

1 Department of Real Estate  
2 107 South Broadway, Room 8107  
3 Los Angeles, California 90012

4 (213) 897-3937  
5

FILED  
SEP 12 1996  
DEPARTMENT OF REAL ESTATE

By K. W. Schubert

8 DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 \* \* \* \* \*

11 In the Matter of the Accusation of ) No. H-2175 SD  
12 )  
13 ERIC D. KNOWLES, ) STIPULATION AND AGREEMENT  
14 ) IN SETTLEMENT AND ORDER  
Respondent. )

15 It is hereby stipulated by and between ERIC D. KNOWLES  
16 (sometimes referred to as Respondent), and his attorney of record,  
17 Daniel J. Horwitz, representing the Respondent, and the  
18 Complainant, acting by and through James R. Peel, Counsel for the  
19 Department of Real Estate, as follows, for the purpose of settling  
20 and disposing of the Accusation filed on June 13, 1995, in this  
21 matter.

22 1. All issues which were to be contested and all  
23 evidence which was to be presented by Complainant and Respondent  
24 at a formal hearing on the Accusation, which hearing was to be  
25 held in accordance with the provisions of the Administrative  
26 Procedure Act (APA), shall instead and in place thereof be  
27

1 submitted solely on the basis of the provisions of this  
2 Stipulation and Agreement in Settlement.

3  
4 2. Respondent has received, read and understands the  
5 Statement to Respondent, the Discovery Provisions of the APA and  
6 the Accusation filed by the Department of Real Estate in this  
7 proceeding.

8 3. On June 21, 1995, Respondent filed a Notice of  
9 Defense pursuant to Section 11505 of the Government Code for the  
10 purpose of requesting a hearing on the allegations in the  
11 Accusation. Respondent hereby freely and voluntarily withdraws  
12 said Notice of Defense. Respondent acknowledges that he  
13 understands that by withdrawing said Notice of Defense he will  
14 thereby waive his right to require the Commissioner to prove the  
15 allegations in the Accusation at a contested hearing held in  
16 accordance with the provisions of the APA and that he will waive  
17 other rights afforded to him in connection with the hearing, such  
18 as the right to present evidence in defense of the allegations in  
19 the Accusation and the right to cross-examine witnesses.

20 4. Respondent, pursuant to the limitations set forth  
21 below, although not admitting or denying the truth of the  
22 allegations, will not contest the factual allegations contained in  
23 the Accusation filed in this proceeding and the Real Estate  
24 Commissioner shall not be required to provide further evidence of  
25 such allegations.

26 5. It is understood by the parties that the Real Estate  
27 Commissioner may adopt the Stipulation and Agreement in Settlement  
as his decision in this matter thereby imposing the penalty and

1 sanctions on Respondent's real estate license and license rights  
2 as set forth below in the "Order". In the event that the  
3 Commissioner in his discretion does not adopt the Stipulation and  
4 Agreement in Settlement, it shall be void and of no effect, and  
5 Respondent shall retain the right to a hearing and proceeding on  
6 the Accusation under all the provisions of the APA and shall not  
7 be bound by any stipulation or waiver made herein.  
8

9 6. The Order or any subsequent Order of the Real  
10 Estate Commissioner made pursuant to this Stipulation and  
11 Agreement in Settlement shall not constitute an estoppel,  
12 merger or bar to any further administrative or civil  
13 proceedings by the Department of Real Estate with respect to  
14 any matters which were not specifically alleged to be causes  
15 for accusation in this proceeding.

16 7. This Stipulation is entered into by each party  
17 with the express understanding and agreement that it is to be  
18 used for the purposes of settling these proceedings only and  
19 that this Stipulation shall not be deemed, used, or accepted  
20 as an acknowledgment or stipulation in any other civil or  
21 administrative proceeding to which this Department is not a  
22 party.

23 DETERMINATION OF ISSUES.

24 By reason of the foregoing stipulations and waivers  
25 and solely for the purpose of settlement of the pending  
26 Accusation without a hearing, it is stipulated and agreed  
27 that the following determination of issues shall be made:

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I

The conduct of Respondent ERIC D. KNOWLES, as alleged in the Accusation, is grounds for the suspension or revocation of all of the real estate licenses and license rights of Respondent under the provisions of Regulations 2830, 2831, 2832, 2834 and Sections 10145 and 10177(d) of the Business and Professions Code.

ORDER

All licenses and license rights of Respondent ERIC D. KNOWLES under the Real Estate Law are suspended for a period of 90 days from the effective date of this Order provided as follows:

1. Sixty (60) days of said suspension shall be stayed for two (2) years on condition of the following:

(a) That Respondent shall obey all laws, rules and regulations governing the rights, duties and responsibilities of a real estate licensee in the State of California.

(b) That no final subsequent determination be made by the Real Estate Commissioner after hearing or upon stipulation that cause for disciplinary action against the real estate license of Respondent has occurred within two (2) years of the effective date of this Order.

(c) That pursuant to Section 10148 of the Business and Professions Code, Respondent ERIC D. KNOWLES shall pay the Commissioner's

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reasonable cost for an audit to determine if Respondent has corrected the violations alleged in the Accusation. In calculating the amount of the Commissioner's reasonable costs, the Commissioner may use the estimated average hourly salary for all Department Audit Section personnel performing audits of real estate brokers, and shall include an allocation for travel costs, including mileage, time to and from the auditor's place of work, and per diem. The Commissioner's reasonable costs shall in no event exceed \$7,300. Payment shall be made within 45 days from receipt of an invoice from the Commissioner.

(d) That Respondent first provides evidence that the shortage noted in Paragraph VI of the Accusation has been cured.

(e) That if, after two years from the effective date of this Order, each of the conditions referred to in this paragraph "1" are complied with, the stay granted pursuant to this paragraph shall become permanent. It shall be deemed cause to vacate the stay if Respondent does not pay within 45 days from receipt of an invoice from the Commissioner the Commissioner's reasonable costs for an audit as provided in subparagraph (c).

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(f) Notwithstanding any of the above  
provisions of this paragraph "1", if  
Respondent fails to pay, within 45 days from  
receipt of the invoice specified above, the  
cost of the audit, the Commissioner may order  
the indefinite suspension of Respondent's real  
estate license and license rights. The  
suspension shall remain in effect until payment  
is made in full, or until respondent enters  
into an agreement satisfactory to the  
Commissioner to provide for such payment. The  
Commissioner may impose further reasonable  
disciplinary terms and conditions upon  
Respondent's real estate license and license  
rights as part of any such agreement.

2. Provided further, that the remaining thirty  
(30) days of said 90 day suspension shall be permanently  
stayed on condition of the following:

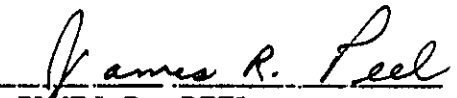
(a) That Respondent pays a monetary penalty  
pursuant to Section 10175.2 of the Business and  
Professions Code in the amount of \$50 per day  
(\$1,500 maximum).

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(b) That said payment shall be in the form of  
a cashier's check or certified check made  
payable to the Recovery Account of the Real  
Estate Fund. Said check must be delivered to  
the Department prior to the effective date of  
the Order in this matter.


DATED: August 12, 1996

  
JAMES R. PEEL  
Counsel for Complainant


\* \* \* \* \*

I have read the Stipulation and Agreement in  
Settlement, and its terms are understood by me and are  
agreeable and acceptable to me. I understand that I am  
waiving rights given to me by the California Administrative  
Procedure Act (including but not limited to Sections 11506,  
11508, 11509 and 11513 of the Government Code), and I  
willingly, intelligently and voluntarily waive those rights,  
including the right of requiring the Commissioner to prove  
the allegations in the Accusation at a hearing at which I  
would have the right to cross-examine witnesses against me  
and to present evidence in defense and mitigation of the  
charges.

DATED: 7-1-96

  
ERIC D. KNOWLES  
Respondent

DATED: 8/16/96

  
DANIEL J. HORWITZ  
Counsel for Respondent

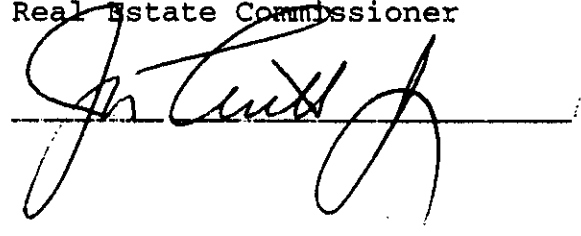
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\* \* \* \* \*

The foregoing Stipulation and Agreement in  
Settlement is hereby adopted as my Order and shall become  
effective at 12 o'clock noon on October 2, 1996

IT IS SO ORDERED 8/28/96

JIM ANTT, JR.  
Real Estate Commissioner





*Sacto*  
*Flas*

**BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA**

**FILED**  
NOV 29 1995  
DEPARTMENT OF REAL ESTATE

*In the Matter of the Accusation of*

ERIC D. KNOWLES,

Respondent

By K. Kueberholt

Case No. H-2175 SD

OAH No. L-9511029

**NOTICE OF HEARING ON ACCUSATION**

**To the above named respondent:**

**You are hereby notified that a hearing will be held before the Department of Real Estate at \_\_\_\_\_  
Office of Administrative Hearings, 1350 Front Street, Room 6022,  
San Diego, CA**

**on July 10 & 11, 1996, at the hour of 9:00 am.  
or as soon thereafter as the matter can be heard, upon the Accusation served upon you.**

**You may be present at the hearing. You have the right to be represented by an attorney at your own expense. You are not entitled to the appointment of an attorney to represent you at public expense. You are entitled to represent yourself without legal counsel. If you are not present in person nor represented by counsel at the hearing, the Department may take disciplinary action against you based upon any express admission or other evidence including affidavits, without any notice to you.**

**You may present any relevant evidence and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents or other things by applying to the Department of Real Estate.**

**The hearing shall be conducted in the English language. If you want to offer the testimony of any witness who does not proficiently speak the English language, you must provide your own interpreter. The interpreter must be approved by the Administrative Law Judge conducting the hearing as someone who is proficient in both English and the language in which the witness will testify. You are required to pay the costs of the interpreter unless the Administrative Law Judge directs otherwise.**

DEPARTMENT OF REAL ESTATE

Dated: November 29, 1995

By Deegee W. Wright  
Counsel

cc: Eric D. Knowles  
Daniel J. Horwitz, Esq.

Sacto  
OAH/SD

RE 501 (1/92) RM

kw

*Handwritten initials*

1 George Wright, Staff Counsel  
2 Department of Real Estate  
3 107 South Broadway, Room 8107  
4 Los Angeles, CA 90012  
5 (213) 897-3937

**FILED**  
JUN 13 1995  
DEPARTMENT OF REAL ESTATE

By *K. Friedrich*

DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

\* \* \* \*

11	In the Matter of the Accusation of )	No. H-2175 SD
12	)	
13	ERIC D. KNOWLES, doing business )	<b>A C C U S A T I O N</b>
14	as Feuer & Knowles, Pacific )	
15	Commercial Investment, and )	
16	Professional Home Management, )	
17	)	
18	Respondents. )	
19	_____ )	

16 The Complainant, J. Chris Graves, a Deputy Real Estate  
17 Commissioner of the State of California, for cause of accusation  
18 against ERIC D. KNOWLES, alleges as follows:

I

20 The Complainant, J. Chris Graves, a Deputy Real Estate  
21 Commissioner of the State of California, makes this Accusation in  
22 his official capacity.

II

24 At all times mentioned herein, ERIC D. KNOWLES  
25 ("KNOWLES"), doing business as "Feuer & Knowles", "Professional  
26 Home Management", and "Pacific Commercial Investments", was and  
27 still is licensed by the Department of Real Estate of the State of

1 California ("Department") as a real estate broker.

2 III

3 All further references to KNOWLES shall include KNOWLES  
4 and shall be deemed to refer to the officers, employees, agents  
5 and real estate licensees employed by or associated with KNOWLES,  
6 who at all times herein mentioned were engaged in the furtherance  
7 of the business or operations of KNOWLES, and who were acting  
8 within the course and scope of their authority and employment.

9 IV

10 At all times mentioned herein, for or in expectation of  
11 compensation, KNOWLES engaged in the business of, acted in the  
12 capacity of, advertised or assumed to act as a real estate broker  
13 in the State of California, within the meaning of Section 10131(b)  
14 of the Code, including the operation of a property management  
15 brokerage business which rendered services in connection with  
16 certain real properties owned by third parties, for compensation  
17 or in expectation of compensation.

18 V

19 All further references to the "Code" are to the  
20 California Business and Professions Code, and all further  
21 references to the "Regulations" are to Chapter 6, Title 10,  
22 California Code of Regulations.

23 VI

24 On or about March 29, 1994, Department personnel  
25 completed an investigative audit of the books and records of  
26 KNOWLES, pertaining to his property management activities, for a  
27 period commencing in January, 1993, and terminating on January 10,

1 1994, and unless otherwise specified, the relevant period of time  
2 referenced herein shall be the same. The findings of that audit  
3 are set forth in the paragraphs that follow.

4 VII

5 In connection with the aforesaid property management  
6 activities, KNOWLES accepted or received funds in trust ("trust  
7 funds") in the form of monthly rent receipts, security deposits  
8 and miscellaneous fees from tenants residing on said properties.  
9 KNOWLES accepted or received these trust funds and deposited these  
10 funds into the following accounts:

11 "Eric D. Knowles/Real Estate Broker Trust  
12 Account/Professional Home Management"  
13 Account No. 11024-11525 (T/A #1)  
14 Bank of America  
4380 La Jolla Village/ 100  
San Diego, CA 92122

15 This account was used to collect monthly payments for single  
16 family homes owned by multiple owners. It was closed and replaced  
by the following account:

17 "Eric D. Knowles/Trust Account DBA/  
18 Professional Home Management" (T/A # 2)  
19 Account No. 267-0-2540  
First Interstate Bank  
7855 Ivanhoe Avenue

20 This account was used to collect monthly payments for single  
21 family homes owned by multiple owners. It opened December 31,  
1993.

22 "Eric D. Knowles/Real Estate Broker Trust  
23 Account/Western Serrano Apartments"  
24 Account No. 11029-15877 (T/A #3)  
Bank of America  
4380 La Jolla Village/ 100  
San Diego, CA 92122

25 This account was used for the receipt and disbursement of trust  
26 funds for one property.

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"Feuer & Knowles/Waring Apartments"  
Account No. 11025-12927 (T/A #4)  
Bank of America  
4380 La Jolla Village/ 100  
San Diego, CA 92122

This account was used for the receipt and disbursement of trust funds for one property. This account was closed on October 18, 1993.

The audit also revealed that there were twelve (12) other accounts used for the receipt and disbursement of trust funds for various individual properties. Each account was held at the Bank of America's La Jolla branch. These accounts had the following names and numbers:

<u>Account Number</u>	<u>Account Name</u>
11027112643	Feuer & Knowles/Olive Plaza Apartments
1102612610	Feuer & Knowles/Fulton Apartments
1102810837	VVS investment Group/DBA Feuer & Knowles/ DBA Ivy Apartments
1102404135	Brookside Terrace Apartments/Mission Villa Apartments
1102212693	Feuer & Knowles/Levi Apartments
1102810979	Feuer & Knowles/Grandvida Apartments
1102300468	Feuer & Knowles/Kalmia Apartments
1102512687	Feuer & Knowles/Americana Apartments
1102912609	Feuer & Knowles/River Dale Apartments
1102113094	Feuer & Knowles/Chase Terrace
1102513011	Feuer & Knowles/Russell Court
1102213140	Feuer & Knowles/Placentia Woods Apartments

VIII

KNOWLES violated Section 2830 of the Regulations and Section 10145 of the Code by placing the trust funds into the twelve (12) accounts listed above in Paragraph VII which were not properly designated as trust accounts in the name of the broker.

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IX

At all times material herein, KNOWLES failed to maintain proper records of the trust funds maintained in T/A #1, #2, #3 and #4. The dates for check disbursement did not always match the date on the actual check. KNOWLES violated Section 2831 of the Regulations by his failure to properly perform such acts.

X

The audit examination revealed that KNOWLES did not deposit trust funds received from borrowers into the hands of the owners of the funds, into a neutral escrow depository or into its trust account by the next business day as required by Section 2832 of the Regulations. KNOWLES violated Section 2832 of the Regulations by such conduct.

XI

As of December 31, 1993, KNOWLES violated Section 10145 of the Code and Section 2832.1 of the Regulations by disbursing or allowing the disbursement of funds from T/A #1 and #2, without the prior written consent of every principal who was then an owner of said funds in the account, in an amount which was at least \$1,781.59 less than the existing aggregate trust fund liability to all owners of said trust funds.

XII

At all times material herein, Earl Feuer was not licensed by the Department as a real estate broker or as a real estate salesperson who is employed under the license of a broker. At all times material herein, Earl Feuer was not covered by sufficient fidelity bond for the amount of money that he had

1 access to a signator. KNOWLES violated Section 2834 of the  
2 Regulations by allowing Earl Feuer, an unbonded, unlicensed person  
3 to be a signatory on all of the trust accounts.

4 XIII

5 The audit examination also revealed that KNOWLES did not  
6 notify the Department of its branch office at 6210 Wilshire  
7 Boulevard, Los Angeles, California. KNOWLES violated Section 2715  
8 of the Regulations and 10163 of the Code by failing to notify the  
9 Department of this branch office.

10 XIV

11 The audit examination also revealed that KNOWLES did not  
12 retain at its main business office the license certificate of  
13 Loretta Dunbar, a salesperson employed by KNOWLES, as of February  
14 9, 1994. KNOWLES violated Section 2753 of the Regulations by such  
15 conduct.

16 XV

17 The audit examination also revealed that KNOWLES did not  
18 have a written broker-salesperson agreement with Inna Tuler, a  
19 salesperson employed by KNOWLES. KNOWLES violated Section 2726 of  
20 the Regulations by such conduct.

21 XVI

22 The conduct of KNOWLES, as alleged above in Paragraphs  
23 VIII through XV, constitutes cause for the suspension or  
24 revocation of all licenses and/or license rights of the Respondent  
25 under Sections 10176(e), and 10177(d) of the Code.

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WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and/or license rights of ERIC D. KNOWLES under the Real Estate Law and for such other and further relief as may be proper under applicable provisions of law.

Dated at San Diego, California  
this 13th day of June, 1995.

J. CHRIS GRAVES  

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Deputy Real Estate Commissioner

cc: Eric D. Knowles  
SACTO  
RM