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FILED

MAY 21 2018

BUREAU OF REAL ESTATE

By 

8 **BEFORE THE BUREAU OF REAL ESTATE**

9 **STATE OF CALIFORNIA**

10 * * *

11 In the Matter of the Accusation of)

12 INLAND EQUITIES INC)

13 and)

14 DOUGLAS WASHBURN MEAD, individually)
15 and as designated officer of Inland Equities Inc)

16 Respondents.)

No. **H-04997 SD**

ACCUSATION

17
18 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the
19 State of California, for cause of Accusation against INLAND EQUITIES INC and DOUGLAS
20 WASHBURN MEAD, alleges as follows:

21 1.

22 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the
23 State of California, makes this Accusation in her official capacity.

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

BRE LICENSE HISTORY

3.

INLAND EQUITIES INC

A. Respondent INLAND EQUITIES INC ("IEI") is presently licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4 of the Code) as a real estate broker (corporation), California Bureau of Real Estate ("BRE" or "Bureau" or "CalBRE") license ID 01837577.

B. IEI was originally licensed by the BRE on or about February 14, 2008.

C. IEI's BRE mailing and main address of record are the same: 6370 Magnolia Ave Ste 200, Riverside CA 92506 ("Riverside address").

D. According to BRE records to date, IEI has three (3) active DBAs under its BRE license: De Anza Escrow Co. a non-independent broker escrow (active as of March 22, 2016); Plumco (active as of March 20, 2017); and Realty Executives (active as of February 14, 2008).

E. According to BRE records to date, IEI has one (1) branch office under its BRE license at 6281 Brockton Ave #4, Riverside, CA 92506.

F. According to BRE records to date, IEI has fifty-eight (58) real estate salespersons ("RES") under its BRE license.

G. According to BRE licensing records, the designated officer ("D.O.") of record for IEI is DOUGLAS WASHBURN MEAD.

H. IEI's BRE license will expire on February 13, 2020.

1 4.

2 DOUGLAS WASHBURN MEAD

3 A. Respondent DOUGLAS WASHBURN MEAD ("MEAD") is presently
4 licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4 of the Code)
5 as a real estate broker ("REB"), CalBRE license ID 01045077.

6 B. MEAD was originally licensed by the BRE as a RES on or about September
7 16, 1989, and as a REB on or about November 30, 2007.

8 C. MEAD's BRE mailing and main address of record is IEI's Riverside address

9 D. According to BRE records to date, MEAD has no active DBAs and no branch
10 offices under his BRE license.

11 E. MEAD is the D.O. of record for IEI until his officer expiration date of
12 February 13, 2020.

13 F. MEAD's BRE license will expire on November 29, 2019.

14 APPLICABLE SECTIONS OF THE REAL ESTATE LAW

15 5.

16 Trust Fund Handling –

17 Code Section 10145 and Regulations 2831, 2831.1, 2831.2, 2832, 2832.1,
18 2834, 2835, and 2951

19 Pursuant to Code Section 10145:

20 (a)(1): "A real estate broker who accepts funds belonging to others in
21 connection with a transaction subject to this part shall deposit all those funds that are not
22 immediately placed into a neutral escrow depository or into the hands of the broker's principal,
23 into a trust fund account maintained by the broker in a bank or recognized depository in this
24 state. All funds deposited by the broker in a trust account shall be maintained there until
25 disbursed by the broker in accordance with instructions from the person entitled to the funds.
26

1 (2) Withdrawals may be made from a trust fund account of an individual
2 broker only upon the signature of that broker, or in the case of a corporate broker, only upon
3 the signature of an officer through whom the corporation is licensed pursuant to Section 10158
4 or 10211, or one, or more, of the following persons if specifically authorized in writing by the
5 individual broker or officer:

6 (A) A real estate salesperson licensed to the broker.

7 (B) Another broker acting pursuant to a written agreement with the
8 individual broker that conforms to the requirements of this part and any regulations
9 promulgated pursuant to this part.

10 (C) An unlicensed employee of the individual broker, if the broker has
11 fidelity bond coverage equal to at least the maximum amount of the trust funds to which the
12 unlicensed employee has access at any time. For purposes of this section, bonds providing
13 coverage may be written with a deductible of up to 5 percent of the coverage amount. For
14 bonds with a deductible, the employing broker shall have evidence of financial responsibility
15 that is sufficient to protect members of the public against a loss subject to the deductible
16 amount. Evidence of financial responsibility shall include one or more of the following:

17 (i) Separate fidelity bond coverage adequate to cover the amount
18 of the fidelity bond deductible.

19 (ii) A cash deposit held in a separate account, apart from other
20 funds of the broker, the broker's employees, or the broker's
21 principals, in a bank or recognized depository in this state
22 adequate to cover the amount of the fidelity bond deductible and
23 held exclusively and solely for the purpose of paying the fidelity
24 bond deductible amount.

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(iii) Any other evidence of financial responsibility approved by the commissioner.

(3) An arrangement under which a person enumerated in subparagraph (A), (B), or (C) of paragraph (2) is authorized to make withdrawals from a trust fund account of a broker shall not relieve an individual broker, nor the broker-officer of a corporate broker licensee, from responsibility or liability as provided by law in handling trust funds in the broker's custody.

...

(b) A real estate broker acting as a principal pursuant to Section 10131.1¹ shall place all funds received from others for the purchase of real property sales contracts or promissory notes secured directly or collaterally by liens on real property in a neutral escrow depository unless delivery of the contract or notes is made simultaneously with the receipt of the purchase funds.

...

(g) The broker shall maintain a separate record of the receipt and disposition of all funds described in subdivisions (a) and (b), including any interest earned on the funds..."

6.

Pursuant to Regulation 2831:

"(a) Every broker shall keep a record of all trust funds received, including uncashed checks held pursuant to instructions of his or her principal. This record, including records maintained under an automated data processing system, shall set forth in chronological sequence the following information in columnar form:

(1) Date trust funds received.

¹Code Section 10131.1 states, "(a) A real estate broker within the meaning of this part is also a person who engages as a principal in the business of making loans or buying from, selling to, or exchanging with the public, real property sales contracts or promissory notes secured directly or collaterally by liens on real property..."

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7.

Pursuant to Regulation 2831.1, "(a) A broker shall keep a separate record for each beneficiary or transaction, accounting for all funds which have been deposited to the broker's trust bank account and interest, if any, earned on the funds on deposit. The record shall include information sufficient to identify the transaction and the parties to the transaction. Each record shall set forth in chronological sequence the following information in columnar form:

(1) Date of deposit.

(2) Amount of deposit.

(3) Date of each related disbursement.

(4) Check number of each related disbursement.

(5) Amount of each related disbursement.

(6) If applicable, dates and amounts of interest earned and credited to the account.

(7) Balance after posting transactions on any date.

(b) Maintenance of trust ledgers of separate beneficiaries or transactions, or similar records, or automated data processing systems, including computer systems and electronic storage and manipulation of information and documents, in accordance with generally accepted accounting principles will constitute compliance with subdivision (a), provided that such ledgers, records, or systems contain the elements required by subdivision (a) and that such elements are maintained in a format that will readily enable tracing and reconciliation in accordance with Section 2831.2."

8.

Pursuant to Regulation 2831.2, "The balance of all separate beneficiary or transaction records maintained pursuant to the provisions of Section 2831.1 must be reconciled

1 with the record of all trust funds received and disbursed required by Section 2831, at least once
2 a month, except in those months when the bank account did not have any activities. A record
3 of the reconciliation must be maintained, and it must identify the bank account name and
4 number, the date of the reconciliation, the account number or name of the principals or
5 beneficiaries or transactions, and the trust fund liabilities of the broker to each of the principals,
6 beneficiaries or transactions.”

7 9.

8 Pursuant to Regulation 2832:

9 “(a) Compliance with Section 10145 of the Code requires that the broker place
10 funds accepted on behalf of another into the hands of the owner of the funds, into a neutral
11 escrow depository or into a trust fund account in the name of the broker, or in a fictitious name
12 if the broker is the holder of a license bearing such fictitious name, as trustee at a bank or other
13 financial institution not later than three business days following receipt of the funds by the
14 broker or by the broker's salesperson.

15 (b) Except as expressly provided by subdivision (d) of Section 10145 of the
16 Code or by a regulation in this article, the account into which the trust funds are deposited shall
17 not be an interest-bearing account for which prior written notice can by law or regulation be
18 required by the financial institution as a condition to the withdrawal of funds.

19 (c) A check received from the offeror may be held uncashed by the broker until
20 acceptance of the offer if

21 (1) the check by its terms is not negotiable by the broker or if the offeror
22 has given written instructions that the check shall not be deposited nor cashed
23 until acceptance of the offer and

24 (2) the offeree is informed that the check is being so held before or at the
25 time the offer is presented for acceptance.

1 (d) In these circumstances if the offeror's check was held by the broker in
2 accordance with subdivision (c) until acceptance of the offer, the check shall be placed into a
3 neutral escrow depository or the trust fund account, or into the hands of the offeree if offeror
4 and offeree expressly so provide in writing, not later than three business days following
5 acceptance of the offer unless the broker receives written authorization from the offeree to
6 continue to hold the check.

7 (e) Notwithstanding the provisions of subdivisions (a) and (d), a real estate
8 broker who is not licensed under the Escrow Law (Section 17000, et seq., of the Financial
9 Code) when acting in the capacity of an escrow holder in a real estate purchase and sale,
10 exchange or loan transaction in which the broker is performing acts for which a real estate
11 license is required shall place all funds accepted on behalf of another into the hands of the
12 owner of the funds, into a neutral escrow depository or into a trust fund account in the name of
13 the broker, or in a fictitious name if the broker is the holder of a license bearing such fictitious
14 name, as trustee at a bank or other financial institution not later than the next business day
15 following receipt of the funds by the broker or by the broker's salesperson.”

16 10.

17 Pursuant to Regulation 2832.1, “The written consent of every principal who is an
18 owner of the funds in the account shall be obtained by a real estate broker prior to each
19 disbursement if such a disbursement will reduce the balance of the funds in the account to an
20 amount less than the existing aggregate trust fund liability of the broker to all owners of the
21 funds.”

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Pursuant to Regulation 2834:

“(a) Withdrawals may be made from a trust fund account of an individual broker only upon the signature of the broker or one or more of the following persons if specifically authorized in writing by the broker:

(1) a salesperson licensed to the broker.

(2) a person licensed as a broker who has entered into a written agreement pursuant to section 2726 with the broker.

(3) an unlicensed employee of the broker with fidelity bond coverage at least equal to the maximum amount of the trust funds to which the employee has access at any time.

(b) Withdrawals may be made from the trust fund account of a corporate broker only upon the signature of:

(1) an officer through whom the corporation is licensed pursuant to section 10158 or 10211 of the Code; or

(2) one of the persons enumerated in paragraph (1), (2) or (3) of subdivision (a) above, provided that specific authorization in writing is given by the officer through whom the corporation is licensed and that the officer is an authorized signatory of the trust fund account.

(c) An arrangement under which a person enumerated in paragraph (1), (2) or (3) of subdivision (a) above is authorized to make withdrawals from a trust fund account of a broker shall not relieve an individual broker, or the broker-officer of a corporate broker licensee, from responsibility or liability as provided by law in handling trust funds in the broker's custody.”

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12.

Pursuant to Regulation 2835:

“Commingling” as used in Section 10176(e) of the Code is prohibited except as specified in this section. For purposes of Section 10176(e), the following shall not constitute “commingling”:

(a) The deposit into a trust account of reasonably sufficient funds, not to exceed \$200, to pay service charges or fees levied or assessed against the account by the bank or financial institution where the account is maintained.

(b) The deposit into a trust account maintained in compliance with subdivision (d) of funds belonging in part to the broker's principal and in part to the broker when it is not reasonably practicable to separate such funds, provided the part of the funds belonging to the broker is disbursed not later than twenty-five days after their deposit and there is no dispute between the broker and the broker's principal as to the broker's portion of the funds. When the right of a broker to receive a portion of trust funds is disputed by the broker's principal, the disputed portion shall not be withdrawn until the dispute is finally settled.

(c) The deposit into a trust account of broker owned funds in connection with activities pursuant to either subdivision (d) or (e) of Section 10131 of the Code or when making, collecting payments or servicing a loan which is subject to the provisions of Section 10240 of the Code provided:

(1) The broker meets the criteria of Section 10232 of the Code.

(2) All funds in the account which are owned by the broker are identified at all times in a separate record which is distinct from any separate record maintained for a beneficiary.

(3) All broker owned funds deposited into the account are disbursed from the account not later than 25 days after their deposit.

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(4) The funds are deposited and maintained in compliance with subdivision (d).

(5) For the purpose of this section, a broker shall be deemed to be subject to the provisions of Section 10240 of the Code if the broker delivers the statement to the borrower required by Section 10240.

(d) The trust fund account into which the funds are deposited is maintained in accordance with the provisions of Section 10145 and the regulations of this article.”

13.

Pursuant to Regulation 2951: “The provisions of Sections 2831, 2831.1, 2831.2, 2832, 2832.1, 2834 and 2835 of these regulations shall apply to the handling of funds and the keeping of records by a real estate broker who is not licensed under the Escrow Law (Section 17000, et seq., of the Financial Code) when acting in the capacity of an escrow holder in a real estate purchase and sale, exchange or loan transaction in which the broker is performing acts for which a real estate license is required.”

Responsibility of Corporate Officer in Charge – Code Section 10159.2 and Regulation

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14.

Pursuant to Code Section 10159.2 (a), “The officer designed by a corporate broker license pursuant to Section 10211 shall be responsible for the supervision and control of the activities conducted on behalf of the corporation by its officers and employees as necessary to secure full compliance with the provisions of this division, including supervision of salespersons licensed to the corporation in the performance of acts for which a real estate license is required...”

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Pursuant to Regulation 2725, "A broker shall exercise reasonable supervision over the activities of his or her salespersons. Reasonable supervision includes, as appropriate, the establishment of policies, rules, procedures and systems to review, oversee, inspect and manage:

- a) Transactions requiring a real estate license.
- b) Documents which may have a material effect upon the rights or obligations of a party to the transaction.
- c) Filing, storage and maintenance of such documents.
- d) The handling of trust funds.
- e) Advertising of any service for which a license is required.
- f) Familiarizing salespersons with the requirements of federal and state laws relating to the prohibition of discrimination.
- g) Regular and consistent reports of licensed activities of salespersons.

The form and extent of such policies, rules, procedures and systems shall take into consideration the number of salespersons employed and the number and location of branch offices.

A broker shall establish a system for monitoring compliance with such policies, rules, procedures and systems. A broker may use the services of brokers and salespersons to assist in administering the provisions of this section so long as the broker does not relinquish overall responsibility for supervision of the acts of salespersons licensed to the broker."

False or Fictitious Business Name – Code Section 10159.5 and Regulation 2731

Pursuant to Code Section 10159.5(a)(1), "Every person applying for a license under this chapter who desires to have the license issued under a fictitious business name shall

1 file with his or her application a certified copy of his or her fictitious business name statement
2 filed with the county clerk pursuant to Chapter 5 (commencing with Section 17900) of Part 3 of
3 Division 7.”

4 17.

5 Pursuant to Regulation 2731(a), “A licensee shall not use a fictitious name in the
6 conduct of any activity for which a license is required under the Real Estate Law unless the
7 licensee is the holder of a license bearing the fictitious business name.”

8 **When Broker Handles Escrow – Regulation 2950**

9 18.

10 Pursuant to Regulation 2950, “The following acts in the handling of an escrow
11 by a real estate broker exempted from the provisions of the Escrow Law (by Section
12 17006(a)(4) of the Financial Code) are prohibited and may be considered grounds for
13 disciplinary action:

14 (a) Soliciting or accepting an escrow instruction (or amended or supplemental
15 escrow instruction) containing any blank to be filled in after signing or initialing of such escrow
16 instruction (or amended or supplemental escrow instruction).

17 (b) Permitting any person to make any addition to, deletion from, or alteration of
18 an escrow instruction (or amended or supplemental escrow instruction) received by such
19 licensee, unless such addition, deletion or alteration is signed or initialed by all persons who had
20 signed or initialed such escrow instruction (or amended or supplemental escrow instruction)
21 prior to such addition, deletion or alteration.

22 (c) Failing to deliver at the time of execution of any escrow instruction or
23 amended or supplemental escrow instruction a copy thereof to all persons executing the same.

24 (d) Failing to maintain books, records and accounts in accordance with accepted
25 principles of accounting and good business practice.

1 (e) Failing to maintain the office, place of books, records, accounts, safes, files,
2 and papers relating to such escrows freely accessible and available for audit, inspection and
3 examination by the commissioner.

4 (f) Failing to deposit all money received as an escrow agent and as part of an
5 escrow transaction in a bank, trust account, or escrow account on or before the close of the next
6 full working day after receipt thereof.

7 (g) Withdrawing or paying out any money deposited in such trustee account or
8 escrow account without the written instruction of the party or parties paying the money into
9 escrow.

10 (h) Failing to advise all parties in writing if he has knowledge that any licensee
11 acting as such in the transaction has any interest as a stockholder, officer, partner or owner of
12 the agency holding the escrow.

13 (i) Failing upon closing of an escrow transaction to render to each principal in
14 the transaction a written statement of all receipts and disbursements together with the name of
15 the person to whom any such disbursement is made.

16 (j) Delivering or recording any instrument which purportedly transfers a party's
17 title or interest in or to real property without first obtaining the written consent of that party to
18 the delivery or recording."

19 **Grounds for Revocation or Suspension – Code Section 10176 and Regulation 2830**

20 19.

21 Pursuant to Code Section 10176, "The commissioner may, upon his or her own
22 motion, and shall, upon the verified complaint in writing of any person, investigate the actions
23 of any person engaged in the business or acting in the capacity of a real estate licensee within
24 this state, and he or she may temporarily suspend or permanently revoke a real estate license at
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1 any time where the licensee, while a real estate licensee, in performing or attempting to
2 perform any of the acts within the scope of this chapter has been guilty of any of the following:

3 ...

4 (e) Commingling with his or her own money or property the money or other
5 property of others which is received and held by him or her.
6

7 ...

8 (g) The claiming or taking by a licensee of any secret or undisclosed amount of
9 compensation, commission, or profit or the failure of a licensee to reveal to the employer of the
10 licensee the full amount of the licensee's compensation, commission, or profit under any
11 agreement authorizing or employing the licensee to do any acts for which a license is required
12 under this chapter for compensation or commission prior to or coincident with the signing of an
13 agreement evidencing the meeting of the minds of the contracting parties, regardless of the form
14 of the agreement, whether evidenced by documents in an escrow or by any other or different
15 procedure.”

16 20.

17 Pursuant to Regulation 2830: “The relationship between a real estate broker and
18 a client for whom the broker holds funds in trust is an agency relationship. As an agent, the
19 broker owes a fiduciary duty to the client regarding the handling of the trust. Any benefit
20 received by the broker relating to the broker's handling of client funds in trust belongs to the
21 client by law, and the broker must pass that benefit along to the client.
22

23 (a) Unless in possession of written permission from the client, it is unlawful for
24 any real estate broker, including any corporate broker, to receive, directly or indirectly, any
25 commission, compensation, or other consideration, whether personal or professional, from any
26 person or institution other than the client as an inducement for the placement of a trust fund
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1 account in accordance with Section 10145 of the Business and Professions Code. Actual
2 placement of a trust fund account is not a precondition to a violation of this section, whether the
3 violation is or is not a per se violation pursuant to subsection (c), below.

4 (b) For purposes of this section, a "compensating balance" is a balance
5 maintained in a checking account or other account in a bank or other recognized depository in
6 the name of a real estate broker for the purpose of paying bank fees on a separate trust fund
7 account.

8 (c) Unless in possession of written permission from the client as described in
9 subsection (a), the following activities, whether performed directly or indirectly, are deemed per
10 se receipt of inducements for the placement of trust account business by any person and are
11 unlawful:

12 (1) Receiving or requesting payment for, accepting or requesting
13 provision of, or accepting or requesting assistance with business expenses,
14 including, but not limited to, rent, employee salaries, furniture, copiers,
15 facsimile machines, automobiles, telephone services or equipment, or
16 computers.

17 (2) Receiving or requesting receipt of any form of consideration intended
18 for the benefit of the broker, rather than the trust account itself, including cash,
19 below market rate loans, automobile charges, or merchandise or merchandise
20 credits.

21 (3) Receiving or requesting to receive on behalf of the broker or
22 corporation, compensating balances or benefits in the pricing or fees for the
23 maintenance of a compensating balance account.
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(4) Receiving or requesting provision of all, or any part, of the time or productive effort of any employee of the bank or other recognized depository for any service unrelated to the trust account.

(5) Receiving or requesting expenditures for food, beverages, and entertainment.

(d) Receipt or request of receipt of the following are not deemed to be unlawful or in violation of this section:

(1) Promotional items with a permanently affixed company logo of the bank or other recognized depository with a value of not more than ten dollars (\$10) each. "Promotional item" does not include a gift certificate, gift card, or other item that has a specific monetary value on its face, or that may be exchanged for any other item having a specific monetary value.

(2) Receipt or requested receipt of education or educational materials exclusively related to the business of trust fund management if continuing education credits are not provided.

(e) The receipt or requested receipt of any form of consideration as an inducement for the placement of a trust account not specifically set forth in this section shall not be presumed lawful merely because it is not specifically prohibited.

Further Grounds for Disciplinary Action – Code Section 10177

21.

Pursuant to Code Section 10177, "The commissioner may suspend or revoke the license of a real estate licensee, delay the renewal of a license of a real estate licensee, or deny the issuance of a license to an applicant, who has done any of the following:

...

1 (d) Willfully disregarded or violated the Real Estate Law (Part 1 (commencing
2 with Section 10000)) or Chapter 1 (commencing with Section 11000) of Part 2 or the rules and
3 regulations of the commissioner for the administration and enforcement of the Real Estate Law
4 and Chapter 1 (commencing with Section 11000) of Part 2.”

5 . . .

6 (g) Demonstrated negligence or incompetence in performing an act for which he
7 or she is required to hold a license.

8 (h) As a broker licensee, failed to exercise reasonable supervision over the
9 activities of his or her salespersons, or, as the officer designated by a corporate broker licensee,
10 failed to exercise reasonable supervision and control of the activities of the corporation for
11 which a real estate license is required...”

12 **BRE AUDITS OF INLAND EQUITIES INC's BROKER ESCROW ACTIVITY (SD**
13 **160029); PROPERTY MANAGEMENT ACTIVITY (SD 160035); & REAL ESTATE**
14 **SALES ACTIVITY (SD 160036)**

15 22.

16 On April 28, 2017, the BRE completed three (3) audit examinations of the books
17 and records of Respondent IEI pertaining to its broker escrow activities (SD 160029) described in
18 Paragraph 25 below, its property management activities (SD 160035) described in Paragraph 26
19 below, and its real estate sales activity (SD 160036) described in Paragraph 27 below
20 (collectively, “IEI Audit Report”), all of which require a real estate license. The three audit
21 examinations covered a period of time beginning on January 1, 2016 and ending on December
22 31, 2016 (“audit examination period” or “audit period”), and were performed during the period
23 February 14, 2017 through April 5, 2017 (“audit field work period”) combined into one Audit
24 Report dated April 28, 2017. The final report of April 28, 2017 revealed violations of the Code
25 and the Regulations as set forth in the following paragraphs, and more fully discussed in the IEI
26

1 Audit Report.

2 23.

3 IEI's Business Activities & Corporate Structure

4 At all times mentioned in Riverside County, California, Respondent IEI acted as
5 a REB, and ordered, caused, authorized or participated in licensed activities within the meaning
6 of:

7 A. Code Section 10131(a), wherein IEI engaged in real estate sales activities,
8 and sold or offered to sell, bought or offered to buy, solicited prospective sellers or purchasers
9 of, solicited or obtained listings of, or negotiated the purchase, sale or exchange of real
10 property or a business opportunity ("real estate sales");

11 B. Code Section 10131(b), wherein IEI engaged in property management
12 activities, and leased or rented or offered to lease or rent, or placed for rent, or solicited listings
13 of places for rent, or solicited for prospective tenants, or negotiated the sale, purchase or
14 exchanges of leases on real property, or on a business opportunity, or collected rent from real
15 property, or improvements thereon, or from business opportunities ("property management");
16 and

17 C. Financial Code Section 17006(a)(4) exception, wherein IEI, as a REB
18 licensed by the Real Estate Commissioner, performed acts in the course of or incidental to a
19 real estate transaction in which the broker is an agent or a party to the transaction and in which
20 the broker is performing an act for which a real estate license is required ("broker escrows").

21 24.

22 IEI

23 At the time of the audit examination, the corporate structure for IEI was as
24 follows: Chief Executive Officer and 50% owner (MEAD); Chief Financial Officer and 50%

1 owner, RES James D. Booth, CalBRE license ID 01031891 (“J. Booth”); and Secretary RES
2 Marla M. Booth, CalBRE license ID 01233208 (“M. Booth”).

3 25.

4 IEI’s Broker Escrow Activities (SD 160029)

5 According to D.O. MEAD, as of the audit examination, IEI opened ninety-one
6 (91) escrows, of which seventy-six (76) were closed and fifteen (15) were cancelled. In
7 connection with its broker escrow activities, IEI collected about \$16.9 million in trust funds.
8 IEI maintained one (1) bank account that handled trust funds in connection with the broker
9 escrow activity during the audit period. IEI met the escrow threshold for calendar year 2016
10 and submitted the Escrow Activity Report (RE 890) to the CalBRE on March 2, 2017.

11 26.

12 IEI’s Broker Property Management Activities (SD 160035)

13 According to D.O. MEAD, as of the audit examination, IEI managed about
14 seventy-seven (77) properties for about forty-six (46) owners. In connection with its property
15 management activities, IEI collected about \$1.4 million in trust funds. IEI maintained four (4)
16 bank accounts that handled trust funds in connection with the property management activity
17 during the audit period.

18 27.

19 IEI’s Real Estate Sales Activities (SD 160036)

20 According to D.O. MEAD, as of the audit examination, IEI closed about three
21 hundred seventy-nine sales transactions and did not collect any Earnest Money Deposits
22 (“EMD”) during the audit period. In connection with its real estate sales activity, IEI did not
23 maintain a trust account and did not maintain a columnar record of trust funds received not
24 placed in broker’s trust account during the audit period. EMDs were held and delivered directly
25 to escrow by the buyers in connection with IEI’s sales activity.

Bank Accounts

According to D.O. MEAD, IEI maintained five (5) bank accounts that handled trust funds in connection with its broker escrow and property management activities during the audit period:

Trust Account 1 ("T/A 1")

* Account Name: "INLAND EQUITIES INC DBA De Anza Escrow ANIBE ("ANIBE" is an abbreviation for "A Non-Independent Broker Escrow.") Escrow Trust Account"

* Bank: Citizens Business Bank, 701 N. Haven Ave., Ontario, CA 91764

* Account No. #####2349

* Signatories: MEAD, RES J. Booth, RES M. Booth (1 signature required)

IEI maintained T/A 1 as a bank account for multiple beneficiaries to handle the receipts and disbursements of trust funds in connection with IEI's broker escrow activity. The BRE Auditor prepared a bank reconciliation for T/A 1 in connection with the broker escrow activity with the cutoff date of December 30, 2016. Using the separate records provided by MEAD and IEI's escrow officer, non-licensee Raquel Bauer ("Bauer"), the adjusted bank balance was compared to the total balance of the separate records ("accountability").

Trust Account 2 ("T/A 2")

* Account Name: "INLAND EQUITIES INC DBA Realty Executives Property Management Trust"

* Bank: First National Bank of Southern California, 3727 Arlington Ave., Riverside, CA 92506

* Account No. ###2069

* Signatories: MEAD, RES Susie Wen (CalBRE license ID 2532069) ("Wen") (1 signature required)

IEI maintained T/A 2 as a bank account for multiple beneficiaries to handle the receipts and disbursements of trust funds in connection with IEI's property management activity. The BRE Auditor prepared a bank reconciliation for T/A 2 in connection with the property management activity with the cutoff date of December 30, 2016. Using the separate

1 records provided by MEAD and Wen, the adjusted bank balance was compared to the total
2 balance of the separate records (“accountability”).

3 Trust Account 3 (“T/A 3”)

4 * Account Name: “INLAND EQUITIES INC DBA Realty Executives Property
Management Trust”

5 * Bank: First National Bank of Southern California, 3727 Arlington Ave.,
Riverside, CA 92506

6 * Account No. ###2107

7 * Signatories: MEAD, RES Raquel J. Comstock (CalBRE license ID 01091437)
8 (“Comstock”) (1 signature required)

9 IEI maintained T/A 3 as a bank account for multiple beneficiaries to handle the
10 receipts and disbursements of trust funds in connection with IEI’s property management
11 activity. The BRE Auditor prepared a bank reconciliation for T/A 3 in connection with the
12 property management activity with the cutoff date of December 30, 2016. Using the separate
13 records provided by MEAD and Comstock, the adjusted bank balance was compared to the
14 total balance of the separate records (“accountability”).

15 Bank Account 1 (“B/A 1”)

16 * Account Name: “Pluimco”

17 * Bank: Wells Fargo Bank, 6189 Magnolia Ave., Riverside, CA 92506

18 * Account No. #####2972

19 * Signatories: MEAD, RES Michael W. Pluim (CalBRE license ID 01175477),
20 RES Lauralee Pluim (CalBRE license ID 01314182), Teresa A. Bedford
21 (“Bedford”) (unlicensed) (1 signature required)

22 IEI maintained B/A 1 as a bank account for multiple beneficiaries to handle the
23 receipts and disbursements of trust funds (rents and security deposits) in connection with IEI’s
24 property management activity.

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1 Auditor found at least thirteen (13) examples where the B/A 1 control record was missing
2 information regarding from whom trust funds were received, or checks disbursed from B/A 1
3 were not recorded on the control record.

4 B. During the audit period, IEI failed to maintain an accurate and complete
5 records of all trust funds received and disbursed (“control record”) for T/A 2, which was used
6 for handling the receipts and disbursements of trust funds in connection with IEI’s property
7 management activity, in violation of **Code Section 10145 and Regulation 2831**. The BRE
8 Auditor found at least thirteen (13) examples where the T/A 2 control record was missing the
9 check number of related disbursements or an incorrect check number was recorded on the
10 control record.

11 32.

12 **Trust Fund Handling – Separate Record For Each Beneficiary or Transaction**
13 **(Code Section 10145 and Regulation 2831.1)**

14 A. During the audit period, IEI failed to maintain accurate and complete separate
15 records for B/A 1. Some checks that were disbursed from B/A 1 were not recorded on the
16 separate records, in violation of **Code Section 10145 and Regulation 2831.1**.

17 B. During the audit period, IEI failed to maintain a separate record for the
18 “unidentified/ unaccounted fro funds” held in B/A 1 and B/A 2 combined totaling \$5,167.00 as
19 of December 31, 2016, in violation of **Code Section 10145 and Regulation 2831.1**.

20 C. During the audit period, IEI failed to maintain accurate separate records for
21 T/A 2. The dates in which some of the checks were recorded on the separate records were
22 inaccurate, in violation of **Code Section 10145 and Regulation 2831.1**.

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Trust Fund Handling – Trust Account Reconciliation

(Code Section 10145 and Regulation 2831.2)

A. During the audit period, IEI failed to perform and maintain a monthly reconciliation comparing the balance of all the separate beneficiary or transaction records (separate records) to the balance of the record of all trust funds received and disbursed (control record) for T/A 2, T/A 3, B/A 1 and B/A 2 I connection with its property management activities, in violation of **Code Section 10145 and Regulation 2831.2.**

B. During the audit period, IEI failed to reconcile the “unidentified/unaccounted for funds” held in B/A 1 and B/A 2 combined totaling \$5,167.00 as of December 31, 2016, in violation of **Code Section 10145 and Regulation 2831.2.**

Trust Fund Handling

(Code Section 10145 and Regulation 2832)

According to the bank signature cards maintained at Wells Fargo Bank for B/A 1 and B/A 2, which were used for handling the receipts and disbursements in connection with IEI’s property management activity, the bank accounts B/A 1 and B/A 2 were not set up in the name of INLAND EQUITIES INC or its fictitious business names(s) as a trustee; instead, B/A and B/A 2 were set up in the name of “Pluimco,” in violation of **Code Section 10145 and Regulation 2832.**

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1 35.

2 **Trust Account Withdrawals**

3 **(Code Section 10145 and Regulation 2834)**

4 According to the bank signature cards maintained at Wells Fargo Bank for B/A 1
5 and B/A 2, MEAD allowed Bedford, an unlicensed employee/bookkeeper to be a signer on said
6 accounts without fidelity bond coverage, in violation of **Code Section 10145 and Regulation**
7 **2834.**

8 36.

9 **Commingling/Excess Broker's Funds Held In Bank Account that Handled Trust Funds/**

10 **Commingling/ Broker's Funds Held Longer than Twenty-Five (25) Days**

11 **(Code Sections 10145 and 10176(e) and Regulations 2835(a), 2835(b), and 2951)**

12 A. IEI kept more than \$200.00 of its own funds in B/A 1. As of December 31,
13 2016, IEI had a balance of \$350.34 of its own funds in B/A 1, in violation of **Code Sections**
14 **10145 and 10176(e) and Regulation 2835(a).**

15 B. As of December 30, 2016, IEI kept \$15,473.25 of commingled
16 fees/commissions for over twenty-five (25) days in T/A 1 after their deposit, in violation of
17 **Code Sections 10145 and 10176(e) and Regulations 2835(b), and 2951.** According to
18 MEAD, the \$15,473.25 of commingled fees/commissions were transferred to IEI's general
19 business account on January 27, 2017.

20 37.

21 **Secret Profit or Undisclosed Compensation/ Broker Placement of Trust Funds with**
22 **Financial Institutions**

23 **(Code Section 10176(g) and Regulation 2830)**

24 IEI engaged in an earnings credit relationship with Citizens Business Bank
25 whereby IEI received earnings credit from trust funds available in T/A 1 in connection with
26

1 IEI's broker escrow activity. In at least six (6) instances, the earnings credit was used to offset
2 bank service charges incurred in T/A 1 and it was not disclosed in writing to the owners of the
3 trust funds, in violation of **Code Section 10176(g) and Regulation 2830.**

4 38.

5 **When Broker Handles Escrow –**

6 **Failure to Disclose Interest in the Agency Holding the Escrow**

7 **(Regulation 2950(h))**

8 IEI failed to advise all parties in writing of its ownership interest in the escrow
9 division in all of the escrow files sampled for examination, in violation of **Regulation 2950(h).**

10 39.

11 **Use of False or Fictitious Business Names**

12 **(Code Section 10159.5 and Regulation 2731)**

13 A. During the audit period, IEI used the unlicensed fictitious business names
14 (“FBN”) “Pluimco” and “Pluimco Real Estate Team” in connection with its property
15 management activity without first obtaining a license from the BRE bearing said FBNs, in
16 violation of **Code Section 10159.5 and Regulation 2731.**

17 B. During the audit period, IEI used the unlicensed FBN “De Anza Escrow A
18 Non-Independent Broker Escrow” in connection with its broker escrow activity without first
19 obtaining a license from the BRE bearing said FBN, in violation of **Code Section 10159.5 and**
20 **Regulation 2731.**

21 40.

22 **Responsibility of Corporate Officer in Charge/Broker Supervision**

23 **(Code Sections 10159.2 and 10177(h) and Regulation 2725)**

24 The acts and/or omissions of MEAD, as the D.O. of INLAND EQUITIES INC
25 during the audit period, demonstrate a failure to adequately supervise the real estate activities of
26

1 INLAND EQUITIES INC and its salespersons and its employees to ensure compliance with the
2 Real Estate Law and Regulations. The acts and/or failures to act constitute grounds for the
3 suspension or revocation of the license and license rights of Respondent MEAD under the
4 provisions of **Code Sections 10159.2 and 10177(h) and Regulation 2725.**

5 **Additional Violations of the Real Estate Law**

6 41.

7 The overall conduct of Respondents INLAND EQUITIES INC and MEAD is
8 violative of the Real Estate Law and constitutes cause for the suspension or revocation of both
9 real estate licenses and license rights under the provisions of **Code Section 10177(g)** for
10 negligence and **Code Section 10177(d)** for willful disregard of the Real Estate Law.

11 **COSTS**

12 **Investigation and Enforcement Costs**

13 42.

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

19 **Audit Costs**

20 43.

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

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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 the licenses and license rights of Respondents INLAND EQUITIES INC and DOUGLAS WASHBURN MEAD under the Real Estate Law (Part 1 of vision 4 of the Business and Professions Code), for the cost of investigation and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law, and for costs of audit.

Dated at Los Angeles, California

this 16 day of May, 2018.



Veronica Kilpatrick
Supervising Special Investigator

cc: INLAND EQUITIES INC
DOUGLAS WASHBURN MEAD
Enforcement – C. Manley, V. Kilpatrick
Audits – Z. Wanis, D. Cheng, J. Lin
Sacto.