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FILED

MAY 22 2017

BUREAU OF REAL ESTATE

By 

8 BEFORE THE BUREAU OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation Against) No. H- 03106 FR
12 DE EQUITY GROUP; and) ACCUSATION
13 SCOTT LEE ELLIS, individually and)
14 as Designated Officer Of)
15 DE Equity Group,)
16 Respondents.)

17
18 The Complainant, Brenda Smith, a Supervising Special Investigator of the State
19 of California, acting in her official capacity for cause of Accusation against DE EQUITY
20 GROUP and SCOTT LEE ELLIS, individually and as Designated Officer of DE Equity Group
21 (sometimes collectively referred to as "Respondents"), is informed and alleges as follows:

22 I.

23 All references to the "Code" are to the California Business and Professions Code,
24 all references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references
25 to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

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2.

Respondent DE EQUITY GROUP ("DEG") is presently licensed or has license rights under the Real Estate Law as a corporate real estate broker. Respondent was originally licensed as a corporate real estate broker by the Bureau of Real Estate ("Bureau") on or about March 13, 2003, with licensed real estate broker Steve E. Duerre. Beginning on November 30, 2006, and continuing to the present, Respondent SCOTT LEE ELLIS ("ELLIS") has been the Designated Officer of DEG. Respondent DEG's corporate real estate broker license is due to expire on March 12, 2019.

3.

Respondent ELLIS is licensed by the Bureau as a real estate broker. Respondent ELLIS was originally licensed as a real estate salesperson on August 18, 1997, and as a real estate broker on May 30, 2002. Respondent's real estate broker license is due to expire on May 29, 2018.

4.

At all times mentioned, in the city of Visalia, Tulare County, California, Respondents engaged in the business of, acted in the capacity of, advertised, or assumed to act as real estate brokers within the meaning of Code Section 10131(b). Their activities included soliciting listings of places for rent, soliciting for prospective tenants, and/or management of residential rental real property for and on behalf of others for compensation.

(Audit of DEG)

5.

On February 17, 2017, the Bureau completed an audit examination of the books and records of Respondent DEG, with regard to the real estate activities described in paragraph 4, above. The audit examination covered the period of time from November 1, 2015, to October 31, 2016. The primary purpose of the examination was to determine Respondents' compliance with the Real Estate Law. The audit examination revealed numerous violations of the Code and the Regulations as set forth in the following paragraphs, and more fully discussed in Audit

1 Report FR-16-0019(PM) and the exhibits and work papers attached to said audit report.

2 Bank and Trust Accounts

3 6.

4 At all times herein relevant, in connection with the activities described in
5 Paragraph 4, above, Respondents accepted or received funds, including funds to be held in trust
6 (hereinafter "trust funds"), from or on behalf of actual or prospective parties in connection with
7 real property management activities. Thereafter Respondents made deposits of such trust funds
8 into one of eleven (11) bank accounts for disbursal to or on behalf of the various owners of those
9 funds. From time to time during the audit period, said trust funds were deposited and/or
10 maintained in the following bank accounts, none of which were designated as trust accounts:

Audit Report Account No.	Valley Business Bank Visalia, CA Account No. *	Account Name: DE Equity Group -
Bank Account #1	XXXXXX92	Ferguson Property
Bank Account #2	XXXXXX52	Multi Family Properties
Bank Account #3	XXXXXX10	Escrow Deposit Account
Bank Account #4	XXXXXX11	Bill Harder Properties
Bank Account #5	XXXXXX60	2245 Harvard
Bank Account #6	XXXXXX61	Johnson Properties
Bank Account #7	XXXXXX21	Probate Property
Bank Account #8	XXXXXX72	Schuil Properties
Bank Account #9	XXXXXX69	Pacific Court Properties
Bank Account #10	XXXXXX08	Catholic Church
Bank Account #11	XXXXXX57	2245 Harvard

27 * Redacted for security

1 Violations

2 7.

3 With respect to the licensed activities referred to in Paragraph 4, and the audit
4 examination including the exhibits and work papers referenced in Paragraph 5, it is alleged that
5 Respondents:

6 (a) Permitted, allowed or caused the disbursement of trust funds from Bank
7 Account #1 – Bank Account #11, combined, to fall to an amount which, as of October 31, 2016,
8 was \$74,645.27 less than the existing aggregate trust fund liability to the owners of said funds,
9 without first obtaining the prior written consent of the owners of said funds in violation of Code
10 Section 10145 and Regulation 2832.1;

11 (b) Failed to place funds collected for the benefit of another into a trust fund
12 in the name of the broker in violation of Code Section 10145 and Regulation 2832;

13 (c) Failed to perform a monthly reconciliation of the separate record to the
14 control record of trust funds handled in Bank Account #1 – Bank Account #11 in violation of
15 Code Section 10145 and Regulation 2831.2; and

16 (d) As to ELLIS, failed to exercise reasonable supervision over the activities
17 of the property management operation and over its employees, to ensure compliance with the
18 Real Estate Laws and the Commissioner's Regulations in violation of Code Sections 10159.2
19 and 10177(h) and Regulation 2725.

20 8.

21 The conduct of Respondents described in Paragraph 7, above, violated the Code
22 and the Regulations as set forth below:

23 PARAGRAPH

PROVISIONS VIOLATED

24 7(a)

Code Section 10145

25 Regulation 2832.1

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- 7(b) Code Section 10145
Regulation 2832
- 7(c) Code Section 10145
Regulation 2831.2
- 7(d) Code Sections 10159.2 and 10177(h)
Regulation 2725

Each of the foregoing violations constitute cause for the suspension or revocation of the real estate license and license rights of Respondents under the provisions of Code Sections 10177(d), and/or 10177(g) and, additionally as to ELLIS, Code Section 10177(h).

9.

Code Section 10148(b) provides, in pertinent part, that the Real Estate Commissioner shall charge a real estate broker for the cost of any audit if the Commissioner has found in a final decision, following a disciplinary hearing, that the broker has violated Code Section 10145 or a Regulation or rule of the Commissioner interpreting said Code section.

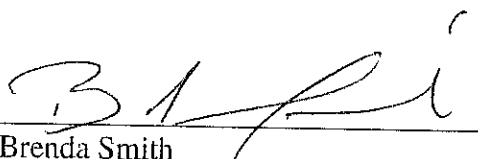
10.

California Business and Professions Code Section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Bureau, the Commissioner may request the administrative law judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of investigation and of enforcement of the case.

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1 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
2 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
3 action against the license and license rights of Respondents DE EQUITY GROUP and SCOTT
4 LEE ELLIS under the Real Estate Law, for the costs of investigation and enforcement as
5 provided by law, for costs of the audit, and for such other and further relief as may be proper
6 under other applicable provisions of law.

7 Dated at Fresno, California: 5-8-17

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11 Brenda Smith
12 Supervising Special Investigator

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24 cc: DE Equity Group
25 Scott Lee Ellis
26 Brenda Smith
27 Sacto
 Audits – Joshua Matkin