State of California - Department of Corporations

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Michael Donaldson
1932 East Deere Street, Suite 210
Santa Ana, CA 92705

DESIST AND REFRAIN ORDER

(For violations of sections 25110 and 25210 of the Corporations Code)

The California Corporations Commissioner ("Commissioner) finds that:

1. At all relevant times, Michael Donaldson was a salesman employed by Real Estate Partners, Inc. ("REP"), a California corporation formed in November 2000 and based in Irvine, California.

2. Between January 2003 and August 2006, REP conducted a series of seven offerings, raising about $50 million from approximately 1600 investors. Michael Donaldson through REP offered investments in the form of stock or interests in unit investment trusts in REP Unit Investment Business Trust I and II, REP Income Fund II, and REP Equity Fund ("securities offerings").

3. Michael Donaldson through REP used lead lists to make unsolicited phone calls to potential investors.

4. Between January 2004 and May 2006, REP paid Michael Donaldson over $200,000 in sales commissions.

5. REP purports to be a full service real estate company that purchases, manages, renovates and then sells distressed commercial and multifamily residential properties. The securities offerings claim to invest in real estate and real estate secured assets with REP as the trustee.

6. These securities were offered or sold in this state in issuer transactions. The Commissioner has not issued a permit or other form of qualification authorizing any person to offer and sell these securities in this state.

7. Donaldson has not applied for nor secured from the Commissioner a certificate, then in effect, authorizing him to act as a broker-dealer in California.

Based on the foregoing findings, the Commissioner is of the opinion that the stock and interests in unit investment trusts in various REP offerings are securities subject to qualification under the California Corporate Securities Law of 1968 and are being or have been offered or sold without being qualified or exempt. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Michael Donaldson is hereby ordered to desist and refrain from the further offer or sale in the State of California of securities in the form of stock and interests in unit investment trusts, or in any other form unless and until qualification has been made under said law or unless exempt.

Based upon the foregoing, the Commissioner is also of the opinion that Michael Donaldson has effected transactions in securities as a broker-dealer without having first applied for and secured from the Commissioner a certificate, then in effect, authorizing him to act in that capacity, in violation of Section 25210 of the Corporate Securities Law of 1968. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Michael Donaldson is hereby ordered to desist and refrain from effecting any transaction in, or inducing or attempting to induce the purchase or sale of, any security in this state, unless and until he has applied for and secured from the Commissioner a certificate, then in effect, authorizing him to act in that capacity.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: May 8, 2009

Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division

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