

1 Department of Real Estate
2 320 West Fourth Street, Ste. 350
3 Los Angeles, California 90013
4 Telephone: (213) 576-6982

FILED

SEP 02 2022

DEPT. OF REAL ESTATE

By *Emma King*

6 BEFORE THE DEPARTMENT OF REAL ESTATE

7 STATE OF CALIFORNIA

8 * * *

9 To:

10 KUO-HSUAN MAO,

11 Respondent.

DRE No. H-42401 LA

NOTICE OF INTENTION TO
ISSUE BAR ORDER AND
PRELIMINARY ORDER

13 Pursuant to section 10087 of the California Business and Professions Code (“Code¹”),
14 you, KUO-HSUAN MAO (“Respondent” or “MAO”), is hereby notified of the intention of the
15 California Real Estate Commissioner (“Commissioner”) to issue a Bar Order pursuant to Section
16 10087(a)(1) of the Code on the following grounds:

17 STATEMENT OF FACTS

18 1. On July 27, 2009, the Department issued a real estate broker license to KUO-
19 HSUAN MAO (“MAO”), License ID 01214688.

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

1 2. On August 3, 2012, the Department issued a real estate corporation license to MJ
2 Property Service, Inc. (“MJPSI”), License ID 01917727. MAO was the designated broker officer
3 for MJPSI.

4 3. During the period from December 2017 through January 2018, the Department
5 attempted to conduct an audit of MJPSI’s property management activities. On or about July 27,
6 2018, the Department completed an audit of MJPSI’s property management activities in audit
7 number LA170315. Several trust fund handling violations were cited in Audit LA170315.

8 4. On or about April 13, 2018, an Articles of Incorporation for the formation of
9 Pinnacle International Property Services (“PIPS”) was filed with the Secretary of State for the
10 State of California. The type of business that PIPS conducts is property management.

11 5. On January 19, 2019, MAO and MJPSI surrendered their respective real estate
12 licenses in Department Case No. H-41331 LA. On April 8, 2019, the Orders Accepting the
13 Voluntary Surrender of MAO’s and MJPSI’s licenses became effective.

14 6. On or about June 26, 2018, the Department issued a real estate corporation license
15 to PIPS, License ID 02067896.

16 7. On July 24, 2018, the Department issued a real estate salesperson license to Dean
17 Wu (“Wu”), License ID 02065678.

18 8. Wu is believed to be married to MAO.

19 9. On August 21, 2012, the Department issued a real estate broker license to James
20 William Mucciola (“Mucciola”), License ID 01811692.

21 10. From June 26, 2018 through on or about March 25, 2022, Mucciola was the
22 designated officer for Respondent PIPS, pursuant to Code section 10211. As the designated
23 officer for PIPS, Mucciola was responsible for the supervision and control of the activities
24 conducted on behalf of PIPS by its officers, agents, real estate licensees, and employees, as

1 necessary to secure full compliance with the provisions of the Real Estate Law, pursuant to
2 Code section 10159.2.

3 11. On or about September 15, 2020, the Department received a notification that
4 Respondent Wu had been appointed Division Manager for PIPS, pursuant to Code section
5 10164. The date of change was noted as July 24, 2020 on the Division Manager Appointment
6 notice.

7 12. At all times relevant herein, in the State of California, Respondent MAO, Wu, and
8 PIPS, engaged in activities that require a real estate broker license within the meaning of Code
9 section 10131, subdivision (b). Respondent's activities included soliciting or offering to
10 negotiate the sale, purchase or exchange of leases for real property and the collection of rents or
11 security deposits on real property or on a business opportunity for others, for compensation or in
12 expectation of compensation.

13 13. On or about February 24, 2021, the Department received a complaint against Wu
14 from J.H.², a former officer or director of PIPS. The complaint alleged that Wu and MAO were
15 committing fraud or dishonest dealing with respect to PIPS' property management activities. The
16 Department initiated an investigation and audit of PIPS' property management activities in
17 response to the complaint.

18 Audit LA210017

19 14. On May 31, 2022, the Department completed an audit examination of the books
20 and records of Respondent PIPS' real estate activities which require a real estate license pursuant
21 to Code section 10131, subdivision (b).

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24 ² 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 Respondent(s) and/or their attorneys, after service of a timely and proper request for discovery on Complainant's counsel.

1 15. The audit examination covered the period from January 1, 2019 through
2 August 31, 2021 (“audit period”). The audit examination was limited to PIPS’ property
3 management activities.

4 16. On October 28, 2021, an entrance conference was held with the Department’s
5 auditor, Mucciola, Mucciola’s attorney, PIPS’ attorney, and PIPS’s consultant.

6 17. According to Respondents, Respondent Wu is the President, Chief Executive
7 Officer, Secretary, Treasurer, and 100% shareholder for PIPS. Mucciola was formerly the Vice-
8 President of Operations and held no shares of the corporation’s stock.

9 18. According to Wu and Mucciola, PIPS managed 561 one-to-four family residential
10 properties with 593 units, 12 apartment complexes with 107 units, for 425 property owners
11 during the audit period. PIPS collected rents, paid expenses, and screened tenants for
12 compensation. PIPS charged a management fee of either 4-8% of the rents collected, or a flat fee
13 amount ranging from \$90-\$120 a month, and a lease execution fee ranging from \$595 to \$695.

14 19. According to Wu and Mucciola, PIPS maintained at least two (2) trust accounts
15 and six (6) bank accounts used for handling the receipt and disbursements of trust funds for
16 multiple beneficiaries in connection with PIPS’ property management activities during the audit
17 period.

18 20. The following accounts were disclosed to the Department for the audit:

19 **Trust Account 1 (T/A1)**

20 Bank: Citizens Business Bank

21 Account Name: Pinnacle International Property Services Property Management Trust Acct

22 Account #: xxxxx1270

23 Signatories: Wu and MAO

24 Signatures required: One (1)

1 Purpose: T/A 1 was maintained for the receipts and disbursements of trust funds for multiple
2 beneficiaries in connection with PIPS' property management activities.

3 **Trust Account 2 (T/A 2)**

4 Bank: Citizens Business Bank

5 Account Name: Pinnacle International Property Services Property Management Trust Acct

6 Account #: xxxxx1912

7 Signatories: Wu and MAO

8 Signatures required: One (1)

9 Purpose: T/A 2 was maintained for the receipts and disbursements of trust funds for multiple
10 beneficiaries in connection with PIPS' property management activities. T/A 2 was mainly used
11 for security deposits.

12 **Bank Account 1 (B/A 1)**

13 Bank: JP Morgan Chase Bank

14 Account Name: Pinnacle International Property Services

15 Account #: xxxxx5581

16 Signatories: Wu and MAO

17 Signatures required: One (1)

18 Purpose: According to Mucciola's attorney, B/A 1 was designated as a company account.
19 However, trust funds were deposited into B/A 1 during the audit period. B/A 1 was maintained
20 for the receipts and disbursements of trust funds for multiple beneficiaries in connection with
21 PIPS' property management activities.

22 **Bank Account 2 (B/A 2)**

23 Bank: JP Morgan Chase Bank

24 Account Name: Pinnacle International Property Services

1 Account #: xxxxx5631

2 Signatories: Wu and MAO

3 Signatures required: One (1)

4 Purpose: B/A 2 was maintained for the receipts and disbursements of trust funds for multiple
5 beneficiaries in connection with PIPS' property management activities. According to Mucciola's
6 attorney, B/A 2 was a client trust account associated with YardiBreeze.

7 **Bank Account 3 (B/A 3)**

8 Bank: JP Morgan Chase Bank

9 Account Name: Pinnacle International Property Services

10 Account #: xxxxx2805

11 Signatories: Wu and MAO

12 Signatures required: One (1)

13 Purpose: According to Mucciola's attorney, B/A 3 was designated as a company account.

14 However, trust funds were deposited into B/A 3 during the audit period. B/A 3 was maintained
15 for the receipts and disbursements of trust funds for multiple beneficiaries in connection with
16 PIPS' property management activities.

17 **Bank Account 4 (B/A 4)**

18 Bank: Wells Fargo Bank

19 Account Name: Pinnacle International Property Services

20 Account #: xxxxx8517

21 Signatories: Wu

22 Signatures required: One (1)

23 Purpose: B/A 4 was maintained for the receipts and disbursements of trust funds for multiple
24 beneficiaries in connection with PIPS' property management activities. According to Mucciola's

1 attorney, B/A 4 was used for “Rentec rents” and that as of September 30, 2021, there were no
2 trust funds maintained in B/A 4.

3 **Bank Account 5 (B/A 5)**

4 Bank: Wells Fargo Bank

5 Account Name: Pinnacle International Property Services

6 Account #: xxxxx8711

7 Signatories: Wu

8 Signatures required: One (1)

9 Purpose: B/A 5 was maintained for the receipts and disbursements of trust funds for multiple
10 beneficiaries in connection with PIPS’ property management activities. According to Mucciola’s
11 attorney, B/A 5 was associated with YardiBreeze rents and contains trust funds.

12 **Bank Account 6 (B/A 6)**

13 Bank: Wells Fargo Bank

14 Account Name: Pinnacle International Property Services

15 Account #: xxxxx9912

16 Signatories: Wu

17 Signatures required: One (1)

18 Purpose: B/A 6 was maintained for the receipts and disbursements of trust funds for multiple
19 beneficiaries in connection with PIPS’ property management activities. According to Mucciola’s
20 attorney, B/A 6 was a deposit account and that as of September 30, 2021, there were no funds in
21 B/A 6.

22 21. The audit examination revealed violations of the Code and the Regulations as set
23 forth in the following paragraphs, and more fully discussed in Audit Report LA210017 and the
24 exhibits and work papers attached to said audit report.

Audit Violations

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

Issue 1. Code section 10145 and Regulation 2832.1. Trust fund handling for multiple beneficiaries.

23. For Issues 1(a) – 1(c) noted below, PIPS failed to provide any evidence that the owners of the trust funds in T/A 1, T/A 2, B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6 had given their written consent to allow PIPS to reduce the balance of the funds in T/A 1, T/A 2, B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6 to an amount less than the existing aggregate trust fund liabilities, in violation of Code section 10145 and Regulation 2832.1.

24. Bank reconciliations for T/A 1 and T/A 2 were prepared for the audit cutoff date of August 31, 2021. The accountability for T/A 1 and T/A 2 were determined based on the separate records, trust account balance reports for T/A 1 and T/A 2, and documents provided by PIPS, Wu, Mucciola, and their attorneys. The adjusted bank balance was compared to the accountability.

Issue 1(a).

25. As of August 31, 2021, T/A 1 had a minimum shortage of <\$235.20>. The shortage was caused by negative property balance for 6249 Callaway Place of <\$0.20>, conversion of funds of <\$160.00>, and an unidentified shortage of <\$75.00>.

Issue 1(b).

26. As of August 31, 2021, T/A 2 had a minimum shortage of <\$3,120.00> due to conversion of funds of <\$3,120.00>.

27. PIPS provided a ledger labelled as “Trust Property” which was used to record broker funds and disbursements. Based on the record, there was a disbursement of <\$3,120.00>

1 in T/A 2 to a "Trust Property" described as "Corr Mix Match Bank Accounts for Corp Prop –
2 Move to Trust Prop."

3 Issue 1(c).

4 28. The auditor prepared the minimum bank reconciliation for B/A 1, B/A 2, B/A 3,
5 B/A 4, B/A 5, and B/A 6 in connection with PIPS' property management activities with the
6 cutoff date of August 21, 2021. During the course of the audit, PIPS provided limited separate
7 records for May 1, 2021 to August 31, 2021 for B/A 5. PIPS provided no records for B/A 1, B/A
8 2, B/A 3, B/A 4, and B/A 6. The minimum accountability for B/A 5 was determined based on the
9 subpoenaed bank records, limited separate records, and limited documents provided by PIPS.

10 29. During the audit period, there were trust funds issued from B/A 5 and deposited
11 into B/A 1, B/A 2, and B/A 3, then transferred by ACH/Wire (online transfer) from B/A 1, B/A
12 2, and B/A 3 to B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6. During the audit period, control and
13 separate records for B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6 were not provided for examination.
14 A combined bank reconciliation was performed and compared with the minimum accountability
15 of B/A 5. The adjusted bank balance was compared to the minimum accountability.

16 30. As of August 31, 2021, there was a combined minimum shortage of
17 <\$409,774.05.00> in B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6. The minimum combined
18 shortage was due to negative property balance for 50 Cooper of <\$240.00>, minimum combined
19 bank fees in B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6 totaling <\$5,059.75>, minimum
20 conversion of funds in B/A 1 of <\$49,237.49>, minimum conversion of funds in B/A 2 of
21 <\$22,188.98>, minimum conversion of funds in B/A 3 of <\$43,756.28.00>, minimum
22 conversion of funds in B/A 6 of <\$14,153.05>, and a minimum unidentified shortage of
23 <\$275,138.50>.

24

<u>Causes of Combined Trust Fund Shortage for B/A 1 to B/A 6</u>	<u>Amount</u>
Minimum Negative Property Balances	<\$240.00>
Minimum Bank Fees for B/A 1 to B/A 6	<\$5,059.75>
Minimum Conversion of Funds in B/A 1	<\$49,237.49>
Minimum Conversion of Funds in B/A 2	<\$22,188.98>
Minimum Conversion of Funds in B/A 3	<\$43,756.28>
Minimum Conversion of Funds in B/A 6	<\$14,153.05>
<u>Minimum Unidentified Shortage</u>	<u><275,138.05></u>
Minimum Combined Trust Fund Shortage for B/A 1 to B/A 6	<\$409,774.05>

31. During the period from August 1, 2020 through August 31, 2020, PIPS made unauthorized disbursements and converted trust funds at a minimum of <\$49,237.49> from B/A 1. Based on the bank statements, the following are examples, without limitation, of multiple electrical withdrawals made to Capital One Credit Card for MAO totaling \$14,122.33, Bank of America transfers to Wu totaling \$5,061, and Home Depot totaling \$30,054.16.

32. During the audit period from January 2019 to August 2021, PIPS made unauthorized disbursements and converted trust funds at a minimum of <\$22,188.98> from B/A 2. Based on the bank statements, the disbursements were made by recurring credit card purchase payments paid to Kaiser HPS card 9915. Examples of the credit card payments include the following, without limitation:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
01/02/2019	Kaiser Hps Card 9115	\$810.42
09/04/2019	Kaiser Hps Card 9115	\$810.44
12/04/2019	Kaiser Hps Card 9115	\$810.44

<u>Date</u>	<u>Description</u>	<u>Amount</u>
03/03/2020	Kaiser Hps Card 9115	\$682.15
08/03/2020	Kaiser Hps Card 9115	\$682.15
01/05/2021	Kaiser Hps Card 9115	\$746.75
04/01/2021	Kaiser Hps Card 9115	\$746.75
07/02/2021	Kaiser Hps Card 9115	\$430.36

33. During the audit period from January 2020 to August 2021, PIPS made unauthorized disbursements and converted trust funds at a minimum of <\$8,583.29> from B/A 3. Based on the bank statements, the disbursements were made by credit card purchase payments paid to YardiBreez, Supra, Google, Microsoft, among others. Examples of the credit card payments include the following, without limitation:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
07/02/2020	Google	\$132.00
08/02/2020	Google	\$132.00
01/12/2021	Yardi Breeze	\$193.00
03/22/2021	Supra	\$15.58
04/06/2021	Yardi Breeze	\$185.00
06/25/2021	Microsoft	\$99.99
07/08/2021	Appliancepartspros	\$240.13
08/03/2021	Google	\$144.00

34. In addition, during the audit period from August 2020 to August 2021, PIPS made unauthorized disbursements and converted trust funds at a minimum of <\$35,172.99> from B/A 3. Based on the bank statements, the disbursements were made by payments to the IRS, payroll tax, and Appfolio. Examples of the payments include the following, without limitation:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
08/03/2020	Appfolio	\$466.50
08/05/2020	Payroll Tax	\$647.26
08/06/2020	IRS	\$4,123.97
08/20/2020	IRS	\$3,494.66
09/03/2020	Payroll Tax	\$675.56
10/01/2020	Appfolio	\$487.75
10/06/2020	IRS	\$3,770.00
11/05/2020	IRS	\$5,406.22

35. During the audit period from August 2020 to August 2021, PIPS made unauthorized disbursements and converted trust funds at a minimum of <\$14,153.05> from B/A 6. Based on the bank statements, the disbursements were made by payments paid to T-Mobile and credit card payments for MAO, among others. Examples of the payments include the following, without limitation:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
11/24/2020	Citi Autopay Kuo Hsuan MAO	\$500.00
12/01/2020	T-Mobile	\$465.84
12/22/2020	Citi Autopay Kuo Hsuan MAO	\$500.00
01/04/2021	T-Mobile	\$531.61
01/19/2021	Citi Card Online Payment Kuo Hsuan MAO	\$300.00
01/22/2021	Citi Autopay Kuo Hsuan MAO	\$500.00

36. As of August 31, 2021, there was a minimum, combined, unidentified shortage in B/A 1 – B/A 6 of <\$275,138.50>. The shortage was due to inaccurate and incomplete records for B/A 5 and no records provided for B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6.

1 **Issue 3.³ Code section 10145 and Regulation 2831. Trust fund records to be maintained.**

2 37. During the audit period, PIPS used B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6
3 to handle trust funds in connection to PIPS' property management activities. PIPS failed to
4 provide control records for B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6 to the Department's auditor
5 for examination to determine the amounts transferred between each bank account in connection
6 with PIPS' property management activities.

7 38. The control record maintained for B/A 5 was incomplete and inaccurate, in
8 violation of Code section 10145 and Regulation 2381. The control record for B/A 5 was not
9 provided to the Department's auditor for examination until December 22, 2021. The control
10 record for B/A 5 was not in chronological order and did not include the dates that trust funds
11 were received.

12 39. During the audit period, there were trust funds issued from B/A 5 by checks and
13 deposited into B/A 1, B/A 2, and B/A 3. Funds disbursed by checks from B/A 5 were not
14 recorded and the deposits into B/A 1, B/A 2, and B/A 3 were also not recorded. These funds
15 were then transferred back and forth by ACH/Wire (online transfer) among B/A 1, B/A 2, and
16 B/A 3, B/A 4, and B/A 6, which were also not recorded. During the audit period, control records
17 for B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6 were not provided for examination to determine the
18 amount of funds related to the property management activities transferred between each bank
19 account in connection with PIPS' property management activities.

20 **B/A 1**

21 40. Based on the bank statements for B/A 1, PIPS deposited a minimum of
22 \$121,089.62 of trust funds in the form of tenants' rent checks into B/A 1. The following are
23 examples of the deposits include the following:

24 _____
³ Issue 2 was intentionally skipped.

<u>Date of check</u>	<u>Description</u>	<u>Amount</u>
12/26/2019	J.C. Barrett	\$8,385.00
02/15/2020	J. Hunter	\$12,574.00
02/20/2020	J.A. Lin	\$7,179.00
06/16/2020	E. Lee	\$8,629.42
10/22/2020	H. Zhuang	\$7,150.00
01/20/2021	S. Chen	\$3,500.00
05/26/2021	F.K. Cha	\$8,180.00
07/10/2021	X. Zhou	\$11,080.00
07/22/2021	L. Aboushady	\$2,950.00
08/14/2021	S. Xu	\$1,200.00

41. During the audit period from January 1, 2020 to August 31, 2021, PIPS issued checks from B/A 5 and deposited a minimum of \$70,665.39 of funds in the form of checks from B/A 5 into B/A 1. The following are examples of the checks, without limitation:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
02/19/2020	\$2,615.00	09/21/2020	\$2,900.00
02/27/2020	\$3,051.00	10/08/2020	\$1,925.00
03/30/2020	\$1,965.00	10/20/2020	\$1,300.00
04/22/2020	\$3,100.00	11/03/2020	\$2,185.00
05/10/2020	\$2,347.00	11/09/2020	\$2,386.00
07/20/2020	\$3,600.00	11/09/2020	\$1,040.00
07/20/2020	\$3,695.00	12/22/2020	\$1,381.00
08/03/2020	\$2,020.00	01/21/2021	\$1,426.00

1 08/10/2020 \$1,150.00 05/21/2021 \$1,950.00

2 42. In addition, PIPS transferred funds from B/A 1 to B/A 2 and B/A 3, and did not
3 maintain the control record for all trust funds transferred online back and forth from B/A 1 to
4 B/A 2 and B/A 3, including the following transfers, without limitation:

5 B/A 1 Online Transfers to/from B/A 2 and B/A 3

6	<u>Date</u>	<u>Online Transfer</u>	<u>B/A 1 Amount received</u>	<u>B/A 1 Amount Disbursed</u>
7	09/03/2020	From B/A 3 to B/A 1	\$5,000.00	
8	09/04/2020	From B/A 2 to B/A 1	\$3,500.00	
9	09/08/2020	From B/A 2 to B/A 1	\$5,000.00	
10	09/14/2020	From B/A 2 to B/A 1	\$7,000.00	
11	09/16/2020	From B/A 1 to B/A 3		\$7,000.00
12	10/01/2020	From B/A 1 to B/A 3		\$10,000.00
13	10/08/2020	From B/A 1 to B/A 3		\$7,000.00
14	10/16/2020	From B/A 1 to B/A 3		\$7,500.00
15	11/04/2020	From B/A 2 to B/A 1	\$7,000.00	
16	11/19/2020	From B/A 1 to B/A 2		\$8,000.00
17	11/19/2020	From B/A 1 to B/A 3		\$6,500.00
18	01/04/2021	From B/A 2 to B/A 1	\$7,000.00	
19	01/06/2021	From B/A 2 to B/A 1	\$7,000.00	
20	01/08/2021	From B/A 2 to B/A 1	\$5,000.00	
21	01/09/2021	From B/A 2 to B/A 1	\$5,000.00	
22	02/10/2021	From B/A 2 to B/A 1	\$6,000.00	
23	03/23/2021	From B/A 2 to B/A 1	\$7,500.00	

24

<u>Date</u>	<u>Online Transfer</u>	<u>B/A 1 Amount received</u>	<u>B/A 1 Amount Disbursed</u>
03/29/2021	From B/A 1 to B/A 2		\$9,500.00
04/22/2021	From B/A 1 to B/A 2		\$5,000.00
05/19/2021	From B/A 1 to B/A 2		\$5,000.00
06/17/2021	From B/A 2 to B/A 1	\$5,000.00	
08/06/2021	From B/A 3 to B/A 1	\$10,000.00	
08/23/2021	From B/A 2 to B/A 1	\$7,500.00	

B/A 2

43. During the audit period, PIPS deposited a minimum of \$20,655.00 of trust funds in the form of rent checks into B/A 2. Examples include the following, without limitation:

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
12/26/2019	S. Atwal	\$2,800.00
01/21/2020	M. Mueller	\$3,700.00
02/22/2020	P.E. Tons	\$4,600.00
03/09/2020	County of Los Angeles	\$2,955.00
02/24/2021	C-G. Chu	\$5,000.00
06/16/2021	3174 Division St., LLC	\$1,600.00

44. During the audit period from January 1, 2020 to August 31, 2021, PIPS issued checks from B/A 5 and deposited a minimum of \$250,173.00 of funds in the form of checks from B/A 5 into B/A 2. Examples include the following, without limitation:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
03/16/2020	\$12,890.00	05/27/2020	\$12,400.00

	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1				
2	07/05/2020	\$7,000.00	08/19/2020	\$7,000.00
3	09/01/2020	\$5,990.00	09/07/2020	\$5,700.00
4	10/09/2020	\$5,500.00	12/29/2020	\$6,800.00
5	12/30/2020	\$5,590.00	12/30/2020	\$9,000.00
6	01/22/2021	\$6,390.00	02/23/2021	\$5,700.00

7 45. In addition, PIPS did not maintain the control record for all trust funds transferred
8 online from B/A 2 to B/A 1 and B/A 3, including the following transfers, without limitation:

9 B/A 2 Online Transfers to/from B/A 1 and B/A 3

	<u>Date</u>	<u>Online Transfer</u>	<u>B/A 2 Amount received</u>	<u>B/A 2 Amount Disbursed</u>
10				
11	09/04/2020	From B/A 2 to B/A 1		\$3,500.00
12	09/08/2020	From B/A 2 to B/A 1		\$5,000.00
13	09/14/2020	From B/A 2 to B/A 1		\$7,000.00
14	10/01/2020	From B/A 2 to B/A 3		\$6,000.00
15	11/04/2020	From B/A 2 to B/A 1		\$7,000.00
16	11/19/2020	From B/A 1 to B/A 2	\$8,000.00	
17	01/04/2021	From B/A 2 to B/A 1		\$7,000.00
18	01/06/2021	From B/A 2 to B/A 1		\$7,000.00
19	02/10/2021	From B/A 2 to B/A 1		\$6,000.00
20	03/23/2021	From B/A 2 to B/A 3		\$5,000.00
21	03/23/2021	From B/A 2 to B/A 1		\$7,500.00
22	03/29/2021	From B/A 1 to B/A 2	\$9,500.00	
23	04/22/2021	From B/A 1 to B/A 2	\$5,000.00	

24

1	<u>Date</u>	<u>Online Transfer</u>	<u>B/A 2 Amount received</u>	<u>B/A 2 Amount Disbursed</u>
2	05/19/2021	From B/A 1 to B/A 2	\$5,000.00	
3	06/17/2021	From B/A 2 to B/A 1		\$5,000.00
4	07/14/2021	From B/A 1 to B/A 2	\$9,000.00	
5	07/23/2021	From B/A 1 to B/A 2	\$8,000.00	
6	08/23/2021	From B/A 1 to B/A 2	\$7,500.00	

7 **B/A 3**

8 46. During the period of January 1, 2020 to August 31, 2021, PIPS deposited a
9 minimum of \$24,719.00 of trust funds in the form of rent checks into B/A 3, including, but not
10 limited to, the following examples:

11	<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
12	07/30/2021	E.C. Portillo	\$600.00
13	08/02/2021	K.M. Jarada	\$2,250.00
14	08/06/2021	J. Romo	\$1,050.00
15	08/16/2021	Unknown	\$4,646.00
16	08/19/2021	G. Acabal	\$2,800.00
17	08/19/2021	S. Vakkalanka	\$2,500.00
18	08/24/2021	J. Fomo	\$5,000.00
19	08/24/2021	J. Fomo	\$2,829.00

20 47. During the period of January 1, 2020 to August 31, 2021, PIPS issued checks
21 from B/A 5 and deposited a minimum of \$16,275.33 in the form of checks from B/A 5 into B/A
22 3, including the following transfers, without limitation:

23 ///

24 ///

1 B/A 5 transfers to B/A 3

2	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
3	09/10/2020	\$225.00	09/10/2020	\$450.00
4	09/10/2020	\$240.00	09/10/2020	\$3,770.25
5	09/16/2020	\$110.00	09/16/2020	\$950.00
6	09/16/2020	\$1,500.00	09/16/2020	\$8,350.00
7	09/16/2020	\$260.00	09/16/2020	\$325.00
8	09/16//2020	\$95.00		

9 48. PIPS failed to maintain the control record for all trust funds transferred online
 10 made from B/A 3 to B/A 1 and B/A 2, including, but not limited to, the following transfers:

11 B/A 3 Online Transfers to/from B/A 1 and B/A 2

12	<u>Date</u>	<u>Online Transfer</u>	<u>B/A 3 Amount received</u>	<u>B/A 3 Amount Disbursed</u>
13	06/16/2020	From "0162" ⁴ to B/A 3	\$151,000.00	
14	06/17/2020	From B/A 3 to B/A 1		\$5,000.00
15	09/03/2020	From B/A 3 to B/A 1		\$5,000.00
16	09/16/2020	From B/A 1 to B/A 3	\$7,000.00	
17	10/01/2020	From B/A 1 to B/A 3	\$10,000.00	
18	10/01/2020	From B/A 2 to B/A 3	\$6,000.00	
19	10/08/2020	From B/A 1 to B/A 3	\$7,000.00	
20	10/16/2020	From B/A 1 to B/A 3	\$7,500.00	
21	11/04/2020	From B/A 2 to B/A 3	\$2,000.00	
22	11/19/2020	From B/A 1 to B/A 3	\$6,500.00	

23

24 ⁴ According to Respondents' attorneys, Citizens Business Bank account ending in "0162" was used for the corporate bank account.

	<u>Date</u>	<u>Online Transfer</u>	<u>B/A 3 Amount received</u>	<u>B/A 3 Amount Disbursed</u>
1				
2	01/08/2021	From B/A 3 to B/A 1		\$1,600.00
3	02/10/2021	From B/A 2 to B/A 3	\$3,000.00	
4	03/23/2021	From B/A 2 to B/A 3	\$5,000.00	
5	04/30/2021	From B/A 3 to B/A 1	\$2,000.00	
6	05/03/2021	From B/A 2 to B/A 3	\$1,000.00	

7 **B/A 4**

8 49. During the period of January 1, 2020 to August 31, 2021, PIPS deposited a
9 minimum of \$150,923.54 of trust funds in the form of rent checks into B/A 4, including, but not
10 limited to, the following examples:

	<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
11			
12	03/11/2020	V.E. Childress	\$2,950.00
13	04/01/2020	D. Barrios	\$3,150.00
14	05/22/2020	A. Nursing	\$3,195.00
15	06/18/2020	R. Henriquez	\$4,650.00
16	07/06/2020	M. Child Care	\$4,650.00
17	08/01/2020	G. Peralta	\$5,000.00
18	09/01/2020	M. Child Care	\$4,650.00
19	10/02/2020	M. Child Care	\$4,650.00
20	12/30/2020	S. Atwal	\$2,800.00

21 50. During the audit period, PIPS issued checks from B/A 4 and deposited a
22 minimum of \$91,856.30 of funds in the form of checks from B/A 4 into B/A 5, including, but not
23 limited to, the following transfers:

24

	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1				
2	03/12/2020	\$756.15	04/01/2020	\$2,800.00
3	04/23/2020	\$2,525.00	05/01/2020	\$2,800.00
4	06/02/2020	\$2,800.00	07/01/2020	\$2,800.00
5	08/04/2020	\$2,800.00	11/03/2020	\$1,175.00
6	12/28/2020	\$23,862.59	01/25/2021	\$2,125.00
7	02/05/2021	\$2,140.64	05/18/2021	\$3,000.00
8	08/02/2021	\$3,500.00	08/17/2021	\$2,125.00

9 51. PIPS failed to maintain a control record for B/A 4 for all trust funds disbursed and
10 transferred online from B/A 4 to B/A 6, including the following transfers:

11 B/A 4 online transfers to B/A 6:

	<u>Date</u>	<u>Description</u>	<u>Amount</u>
12			
13	01/15/2021	From B/A 4 to B/A 6	\$37,318.70
14	02/10/2021	From B/A 4 to B/A 6	\$5,040.00

	<u>Date</u>	<u>Description</u>	<u>Amount</u>
15			
16	03/01/2021	From B/A 4 to B/A 6	\$7,000.00
17	04/07/2021	From B/A 4 to B/A 6	\$4,000.00
18	04/28/2021	From B/A 4 to B/A 6	\$2,000.00

19 **B/A 6**

20 52. During the audit period, PIPS deposited a minimum of \$94,426.00 of trust funds
21 in the form of rent checks into B/A 6, including, but not limited to, the following examples:

	<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
22			
23	03/12/2019	R. Hernandez	\$5,300.00

24

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
04/29/2019	T. Olmstead	\$4,500.00
05/03/2019	M. Salls	\$5,700.00
07/26/2019	Unknown	\$4,390.00
08/23/2019	J. Vitale	\$5,700.00
08/23/2019	Unknown	\$3,000.00
09/04/2019	Unknown	\$10,200.00
11/21/2019	M. Simpson	\$4,800.00
04/30/2020	L. Watson	\$4,500.00
11/15/2020	Phonesparts/Com, Inc.	\$6,000.00

53. During the audit period, PIPS issued checks from B/A 2 and deposited a minimum of \$54,000.00 of funds in the form of checks from B/A 2 into B/A 6, including, but not limited to, the following transfers:

<u>Date</u>	<u>Amount</u>
07/23/2019	\$40,000.00
08/30/2019	\$13,000.00
09/20/2019	\$1,000.00

54. PIPS failed to maintain a control record for B/A 6 for all trust funds received and deposited via online transfers made from B/A 4 to B/A 6, including the following transfers:

B/A 4 online transfers to B/A 6:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
01/15/2021	From B/A 4 to B/A 6	\$37,318.70

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
02/10/2021	From B/A 4 to B/A 6	\$5,040.00
03/01/2021	From B/A 4 to B/A 6	\$7,000.00
04/07/2021	From B/A 4 to B/A 6	\$4,000.00
04/28/2021	From B/A 4 to B/A 6	\$2,000.00

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

55. During the audit period, PIPS failed to maintain accurate and complete separate records of the receipts and disbursements of all trust funds deposited into B/A 5 for each beneficiary or property related to its property management activities, in violation of Code section 10145(g) and Regulation 2831.1.

56. In addition, PIPS failed to maintain separate records for each beneficiary or transaction, accounting for all trust funds which have been deposited into PIPS' bank accounts, B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6, which were used for handling trust funds in connection with PIPS' property management activities.

57. During the course of the audit examination, PIPS provided to the auditor, limited separate records for the audit examination in connection to PIPS' property management activities for B/A 5. The records provided for the audit period that were provided to the auditor were: the records mentioned in T/A 1, T/A 2; limited records for B/A 5; owner statements from 5/1/2021 to 8/31/2021; and two sets of incomplete and inaccurate separate records for B/A 5.

58. During the audit period, trust funds in the form of rent checks were deposited into B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6, but were not recorded on the separate records provided for the audit examination. Examples of the unrecorded deposits include, but are not limited to, the following:

1	<u>Into Account</u>	<u>Date</u>	<u>Description/Property</u>	<u>Amount</u>
2	B/A 1	07/10/2021	X.C. Zhao/Undetermined	\$11,080.00
3	B/A 1	07/21/2021	Z.S. Reyna/1632 Camden Ave. #301	\$2,650.00
4	B/A 1	07/23/2021	H.R. Teleford/742 E. Mountain	\$2,245.00
5	B/A 1	08/25/2021	S.Xu/13570 Amanda St.	\$1,200.00
6	B/A 2	01/21/2020	M. Mueller/Undetermined	\$3,700.00
7	B/A 2	01/22/2020	S. Atwal/1057 E. Imperial Hwy Box 120	\$2,800.00
8	B/A 2	03/02/2020	P.E. Tons/142 Marketplace	\$4,600.00
9	B/A 2	06/23/2021	3714 D. St., LLC/1180 Durfee Ave.	\$1,600.00
10	B/A 3	07/30/2021	E.C. Portillo/5630 Temple City Blvd.#1	\$600.00
11	B/A 3	08/02/2021	K.M. Jarada/400 S. Broadway Apt. #805	\$2,250.00
12	B/A 3	08/19/2021	S. Vakkalanka/7260 Cosenza Pl.	\$2,850.00
13	B/A 3	08/24/2021	J. Fumo/400 S. Broadway Apt. #1004	\$5,000.00
14	B/A 4	11/05/2019	C.E. Llamas/717 Knollwood	\$2,125.00
15	B/A 4	11/11/2019	R. Care Group, LLC/255 N. Walnut	\$2,675.00
16	B/A 4	11/26/2019	D.M. Smith/6030 Temple City	\$1,100.00
17	B/A 4	10/07/2020	A. Tordai/307 Basetdale	\$2,200.00
18	B/A 4	10/09/2020	M. Child Care/3275 Orlando Rd.	\$4,650.00
19	B/A 4	12/04/2020	S. Atwal/1057 Imperial	\$2,800.00
20	B/A 5	12/01/2020	L. Serrando/14942 Avenedida Anita	\$3,500.00
21	B/A 5	12/01/2020	M.U. Barrios/5636 Buckhorn Ct.	\$3,150.00
22	B/A 5	12/01/2020	M. Jackson/70 Clover	\$3,350.00
23	B/A 6	01/04/2019	G.R. Murphy/6941 Angora St.	\$3,000.00
24				

1	<u>Into Account</u>	<u>Date</u>	<u>Description/Property</u>	<u>Amount</u>
2	B/A 6	11/01/2019	S.R. Oliver/221 W. Parkwood Ave.	\$1,375.00
3	B/A 6	11/25/2019	M.L. Simpson/122 Royal Way	\$2,175.00

4 59. PIPS provided limited, separate records for examination in connection to PIPS’
5 property management activities for B/A 5, and two sets of incomplete and inaccurate separate
6 records for the audit period.

7 60. Based on the bank statements examined, during the audit period trust funds were
8 transferred amongst the bank accounts B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6, but the online
9 transfers were not recorded (examples noted in Issue 3, above).

10 61. PIPS’s attorney stated that, “[A]ll net activity was transferred to AppFolio/CBB
11 Accounts and all of this activity has been reconciled and all of the reconciliations have been
12 provided.” However, based on records provided to the auditor for the audit examination, the
13 auditor only received bank reconciliations for T/A 1 and T/A 2. There was no evidence B/A 1,
14 B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6 were reconciled.

15 **Issue 5. Code section 10145 and Regulation 2831.2. Trust account reconciliation.**

16 62. During the audit period, PIPS failed to maintain complete and accurate monthly
17 reconciliations comparing the balance of all separate beneficiary or transaction records (separate
18 records) to the balance of all trust funds received and disbursed (control record) for T/A 1 and
19 T/A 2, in violation of Code section 10145 and Regulation 2831.2.

20 63. In addition, monthly trust account reconciliations comparing the balance of the
21 separate records to the control records of all trust funds received and disbursed for B/A 1, B/A 2,
22 B/A 3, B/A 4, B/A 5, and B/A 6 were not maintained, in violation of Code section 10145 and
23 Regulation 2831.2.

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1 **Issue 6. Code sections 10145 and Regulation 2832. Trust fund handling.**

2 64. Based on the examination of the bank signature cards for B/A 1, B/A 2, B/A 3,
3 B/A 4, B/A 5, and B/A 6, said accounts were used for handling trust funds, were titled as
4 “Pinnacle International Property Services,” and were not designated as trust accounts, in
5 violation of Code section 10145 and Regulation 2832.

6 65. During the audit period, trust funds connected to PIPS’ property management
7 activities were deposited into B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6. Trust funds
8 disbursed from B/A 5 were deposited in the form of checks into B/A 1, B/A 2, B/A 3, and B/A 6.
9 Trust funds were transferred to and from B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6.

10 **Issue 7. Code sections 10145 and Regulation 2834. Trust account withdrawals.**

11 66. Based on an examination of the bank signature cards, Wu was a signor on T/A 1,
12 T/A 2, B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6, accounts used for handling trust funds,
13 without written authorization from designed officer Mucciola, in violation of Code section 10145
14 and Regulation 2834.

15 67. During the audit period, Respondents allowed MAO to be a signor on T/A 1,
16 T/A 2, B/A 1, B/A 2, and B/A 3, accounts used for handling trust funds, without fidelity bond
17 coverage or insurance coverage, and there was no written authorization from designed officer
18 Mucciola, in violation of Code section 10145 and Regulation 2834.

19 68. In addition, during the audit period, Mucciola was not an authorized signor for
20 T/A 1, T/A 2, B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6, in violation of Code section 10145
21 and Regulation 2834.

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24

1 **Issue 8. Code sections 10145 and 10176(e) and Regulation 2832(e). Handling of trust**
 2 **funds/commingling.**

3 69. During the audit period, PIPS deposited funds that were not related to their
 4 property management activities into B/A 1, B/A 2, and B/A 3, and commingled with trust funds
 5 in connection to PIPS' property management activities in B/A 1, B/A 2, and B/A 3. Some of the
 6 funds deposited into B/A 1, B/A 2, and B/A 3 were from Rental Solution, DW Handyman, MJ
 7 Property, Hsiao Chu MAO, Kuo MAO, and Lifeline Locksmith. Examples include, but are not
 8 limited to, the following:

<u>Deposited to Account</u>	<u>Date</u>	<u>Check From</u>	<u>Amount</u>
B/A 1	02/23/2021	The Landlord Group	\$8,000.00
B/A 1	03/01/2021	MJ Property	\$4,500.00
B/A 1	03/20/2021	Hsiao Chu Mao and Kuo Mao	\$15,000.00
B/A 1	04/06/2021	Rental Solution	\$5,500.00
B/A 1	05/17/2021	Rental Solution	\$8,000.00
B/A 1	07/14/2021	Rental Solution	\$5,500.00
B/A 1	07/14/2021	DW Handyman	\$6,000.00
B/A 1	07/21/2021	Rental Solution	\$5,000.00
B/A 2	01/22/2020	Kuo H. Mao	\$4,000.00
B/A 2	04/27/2021	Hsiao Chu Mao and Kuo Mao	\$10,000.00
B/A 2	04/27/2021	Kuo H. Mao	\$4,000.00
B/A 2	04/28/2021	Lifeline LockSmith	\$750.00
B/A 2	05/28/2021	Hsiao Chu Mao and Kuo Mao	\$8,000.00
B/A 2	06/23/2021	Hsiao Chu Mao and Kuo Mao	\$8,000.00

<u>Deposited to Account</u>	<u>Date</u>	<u>Check From</u>	<u>Amount</u>
B/A 3	02/28/2021	Hsiao Chu MAO and Kuo MAO	\$35,000.00

70. During the audit period, PIPS made unauthorized transfers of trust funds from B/A 1 to B/A 2 and B/A 3. PIPS also made unauthorized transfers of trust funds from B/A 2 to B/A 1 and B/A 3 and commingled trust funds in connection to PIPS' property management activities.

71. From January 1, 2020 to August 31, 2021, PIPS also issued checks from B/A 5 and deposited a minimum of \$70,665.39 of trust funds from B/A 5 into B/A 1. Trust funds from B/A 5 were commingled with funds in B/A 1, as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
02/19/2020	\$2,615.00	02/19/2020	\$1,043.78
02/19/2020	\$1,495.00	02/27/2020	\$3,051.35
03/20/2020	\$1,965.00	04/22/2020	\$1,130.00
04/22/2020	\$3,100.00	05/10/2020	\$2,347.00
07/20/2020	\$3,600.00	07/20/2020	\$3,695.00
08/03/2020	\$1,390.00	08/03/2020	\$2,020.00
08/10/2020	\$1,150.00	08/13/2020	\$900.00
08/19/2020	\$1,245.00	09/21/2020	\$2,900.00
09/21/2020	\$1,450.00	09/22/2020	\$1,050.00
09/23/2020	\$930.00	10/08/2020	\$1,925.00
10/20/2020	\$1,300.00	11/03/2020	\$2,185.00
11/09/2020	\$2,386.05	11/09/2020	\$1,040.00
11/18/2020	\$980.00	12/22/2020	\$1,381.00

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
01/21/2021	\$1,426.00	05/21/2021	\$1,950.00

72. During the period from January 1, 2020 to August 31, 2021, PIPS issued checks from B/A 5 and deposited trust funds totaling a minimum of \$250,173.00 from B/A 5 into B/A 2. Trust funds from B/A 5 were commingled with funds in B/A 2, including, but not limited to, the following examples:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
02/07/2020	\$5,500.00	03/16/2020	\$12,890.00
04/17/2020	\$4,600.00	05/05/2020	\$4,500.00
05/19/2020	\$5,250.00	05/27/2020	\$12,400.00
06/05/2020	\$5,600.00	07/05/2020	\$7,000.00
07/30/2020	\$5,000.00	08/03/2020	\$5,000.00
08/19/2020	\$7,000.00	08/19/2020	\$7,000.00
08/22/2020	\$5,900.00	08/30/2020	\$5,700.00
09/01/2020	\$5,990.00	09/01/2020	\$5,300.00
09/07/2020	\$5,700.00	09/23/2020	\$4,000.00
09/24/2020	\$4,100.00	10/06/2020	\$5,000.00
10/09/2020	\$5,500.00	12/10/2020	\$5,600.00
12/29/2020	\$6,800.00	12/30/2020	\$4,990.00
12/30/2020	\$4,500.00	12/30/2020	\$5,590.00
12/30/2020	\$4,499.00	12/30/2020	\$9,000.00
12/30/2020	\$9,000.00	01/22/2021	\$4,300.00
01/22/2021	\$6,390.00	02/23/2021	\$5,700.00

1 73. During the audit period from January 1, 2020 to August 31, 2021, PIPS issued
 2 checks from B/A 5 and deposited trust funds totaling a minimum of \$16,275.33 from B/A 5 into
 3 B/A 3. Trust funds from B/A 5 were commingled with funds in B/A 3, including, but not limited
 4 to, the following examples:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
09/10/2020	\$225.00	09/10/2020	\$450.00
09/10/2020	\$240.08	09/10/2020	\$3,770.25
09/16/2020	\$110.00	09/16/2020	\$950.00
09/16/2020	\$1,500.00	09/16/2020	\$8,350.00
09/16/2020	\$260.00	09/16/2020	\$325.00

11 **Issue 9. Code sections 10145 and 10176(i). Handling of trust funds/unauthorized**
 12 **disbursements/conversion of funds.**

13 74. Based on the examination of documents provided and subpoenaed bank records,
 14 during the audit period, PIPS made unauthorized disbursements and converted trust funds from
 15 B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6, in violation of Code sections 10145 and 10176,
 16 subdivision (i).

17 75. During the audit period, PIPS made unauthorized disbursements and converted
 18 trust funds in the form of bank fees in B/A 1, B/A 2, B/A 3, B/A 4, B/A 5, and B/A 6, including,
 19 but not limited to, the following examples:

<u>Bank Account</u>	<u>Amount</u>
B/A 1	<\$1,659.15>
B/A 2	<\$169.00>
B/A 3	<\$265.00>

24

<u>Bank Account</u>	<u>Amount</u>
B/A 4	<\$2,481.50>
B/A 5	<\$272.10>
B/A 6	<\$213.00>
TOTAL	<\$5,059.75>

B/A 1

76. Based on examination of subpoenaed bank records, during the period from December 26, 2019 to August 31, 2021, PIPS received trust funds and deposited a minimum of \$121,089.62 into B/A 1, including but not limited to, the following deposits:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/26/2019	J.C. Barrett	\$8,385.00
02/15/2020	J. Hunter	\$12,574.00
02/20/2020	J.A. Lin	\$7,179.00
06/16/2020	E. Lee	\$8,629.42
10/22/2020	H. Zhuang	\$7,150.00
01/20/2021	S. Chen	\$3,500.00
05/26/2021	F.K. Cha	\$8,180.00
07/10/2021	X. Zhou	\$11,080.00
07/22/2021	L. Aboushady	\$2,950.00
08/14/2021	S. Xu	\$1,200.00

77. Based on examination of subpoenaed bank records, during the audit period, PIPS made withdrawals without written authorization from B/A 1 to PIPS' business or other expenses, including, but not limited to, the following examples:

24

	<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
1				
2	08/27/2020	7059	DMV Renewal	\$284.00
3	09/01/2020	3707	J. Mucciola	\$2,000.00
4	09/03/2020	3744	Kuo Mao	\$3,000.00
5	10/05/2020	3746	*Blank	\$500.00
6	10/16/2020	3748	MJ Property	\$3,000.00
7	04/01/2021	9153	J. Mucciola	\$3,000.00
8	04/07/2021	9158	MJ Property	\$2,500.00
9	07/23/2021	9269	DMV Renewal	\$338.00

10 78. As discussed in Issue 3 above, during the audit period, trust funds were deposited
11 into B/A 1, B/A 2, B/A 3, B/A 4, and B/A 6. Based on an examination of subpoenaed bank
12 records, PIPS made withdrawals without authorization from B/A 1. The records showed that
13 B/A 1 was active with deposits and withdrawals made throughout the audit period. The bank
14 statements for B/A 1 show the balance was reduced to an amount less than the amount of trust
15 funds deposited into B/A 1. As of August 31, 2021, B/A 1 had a bank balance of \$13,479.72.
16 Examples of the bank balances for B/A 1 during the audit period, include, without limitation, the
17 following:

	<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
18				
19	09/01/2020	\$8,427.68	09/02/2020	\$1,887.76
20	09/11/2020	\$5,303.38	09/30/2020	\$29,562.14
21	10/05/2020	\$15,254.73	10/26/2020	\$9,210.23
22	10/30/2020	\$11,540.44	11/05/2020	\$5,680.93
23	11/30/2020	\$26,331.02	12/15/2020	\$7,907.97

24

	<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
1				
2	12/30/2020	\$3,175.84	01/05/2021	\$4,085.47
3	01/15/2021	\$3,280.92	01/29/2021	\$10,719.44
4	02/03/2021	\$10,111.06	02/09/2021	\$1,679.19
5	02/26/2021	\$7,811.29	03/08/2021	\$17,439.51
6	03/22/2021	\$3,080.33	03/31/2021	\$15,421.28
7	04/06/2021	\$28,354.52	04/15/2021	\$6,035.21
8	04/27/2021	\$135.91	05/18/2021	\$10,882.39
9	05/26/2021	\$3,053.41	06/03/2021	\$2,895.54
10	06/23/2021	\$14,393.21	06/30/2021	\$3,935.46
11	07/07/2021	\$6,066.94	07/09/2021	\$2,763.94
12	07/30/2021	\$47,693.01	08/06/2021	\$3,062.05
13	08/23/2021	\$5,927.95	08/30/2021	\$13,479.72

14 **B/A 2**

15 79. Based on examination of subpoenaed bank records, during the period from
16 December 26, 2019 to August 31, 2021, PIPS received trust funds and deposited a minimum of
17 \$20,655.00 into B/A 2, including but not limited to, the following deposits:

	<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
18			
19	12/26/2019	S. Atwal	\$2,800.00
20	01/21/2020	M. Mueller	\$3,700.00
21	02/22/2020	P.E. Tons	\$4,600.00
22	03/09/2020	County of Los Angeles	\$2,955.00
23	02/24/2021	C-G. Chu	\$5,000.00

24

<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
03/29/2020	\$22,387.36	04/01/2021	\$12,268.66
04/21/2021	\$1,116.91	04/30/2021	\$15,854.91
05/05/2021	\$6,633.16	05/28/2021	\$14,634.16
06/21/2021	\$5,545.19	06/30/2021	\$7,165.19
07/02/2021	\$2,734.83	07/23/2021	\$15,120.04
08/23/2021	\$7,620.04		

B/A 3

82. Based on examination of subpoenaed bank records, during the period from December 26, 2019 to August 31, 2021, PIPS received trust funds and deposited a minimum of \$20,719.00 into B/A 3, including but not limited to, the following deposits:

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
07/30/2021	E.C. Portillo	\$600.00
08/02/2021	E. Viernes	\$950.00
08/02/2021	K.M. Jarada	\$2,250.00
08/06/2021	J. Romo	\$1,050.00
08/16/2021	Unknown	\$4,646.00
08/19/2021	G. Acabal	\$2,800.00
08/19/2021	S. Vakkalanka	\$2,850.00
08/24/2021	J. Fumo	\$5,000.00
<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
08/24/2021	J. Fomo	\$2,829.00
08/27/2021	R.H. Arakawa	\$1,144.00

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
08/30/2021	E.C. Portillo	\$600.00

83. Based on examination of subpoenaed bank records, during the audit period, PIPS made check disbursements/withdrawals without written authorization from B/A 3 to Google, Efile/Formstax, Yardi Breeze, and others including, but not limited to, the following examples:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
08/03/2021	Google	\$144.00
08/05/2021	Recurring card purchase to Efile/Formstax	\$3.25
08/09/2021	Yardi Breeze	\$136.00
08/23/2021	Supra	\$15.58

84. Based on examination of subpoenaed bank records, during the audit period, PIPS made electronic withdrawals/transfers without written authorization from B/A 3 including, but not limited to, the following examples:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
08/06/2021	Online transfer from B/A 3 to B/A 1	\$10,000.00
08/09/2021	Online transfer from B/A 3 to B/A 1	\$4,000.00
08/27/2021	Rentec Direct to Dean Wu	\$230.00

85. The bank statements for B/A 3 show the balance was reduced to an amount less than the amount of trust funds deposited into B/A 3. As of August 31, 2021, B/A 3 had a bank balance of \$7,352.15. Examples of the bank balances for B/A 3 during the audit period, include, without limitation, the following:

<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
07/01/2020	\$144,640.82	07/28/2020	\$92,250.08

	<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
1				
2	08/31/2020	\$38,766.87	09/08/2020	\$9,521.08
3	09/18/2020	\$5,183.84	09/29/2020	\$9,729.15
4	10/07/2020	\$951.84	10/30/2020	\$6,528.04
5	11/17/2020	\$1,633.16	12/29/2020	\$3,948.10
6	01/21/2021	\$1,796.52	01/29/2021	\$1,000.22
7	02/03/2021	\$581.51	02/26/2021	\$2,061.46
8	03/15/2021	\$567.66	03/22/2021	<\$1,026.92>
9	03/31/2021	\$2,814.94	04/30/2021	\$94.04
10	05/03/2021	\$950.04	05/28/2021	\$323.51
11	06/10/2021	\$11.26	06/30/2021	\$196.27
12	07/02/2021	<\$56.73>	07/21/2021	\$547.56
13	08/09/2021	\$5,283.73	08/31/2021	\$7,352.15

14 **B/A 6**

15 86. Based on examination of subpoenaed bank records, during the period from
16 March 12, 2019 to November 5, 2020, PIPS received trust funds and deposited a minimum of
17 \$94,426.00 into B/A 6, including but not limited to, the following deposits:

<u>Date of Check</u>	<u>Description</u>	<u>Amount</u>
18		
19	11/5/2020	PhonesParts.com
		\$6,000.00

20 87. Based on examination of subpoenaed bank records, during the audit period, PIPS
21 made withdrawals without written authorization from B/A 6 including, but not limited to, the
22 following examples:

23 ///

24 ///

<u>Date</u>	<u>Description</u>	<u>Amount</u>
11/24/2020	Citi Autopay Kuo Hsuan MAO	\$500.00
12/01/2020	T-Mobile	\$465.84
12/22/2020	Citi Autopay Kuo Hsuan MAO	\$500.00
01/04/2021	T-Mobile	\$531.61
01/19/2021	Citi Card Online Payment Kuo Hsuan MAO	\$300.00
01/22/2021	Citi Autopay Kuo Hsuan MAO	\$500.00

88. The bank statements for B/A 6 show the balance was reduced to an amount less than the amount of trust funds deposited into B/A 6. As of August 31, 2021, B/A 6 had a bank balance of \$1,987.23. Examples of the bank balances for B/A 6 during the audit period, include, without limitation, the following:

<u>Date</u>	<u>Balance</u>	<u>Date</u>	<u>Balance</u>
01/17/2019	\$69,952.00	06/21/2019	\$30,799.00
10/28/2019	\$5,471.00	01/21/2020	\$490.84
04/27/2020	\$1,759.58	08/24/2020	\$2,869.42
11/24/2020	\$4,661.71	12/04/2020	\$1,435.51
02/09/2021	<\$642.83>	04/28/2021	\$2,305.45
08/31/2021	\$1,987.23		

Issue 10. Code section 10176(g). Undisclosed compensation.

89. According to PIPS, Wu is the President, CEO, Secretary, Treasurer, and sole shareholder of PIPS. During the audit period, DW Handyman, Rental Solution, and Lifeline Locksmith provided services to PIPS' property owners. Based on the property management agreements provided, PIPS failed to disclose on the property management agreements that DW

1 Handyman, Rental Solution, and Lifeline Locksmith were owned by MAO, Wu's wife, in
2 violation of Code section 10176, subdivision (g).

3 90. During the audit entrance conference on October 28, 2021, the Department's
4 auditor was informed that there was no affiliation disclosure maintained or provided to property
5 owners regarding the ownership affiliation of DW Handyman, Rental Solution, and Lifeline
6 Locksmith. The Department's auditor requested a written statement regarding MAO's title and
7 ownership/shareholder percentage of the aforementioned companies, but the statement was not
8 provided to the auditor.

9 91. On November 15, 2021, a sample "Property Management Addendum" was
10 provided to the auditor to show the changes made to disclose business/ownership affiliation to
11 DW Handyman and Rental Solutions, which stated the following: "H. To provide the best
12 service and most economic property repair, DW. Handyman, Rental Solution, as our vendor for
13 repair, does has [sic] a business relationship with PIPM."

14 92. On May 2, 2022, following the audit exit conference, PIPS provided to the
15 Department's auditor the following documents: "CorrectionDeposit1912.pdf," "2011
16 11_30_2021 Checking Statement-document.pdf," and "Pinnacle _Owner_Manual.pdf."
17 However, based on the "Pinnacle _Owner_Manual.pdf," the auditor was not able to verify the
18 date when it was created or which property owners were provided with said document.

19 **Issue 11. Code section 10159.5 and Regulation 2731. Use of unlicensed false or fictitious**
20 **name.**

21 93. During the audit period, PIPS conducted property management activities that
22 require a real estate broker license while using the following unlicensed, fictitious business
23 names: "Pinnacle International," "Pinnacle Internation Property Services," and "Pinnacle Intl
24 Property Services," in violation of Code section 10159.5 and Regulation 2731. PIPS used the

1 unlicensed fictitious names on documents including, but not limited to, rental lease agreements,
2 property management agreements, and checks.

3 **Issue 12. Code section 10159.2 and Regulation 2725. Responsibility of Corporate Officer in**

4 **Charge/Broker supervision.**

5 94. During the audit period from September 15, 2020 through August 31, 2021, Wu
6 was the appointed Division Manager for PIPS. Pursuant to Code section 10164, the
7 responsibility to oversee day-to-day operations and the supervision of the licensed activities of
8 licensees and clerical staff employed with PIPS could be delegated to the Division Manager.
9 However, pursuant to Code section 10164, subdivision (b), nothing in that Code section shall be
10 construed to limit the responsibilities of Mucciola, PIPS' designated broker officer, pursuant to
11 subdivision (h) of Code section 10177. A licensee accepting appointment as a manager shall be
12 subject to disciplinary action pursuant to Section 10165 for failure to properly supervise licensed
13 activity pursuant to subdivision (a) of Code section 10164.

14 95. At all times relevant herein, PIPS maintained no licensed branch offices with the
15 Department. PIPS' main office location was listed at: 3833 Schaefer Avenue Suite B, Chino,
16 California 91710. Mucciola's main office location was listed at: 1285 East Washington Avenue
17 #100, El Cajon, California 92019.

18 96. Mucciola was the designated officer for approximately thirteen (13) separate
19 corporations during the audit period.

20 97. Mucciola canceled his designation as designated officer for PIPS on or about
21 March 25, 2022.

22 98. Wu and Mucciola failed to adequately supervise the activities of PIPS'
23 salespersons, employees, or agents and failed to establish policies, rules, procedures, and systems
24 to review, oversee, inspect, and manage transactions requiring a real estate license and the

1 handling of trust funds to ensure compliance with the Real Estate Law, in violation of Code
2 sections 10164, 10165, 10159.2, 10177, subdivision (h), and Regulation 2725.

3 **Issue 13. Code section 10148. Retention of records.**

4 99. On or about October 29, 2021, a Department Special Investigator served
5 Mucciola with a Subpoena Duces Tecum for production of PIPS' books and records for the audit
6 examination related to its property management activities including, but not limited to the
7 following: control records, separate records, bank reconciliations for B/A 1, B/A 2, B/A 3, B/A
8 4, B/A 5, and B/A 6. PIPS failed to retain or produce some of the requested books and records
9 which were required to be maintained pursuant to, and in violation, of Code section 10148.

10 100. The conduct of PIPS, as described above, violated the Code and the Regulations
11 as set forth below:

12	<u>Issue</u>	<u>Violations</u>
13	1	Code section 10145 and Regulation 2832.1
14	3	Code section 10145 and Regulation 2831
15	4	Code section 10145 and Regulation 2831.1
16	5	Code section 10145 and Regulation 2831.2
17	6	Code section 10145 and Regulation 2832
18	7	Code section 10145 and Regulation 2834
19	8	Code sections 10145, 10176(e), and Regulation 2832(e)
20	9	Code sections 10145 and 10176(i)
21	10	Code section 10176(g)
22	11	Code section 10159.5 and Regulation 2731

23
24

1	<u>Issue</u>	<u>Paragraph(s)</u>	<u>Violations</u>
2	13	105	Code section 10148
3	<p data-bbox="305 342 1469 651">101. The foregoing violations, as described in Paragraphs 23 through 99 and 105, above, constitute cause for the suspension or revocation of the real estate licenses and license rights of PIPS pursuant to the provisions of Code section 10177, subdivisions (d) and/or (g) for violation of Code sections 10145, 10159.5, 10176, subdivisions (e), (g), (i), and Regulations 2731, 2831, 2831.1, 2831.2, 2832, 2832.1, and 2834.</p>		
8	<p data-bbox="305 688 1469 1144">102. The Commissioner caused an investigation to be made of the activities of Respondent MAO, and has determined that Respondent has engaged in the business of, acted in the capacity of, advertised, or assumed to act, as a real estate broker in the State of California within the meaning of Code Section 10131, subdivision (b). Respondent's activities included soliciting or offering to negotiate the sale, purchase or exchange of leases for real property and the collection of rents or security deposits on real property or on a business opportunity for others, for compensation or in expectation of compensation.</p>		
15	<p data-bbox="305 1182 1469 1428">103. Respondent's activities as described above, in performing or participating in property management activities which require a license under the provisions of Code section 10131, subdivision (b), during a period of time when Respondent was not licensed by the Department of Real Estate in any capacity, is in violation of Code Section 10130.</p>		
19	<p data-bbox="305 1465 1469 1638">104. A Bar Order is in the public interest in that Respondent has violated provisions of the Code, which violations were known to Respondent, or should have been known to Respondent.</p>		
22	<p data-bbox="305 1675 1469 1774">105. A Bar Order is in the public interest in that Respondent MAO has violated provisions of the Code, which violations have caused material damage to the public.</p>		
24	<p data-bbox="394 1812 1485 1848">YOU, KUO-HSUAN MAO, ARE HEREBY NOTIFIED that the Commissioner seeks to</p>		

1 bar and prohibit you for a period of thirty-six (36) months from the effective date of the Bar
2 Order from engaging in any of the following activities in the State of California:

3 (a) Holding any position of employment, management, control, or ownership in a real
4 estate business;

5 (b) Participating in any business activity of a real estate salesperson or real estate broker;

6 (c) Engaging in any real estate related business activity on the premises where a real
7 estate salesperson or real estate broker is conducting business; and

8 (d) Participating in any real estate related business activity of a property manager,
9 finance lender, residential mortgage lender, bank, credit union, escrow company, title company,
10 or underwritten title company.

11 **KUO-HSUAN MAO, WHILE DOING BUSINESS IN YOUR OWN NAME OR**
12 **ANY FICTITIOUS BUSINESS NAME, UPON RECEIPT OF THIS NOTICE YOU ARE**
13 **IMMEDIATELY PROHIBITED FROM ENGAGING IN ANY BUSINESS ACTIVITY**
14 **INVOLVING REAL ESTATE THAT IS SUBJECT TO REGULATION UNDER THE**
15 **REAL ESTATE LAW.**

16 **NOTICE OF RIGHT AND OPPORTUNITY FOR A HEARING**

17 Pursuant to Code Section 10087, you have the right to request a hearing under the
18 California Administrative Procedure Act (commencing with California Government Code
19 Section 11400). If you desire a hearing, you must submit a written request within fifteen (15)
20 days after the mailing or service of this "Notice of Intention to Issue Bar Order." The request
21 may be in any form provided it is in writing, includes your current return address, and indicates
22 that you want a hearing, and is signed by you or on your behalf, and is delivered or mailed to the
23 Department of Real Estate, 320 West Fourth Street, Suite 350, Los Angeles, California 90013,
24 Attention: Legal Section, Lissete Garcia.

1 If no hearing is requested within said fifteen (15) day time period, your failure to request
2 a hearing shall constitute a waiver of the right to a hearing.

3 It is so ordered this _____ day of 8.25.22, 2022.

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DOUGLAS R. McCAULEY
REAL ESTATE COMMISSIONER