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MAY - 7 2020

DEPT. OF REAL ESTATE

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7 BEFORE THE DEPARTMENT OF REAL ESTATE

8 STATE OF CALIFORNIA

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10 In the Matter of the Accusation against

DRE No. H-41658 LA

11 ASSOCIATED REALTY SERVICE OF NEWPORT
12 BEACH, INC.;

ACCUSATION

13 JEANNIE CRUZ MADALI, individually and as former
designated officer for Associated Realty Service of
14 Newport Beach, Inc.; and

15 JAMES ALAN JACOBS, individually and as former
designated officer for Associated Realty Service of
16 Newport Beach, Inc.,

17 Respondents.

18 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the
19 Department of Real Estate¹ ("Department") of the State of California, for cause of Accusation
20 against ASSOCIATED REALTY SERVICE OF NEWPORT BEACH, INC., JEANNIE CRUZ
21 MADALI, individually and as a former designated officer for Associated Realty Service of
22 Newport Beach, Inc. and JAMES ALAN JACOBS, individually and as former designated officer
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24 ¹ Between July 1, 2013 and July 1, 2018, the Department of Real Estate operated as the Bureau of Real Estate under the Department of Consumer Affairs.

1 for Associated Realty Service of Newport Beach, Inc. (collectively "Respondents"), alleges as
2 follows:

3 1. The Complainant, Veronica Kilpatrick, acting in her official capacity as a
4 Supervising Special Investigator, makes this Accusation against Respondents.

5 2. All references to the "Code" are to the California Business and Professions Code,
6 all references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references
7 to "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,
8 California Code of Regulations.

9 3. Respondents are presently licensed and/or have license rights under the Real
10 Estate Law (Part 1 of Division 4 of the Code). Respondents have renewal rights pursuant to Code
11 section 10201. The Department retains jurisdiction pursuant to Code section 10103.

12 4. On or about June 8, 1978, the Department issued a real estate corporation license
13 to Respondent ASSOCIATED REALTY SERVICE OF NEWPORT BEACH, INC.,
14 ("ARSNBI"), License ID 00654616. Respondent ARSNBI's license expired on October 31,
15 2018.

16 5. ARSNBI was formerly licensed to do business as Associated Brokers Service,
17 Ballast, Ballast Asset Management, The Ballast Group, Ballast Properties, and Ballast Real
18 Estate.

19 6. On July 07, 2016, the Department issued a real estate broker license to
20 Respondent JEANNIE CRUZ MADALI ("MADALI"), License ID 01503474. Respondent
21 MADALI's broker license is scheduled to expire on July 07, 2020.

22 7. Respondent MADALI was formerly licensed as a real estate salesperson from
23 October 25, 2005 through July 07, 2016.
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1 8. On August 26, 1994, the Department issued a real estate broker license to
2 Respondent JAMES ALAN JACOBS (“JACOBS”), License ID 00868230. Respondent
3 JACOBS’ broker license is scheduled to expire on August 25, 2022.

4 9. Respondent JACOBS was formerly licensed as a real estate salesperson from
5 approximately July 06, 1984 through August 25, 1994.

6 10. From March 6, 2017 through October 31, 2018, ARSNBI was licensed as a real
7 estate corporation, by and through Respondent MADALI as designated officer-broker (“D.O.”)
8 for Respondent ARSNBI to qualify said corporation and to act for said corporation as a real
9 estate broker.

10 11. From March 6, 2017 through October 31, 2018, Respondent MADALI was
11 licensed as the D.O. for Respondent ARSNBI, pursuant to section 10211 of the Code. As
12 ARSNBI’s D.O., Respondent MADALI was at all times mentioned herein responsible pursuant
13 to Section 10159.2 of the Code for the supervision of the activities of the officers, agents, real
14 estate licensees, and employees of Respondent MADALI for which a license is required.

15 12. From on or about October 20, 2005 through March 5, 2017, ARSNBI was
16 licensed as a real estate corporation, by and through Respondent JACOBS as D.O. for
17 Respondent ARSNBI to qualify said corporation and to act for said corporation as a real estate
18 broker.

19 13. From on or about October 20, 2005 through March 5, 2017, Respondent
20 JACOBS was licensed as the D.O. for Respondent ARSNBI, pursuant to section 10211 of the
21 Code. As ARSNBI’s D.O., Respondent JACOBS was at all times mentioned herein responsible
22 pursuant to Section 10159.2 of the Code for the supervision of the activities of the officers,
23 agents, real estate licensees, and employees of Respondent JACOBS for which a license is
24 required.

1 14. Respondent JACOBS canceled his designation as D.O. for ARSNBI effective
2 March 06, 2017.

3 15. Nicholas Avery Prytherch ("Prytherch") is not licensed in any capacity by the
4 Department. Prytherch owns and controls ARSNBI.

5 16. Richard Lee Knight ("Knight") is not licensed in any capacity by the
6 Department. Knight was an officer, director or had an ownership interest in ARSNBI.

7 17. Adam T. Kent ("Kent") is not licensed in any capacity by the Department. Kent
8 was an officer, director or had an ownership interest in ARSNBI.

9 18. Kevin Russell Giz ("Giz") is licensed as a real estate salesperson (License ID
10 01518025). Russell was an officer, director or had an ownership interest in ARSNBI.

11 19. Patrick Daniel Moreno ("Moreno") is licensed as a real estate salesperson
12 (License ID 02027529). Moreno was an officer, director or had an ownership interest in
13 ARSNBI.

14 20. Whenever reference is made in an allegation in this Accusation to an act or
15 omission of Respondent ARSNBI, such allegation shall be deemed to mean that the officers,
16 directors, employees, agents and/or real estate licensees employed by or associated with
17 Respondent ARSNBI committed such act or omission while engaged in the furtherance of the
18 business or operations of such corporate respondent and while acting within the course and
19 scope of their authority and employment.

20 Broker Activities

21 21. At all times relevant herein, in the State of California, Respondent ARSNBI acted
22 as a real estate broker and conducted licensed activities within the meaning of Code section
23 10131(b) (solicit or offer to negotiate the sale, purchase or exchange of leases, or collects rents
24 from real property or on a business opportunity).

Audit LA180047

22. On or about August 30, 2019, the Department completed an audit examination of the books and records of Respondent ARSNBI's property management activities, which require a real estate license pursuant to Code section 10131(b).

23. The audit covered the period of time from January 1, 2017 through August 31, 2018 ("audit period").

24. The audit examination revealed violations of the Code and the Regulations as set forth in the following paragraphs, and more fully discussed in Audit Report LA180047 and the exhibits and work papers attached to said audit report.

25. On November 20, 2018, the Department's auditor held an entrance conference with Respondents MADALI and JACOBS. The Department requested ARSNBI's property management records from Prytherch, ARSNBI's owner. ARSNBI provided only limited records to the Department for the audit examination.

26. According to the auditor's discussions with Respondents MADALI, JACOBS and the audit records examined, Respondent ARSNBI managed approximately ninety-seven (97) residential properties and one (1) commercial property; ninety-six (96) properties with one-to-four units and one (1) property with four or more units for forty (40) property owners during the audit period. ARSNBI collected trust funds including rents and security deposits, paid expenses, and screened tenants for compensation. Respondent ARSNBI charged a management fee of six to eight percent (6%-8%) of the monthly rents collected.

27. According to Respondents MADALI and JACOBS, ARSNBI maintained the following bank account for property management activities.

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28. Bank Account #1 (BA 1)

Bank: Chase

Account Name: Associated Realty Service of Newport dba The Ballast Group

Account #: xxxxx6816

of signatures required: One (1)

Signatories: Respondent MADALI from February 22, 2017 to November 6, 2018.

Prytherch from February 22, 2017 to November 6, 2018.

Knight from February 22, 2017 to November 6, 2018.

Respondent JACOBS, Kent, Giz, and Moreno were removed as signatories for BA 1 effective February 22, 2017.

Description: During the audit period, BA 1 was maintained for handling of trust fund receipts and disbursements for multiple beneficiaries in connection with ARSNBI's property management activity. BA 1 was opened on February 12, 2016.

Violations

29. In the course of its property management activities during the audit examination period, Respondent acted in violation of the Code and the Regulations as follows:

30. Issue 1. Code section 10145(a) and Regulation 2832.1. Trust fund handling for multiple beneficiaries

Bank reconciliations were prepared for BA 1 with cut-off dates of March 5, 2017 and August 31, 2018. The adjusted minimum bank balance was compared to the total balance of the separate beneficiary records (accountability).

1 31. Issue 1(a). Cut-off date of March 5, 2017.

2 As of March 5, 2017, there was a combined minimum shortage of <\$222,705.12> in
3 BA1. Respondent JACOBS was the D.O. for ARSNBI during the audit period from January 1,
4 2017 through March 5, 2017. Respondents failed to provide any evidence that the owners of the
5 trust funds had given their written consent to allow Respondent ARSNBI to reduce the balances
6 of the funds in BA 1 to an amount less than the existing aggregate trust fund liabilities, in
7 violation of Code section 10145, subdivision (a), and Regulation 2832.1.

8 32. The shortage as of March 5, 2017 was due to negative property balances totaling
9 <\$1,541.68>, minimum unreimbursed bank charges totaling <\$276.20>, minimum unauthorized
10 disbursements totaling <\$127,290.84>, and a minimum unidentified shortage of <\$93,596.40>,
11 whose causes could not be identified.

12 33. Negative property balances. The minimum negative property balances were
13 caused by disbursements related to properties when there were insufficient funds. The negative
14 property balances include the following:

<u>Property</u>	<u>Amount</u>
126 29 th St., A-B	<\$1,247.93>
5010 Nepture A	<\$ 170.00>
219 19 th Street	<u><\$ 123.75></u>
Total	<\$1,541.68>

20 34. Bank services charges. BA 1 incurred minimum bank service charges totaling
21 <\$276.20> from January 5, 2017 through March 3, 2017. The bank service charges were
22 incurred but not reimbursed by ARSNBI as of March 5, 2017. The bank service charges include
23 the following:

24 ///

<u>Date</u>	<u>Service Charges</u>	<u>Amount</u>
01/05/2017	Service Charges	<\$100.30>
02/03/2017	Service Charges	<\$100.90>
03/03/2017	Service Charges	<\$ 75.00>
<hr/>		
Total		<\$276.20>

35. Minimum unauthorized disbursements. Based on the bank statements for BA 1 and examined documents, Prytherch withdrew \$200,000.00 from BA 1 on February 22, 2017 to be issued to Respondent JACOBS without any related transaction. The trust funds were disbursed without written instruction from the principals or property owners of BA 1's trust funds.

36. Issue 1(b). Cut-off date of August 31, 2018

As of August 31, 2018, there was a combined minimum shortage of <\$395,845.13> in BA1. Respondent MADALI was the D.O. for ARSNBI during the audit period from March 6, 2017 through August 31, 2018. Respondents failed to provide any evidence that the owners of the trust funds had given their written consent to allow Respondent ARSNBI to reduce the balances of the funds in BA 1 to an amount less than the existing aggregate trust fund liabilities, in violation of Code section 10145 and Regulation 2832.1.

37. The shortage as of August 31, 2018 was caused due to negative property balances totaling <\$55,130.52>, minimum unreimbursed bank charges totaling <\$4,960.80>, minimum unauthorized disbursements totaling <\$285,555.41>, and a minimum unidentified shortage of <\$50,198.40>, whose causes could not be identified.

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1 38. Negative property balances. The negative property balances include the
 2 following:

<u>Property</u>	<u>Property Owner</u>	<u>Amount</u>
4 603 Clubhouse A&B	D.M. ¹ & M.M Family Trust	<\$1,110.90>
5 126 29 th St., A-B	J.E & L.E.	<\$ 240.00>
6 5010 Nepture A	PIP, LLC	<\$ 170.00>
7 <u>Property</u>	<u>Property Owner</u>	<u>Amount</u>
8 20271 Estuary Lane	RC Trust	<\$2,750.00>
9 1619 W. Balboa Blvd. A-B	Name not provided	<\$5,800.00>
10 112 38 th St.	W. Trust	<\$3,109.60>
11 Mgmt Held Security Deposits	No owner identified	<\$41,950.00>
12	Total	<\$55,130.52>

13 39. Bank services charges. BA 1 incurred minimum bank service charges totaling
 14 <\$4,960.80> from October 2017 to August 2018. ARSNBI did not reimburse BA 1 as of August
 15 31, 2018. The bank service charges include the following:

<u>Date</u>	<u>Type</u>	<u>Amount</u>
17 10/04/2017	Service Charges	<\$ 782.00>
18 11/03/2017	Service Charges	<\$ 306.00>
19 12/05/2017	Service Charges	<\$ 358.80>
20 02/05/2018	Service Charges	<\$ 850.00>
21 03/05/2018	Service Charges	<\$ 340.00>
22 04/04/2018	Service Charges	<\$ 340.00>

23
 24 ¹ Initials are used in place of individuals' full names to protect their privacy. Documents containing individuals' full names will be provided during the discovery phase of this case to Respondents and/or their attorneys, after service of a timely and proper request for discovery on Complainant's counsel.

1	05/03/2018	Service Charges	<\$ 384.00>
2	06/05/2018	Service Charges	<\$ 306.00>
3	07/05/2018	Service Charges	<\$ 852.00>
4	08/03/2018	Service Charges	<\$ 442.00>
5		Total	<\$4,960.80>

6 40. Minimum unauthorized disbursements.

7 Based on the bank statements for BA 1 and examined documents, there was a minimum
8 of unauthorized disbursements totaling <\$285,555.41>. The unauthorized disbursements from
9 the audit cut-off date of March 5, 2017, which totaled <\$127,290.84> were carried forward.
10 There were online transfers between January 2018 to April 2018 totaling <\$27,017.43> between
11 accounts #3100, #3003, #3829, #9851; online ACH payments to Bray Trust and G. Hoban
12 totaling <\$14,444.00>; and deposits and withdrawals totaling <\$42,917.17> as of August 31,
13 2018. The trust funds were disbursed without written instruction from the principals or property
14 owners of BA 1's trust funds.

15 41. Issue 2. Management of property located at 107 15th Street, Newport Beach.

16 During the audit period, ARSNBI managed a rental property located at 107 15th St., in
17 Newport Beach, California ("15th St. property") for property owners, R.V.O. and J.V.O.

18 42. According to documents provided to the Department, ARSNBI changed
19 ownership from Respondent JACOBS to Prytherch in 2016. After the change of ownership,
20 ARSNBI entered into a new property management agreement with the property owners of the
21 15th St. property in December 2017.

22 43. The monthly rent for the 15th St. property was \$3,050 and the security deposit was
23 \$3,450. The deposit was to be held in the broker's trust account.

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1 44. Beginning in or around February 2018, ARSNBI failed to timely forward the
2 monthly rents to the 15th St. property owners.

3 45. The 15th St. property owners notified ARSNBI and Prytherch that they wished to
4 terminate their property management agreement with ARSNBI in April 2018 and May 2018. The
5 property owners made several requests for the return of the security deposit, owed rent monies,
6 and keys to the 15th St. property from ARSNBI and Prytherch. Respondent JACOBS was also
7 notified of the property owners' request for return of their trust funds for the 15th St. property.

8 46. Respondents and Prytherch failed to timely return the security deposit, rent, and
9 keys to the 15th St. property to the property owners. The property owners filed a complaint
10 against ARSNBI and Prytherch in June of 2018. The Department's auditor was unable to
11 determine if the security deposit (\$3,450.00) and May rent payment (\$3,050.00) were returned
12 to the 15th St. property owners.

13 47. Issue 3. Code section 10145 and Regulation 2831. Trust fund records to be
14 maintained.

15 ARSNBI under former D.O. JACOBS

16 During the audit period from January 1, 2017 through March 5, 2017, Respondent
17 ARSNBI failed to maintain accurate and complete records of trust funds received and disbursed
18 (control record) for BA 1, in violation of Code section 10145 and Regulation 2381. ARSNBI's
19 control record had an inaccurate running daily balance.

20 48. ARSNBI under former D.O. MADALI

21 During the audit period from March 6, 2017 through August 31, 2018, Respondent
22 ARSNBI failed to maintain accurate and complete records of trust funds received and disbursed
23 for BA 1, in violation of Code section 10145 and Regulation 2381. ARSNBI's control record had
24 an inaccurate running daily balance.

49. Based on the audit records examined, there were disbursements that were not recorded on the control record. Examples of disbursements/fees that were not recorded on ARSNBI's control record for BA 1 include the following, without limitation:

<u>Property</u>	<u>Payee</u>	<u>Date</u>	<u>Amount</u>
None	Apple Itunes	05/01/2018	\$ 13.99
None	Google Services	05/02/2018	\$ 73.50
None	Google Services	05/03/2018	\$ 40.00
None	Apple Store	05/03/2018	\$ 42.02
<u>Property</u>	<u>Payee</u>	<u>Date</u>	<u>Amount</u>
None	Papa Liquor Corona	05/04/2018	\$ 105.34
None	Small Business Lcpayment	07/05/2018	\$ 854.79
None	Online Transfer to Account #9851	07/17/2018	\$ 160.00
<u>Total</u>			<u>\$1,289.64</u>

50. Issue 4. Code section 10145 and Regulation 2831.1. Separate records for each beneficiary or transaction

ARSNBI under former D.O. JACOBS

During the audit period from January 1, 2017 through March 5, 2017, Respondent ARSNBI failed to maintain accurate and/or complete separate records for each beneficiary or transaction for BA 1, in violation of Code section 10145 and Regulation 2831.1. ARSNBI's separate records did not reflect an accurate running daily balance for BA 1.

51. ARSNBI under former D.O. MADALI

During the audit period from March 6, 2017 through August 31, 2018, Respondent ARSNBI failed to maintain accurate and/or complete separate records for each beneficiary or transaction for BA 1, in violation of Code section 10145 and Regulation 2831.1.

1 52. ARSNBI's separate records did not reflect an accurate running daily balance for
2 BA 1. Based on the audit records examined, some disbursements were on recorded on
3 ARSNBI's separate records. Examples of unrecorded disbursements are the same as Issue 3
4 above.

5 53. Issue 5. Code section 10145 and Regulation 2831.2. Trust account reconciliation
6 During the audit period under both former D.O.s JACOBS (1/1/2017 - 3/5/17) and
7 MADALI (3/6/17 – 8/31/18), Respondent ARSNBI failed to perform and maintain an accurate
8 monthly reconciliation comparing the balance of all separate beneficiary or transaction records
9 (separate records) to the balance of all trust funds received and disbursed (control record) for BA
10 1, in violation of Code section 10145 and Regulation 2831.2.

11 54. Issue 6. Code sections 10145 and 10176(i). Unauthorized Disbursement/Handling
12 of Trust Funds

13 ARSNBI under former D.O. JACOBS

14 During the audit period from January 1, 2017 through March 5, 2017, Prytherch
15 (ARSNBI's owner) withdrew \$200,000.00 from BA 1 on February 22, 2017 to be issued to
16 Respondent JACOBS without any related transaction. Said trust funds were disbursed without
17 written instruction from the principals or property owners of the trust funds in BA 1, in violation
18 of Code sections 10145 and 10176, subdivision (i).

19 55. Based on BA 1's bank signature card, Respondent JACOBS was removed as a
20 signer on February 22, 2017.

21 56. Based on the audit records examined, BA 1 had minimum unauthorized
22 disbursements totaling <\$127,290.54> as of March 5, 2017, as noted above in Issue 1(a).

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1 57. ARSNBI under former D.O. MADALI

2 As of August 31, 2018, the balance of ARSNBI's BA 1 account had a negative balance of
3 <\$285,555.41>, excluding the bank charges from October 2017 to August 2018. Trust funds
4 were disbursed from BA 1 without written instruction from the principals or property owners of
5 trust funds in BA 1, in violation of Code sections 10145 and 10176, subdivision (i). The
6 unauthorized disbursements included online transfers totaling and deposits and withdrawals as of
7 August 31, 2018, as noted above in Issue 1(b). The unauthorized disbursements were carried
8 forward from the audit cut-off date of March 5, 2017.

9 58. Issue 7. Code section 10145 and Regulation 2832. Handling of Trust Funds/Trust
10 account designation.

11 ARSNBI under former D.O. JACOBS

12 During the audit period from January 1, 2017 through March 5, 2017, ARSNBI used
13 BA1 for the handling of trust funds in connection with property management activities but the
14 account was not designated in Respondent ARSNBI's name or its licensed fictitious business
15 names, as trustee, in violation of Code section 10145 and Regulation 2832.

16 59. ARSNBI under former D.O. MADALI

17 During the audit period from March 6, 2017 through August 31, 2018, ARSNBI used
18 BA1 for the handling of trust funds in connection with property management activities but the
19 account was not designated in Respondent ARSNBI's name or its licensed fictitious business
20 names, as trustee, in violation of Code section 10145 and Regulation 2832.

21 60. Issue 8. Code section 10145 and Regulation 2834. Trust account withdrawals

22 ARSNBI under former D.O. JACOBS

23 During the audit period from January 1, 2017 through March 5, 2017, ARSNBI allowed
24 Kent (an unlicensed individual) , Moreno, and Giz (real estate salespersons not licensed under

1 employment of ARSNBI), to act as signers with authorization to make withdrawals from BA 1,
2 in violation of Code section 10145 and Regulation 2834. ARSNBI did not have fidelity bond
3 coverage or insurance coverage equal to at least the maximum amount of trust funds to which
4 Kent and Giz had access during the audit period noted above. Kent, Moreno, and Giz were
5 removed as signers for BA 1 on or about February 22, 2017.

6 61. ARSNBI under former D.O. MADALI

7 During the audit period from March 6, 2017 through August 31, 2018, ARSNBI allowed
8 Prytherch and Knight (unlicensed individuals), to act as signers with authorization to make
9 withdrawals from BA 1, in violation of Code section 10145 and Regulation 2834. Knight was a
10 signer for BA 1 from February 22, 2017 through November 6, 2018. ARSNBI did not have
11 fidelity bond coverage or insurance coverage equal to at least the maximum amount of trust
12 funds to which Prytherch and Knight had access during the audit period.

13 62. Issue 9. Code sections 10159.2, 10177(h), and Regulation 2725. Broker
14 supervision.

15 ARSNBI under former D.O. JACOBS

16 During the audit period from January 1, 2017 through March 5, 2017, Respondent
17 JACOBS failed to adequately supervise the activities of Respondent ARSNBI's salespersons,
18 employees, or agents and failed to establish policies, rules, procedures, and systems to review,
19 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust
20 funds to ensure compliance with the Real Estate

21 63. ARSNBI under former D.O. MADALI

22 During the audit period from March 6, 2017 through August 31, 2018, Respondent
23 MADALI failed to adequately supervise the activities of Respondent ARSNBI's salespersons,
24 employees, or agents and failed to establish policies, rules, procedures, and systems to review,

1 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust
2 funds to ensure compliance with the Real Estate Law, in violation of Code sections 10159.2,
3 10177, subdivision (h), and Regulation 2725.

4 64. The conduct, acts, and/or omissions of Respondent ARSNBI as described above
5 in Paragraphs 30 through 61, violated the Code and the Regulations as set forth below:

<u>Issue</u>	<u>Violations</u>
1	Code section 10145 and Regulation 2832.1
2	None cited in audit report
3	Code section 10145 and Regulation 2831
4	Code section 10145 and Regulation 2831.1
5	Code section 10145 and Regulation 2831.2
6	Code sections 10145 and 10176(i)
7	Code section 10145 and Regulation 2832
8	Code sections 10145 and Regulation 2834

15 65. The foregoing violations constitute cause for the suspension or revocation of the
16 real estate licenses and license rights of Respondent ARSNBI under the provisions of Code
17 section 10177, subdivisions (d) and/or (g), and Code section 10176, subdivision (i).

18 Issue Two

19 66. The conduct, acts, omissions, and violations described in Issue Two, Paragraphs
20 41 through 46, above, constitute cause for the suspension or revocation of the real estate license
21 and license rights of Respondents under the provisions of Code section 10176, subdivision (a),
22 and Code section 10177, subdivisions (d) and/or (g).

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1 Issue 9- Broker Supervision - Respondent JACOBS

2 67. Based on the audit violations noted above in Paragraphs 30 through 61,
3 Respondent JACOBS failed to adequately supervise the activities of ARSNBI's salespersons,
4 employees, or agents and failed to establish policies, rules, procedures, and systems to review,
5 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust
6 funds to ensure compliance with the Real Estate Law and Regulations, in violation of Regulation
7 2725, which constitutes cause to suspend or revoke the real estate licenses and license rights of
8 Respondent JACOBS pursuant to Code section 10159.2, Code section 10177, subdivisions (d)
9 and/or (g), and Regulation 2725.

10 Issue 9- Broker Supervision - Respondent MADALI

11 68. Based on the audit violations noted above in Paragraphs 30 through 61,
12 Respondent MADALI failed to adequately supervise the activities of ARSNBI's salespersons,
13 employees, or agents and failed to establish policies, rules, procedures, and systems to review,
14 oversee, inspect, and manage transactions requiring a real estate license and the handling of trust
15 funds to ensure compliance with the Real Estate Law and Regulations, in violation of Regulation
16 2725, which constitutes cause to suspend or revoke the real estate licenses and license rights of
17 Respondent MADALI pursuant to Code section 10159.2, Code section 10177, subdivisions (d)
18 and/or (g), and Regulation 2725.

19 Audit Costs

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

1 Investigation/Enforcement Costs

2 70. Code section 10106 provides, in pertinent part, that in any order issued in
3 resolution of a disciplinary proceeding before the Department of Real Estate, the Commissioner
4 may request the administrative law judge to direct a licensee found to have committed a violation
5 of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement
6 of the case.

7 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this
8 Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
9 against all licenses and/or license rights of Respondents under the Real Estate Law (Part 1 of
10 Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and
11 enforcement as permitted by law, and for such other and further relief as may be proper under
12 other provisions of law.

13 Dated at San Diego, California this 22 day of April, 2020.

14
15 V. Kilpatrick
16 VERONICA KILPATRICK
17 Supervising Special Investigator

18
19 cc: Associated Realty Services of Newport Beach, Inc.
20 Jeannie Cruz Madali
21 James Alan Jacobs
22 Veronica Kilpatrick
23 Sacto
24 Audits/Chambers Tse