

1 Department of Real Estate
2 320 West Fourth Street, #350
3 Los Angeles, California 90013

4 (213) 576-6982
5 (213) 620-6430

Arthur B. Jones

8 BEFORE THE DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * *

11	In the Matter of the Accusation of)	No. H-34145 LA
)	L-2007080755
12	ZIP CODE PROPERTIES, INC., a real)	
	estate corporation; and)	<u>STIPULATION AND</u>
13	LOUIS JOHN PUHEK, individually)	<u>AGREEMENT</u>
14	and as designated broker-officer of)	
	Zip Code Properties, Inc.,)	
15)	
	<u>Respondents.</u>)	

17 It is hereby stipulated by and between ZIP CODE
18 PROPERTIES, INC., a real estate corporation dba Integrity
19 Funding, dba RE/MAX Casa Camino Real, dba RE/MAX Prime
20 Property, and dba RE/MAX Professionals (sometimes referred to
21 herein as "Respondent ZIP CODE"); and LOUIS JOHN PUHEK
22 (sometimes referred to herein as "Respondent PUHEK"),
23 individually and as designated broker-officer of ZIP CODE, both
24 represented by Gregory W. Koehler, Esq., and the Complainant,
25 acting by and through Martha J. Rosett, Counsel for the
26 Department of Real Estate, as follows for the purpose of

1 settling and disposing of the Accusation filed on July 26, 2007
2 in this matter:

3 1. All issues which were to be contested and all
4 evidence which was to be presented by Complainant and
5 Respondents at a formal hearing on the Accusation, which
6 hearing was to be held in accordance with the provisions of the
7 Administrative Procedure Act (APA), shall instead and in place
8 thereof be submitted solely on the basis of the provisions of
9 this Stipulation and Agreement.

10 2. Respondents have received, read and understand
11 the Statement to Respondent, the Discovery Provisions of the
12 APA and the Accusation filed by the Department of Real Estate
13 in this proceeding.

14 3. On August 7, 2007, Respondents filed Notices of
15 Defense pursuant to Section 11506 of the Government Code for
16 the purpose of requesting a hearing on the allegations in the
17 Accusation. In order to effectuate this settlement,
18 Respondents hereby freely and voluntarily withdraw said Notices
19 of Defense. Respondents acknowledge that they understand that
20 by withdrawing said Notices of Defense, they will thereby waive
21 their rights to require the Commissioner to prove the
22 allegations in the Accusation at a contested hearing held in
23 accordance with the provisions of the APA and that they will
24 waive other rights afforded to them in connection with the
25 hearing such as the right to present evidence in defense of the
26 allegations in the Accusation and the right to cross-examine
27 witnesses.

1 4. Respondents, pursuant to the limitations set
2 forth below, although not admitting or denying the truth of the
3 allegations, will not contest the factual allegations contained
4 in the Accusation filed in this proceeding and the Real Estate
5 Commissioner shall not be required to provide further evidence
6 of such allegations.

7 5. It is understood by the parties that the Real
8 Estate Commissioner may adopt the Stipulation and Agreement as
9 his Decision in this matter, thereby imposing the penalty and
10 sanctions on Respondents' real estate licenses and license
11 rights as set forth in the below "Order". In the event that
12 the Commissioner in his discretion does not adopt the
13 Stipulation and Agreement, it shall be void and of no effect,
14 and Respondents shall retain the right to a hearing and
15 proceeding on the Accusation under all the provisions of the
16 APA and shall not be bound by any stipulation or waiver made
17 herein.

18 6. The Order or any subsequent Order of the Real
19 Estate Commissioner made pursuant to this Stipulation and
20 Agreement shall not constitute an estoppel, merger or bar to
21 any further administrative proceedings by the Department of
22 Real Estate with respect to any matters which were not
23 specifically alleged to be causes for accusation in this
24 proceeding.

25 7. This Stipulation and Respondents' decision not to
26 contest the Accusation are made for the purpose of reaching an
27 agreed disposition of this proceeding, and are expressly

1 limited to this proceeding and any other proceeding or case in
2 which the Department of Real Estate ("Department"), or another
3 licensing agency of this state, another state or if the federal
4 government is involved and otherwise shall not be admissible in
5 any other criminal or civil proceedings.

6 DETERMINATION OF ISSUES

7 By reason of the foregoing stipulations and waivers
8 and solely for the purpose of settlement of the pending
9 Accusation without a hearing, it is stipulated and agreed that
10 the following Determination of Issues shall be made:

11 1. The conduct, acts or omissions of Respondent ZIP
12 CODE PROPERTIES, INC., as set forth in the Accusation,
13 constitute cause to suspend or revoke the real estate license
14 and license rights of Respondent ZIP CODE PROPERTIES, INC.,
15 under the provisions of Business and Professions Code ("Code")
16 Section 10177(d) for violation of Code Section 10177.4.

17 2. The conduct, acts or omissions of Respondent
18 LOUIS JOHN PUHEK, as set forth in the Accusation, constitute
19 cause to suspend or revoke the real estate license and license
20 rights of Respondent LOUIS JOHN PUHEK under the provisions of
21 Code Sections 10177(d) and 10177(h) for violation of Code
22 Sections 10177.4 and 10159.2.

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1 5. If Respondent ZIP CODE pays the monetary penalty
2 and if no further cause for disciplinary action against the
3 real estate license of Respondent ZIP CODE occurs within two
4 years from the effective date of the Decision, the stay hereby
5 granted shall become permanent.

6 II. All licenses and licensing rights of Respondent
7 LOUIS JOHN PUHEK under the Real Estate Law are suspended for a
8 period of sixty (60) days from the effective date of this
9 Decision; provided, however, that sixty (60) days of said
10 suspension shall be stayed for two (2) years upon the following
11 terms and conditions:

12 1. Respondent shall obey all laws, rules and
13 regulations governing the rights, duties and responsibilities
14 of a real estate licensee in the State of California; and

15 2. That no final subsequent determination be made,
16 after hearing or upon stipulation, that cause for disciplinary
17 action occurred within two (2) years of the effective date of
18 this Decision. Should such a determination be made, the
19 Commissioner may, in his discretion, vacate and set aside the
20 stay order and reimpose all or a portion of the stayed
21 suspension. Should no such determination be made, the stay
22 imposed herein shall become permanent.

23
24 DATED: 6/2/08


Martha J. Rosett
MARTHA J. ROSETT
Counsel for Complainant

26 * * *

1 We have read the Stipulation and Agreement, have
 2 discussed it with our counsel, and its terms are understood by
 3 us and are agreeable and acceptable to us. We understand that
 4 we are waiving rights given to us by the California
 5 Administrative Procedure Act (including but not limited to
 6 Sections 11506, 11508, 11509 and 11513 of the Government Code),
 7 and we willingly, intelligently and voluntarily waive those
 8 rights, including the right of requiring the Commissioner to
 9 prove the allegations in the Accusation at a hearing at which
 10 we would have the right to cross-examine witnesses against us
 11 and to present evidence in defense and mitigation of the
 12 charges.

13 Respondents may signify acceptance and approval of the
 14 terms and conditions of this Stipulation and Agreement by faxing
 15 a copy of its signature page, as actually signed by Respondents,
 16 to the Department at the following fax number (213) 576-6917.
 17 Respondents agree, acknowledge and understand that by
 18 electronically sending to the Department a fax copy of their
 19 actual signatures as they appear on the Stipulation, that receipt
 20 of the faxed copy by the Department shall be as binding on
 21 Respondents as if the Department had received the original signed
 22 Stipulation and Agreement.


23
 24 DATED: 05/17/08


 LOUIS JOHN PUHEK, individually,
 Respondent

27

1 DATED:

05/12/08


LOUIS JOHN PUHEK, designated
broker-officer, on behalf of
Respondent ZIP CODE PROPERTIES,
INC.

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3
4
5 DATED:

5/17/08


Gregory W. Koehler, Esq.
Counsel for Respondent

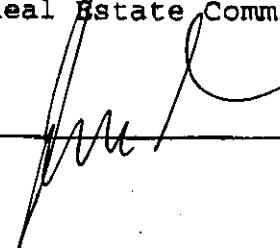
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7 * * * *

8 The foregoing Stipulation and Agreement is hereby
9 adopted as my Decision in this matter and shall become
10 effective at 12 o'clock noon on JUL 10 2008

11 IT IS SO ORDERED

6-7-08

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13 JEFF DAVI
Real Estate Commissioner

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MARTHA J. ROSETT, Counsel (SBN #142072)
Department of Real Estate
320 West Fourth St., #350
Los Angeles, CA 90013

(213) 576-6982
(213) 576-6912

FILED
JUL 26 2007
DEPARTMENT OF REAL ESTATE
Laura S. Stone

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * * *

In the Matter of the Accusation of)	No. H-34145 LA
)	
ZIP CODE PROPERTIES, INC., a real estate)	<u>A C C U S A T I O N</u>
corporation; and LOUIS JOHN PUHEK,)	
individually and as designated officer)	
of Zip Code Properties, Inc.,)	
)	
Respondents.)	

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner, for cause of Accusation against ZIP CODE PROPERTIES, INC., a real estate corporation dba Integrity Funding, dba RE/MAX Casa Camino Real, dba RE/MAX Prime Property, and dba RE/MAX Professionals; and LOUIS JOHN PUHEK, aka L. John Puhek, individually and as designated officer of Zip Code Properties, Inc., is informed and alleges as follows:

1.

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in her official capacity.

2.

1 Respondent ZIP CODE PROPERTIES, INC. (hereinafter
2 "Respondent ZIP CODE") is presently licensed and at all times
3 relevant herein was licensed by the Department of Real Estate of
4 the State of California under the Real Estate Law, Part 1 of
5 Division 4 of the California Business and Professions Code
6 (hereinafter "Code") as a corporate real estate broker.
7

8 Respondent ZIP CODE was originally licensed by the Department as
9 a corporate real estate broker on or about June 5, 2002. At all
10 times relevant herein, Respondent ZIP CODE was and is authorized
11 to act as a real estate broker by and through Respondent LOUIS
12 JOHN PUHEK as the designated officer and broker responsible
13 pursuant to the provisions of Code Section 10159.2 for the
14 supervision and control of the activities conducted on behalf of
15 Respondent ZIP CODE by its officers and employees.
16

3.

17 Respondent LOUIS JOHN PUHEK, aka L. John Puhek
18 (hereinafter "Respondent PUHEK") was originally licensed by the
19 Department as a real estate broker on or about June 11, 1993, and
20 was licensed as a salesperson prior to that time. At all times
21 relevant herein, Respondent PUHEK was and is licensed by the
22 Department as the broker officer of Respondent ZIP CODE
23 designated pursuant to Code Section 10159.2 to be responsible for
24 the supervision and control of the activities conducted on behalf
25 of Respondent ZIP CODE by its officers and employees as necessary
26
27

1 to secure full compliance with the Real Estate Law.

2 4.

3 At all times material herein, Respondents ZIP CODE and
4 PUHEK (collectively referred to herein as "Respondents"), engaged
5 in the business of, acted in the capacity of, advertised or
6 assumed to act as real estate brokers within the meaning of Code
7 Sections 10131(a) and (d), representing another or others in the
8 purchase, sale or exchange of real property, and in loans secured
9 by real property, as well as performing escrow services in
10 relation to those transactions pursuant to Financial Code Section
11 10076(a)(4).

12 5.

13 All further references to "Respondents", unless
14 otherwise specified, include the parties identified in
15 Paragraphs 2 and 3 above, and also include the employees, agents
16 and real estate licensees employed by or associated with said
17 parties, who at all times herein mentioned were engaged in the
18 furtherance of the business or operations of said parties and
19 who were acting within the course and scope of their authority
20 and employment.

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1
2 UNLAWFUL REFERRAL OF CUSTOMERS FOR COMPENSATION

3 (Business and Professions Code Section 10177.4)

4 "Participation Agreement"

5 6.

6 Beginning on or about November 25, 2003, and continuing
7 through on or about February 23, 2005, Respondents, in connection
8 with their real estate sales activities set forth in Paragraph 4
9 above, engaged in a reinsurance program with Land America
10 Reinsurance Services, Inc. and its affiliates Lawyers Title
11 Insurance Company and Commonwealth Land Title Company (hereafter
12 collectively referred to as "LARS").

13 7.

14 On or about November 25, 2003, Respondent PUHEK, on
15 behalf of Respondent ZIP CODE, executed a "Participation
16 Agreement" with LARS. Pursuant to the Participation Agreement,
17 Respondents would receive \$300.00 per transaction, plus a
18 percentage of the premium paid to LARS for every real estate
19 transaction in which the parties purchased title insurance from
20 one of the LARS affiliates. Under this Participation Agreement,
21 Respondents paid a one time \$10,000.00 "Participation Fee".
22 Respondent also provided a security deposit in the form of a
23 letter of credit in the amount of \$25,000.00. Respondent ZIP
24 CODE agreed to assume 20% liability for title insurance losses,
25 if any, from real estate transactions generated by Respondent ZIP
26 CODE, as "reinsurance." In exchange, LARS and/or its affiliates
27 would pay Respondent ZIP CODE 20% of the title insurance premiums

1 collected per transaction, plus a \$300.00 processing fee, per
2 transaction.

3 8.

4 In 2005, the California Department of Insurance (DOI)
5 held public hearings relating to the business practice of
6 entering into the types of reinsurance agreements described
7 above. At these hearings, it was determined that the typical
8 loss ratio as to title insurance is three to five percent. DOI
9 found that there is in fact little or no risk transferred to the
10 reinsurer (such as, in this case, the real estate broker) in
11 exchange for the portion of premium they are collecting.
12 Further, DOI found that in California, the normal practice is not
13 to have a reinsurer in connection with title business. DOI
14 determined that the reinsurance agreements of the type entered
15 into between LARS and related affiliates and Respondent ZIP CODE
16 were not legitimate reinsurance agreements. Rather, these
17 agreements were created as part of a scheme under which title
18 insurers were paying real estate brokers illegal rebates - in the
19 form of "premiums" on fictitious reinsurance paid to captive
20 reinsurers - in exchange for the brokers channeling business to
21 the title companies.

22 9.

23 Between on or after November 25, 2003 through on or
24 about February 23, 2005, in connection with their real estate
25 brokerage activities set forth in Paragraph 4 above, Respondent
26 ZIP CODE received distributions in excess of \$2,856.93 for
27 referrals of parties to LARS and LARS affiliates as a result of

1 real property sales and loan transactions negotiated by
2 Respondent ZIP CODE. Examples of transactions in which
3 Respondent ZIP CODE received compensation for referral of LARS
4 affiliated title insurance companies include, but are not limited
5 to, the following transactions.

6 715 Oceanview Terrace, Vista, California

7 10.

8 In July of 2004, Respondent ZIP CODE represented Ronald
9 and Nevadean Clay in the sale of real property they owned located
10 at 715 Oceanview Terrace, Vista, California. Escrow in this
11 transaction was handled by Respondent's escrow division, RE/MAX
12 Professionals Escrow. The parties obtained title insurance from
13 LandAmerica Lawyer's Title Insurance Co., a LARS affiliate.
14 Escrow closed on or about July 30, 2004. In August of 2004,
15 after the close of escrow, LARS paid Respondents a \$300
16 "processing fee" and a \$465.60 reinsurance payment to
17 Respondents, pursuant to the Participation Agreement set forth
18 above.

19 1279 Avenida Amistad, San Marcos, CA

20 11.

21 Beginning in late June of 2004, and continuing through
22 closing of the transaction in August of 2004, Respondent ZIP CODE
23 represented Dani Lebo in the sale of real property located at
24 1279 Avenida Amistad, San Marcos, California. Escrow in this
25 transaction was handled by Fidelity National Title Company. The
26 parties obtained title insurance from Commonwealth Title, a LARS
27 affiliate. On or about August 17, 2004, escrow closed at

1 Suburban Cities Escrow. In connection with this transaction, on
2 or about August 17, 2004, after the close of escrow, LARS paid
3 Respondents a \$300 "processing fee" and a \$375.80 reinsurance
4 payment, pursuant to the Participation Agreement set forth above.

5 758 Via Bahia, San Marcos, CA

6 12.

7 Beginning in June of 2004, and continuing through
8 closing of the transaction in August of 2004, Respondent ZIP CODE
9 represented James King in the sale of real property he owned
10 located at 758 Via Bahia, San Marcos, CA. The parties obtained
11 title insurance from LandAmerica Commonwealth Title, a LARS
12 affiliate. On or about August 19, 2004, escrow closed at
13 Fidelity National Title Escrow. In connection with this
14 transaction, after the close of escrow, LARS paid Respondents a
15 \$300 "processing fee" and a \$328.60 reinsurance payment, pursuant
16 to the Participation Agreement set forth above.

17 10750 Aderman Ave. #78, San Diego, CA

18 13.

19 Beginning in July of 2004, and continuing through
20 closing of the transaction in August of 2004, Respondent ZIP CODE
21 represented Ricky and Phuong Huynh in the sale of real property
22 they owned located at 10750 Aderman Ave. #78, San Diego, CA. The
23 parties obtained title insurance from LandAmerica Lawyer's Title
24 Insurance Co., a LARS affiliate. On or about August 25, 2004,
25 escrow closed at Diversified Title and Escrow Services. In
26 connection with this transaction, after the close of escrow, LARS
27

1 paid Respondents a \$300 processing fee and a \$278.80 reinsurance
2 payment pursuant to the Participation Agreement set forth above.

3 14.

4 The conduct, acts and/or omissions of Respondent ZIP
5 CODE as set forth in Paragraphs 6 through 13 above are in
6 violation of Code Section 10177.4, and constitute grounds to
7 suspend or revoke Respondent ZIP Code's real estate broker
8 license pursuant to Business and Professions Code Sections
9 10177(d) and 10177(g) for claiming, demanding or receiving
10 commissions, fees or other consideration from a title insurance
11 company for referral of customers to the title insurance company.

12 15.

13 The conduct, acts and/or omissions of Respondent PUHEK,
14 as set forth in Paragraphs 6 through 13 above are in violation of
15 Code Section 10177.4, and constitute grounds to suspend or revoke
16 Respondent PUHEK's real estate broker licenses and/or license
17 rights pursuant to Business and Professions Code Sections
18 10177(g) and/or 10177(d).

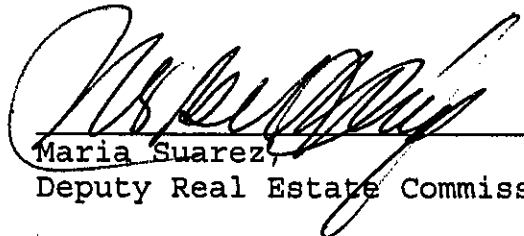
19 16.

20 The failure of Respondent PUHEK to ensure Respondent
21 ZIP CODE's full compliance with the Real Estate Law, as set forth
22 in Paragraphs 6 through 13 above, in violation of Code Section
23 10159.2, constitutes grounds to discipline Respondent PUHEK's
24 broker license and license rights as the designated broker-
25 officer of Respondent ZIP CODE, pursuant to Code Sections
26 10177(d), 10177(g) and/or 10177(h), for failing
27

1 to exercise required supervision over the activities of the
2 officers and employees of Respondent ZIP CODE.

3 WHEREFORE, Complainant prays that a hearing be
4 conducted on the allegations of this Accusation and that upon
5 proof thereof, a decision be rendered imposing disciplinary
6 action against all licenses and/or license rights of Respondent
7 ZIP CODE PROPERTIES, INC., a corporate real estate broker and
8 Respondent LOUIS JOHN PUHEK, as designated officer of Zip Code
9 Properties, Inc., under the Real Estate Law and for such other
10 and further relief as may be proper under applicable provisions
11 of law.

12 Dated at Los Angeles, California
13 this 26th day of July, 2007.

14 
15 _____
16 Maria Suarez,
17 Deputy Real Estate Commissioner

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21
22 cc: Zip Code Properties, Inc.
23 Louis John Puhek
24 Maria Suarez
25 Sacto.