

BEFORE THE
REGISTRAR OF CONTRACTORS
CONTRACTORS' STATE LICENSE BOARD
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

RESTAURANT BUILDERS & DESIGN
SERVICES INC.

JIMMY RENE MORLET, RMO
(disassociated 10/1/17)
CASSANDRA DEAN DUERSCHIEDT,
Officer

Contractor's License No. 1010176, B

ALL AMERICAN GENERAL
CONTRACTORS

JIMMY RENE MORLET, Sole Owner

Contractor's License No. 941095, B, C-21,
C-61,

Affiliated License.

Case No. N2017-129

OAH No. 2018081152

DECISION AFTER REJECTION OF PROPOSED DECISION

Abraham M. Levy, Administrative Law Judge, Office of Administrative Hearings (OAH), State of California, heard this matter on March 12, 2019, in San Diego, California.

Alan Macina, Deputy Attorney General, represented complainant Wood Robinson, Enforcement Supervisor I, Contractors' State License Board (CSLB or board), Department of Consumer Affairs.

Scott A. Kron, Attorney at Law, Kron & Card LLP, represented respondent Jimmy Rene Morlet, who was present.

Respondent Cassandra Duerscheidt did not appear despite receiving notice of the date, time and location of the hearing. The afternoon before the hearing, after 5:33 p.m., Duerscheidt's attorney, Kimberley Manning, left a message on OAH's voicemail system asking for a continuance because she represented that a settlement had been reached and she asked for time to file a motion to have the matter dismissed or to enforce the settlement. Complainant denied that there was a settlement, and no signed paperwork was submitted to confirm any settlement. Ms. Manning also submitted a document captioned "Respondent Restaurant Builders & Design Services, Inc.'s & Respondent [Duerscheidt's] Withdrawal of Notice of Defense/Request for Hearing," which included email communications between Ms. Manning and Mr. Macina. Duerscheidt's motion was denied and an order issued. The written communication was marked as "ALJ-2" for the record. Complainant asked that the matter be proven up against respondent Duerscheidt for decision. There was no notice of appearance filed on behalf of Restaurant Builders.

The matter was originally submitted for decision on March 12, 2019. After the record was closed, on March 22, 2019, complainant submitted a request to respond to Ms. Manning's ex parte communication. That request was granted, and the record reopened, pursuant to an order dated March 25, 2019, to make complainant's response to Ms. Manning's communications part of the record. The matter was then submitted for decision on March 25, 2019.

The proposed decision of the Administrative Law Judge was submitted to the Registrar of Contractors ("Registrar) of the Contractors' State License Board ("Board" or "CSLB") on March 29, 2019. After due consideration thereof, the Registrar declined to adopt said proposed decision and thereafter on April 11, 2019 issued an Order of Rejection of Proposed Decision and subsequently on May 15, 2019 issued an Order Fixing Date for Submission of Argument. Written argument having been received from complainant and respondent Jimmy Rene Morlet, and the time for filing written argument in this matter having expired, and the entire record, including the transcript of said hearing having been read and considered, the Registrar, pursuant to Section 11517 of the Government Code, hereby makes the following decision:

SUMMARY

Clear and convincing evidence showed that respondent Morlet, as the Responsible Managing Officer (RMO) for Restaurant Builders & Design Services (Restaurant Builders), failed to directly supervise two projects in violation of Business and Professions Code section 7068.1.¹ Clear and convincing evidence also showed that Morlet aided and abetted an unlicensed person in order to evade contractors licensing laws. Respondent Restaurant Builders's license is revoked. Respondent Morlet, however, presented evidence that he is making progress towards rehabilitation such that it is not necessary to revoke his affiliated contractor's license to ensure public protection. Complainant established by clear and

¹ All subsequent references are to the Business and Professions Code unless otherwise stated.

convincing evidence that Respondent Duerscheidt, while acting as an officer for Respondent Restaurant Builders, had knowledge of or participated in the prohibited acts for which Restaurant Builders' license is being revoked. Therefore, the prohibition at Business and Professions Code section 7121 prohibits her from serving as an officer, director, associate, partner, manager, qualifying individual, or member of the personnel of record of any other licensee, and an order prohibiting her from serving in any of these capacities for any licensee is hereby issued.

FACTUAL FINDINGS

Jurisdiction and License Histories

1. On January 7, 2016, the Registrar of Contractors (Registrar) issued Contractor's License Number 1010176, with the classification B (general building contractor), to Restaurant Builders & Design Services, Inc. Jimmy Rene Morlet was the designated Responsible Managing Officer (RMO)² and Cassandra Dean Duerscheidt was designated as an "Officer" of Restaurant Builders. Duerscheidt is not licensed by the CSLB. On October 1, 2017, Morlet disassociated himself from Restaurant Builders. The license expired on January 31, 2018. However, Business and Professions Code section 7106.5 states that the expiration of a license by operation of law "shall not deprive the registrar of jurisdiction to proceed with any investigation of or action or disciplinary proceeding against the license, or to render a decision suspending or revoking the license." Thus, under Business and Professions Code section 7106.5, there is jurisdiction to hear and decide this matter despite Restaurant Builders' expired license status.

2. On December 16, 2009, the Registrar issued Contractor's License Number 941095 to Jimmy Rene Morlet dba "All American General Contractors," with the following classifications: B, C-21, and C-61. Respondent Morlet is the sole owner. The license is current and active, and is scheduled to expire, unless renewed, on December 31, 2019.

Summary of Allegations

3. The accusation alleges that Morlet, as RMO for respondent Restaurant Builders, failed to exercise direct supervision and control on the "H.E." and "W.W." projects, in violation of Section 7068.1, and further Restaurant Builders and Morlet aided and abetted an unlicensed contractor, Brian McTeggart, with the intent to evade the provisions of the Contractors' State License Law in violation of Section 7114.

As a result of this alleged conduct, complainant seeks the revocation of Restaurant Builders's license, and an order barring Morlet and Duerscheidt from serving as officers,

² Every state-issued contractor's license requires a qualifying individual. A qualifying individual is a person who has demonstrated his or her knowledge and experience through the application process and holds one or more license classifications. A responsible managing officer (RMO) may be a qualifying individual for a contractor's license.

directors, associates, partners, or qualifying persons of any licensee during the period that discipline is imposed against Restaurant Builders's license, and to revoke or suspend any other license for which Morlet and/or Duerscheidt are furnishing the qualifying experience or appearance. In addition, complainant asks that respondent provide the Registrar a list of all contracting projects in progress and the anticipated completion date of each. Complainant also seeks reimbursement of the costs incurred in the investigation and enforcement of the case.

Complainant filed the Accusation solely in his official capacity. Morlet timely requested a hearing; Duerscheidt also timely requested a hearing and notice of the time, date and location of the hearing was served upon both parties. No notice of defense was filed on behalf of Restaurant Builders and, as such, there was no appearance entered on behalf of Restaurant Builders.³ Despite receiving adequate notice of the hearing, Duerscheidt and a representative on behalf of Restaurant Builders failed to appear without good cause, and Duerscheidt and Restaurant Builders are found to be in default pursuant to Government Code section 11520, subdivision (a).

Restaurant Builders & Design Inc. and McDuer Restaurant Construction Services

4. Duerscheidt filed Articles of Incorporation with the Secretary of State on October 7, 2015, for Restaurant Builders & Design Services, Inc. as a general stock corporation. On October 15, 2015, Morlet was designated as a director of the corporation. For serving as RMO of the corporation, per a verbal agreement he had with McTeggart, Morlet was to receive 10 to 20 percent of Restaurant Builders's profits and he would work on Restaurant Builders' projects through his contracting business, All American General, to perform demolition, concrete and asphalt work. According to the filings with the Secretary of State, Duerscheidt and Morlet were the only officers of the corporation. McTeggart was not identified as having any interest in the corporation

5. In connection with the W.W. and H.E. projects, McTeggart operated under two other entities, McDuer Restaurant Construction Services, Inc., and McDuer Enterprises, LLC. McDuer Restaurant Construction Services, Inc. was incorporated as a domestic stock company on May 4, 2015. McTeggart was designated as the agent of service. By a Statement of Information dated January 20, 2015, filed with the Secretary of State, McDuer Enterprises, LLC was established as a limited liability company. Duerscheidt and McTeggart were identified as the managers.

The W.W. Project

³ Ms. Manning in the documents she submitted before the hearing in this matter stated that Restaurant Builders and Duerscheidt were withdrawing their notices of defense. However, as noted, Ms. Manning only filed a notice of defense on behalf of Ms. Duerscheidt.

6. W.W. sought to open a French coffee shop and bakery at a location in Dana Point where he was a tenant. He researched companies that could perform this work and found Restaurant Builders's website. He called and first talked to McTeggart.

On February 17, 2017, he met Duerscheidt and McTeggart at the project site and, on this date, he entered into a written architectural agreement with Restaurant Builders for the design for this bakery. Ms. Duerscheidt signed the contract on Restaurant Builders's behalf as vice-president. The contract price was \$6,800. W.W. made a deposit of \$3,000 and the scope of services included the completion of three sets of plans to be approved by the California Uniform Restaurant Food Licensing Agency, the City, and the California Department of Health. The architectural agreement contained Restaurant Builders's name and CSLB license number. Restaurant Builders was to obtain all necessary approvals for the plans. On March 3, 2017, W.W. made a second payment.

On March 28, 2017, W.W. entered into a second contract with McTeggart for the demolition, hauling, and demolition plans for the contract price of \$3,600. The written contract included Restaurant Builders's name and CSLB License No. 1010176. The contract was signed by W.W. and Duerscheidt.

W.W. paid a total of \$9,671.65 to Restaurant Builders, which included \$1,469 for reimbursement to the health department and \$1,402.65 to the City of Dana Point for plan check fees. This sum also included \$1,800 for demolition work that was not performed.

W.W. testified that Restaurant Builders took over a month to submit all necessary documents to the City of Dana Point and the Health Department. On April 3, 2017, the City rejected Restaurant Builders's submittals. In a letter dated April 3, 2017, the City identified Duerscheidt as the submitter on behalf of Restaurant Builders and indicated it was unable to approve the project due to failures to identify equipment specifications, equipment installation, hood construction, dry food storage, and other issues. Subsequently, the City sent in a second letter dated on April 6, 2017, to Duerscheidt entitled "First Review for Tenant Improvement Plans." Attached to this letter was a detailed "Correction List" with comments. The City asked for corrections to the plan and asked that Restaurant Builders address these corrections in its next submittal.

After this second letter from the City, W.W. became concerned regarding Restaurant Builders's ability to obtain these permits and he sought assurance from Duerscheidt and McTeggart that Restaurant Builders would be able to obtain the necessary permits. His concern was heightened because his landlord, based on his experience working with contractors, believed that that Duerscheidt and McTeggart did not appear to know what they were doing. Between April 6 and 26, 2017, W.W. documented his concerns in a series of text messages he sent to Duerscheidt. Duerscheidt and McTeggart were unable to assure W.W. that they were able to obtain the necessary permits or that they were going to resubmit plans for approval. On or about April 26, 2017, W.W. fired Restaurant Builders and asked for a refund of the monies he paid. Duerscheidt in a text dated April 26, 2017, advised W.W.

that they would do a final accounting and advise him in 10 to 15 days through their attorney, Ms. Manning. The sum of \$1,800 was not returned to W.W.

During his dealings with Restaurant Builders W.W. never came into contact with Morlet.

On May 31, 2017, W.W. submitted a complaint to CSLB regarding Restaurant Builders. In this complaint he identified McTeggart and Duerscheidt as the parties responsible for Restaurant Builders.

Subsequently, in a text dated June 21, 2017, McTeggart wrote W.W. and threatened him with legal action because W.W. "randomly" showed up in a court proceeding regarding McTeggart. W.W. explained during his hearing testimony that he appeared in Los Angeles Superior Court in a criminal proceeding involving McTeggart. The facts and circumstances of the matter in Los Angeles are not clear.

The H.E. Project

7. H.E. was a franchisee for Love 2 Play, an indoor playground for children. After doing online research, H.E. contacted Restaurant Builders to build a restaurant and playground. He first talked to Duerscheidt and he met her a number of times. On April 13, 2016, H.E. entered into a written architectural agreement with McTeggart and Duerscheidt for the contract price of \$21,130 to provide three sets of plans for a commercial improvement that was to include construction of a cafeteria, an indoor children's playground, and relocation of the kitchen. The contract was entered with "McDuerEnterprises/Restaurant Builders & Design Services Inc," and Restaurant Builders's CSLB license number was on the contract. The plans were to be submitted to and approved by the California Uniform Restaurant Food Licensing Agency, City of Lake Forest, and the California Department of Health.

While working on the plan approval, McTeggart and Duerscheidt negotiated a separate construction contract with H.E., and on May 6, 2016, Restaurant Builders entered into a written construction contract for the contract price of \$145,040. The scope of work included demolition, framing, drywall installation, electrical installation, plumbing installation, HVAC installation, walk-in cooler equipment, flooring, and interior painting. On July 27, 2016, the parties entered into a written contract/change order for the same scope of work with the reduced contract price of \$91,500. H.E. and Ms. Duerscheidt signed these contracts.

Restaurant Builders submitted plans to the City of Lake Forest and the Orange County Health Care Agency; the plans were returned for corrections. When H.E. and the franchisor learned that the plans were not approved they questioned Duerscheidt and McTeggart. One of the main issues with the plans was the parking lot which needed a parking study. H.E. testified that when he questioned Duerscheidt and McTeggart he got excuses. They blamed the City for the parking study. After the delay "got out of hand,"

H.E. asked Duerscheidt and McTeggart to explain themselves or stop their work. H.E. also believes the plans were not approved because of discrepancies, and an engineer had not approved them, among other problems with the plans.

Because the plans were not approved after a number of months, H.E. terminated Restaurant Builders in October 2016 and hired an engineer. H.E. informed the City that Restaurant Builders was out of the project and Lake Forest directed H.E. to start the approval process from the beginning.

H.E. paid McDuer Enterprises and Restaurant Builders a total of \$30,500. To correct the plans and for the construction of the project, H.E. paid other contractors a substantial amount of money. McTeggart filed a \$57,000 lien against H.E. and also sued H.E., with Restaurant Builders as the plaintiff. In a letter dated February 21, 2019, Restaurant Builders attorney on that case, Jay Stocker, advised Doris Velasquez, CSLB Enforcement Representative, that the case has settled, and H.E. agreed to "withdraw" the CSLB complaint H.E. made "in exchange for the total settlement of the Civil Action." He asked that CSLB consider "this letter a formal withdrawal of the CSLB Complaint . . ." H.E. had filed a complaint with CSLB on April 19, 2017.

H.E. testified that he never met Morlet or saw him before the hearing in this matter.

CSLB Investigation

8. As noted, the CSLB investigation was assigned to CSLB Enforcement Representative Velasquez. In the course of her investigation Ms. Velasquez interviewed Morlet, Duerscheidt, W.W., H.E. and obtained documents, which were received into evidence. She prepared several reports documenting the information she obtained from these sources. Her reports were also admitted as evidence in this proceeding.

On July 12, 2017, she interviewed Morlet. On October 4, 2017, with Orange County District Attorney, James Young, she again interviewed Morlet. Deputy District Attorney Young interviewed Morlet again on October 6, 2017. Ms. Velasquez was not present in this interview but obtained the transcript of it.

In summary, at these interviews Morlet stated the following: He met McTeggart several years before the projects related to work Morlet performed as a demolition and concrete/asphalt contractor. He worked with him on several projects. At some point McTeggart "initiated" him in a "joint venture" building restaurants with McTeggart and Duerscheidt. He described McTeggart as having experience in building restaurants. He said his relationship with this joint venture was through his company, All American General, doing demolition, concrete and asphalt. Morlet had a "verbal agreement" with McTeggart and Duerscheidt to get 10 percent of the profits from this relationship with Restaurant Builders. This changed at some point to 20 percent. He knew that Duerscheidt and McTeggart were not licensed. Duerscheidt got a 15 percent commission on the architectural plans.

Morlet said he was "part of the corporation," he did not have specific duties, he oversaw projects, but McTeggart also oversaw the projects and helped him and Duerscheidt because McTeggart was an "expert" in building restaurants. Morlet did not participate in the day-to-day operations of Restaurant Builders until he found out about McTeggart's problems. At the hearing, Morlet explained that once he learned W.W. and H.E. filed complaints with CSLB, he went to Restaurant Builders's office to oversee the projects. Morlet told Ms. Velasquez that he did demolition, framing and other work on the H.E. project. He did the work himself.

McTeggart was not part of the corporation although he controlled the corporation; he told Duerscheidt what to do; he and Duerscheidt were on the lease agreement for Restaurant Builders's office; and McTeggart and Duerscheidt were on the bank account for Restaurant Builders. Morlet was not on the bank account. McTeggart worked through a separate entity, McDuer Enterprises.

9. Duerscheidt told Ms. Velasquez that she, McTeggart and Morlet started the corporation and she thought they were all "in the corporation." She learned, however, that McTeggart removed himself from the corporation. There was no record that, in fact, McTeggart was ever part of the corporation. She said that McTeggart was in total control of the corporation and directed it. Duerscheidt told Ms. Velasquez that McTeggart told her what to do; she and McTeggart had access to Restaurant Builders's bank account; McTeggart "took" money from the account for whatever reason and she paid bills, supplies and meet payroll. Morlet was not on the bank account. His work was limited to demolition, framing and other work.

Criminal Charges Against Duerscheidt, McTeggart and Morlet

10. Relating to Restaurant Builders's work on the W.W. and H.E. projects, on April 16, 2018, Morlet, Duerscheidt, McTeggart, Restaurant Builders, McDuer Restaurant Construction, and McDuer Enterprises were charged in *People of the State of California v. Jimmy Rene Morlet*, Superior Court of California, Orange County, in Case Number 18CF1435 with 13 felony counts, including violations of Section 7027.3, fraudulent use of contractor's license, acting in capacity of contractor without a license, aiding and abetting unlicensed and unregistered construction activities, in violation of Sections 7027.3, 7028, subdivision (a), 119, subdivisions (b) and (c). That matter is pending.

On November 5, 2018, as part of an agreement to cooperate with the prosecution of McTeggart and Duerscheidt, Morlet entered into a plea deal. He pled guilty to violating Sections 7028, subdivision (a), aiding and abetting unlicensed construction activities, 119, subdivision (c), misuse of contractors' license, and conspiracy in violation of Penal Code Section 182, subdivision (a)(1). He offered the following factual basis for his plea:

On January 6, 2015 to July 12, 2017, I conspired with other persons alleged in this case to fraudulently use my contractor's

license to defraud consumers, divert construction funds, misuse licensure, and aid + abet others to operate as unlicensed contractors for regulated trade services as fictitious/fraudulent businesses, corporate entities, and intent to violate State of CA contractor license laws + regulations.

He made the factual basis of his plea under oath.

The terms of this plea agreement, in exchange for his cooperation with the prosecution of McTeggart and Duerscheidt, include the District Attorney's recommended imposition of the following sentence: Morlet is to be placed on informal probation for three years with a 180-day jail sentence suspended, the felony guilty pleas are to be reduced to misdemeanors, he is to surrender CSLB license number 1010176 and not reapply, reactive or use this license, and dissociate himself from McTeggart and Duerscheidt. In addition, Morlet has agreed to not apply for, obtain, operate under any new CSLB license, but he may only continue to maintain, renew, and do regulated trade business under CSLB license number 941095 [All American General Contractor] as long as he is in good standing and he remains the sole owner-operator and personally oversees all projects and activities.

Morlet's Testimony

11. Morlet testified that he has worked as a licensed contractor in the construction industry doing rock cutting and demolition since 2001 and he has no history of discipline and, prior to this matter, had no complaints against his license.

Morlet met McTeggart in 2014 through an online advertisement McTeggart published for demolition work. Under his construction company, American General Contractors, he worked on about a dozen restaurant projects for McTeggart. He believed McTeggart was a licensed contractor but did not verify this. He had never worked on restaurant projects before he met McTeggart.

At some point McTeggart proposed to Morlet that they form a partnership. Morlet was receptive to Morlet's proposal as a business opportunity to expand his business because McTeggart had specific marketing proposal ideas, he knew how to communicate and was very persuasive. Morlet had the feeling that McTeggart knew the restaurant construction business very well.

As noted earlier, Morlet entered into a partnership agreement with McTeggart and Duerscheidt. Morlet stated that the partnership lasted a year and 9 to 10 months. Under this agreement, he was to receive 10 percent of the profits of the business. He was not involved in the financial aspects of Restaurant Builders. He understood that McTeggart was not on the corporation because McTeggart told him he had had a bankruptcy. Although Respondent Morlet's criminal plea indicates he conspired to "aid and abet others to operate as unlicensed contractors," he nevertheless testified that when he entered into this agreement he did not know that McTeggart and Duerscheidt did not have contractors' licenses. He also did not

know the number of projects that Restaurant Builders had because McTeggart and Duerscheidt were doing projects behind his back. He knew about the H.E. project, and he did framing and demolition work on the project. Morlet did not know about the W.W. project.

Morlet claimed that he learned that McTeggart and Duerscheidt were doing projects behind his back when he saw a letter Ms. Velasquez had sent Restaurant Builders at Restaurant Builders's office regarding W.W.'s and H.E.'s complaints. He said Duerscheidt was "forced" to open this letter in front of him because he saw it was from the board. He then confronted Duerscheidt about why he was not told about the W.W. project and the board's prior correspondence. The next day he changed the mailing address CSLB had for Restaurant Builders to a P.O. Box. According to the board's certification of records, Morlet changed the address from Restaurant Builders's office address to a P.O. Box in Whittier "effective" October 27, 2017. He was then able to receive all board correspondence. Morlet dissociated himself from Restaurant Builders on October 1, 2017. To make sure pending projects were completed he continued to work with Duerscheidt and McTeggart. He did not take on new projects, however.

Morlet immediately cooperated with the board's investigation and also has cooperated with the criminal prosecution of McTeggart and Duerscheidt. Soon after he learned about the complaints, he called Ms. Velasquez and met her. He also voluntarily met with Deputy District Attorney Young and gave him documents to assist the prosecution.

Morlet testified that he accepts responsibility for the relationship he had with McTeggart and Duerscheidt. He pled guilty to conspiring with others, including McTeggart, with the intent to evade the provisions of the Contractors State License Law requiring licensure. However, he continues to deny that he had any "ill intention" and casts blame on McTeggart who he feels took advantage of him. He testified that he understands now that he should have investigated McTeggart and Duerscheidt and he is sorry for the harm caused to W.W. and H.E. by his failure, particularly with regards to the W.W. project to ensure the workmanship on the project. He noted that he resolved the matter with H.E., to H.E.'s satisfaction, as discussed earlier. He recognized, further, that he should have obtained a list of Restaurant Builders's projects and insurance information. Given a second chance, he would never again partner with anyone.

The Administrative Law Judge found that Morlet's testimony was credible. Notably, the Administrative Law Judge observed that he spoke in a heartfelt and sincere manner about his mistake partnering with McTeggart and Duerscheidt without investigating them, inquiring about Restaurant Builders's projects, and acting as a responsible RMO. However, as noted above, Morlet's testimony regarding his lack of knowledge or intent to aid and abet unlicensed contractors conflicts with his admissions as part of the factual basis for his guilty plea in the criminal matter. This calls into question whether Respondent Morlet truly understands and takes complete responsibility for the violations alleged in this case.

Letters Written on Morlet's Behalf

12. The following consumers wrote letters on Morlet's behalf. Joy and Jason Rocha, Adrian Chafoya, Kenneth Busick, Melissa Beck, Violette M. De La Torre, Mark Calvillo, and Vincent Gonzalez.

In their letters, these persons described their satisfaction with Morlet's workmanship and professionalism on projects he completed for them through All American General Contractors. Several persons described him as a person of integrity.

13. In a letter dated March 7, 2019, addressed to complainant's counsel, Deputy District Attorney James Young confirmed that Morlet has been cooperating with the District Attorney's investigators and has agreed to truthfully testify against McTeggart and Duerscheidt. He stated as long as Restaurant Builders contractor's license cannot be misused, the Orange County District Attorney's Office does not take a position whether Morlet should be allowed to retain other contractor's licenses he may now have or may obtain later.

Costs of Investigation and Enforcement

14. A certification of costs of investigation, dated January 24, 2019, was signed by Heather Henderson, Case Management Representative with the board. The certification stated that Ms. Henderson reviewed the board's records regarding the costs incurred interviewing complainants, contractors and other witnesses, document gathering, analysis and preparation of investigative reports. The attachment stated that 29.50 hours of Enforcement Representative time were incurred and billed at an hourly rate of \$58.27 for a total cost of \$1,718.97. The certification Ms. Henderson signed did not describe the general tasks performed or the time spent on each task. As a result, the Administrative Law Judge found that the certification did not contain facts sufficient to support any finding regarding the board's costs incurred or the reasonableness of investigative services, and as a result these costs are disallowed.

15. The Attorney General's Office submitted a declaration, dated March 11, 2019, with a detailed summary for legal services incurred in this matter in the amount of \$21,255 at hourly billing rates of \$170 for the work of six attorneys and \$120 for the work of two paralegals. The declaration also contained a good faith estimate of eight additional hours of work up to the commencement of the hearing for \$1,360. Except for the eight additional hours of work before the commencement of the hearing, the Attorney General's declaration provides a detailed summary of the legal work performed consistent with California Code of Regulations, title 1, section 1042, subdivision (b). The Administrative Law Judge found that the Deputy Attorney General did not include an explanation in his declaration to justify his estimate of future costs, or why "actual cost information is not available," as required under California Code of Regulations, title 1, section 1042, subdivision (b)(3). The Reasonable costs associated with the prosecution of this matter are found consistent with California Code of Regulations, title 1, section 1042, subdivision (b). The sum of \$1,360 for eight additional

hours is thus disallowed. As a result, the Administrative Law Judge found that the total reasonable costs for the prosecution of this matter, minus the eight hours estimated for preparation before the hearing, are \$19,895.

16. Respondent Morlet did not testify regarding his ability to pay costs.

The Parties' Arguments

17. Complainant asked for the relief requested in the accusation against Morlet's license and Duerscheidt due to the nature of the conduct Morlet, Duerscheidt and McTeggart engaged in.

Despite the admissions made to support his criminal plea agreement, Morlet argued that complainant did not prove that Morlet intentionally aided and abetted an unlicensed contractor. Morlet conceded, however, that he failed to perform his duties as an RMO for Restaurant Builders. Considering his disciplinary history, Morlet asked that his license be placed on probation. Morlet did not oppose the revocation of Restaurant Builders's license at hearing. However, in respondent Morlet's written arguments, he requested that the Registrar stay any revocation of respondent's affiliated license, Restaurant Builders, and place it on probation for three (3) years subject to reasonable and customary terms and conditions.

LEGAL CONCLUSIONS

Burden of Proof

1. Business and Professions Code section 7090 authorizes the Registrar to suspend or revoke a license, or otherwise discipline a licensee, if the licensee "is guilty of or commits any one or more of the acts or omissions constituting causes for disciplinary action." The Contractors' State License Law establishes that the Registrar bears the burden of proof, stating: "with respect to administrative proceedings or hearings to suspend or revoke a contractor's license, the registrar at all times shall have the burden of proof to establish by clear and convincing evidence that he or she is entitled to the relief sought in the petition." (Bus. & Prof. Code, §7090.)

Applicable Law and Causes for Discipline

2. Section 7114 states that a licensee may be subject to discipline and required to make restitution to an injured party, as follows:

(a) Aiding or abetting an unlicensed person to evade the provisions of this chapter or combining or conspiring with an unlicensed person, or allowing one's license to be used by an unlicensed person, or acting as agent or partner or associate, or otherwise, of an unlicensed person with the intent to evade the

provisions of this chapter constitutes a cause for disciplinary action.

(b) A licensee who is found by the registrar to have violated subdivision (a) shall, in accordance with the provisions of this article, be subject to the registrar's authority to order payment of a specified sum to an injured party, including, but not limited to, payment for any injury resulting from the acts of the unlicensed person.

3. Section 7068 provides as follows:

(a) The board shall require an applicant to show the degree of knowledge and experience in the classification applied for, and the general knowledge of the building, safety, health, and lien laws of the state and of the administrative principles of the contracting business that the board deems necessary for the safety and protection of the public.

(b) An applicant shall qualify in regard to his or her experience and knowledge in one of the following ways:

(1) If an individual, he or she shall qualify by personal appearance or by the appearance of his or her responsible managing employee who is qualified for the same license classification as the classification being applied for.

(2) If a partnership or a limited partnership, it shall qualify by the appearance of a general partner or by the appearance of a responsible managing employee who is qualified for the same license classification as the classification being applied for.

(3) If a corporation, or any other combination or organization, it shall qualify by the appearance of a responsible managing officer or responsible managing employee who is qualified for the same license classification as the classification being applied for.

(4) If a limited liability company, it shall qualify by the appearance of a responsible managing officer, a responsible managing manager, responsible managing member, or a responsible managing employee who is qualified for the same license classification as the classification being applied for.

(c) A responsible managing employee for the purpose of this chapter shall mean an individual who is a bona fide employee of the applicant and is actively engaged in the classification of work for which that responsible managing employee is the qualifying person on behalf of the applicant.

(d) The board shall, in addition, require an applicant who qualifies by means of a responsible managing employee under either paragraph (1) or (2) of subdivision (b) to show his or her general knowledge of the building, safety, health, and lien laws of the state and of the administrative principles of the contracting business as the board deems necessary for the safety and protection of the public.

(e) Except in accordance with Section 7068.1, no person qualifying on behalf of an individual or firm under paragraph (1), (2), (3), or (4) of subdivision (b) shall hold any other active contractor's license while acting in the capacity of a qualifying individual pursuant to this section.

(f) At the time of application for renewal of a license, the current qualifying individual shall file a statement with the registrar, on a form prescribed by the registrar, verifying his or her capacity as a qualifying individual to the licensee.

(g) Statements made by or on behalf of an applicant as to the applicant's experience in the classification applied for shall be verified by a qualified and responsible person. In addition, the registrar shall, as specified by board regulation, randomly review a percentage of such statements for their veracity.

(h) The registrar shall review experience gained by applicants from other states to determine whether all of that experience was gained in a lawful manner in that state.

4. Section 7068.1 provides as follows:

(a) The person qualifying on behalf of an individual or firm under paragraph (1), (2), (3), or (4) of subdivision (b) of Section 7068 shall be responsible for exercising that direct supervision and control of his or her employer's or principal's construction operations to secure compliance with this chapter and the rules and regulations of the board. This person shall not act in the capacity of the qualifying person for an additional individual or firm unless one of the following conditions exists:

(1) There is a common ownership of at least 20 percent of the equity of each individual or firm for which the person acts in a qualifying capacity.

(2) The additional firm is a subsidiary of or a joint venture with the first. "Subsidiary," as used in this subdivision, means any firm at least 20 percent of the equity of which is owned by the other firm.

(3) With respect to a firm under paragraph (2), (3), or (4) of subdivision (b) of Section 7068, the majority of the partners, officers, or managers are the same.

(b) Notwithstanding paragraphs (1) to (3), inclusive, of subdivision (a), a qualifying individual may act as the qualifier for no more than three firms in any one-year period.

(c) The following definitions shall apply for purposes of this section:

(1) "Firm" means a partnership, a limited partnership, a corporation, a limited liability company, or any other combination or organization described in Section 7068.

(2) "Person" is limited to natural persons, notwithstanding the definition of "person" in Section 7025.

(d) The board shall require every applicant or licensee qualifying by the appearance of a qualifying individual to submit detailed information on the qualifying individual's duties and responsibilities for supervision and control of the applicant's construction operations.

(e) Violation of this section shall constitute a cause for disciplinary action and shall be punishable as a misdemeanor by imprisonment in a county jail not to exceed six months, by a fine of not less than three thousand dollars (\$3,000), but not to exceed five thousand dollars (\$5,000), or by both the fine and imprisonment.

5. A responsible managing officer (RMO) is a type of qualifying individual for a contractor's license. Being the qualifier on a license can be a huge risk and liability. If the performance of an act or omission by the licensee constitutes a cause for disciplinary action, it also constitutes a cause for disciplinary action against the qualifier and any other

contractor's licenses with whom he is associated (Bus. & Prof. Code, §§ 7090, 7096, 7121.5, and 7123.)

6. The fitness of a corporation to enjoy a contractor's license lies in the competence and experience of the individual who qualifies on its behalf. (*Latipac, Inc. v. Superior Court of Marin County* (1966) 64 Cal.2d 278, 285.)

Statutes Cited in Criminal Prosecution

7. Section 119(b) provides that any person who lends his or her license to any other person or knowingly permits the use thereof by another is guilty of a misdemeanor.

8. Section 7028, subdivision (a), provides that it is a misdemeanor for a person to engage in the business of, or act in the capacity of, a contractor when the person is not licensed. In contrast to Section 7114, this statute does not contain, as an element of the crime, a requirement of specific intent "to evade" the laws governing the licensing of contractors.

Cause Exists to Discipline Restaurant Builders's License

9. Cause exists under the First and Third Causes for Discipline to impose discipline against Restaurant Builders's license with Morlet as RMO. Clear and convincing evidence established that, in violation of Section 7068.1, when he was Restaurant Builder's RMO, Morlet failed to exercise direct supervision and control of construction operations on the H.E. and W.W. projects to secure compliance with the Code and regulations. Specifically, Morlet failed to exercise direct supervision of either project and/or the work Duerscheidt and McTeggart were doing on both projects. His lack of knowledge of the W.W. project is not a defense; Morlet was the designated RMO and he did not ask Duerscheidt or McTeggart for a list of pending Restaurant Builders projects. Morlet knew about the H.E. project but only worked performing demolition and did not oversee the project in any respect. This is supported by Factual Findings 1-11, and Legal Conclusions 1, 3, 4-6, and 9.

10. Cause exists under the Second and Fourth Causes for Discipline to impose discipline against Restaurant Builders's license with Morlet as RMO. Clear and convincing evidence established that Morlet, as Restaurant Builder's RMO, aided and abetted an unlicensed person, McTeggart, with the intent to evade the provisions of the Contractors' State License Law in violation of Section 7114. Several reasons support this conclusion. First, Morlet, in order to pursue opportunities for his contracting business, allowed McTeggart to use his license for restaurant planning and construction, based on McTeggart's supposed expertise, without confirming whether he was licensed. Then, despite being designated as Restaurant Builders's RMO, he took a hands-off approach to both the H.E. and W.W. projects and the operation of Restaurant Builders in general. In effect, he allowed McTeggart to run Restaurant Builders although he was not part of the corporation. In addition, Morlet admitted he engaged in this

conduct in the November 5, 2018, plea agreement he signed. In this statement, he stated he conspired with other persons to violate the contractors' licensing laws.

Notwithstanding the foregoing, Respondent Morlet continues to argue that he did not intentionally aid and abet an unlicensed contractor. However, he pled guilty to violating Business and Professions Code section 119(b), which included lending or knowingly permitting the use of his license by an unlicensed person. He further stipulated to conspiring with others to evade the Contractors State License Law and to aiding and abetting others to operate as unlicensed contractors in support of that plea. A plea of guilty is an admission to every element of the charged offense and constitutes a conclusive admission of guilt. (*People v. Westbrook* (1996) 43 Cal.App.4th 220, 223.) Further, the California Supreme Court has ruled that "[i]n an administrative hearing, a guilty plea is admissible evidence to be weighed along with and against all other evidence presented at the hearing to determine whether the licensee has by his actions shown himself to be unfit to continue practicing" (*Arneson v. Fox* (1980) 28 Cal.3d 440, 457.) Respondent's statements to the contrary only serve to undermine his credibility. This is supported by Factual Findings 1-11, and Legal Conclusions 1, 2, 5-8, and 10.

Prohibition from Serving as an Officer, Director, Associate, Partner, or Qualifying Individual by Person Who Furnished Qualifying Experience for the Revoked Licensee

11. Section 7121 provides as follows:

A person who has been denied a license for a reason other than failure to document sufficient satisfactory experience for a supplemental classification for an existing license, or who has had his or her license revoked, or whose license is under suspension, or who has failed to renew his or her license while it was under suspension, or who has been a partner, officer, director, manager, or associate of any partnership, corporation, limited liability company, firm, or association whose application for a license has been denied for a reason other than failure to document sufficient satisfactory experience for a supplemental classification for an existing license, or whose license has been revoked, or whose license is under suspension, or who has failed to renew a license while it was under suspension, and while acting as a partner, officer, director, manager, or associate had knowledge of or participated in any of the prohibited acts for which the license was denied, suspended, or revoked, shall be prohibited from serving as an officer, director, associate, partner, manager, qualifying individual, or member of the personnel of record of a licensee, and the employment, election, or association of this type of person by a licensee in any capacity other than as a nonsupervising bona fide employee shall constitute grounds for disciplinary action.

Section 7121.5 provides as follows:

A person who was the qualifying individual on a revoked license, or of a license under suspension, or of a license that was

not renewed while it was under suspension, shall be prohibited from serving as an officer, director, associate, partner, manager, or qualifying individual of a licensee, whether or not the individual had knowledge of or participated in the prohibited acts or omissions for which the license was revoked, or suspended, and the employment, election, or association of that person by a licensee shall constitute grounds for disciplinary action.

“Notwithstanding the provisions of Sections 7121 and 7122, when any license has been suspended by a decision of the registrar pursuant to an accusation . . . any additional license issued under this chapter in the name of the licensee or for which the licensee furnished qualifying experience and appearance under the provisions of Section 7068, may be suspended by the registrar without further notice.” (Bus. & Prof. Code § 7097.)

“Notwithstanding the provisions of Sections 7121 and 7122, when any license has been revoked under the provisions of this chapter, any additional license issued under this chapter in the name of the licensee or for which the licensee furnished qualifying experience and appearance under the provisions of Section 7068, may be revoked by the registrar without further notice.” (Bus. & Prof. Code § 7098.)

Business and Professions Code section 7122.5 provides:

The performance by an individual, partnership, corporation, limited liability company, firm, or association of an act or omission constituting a cause for disciplinary action, likewise constitutes a cause for disciplinary action against a licensee who at the time that the act or omission occurred was the qualifying individual of that individual, partnership, corporation, limited liability company, firm, or association, whether or not he or she had knowledge of or participated in the prohibited act or omission.

Under these statutes, because Morlet was the qualifying person and licensee for Restaurant Builders and this license is subject to discipline and revoked, as discussed below, his affiliated license to operate All American General Contractors is also subject to discipline. Because Morlet acted as RMO (aka “qualifying individual”) on this revoked license Section 7121.5 requires that he be barred from serving as the qualifying individual for All American General Contractors. Thus, Morlet as sole owner of All American General Contractors may be placed on probation, but prohibited as serving as the qualifier until probation is completed. As also discussed immediately below, based on the rehabilitation evidence Morlet presented, placing All American General Contractors’s license on probation with appropriate conditions is consistent with public protection under the circumstances.

Duerscheidt is not a board licensee. However, she has served as an officer for a licensee, Restaurant Builders, and had knowledge and participation in the prohibited acts upon which the revocation is based. This finding is supported by Factual Findings 1-11, and Legal Conclusion 11. As a result, Section 7121 authorizes the Registrar to bar her from

serving as an officer, director, associate, partner, manager, or qualifying individual for any board licensee.⁴

The Degree of Discipline and Rehabilitation

12. California Code of Regulations, title 16, section 869, reads:

(a) When considering the denial, suspension, or revocation of a license pursuant to Division 1.5 (commencing with Section 475) of the code, the Board in evaluating the applicant's or licensee's rehabilitation and present eligibility for a license will consider the following criteria:

(1) Subject to the provisions of subsection (a)(2), an applicant or licensee may be determined to be rehabilitated if he or she meets the following criteria:

[¶] . . . [¶]

(2) The amount of time needed to demonstrate rehabilitation under subsection (a)(1) may be increased or decreased by taking into account the following:

(A) The nature and severity of the crime(s) or act(s) that are under consideration as, or that were, the grounds for denial, suspension, or revocation.

(B) Evidence of any crime(s) or act(s) committed subsequent to the crime(s) or act(s) that are under consideration as, or that were, the grounds for denial, suspension, or revocation, which also could be considered as grounds for denial, suspension, or revocation.

(C) The time that has elapsed since commission of the crime(s) or act(s) that are under consideration as, or that were, the grounds for denial, suspension, or revocation.

(D) The extent to which the applicant or licensee has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or licensee.

⁴ As previously stated, Ms. Duerscheidt did not appear at the hearing to contest the charges, so the Registrar may take action in accordance with Government Code section 11520 to impose this limitation on her ability to serve in these capacities.

(E) Consistent work history subsequent to the release from incarceration, or the completion of probation if no incarceration was imposed, or subsequent to the time of commission of the act(s).

(F) Documents or testimony from credible individuals who have personal knowledge of the applicant's or licensee's life and activities subsequent to the time of commission of the crime(s) or act(s) who can attest to the applicant's or licensee's present fitness for licensure.

(G) If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code.

(H) Other relevant evidence, if any, of rehabilitation submitted by the applicant or licensee. For example, relevant evidence may include evidence of recovery from drug and/or alcohol addiction or abuse or completion of a drug and/or alcohol aversion program if the crime(s) or act(s) related to or involved drug and/or alcohol use; or evidence of completion of an anger management program if the crime(s) or act(s) demonstrated the applicant's or licensee's inability to control one's temper. . . .

13. The board's Recommended Disciplinary Guidelines at Title 16, California Code of Regulations section 871 do not recommend a specific penalty range for a violation of Section 7068.1. However, by analogy for guidance purposes, for failure to notify the board of dissociation as an RMO in violation of Section 7068.2, the maximum penalty is revocation; the minimum penalty is a 60-day suspension, stayed, with a one-year probation period with standard terms and conditions, taking and passing the CSLB law and business examination if not taken in the past five years, taking and passing a course in the Contractors' License Law or a related course as approved in advance by the Registrar, and the payment of board investigation and enforcement costs. For a violation of Section 7114, the minimum recommended penalty is two years' probation with standard terms and conditions, taking and passing the CSLB law and business examination if not taken in the past five years, taking and passing a course in the Contractors' License Law or a related course as approved in advance by the Registrar, and the payment of board investigation and enforcement costs, submitting a list of all subcontractors used on construction projects to the Registrar upon demand during the probation period, and the payment of board investigation and enforcement costs. The maximum penalty is revocation.

14. Rehabilitation is a state of mind, and the law looks with favor upon rewarding with the opportunity to serve, one who has achieved reformation and regeneration. (*Pacheco v. State Bar* (1987) 43 Cal.3d 1041, 1058.) The evidentiary significance of an applicant's misconduct is greatly diminished by the passage of time and by the absence of similar, more recent misconduct. (*Kwasnik v. State Bar* (1990) 50 Cal.3d 1061, 1070.) The mere

expression of remorse does not demonstrate rehabilitation. A truer indication of rehabilitation is presented by sustained conduct over an extended period of time. (*In re Menna* (1995) 11 Cal.4th 975, 991.) An individual's candor, cooperation and remorse, and a willingness to accept punishment and good faith efforts to rehabilitate himself may be significant mitigating factors. (*Hipolito v. State Bar* (1989) 48 Cal.3d 621, 626.)

15. After considering the board's Guidelines, applying the criteria under California Code of Regulations, title 16, section 869, and considering the guidance from case law relating to rehabilitation, it is determined that discipline needs to be imposed to protect the public and to ensure that Morlet has a clear understanding of his responsibilities under his contractor's license. However, Morlet showed that he has made some progress towards rehabilitation such that it is not contrary to the interest of public protection that his license be placed on probation subject to specific terms and conditions.

This conclusion is reached for the following reasons: Morlet's conduct represented a fundamental breach of his duties as a licensee and an RMO and posed a risk to consumers. Both consumers, it is reasonable to conclude, were harmed by Morlet's conduct; they incurred expenses because Morlet allowed McTeggart to use his license and because an experienced and knowledgeable RMO did not supervise their projects. Further, the misconduct in this case occurred in 2017 and his criminal guilty plea in the related criminal matter was only recently entered in 2018. The criminal case is still pending. There has therefore not been a consistent track record over time of Respondent Morlet's rehabilitative efforts to provide assurances that he could work under his contractor's license without restrictions. Further, the inconsistent testimony about his culpability and his guilty plea also raises concerns regarding whether Morlet fully accepts personal responsibility for the violations and understands his responsibilities as a qualifier under the law. Failure to understand and appreciate the violations poses a risk for recurrence of the conduct.

With this noted, a number of factors favor Morlet's request for probation. Morlet has been licensed since 2001 and has no prior disciplinary history. Consumers who have worked with him described him as a responsible and professional licensed contractor. Further, Morlet showed that he is amenable to board oversight. Once he learned that the board was investigating Restaurant Builders, he took immediate and concrete steps to mitigate the harm of his conduct. He contacted and met the board's investigator, he changed the address CSLB had for the license so he would receive all correspondence, and he sought to ensure that he knew about pending projects. In addition, Morlet fully cooperated with the board's and the District Attorney's investigations and prosecution of McTeggart and Duerscheidt. Morlet has settled a civil dispute with H.E. to H.E.'s satisfaction. Also, as discussed earlier, he has acknowledged some of his failures in oversight as a qualifier for Restaurant Builders.

Regarding the degree of discipline to impose against Restaurant Builders' license, again applying the criteria under California Code of Regulations, title 16, section 869, that license is revoked. Restaurant Builders's conduct was serious. McTeggart and Duerscheidt operated Restaurant Builders without adequate and direct supervision of a board licensee. The entity, in effect, was a board licensee in name only with the result that H.E. and W.W.

were harmed and the public was left unprotected by the laws governing licensed contractors. Providing quality services in a timely fashion is an important goal of the laws and regulations governing the construction industry. Restaurant Builders and its officers failed to fulfill their obligations to their customers, and in so doing, they caused significant financial hardship and distress to their customers. No evidence was offered of rehabilitation for this licensee or Ms. Duerscheidt.

The Reasonable Costs of Investigation and Prosecution

16. Business and Professions Code section 125.3 reads, in part:

(a) Except as otherwise provided by law, in any order issued in resolution of a disciplinary proceeding before any board within the department or before the Osteopathic Medical Board, upon request of the entity bringing the proceeding, the administrative law judge may direct a licentiate found to have committed a violation or violations of the licensing act to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

(b) In the case of a disciplined licentiate that is a corporation or a partnership, the order may be made against the licensed corporate entity or licensed partnership.

(c) A certified copy of the actual costs, or a good faith estimate of costs where actual costs are not available, signed by the entity bringing the proceeding or its designated representative shall be prima facie evidence of reasonable costs of investigation and prosecution of the case. The costs shall include the amount of investigative and enforcement costs up to the date of the hearing, including, but not limited to, charges imposed by the Attorney General.

(d) The administrative law judge shall make a proposed finding of the amount of reasonable costs of investigation and prosecution of the case when requested pursuant to subdivision (a). The finding of the administrative law judge with regard to costs shall not be reviewable by the board to increase the cost award. The board may reduce or eliminate the cost award, or remand to the administrative law judge if the proposed decision fails to make a finding on costs requested pursuant to subdivision (a).

17. In *Zuckerman v. Board of Chiropractic Examiners* (2002) 29 Cal.4th 32, the California Supreme Court decided that in order to determine whether the actual costs of

investigation and prosecution sought by a regulatory board under a statute substantially identical to Business and Professions Code 125.3 are "reasonable," the agency must decide: (a) Whether the licensee has been successful at hearing in getting charges dismissed or reduced; (b) the licensee's subjective good faith belief in the merits of his or her position; (c) whether the licensee has raised a colorable challenge to the proposed discipline; (d) the financial ability of the licensee to pay; and (e) whether the scope of the investigation and prosecution was appropriate to the alleged misconduct.

18. Reasonable costs related to the prosecution of this matter total \$19,895. Consistent with the *Zuckerman* factors identified above, because the Administrative Law Judge determined that Morlet successfully challenged complainant's request for revocation of his license, he ordered that this sum be reduced by half. Morlet is, thus, required to reimburse the Registrar \$9,947.50 for the reasonable costs of prosecution. Because Restaurant Builders's license is revoked, costs are awarded in the total amount of \$19,895 against this entity. This part of the order is not reviewable by the Board as set forth in Business and Professions Code section 125.3(d).

ORDERS

I. Contractor's License Number 1010176, issued to Restaurant Builders & Design Services, Inc., Jimmy Rene Morlet, RMO; Cassandra Duerscheidt, Officer, is revoked.

A. Costs in the amount of \$19,895 are awarded against Restaurant Builders & Design Services, Inc.

B. Cassandra Duerscheidt is prohibited from serving as an officer, director, associate, partner, or qualifying individual of any licensee of the Board during the period that discipline is imposed on license number 1010176 issued to Restaurant Builders & Design Services, Inc.

II. Contractor's License No. 941095 issued to Jimmy Rene Morlet, sole owner, dba "All American General Contractors," is revoked; however, the revocation is stayed, and Mr. Morlet is placed on probation for three (3) years subject to the following terms and conditions:

1. Obey All Laws:

Mr. Morlet shall comply with all federal, state and local laws governing the activities of a licensed contractor in California.

2. Prohibition on Serving as Officer, Director, Associate, Partner or Qualifier and Replacement of Qualifier

Pursuant to the provisions of Section 7121.5 of the Business and Professions Code, Mr. Morlet is prohibited from serving as an officer, director, associate, partner, or qualifying individual of any licensee of the Board during the period that discipline is imposed on license number 941095. Mr. Morlet shall have 90 days from the effective date of this decision to disassociate and replace the qualifier on this license with a Responsible Managing Employee. (license no. 941095).

3. Interviews with Regional Deputy:

Mr. Morlet and any of his personnel of record shall appear in person for interviews with the Regional Deputy or designee upon request and reasonable notice.

4. Take and Pass CSLB Business Examination and Another Course:

If he has not done so in the last five years before the effective date of this decision, Mr. Morlet shall take and pass the CSLB law and business examination within 180 days of the effective date of this decision.

5. Violation of Probation:

If Mr. Morlet violates probation in any respect, the Registrar, after giving notice and opportunity to be heard, may revoke probation and impose the disciplinary order that was stayed.

6. Reimbursement of Costs:

Within 30 days of the effective date of this Decision, or pursuant to a payment plan acceptable to the Board, Mr. Morlet shall pay to the Board costs associated with its investigation and enforcement pursuant to Business and Professions Code section 125.3 in the amount of \$9,947.50.

7. List of Subcontractors Used on Projects:

Mr. Morlet shall submit copies of documents directly related to Mr. Morlet's construction operations to the Register upon demand during the probation period, including a list of all subcontractors used on construction projects.

8. Completion of Probation:

Upon successful completion of probation, the contractor's license will be fully restored.

9. IT IS FURTHER ORDERED that respondent, as a condition of licensure, on the effective date of this Decision shall have on file a Disciplinary Bond or post a cash deposit with the Registrar in the amount of \$15,000.00, for a period of not less than three years pursuant to Section 7071.8 of the Business and Professions Code. Any suspension for failing to post a Disciplinary Bond or a cash deposit, or any suspension for any other reason, shall not relieve the Respondent from complying with the terms and conditions of probation. Furthermore, suspension of the license during the period of probation, for any reason under this chapter, will cause the probationary period to be automatically extended in time equal to the length of time that the license is not in a clear and active status.

The Decision shall become effective on September 23, 2019.

IT IS SO ORDERED: August 22, 2019.



David Fogt
Registrar of Contractors