who engage in that type of operation either never remain to be sued or else will have their assets thoroughly hidden. Likewise, it is small satisfaction to the owner to secure the arrest and conviction of the man on criminal charges.

A criminal action of this sort places a great burden upon the citizen, but without the possibility of his receiving any financial reimbursement. In the first place, the injured party must spend some considerable time explaining the case and presenting his evidence before the prosecuting officer. Then the case goes to court and the complaining witness is again required to spend freely of his own time and probably also some of the time of the members of his family and of his friends who witnessed part of the transactions.

After a session or two on the witness chair with the defendant's attorney conducting a bitter cross-examination, the complainant begins to wonder who is on trial—himself or the contractor. If the suit fails, the owner, for some time after, is worried for fear a suit for false arrest may be brought.

In actions before the registrar in the past year our records disclose that a number of operators who might be called "gyps" have been quickly curbed and in most instances post office records indicate that the operators are now outside the jurisdiction of the registrar and removed as a menace to Californians.

For instance, there was the contractor who was applying a type of siding to old houses who ingeniously convinced the home owner that the application of his material would kill termites, dry rot and fungus. According to his story, prior to application of the siding a new type of building paper which contained a chemical was to be nailed over the existing structure. Then the new siding would be nailed on with a special type of nail which, when driven through the chemically treated paper, carries a poison into the framing of the house that effectively kills termites and growths. The gullible owner was found to have actually believed this story and, at least partly on the basis of that misrepresentation, the contractor secured the job.

Then there was the case of the economically-minded housewife. In this instance, the modernizing specialist, after he got his foot in the door told her that along with the repair and renovating of the exterior of her house (which would double its value) he would put in a new "lead-in" line. He explained that the present wires were very light and that the line losses were so great that the installation of the new wire, which he would do free of charge, would cut down her electrical bill \$2 or \$3 a month. By a method of calculation the owner conceived the idea that this saving of electric light power would cut the cost of the modernization in half over a period of years, and since she was already advised that the job was being given to her at a 40 per cent discount in order to give the high-pressure salesman a model house in the community, she immediately signed up and the job (and the owner) was "done."

Another contractor arrived in California and after two years residence, during which time he deported himself properly, secured a contractor's license. He then introduced a product for repainting the exterior of stucco houses which "had not been heretofore used on the coast," but with which he was fully familiar due to the successful use of the product in the east.

He did a few jobs and then the rains came. The stucco covering puffed out like a quarter-inch coat of dough. As the rain increased, the new stucco covering rapidly spread itself over the flower garden beside the house. The owner has not yet reported whether the product has any value as a fertilizer, but she is emphatic in reporting that she threw a couple of hundred dollars away in so far as the renovation is concerned. (The contractor's address is now Salt Lake City.)

In another case an irate owner desired to conclusively show the registrar the work and material that a presumably reputable painter had done on his house. The product that had been used by the painter in lieu of "paint" was also attacked by the owner. The case came on for hearing and the complainant brought in a scuttle-cover, three electric switch plates, two window screens, a sticky closet shelf and a built-in refrigerator door. The contractor testified that the corrugated effect obtained on these objects was not supposed to be an imitation of a wash board, but was in fact a good paint job. In his expressed opinion the corrugated paint was what one would naturally expect to find after an old job is cleaned and given a two-coat paint job. He couldn't explain the fly-paper covering on the shelf, and seemed to expect ordinary wear and tear to take off the "paint" he splattered where it wasn't called for.

Then we had the "model" home renovators. The contractor's sales plan consisted of quoting a price for the recovering of the outside of old homes, explaining to the owners that the residences would be used for "display" purposes. The owner was promised bonuses for any other jobs sold in the neighborhood, or to people who were to be brought to see these "model" houses. In consideration of its being used as a model house, and because it was "just what the company's engineer in Chicago is looking for," the owner was given a 30 per cent or 40 per cent discount from the price. (The true value of the work was, of course, considerably below the price at which the owner finally signed up. The discount still left the price ridiculously high.)

These owners were convinced that they should expect the cost of their own jobs to be either entirely cared for or else materially reduced by the bonuses which they would (but seldom did) receive.

Incidentally, it has only been by a cooperative program with the manufacturers of products used by these men that the practice has been stamped out. Public confidence in this type of work had been so shaken that the manufacturers of this line of products are still suffering greatly from the fear that these operators have emplanted in the minds of the public.

One nationally known manufacturer, who did a large business in materials for re-siding homes, became alarmed at the sales methods used by his customers. He investigated the men who were buying these materials from him. He adopted a rule to stop selling to "applying" contractors whose ethics he could not approve. Result: 90 per cent of his

considerable business in manufactured siding was cut off by his own orders.

That line of business has been rapidly cleaned up. Manufacturers, law enforcement officers and public semiofficial organizations took simultaneous steps and the department found itself with a wealth of greatly appreciated support in its dealings with this type of operator.

Needless to say, the operations of the individuals particularly described above have been entirely stopped. (A large number of these high-pressure operators have attempted to start their operations outside of California, as evidenced by inquiries from credit organizations in other states in which the men are apparently seeking a new foothold.) Some "modernization" operators have stayed on in business, are using decent business methods, and are trying to overcome the reputation made by their "faster" ex-competitors, and have and are cooperating with the Contractors' State License Board in curtailing the activities of their unscrupulous competitors.

With the continued support of the industry and public and semipublic officers and organizations, the Contractors' State License Board will continue to make it department business when any group of racketeers from other states think greener grass grows for them in California.

Handbook for Contractors

To supply the continuing demand for our Handbook for Licensed Contractors, published a year ago, a new edition carrying additional information and with all copy brought up to date, will be issued this Spring.

Amendments to the Contractors' License Law, Labor Code, and other acts covered by the Handbook which were adopted by the session of nineteen thirty-nine of the Legislature will be given so that the publication will be entirely up to date.

The copy will include the license law for contractors, which is legally known as Chapter 9 of Division III of the Business and Professions Code. A digest of the lien laws, social security laws, safety orders, and similar matter will be given. The Housing Act will be carried in full.

The original edition, offered for sale in December of 1938, sold out in ninety days, and requests are still coming in for copies. The price will be under one dollar. Trade magazines and papers will carry notice of the exact price when the publication is ready for sale. The sales price will be approximately at cost, and the work will all be done at the State Printing Plant.

QUIZZERS' COLUMN

Q. Who enforces the Workmen's Compensation Insurance Act?

A. The Industrial Accident Commission is charged with the enforcement of the Workmen's Compensation Insurance Act. However, a contractor's license may be suspended under section 7110, Chapter 9, Division III of the Business and Professions Code for a violation of the Compensation Insurance Laws of the State. The State License Board requires its inspectors to investigate the compensation insurance coverage of licentiates and ordinarily to bring actions against the licenses of contractors found employing men without compensation insurance. Numerous suspensions and revocations are the result of the observance of this rule by the inspectors of the board.

Q. When must relatives of a contractor be insured under the compensation laws?

A. Always. There is no exemption for relatives. Complaints of violations of the compensation laws by contractors involving blood relatives who are given lodging by the employing relative should be filed with the I. A. C. or sworn to before the nearest public prosecutor.

Q. I am a contractor. How many men may I employ before needing compensation insurance?

A. None.

Q. Can I avoid taking a compensation policy by posting a bond? If so, how much, where, etc.?

A. You may "self-insure" by getting consent from the Industrial Accident Commission. Certificates of consent are issued upon your furnishing "proof" of ability to pay. "Proof" usually consists of a large bond or a deposit of first class security in a large amount.

Q. What action will you take against a contractor who gets a policy but doesn't pay for it?

A. Check with the insurance company. If they say he is or was not covered during the employment, file an action. If they say he was or is covered, he has met the law's requirements. We can not stop a company from gambling on payment.

Q. If my employees are willing, may they share in the cost of compensation insurance covering them?

A. Absolutely not! Both contributions and deductions, voluntary or otherwise, are prohibited.

Q. Must members of a partnership insure themselves under the compensation law?

A. Sometimes. "A working member of a partnership receiving wages irrespective of profits from such partnership is an employee under this division" and must be covered by insurance. Section 3357, State Labor Code.

Q. I never employ more than one man, and that one never for over ten days. I understand I am exempt from compensation requirements.

A. You are not exempt. The "10 day—\$100 clause" only applies to employment not in the course of the employer's business.

Q. If an injury occurs to an employee of an uninsured contractor, what can the injured man do?

A. Sue in civil courts; receive an award from the Industrial Accident Commission, cause his employer's arrest on misdemeanor (criminal) charges; petition for suspension of his employer's license.

Q. Is a man shingling at so much per thousand to be insured?

A. Piece work employment may be either under employee-employer relationship, or as independent contracting. Ordinarily, shingling, lathing, plastering (labor only) by yard, or roofing by the square will be considered employment for wages in this department and insurance will be required.

Q. If I trade work with another licensed contractor, do we need to cover each other with compensation insurance? No money would ever be paid.

A. Certainly, insurance is needed.

Q. Is it necessary to provide insurance for an employee who holds an accident policy of insurance, which policy would provide him with the same benefits that compensation insurance would?

A. Absolutely yes! The accident policy is personal to the holder thereof. The Compensation Laws of the State do not provide for any such exemption of its provisions.

Community Meetings of Registrar and Licentiates Initiated

Closer cooperation between the State License Board and the construction industry is being sought by the Registrar through a series of meetings throughout the state. The meetings are designed to present the policies and work of the board to all parties and licentiates in the industry regardless of trade, locality or position.

A local "steering" committee is being secured in each definite trade area. The committee is locally appointed to represent all elements of the industry. It functions by arranging the meeting to present the registrar to local contractors, material men, and public officials. The invitation is likewise extended to representatives of all other trade or business groups interested in the contracting business.

The subject matter dealt with by the registrar and his staff includes the development of the Contractors' License Law, the present work of the board in regard to qualification of applicants, with a brief discussion of what the future may hold. The provisions of the Contractors' Act under which licenses are suspended and revoked are reviewed and explanatory cases cited.

Over 225 men greeted the Registrar on the evening of the San Bernardino meeting, which was held at the American Legion Hall. The San Bernardino meeting was in charge of a committee composed of George Black, chairman; George Herz, M. D. Lowry, Joe Head, James Watson, S. Suverkrup and Marshall Cooley. The committee was chosen by local organizations of the industry in the dis-

trict as representative of all men in the area interested in construction affairs.

On the following night, the Riverside meeting was presided over by Chairman Eric W. Emtman, with Major Snyder, T. C. Pritchard, John C. Loop, Charles Leet, Herman Lear, and Robert Westbrook, Jr., as members, and the final count showed over 175 licensed contractors attending from distances as great as 120 miles.

Over 550 San Diego County residents turned out on December 5th at the auditorium of the Roosevelt Junior High School filling the first floor and part of the balcony. Attorney Edgar Hervey acted as master of ceremonies for the local committee. By special invitation Judge Eugene Daney, Jr., and the State Board member Walter Trepte were presented to the attending contractors and their business associates.

Editor's Suggestion

Elsewhere in this issue William O. Harris of the Southern California F. H. A. organization writes under the title "Federal Government Prosecuting Contractors for Loan Frauds." All building contractors and speculative builders should carefully read this article. In the last instance of a conviction under conditions described by Mr. Harris, the contractor only avoided a Federal jail sentence by payment of a \$500 fine. In other instances, the contractor has been found guilty merely because of assistance to an owner who secured a loan through misrepresentation, it being shown that the contractor knew of the misrepresentation.

