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FILED

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DEPARTMENT OF REAL ESTATE

By K. Mar

8 BEFORE THE DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

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11 In the Matter of the Accusation of)
12) No. H-2544 FR
13 MID VALLEY SERVICES, INC.)
14 and LARRY CHARLES KORTH,) ACCUSATION
15 Respondents.)

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17 The Complainant, LUKE MARTIN, a Deputy Real Estate Commissioner of the
18 State of California; for cause of Accusation against MID VALLEY SERVICES, INC.,
19 individually and doing business as Mid-Valley Financial Services (hereafter "MID VALLEY"),
20 and LARRY CHARLES KORTH, individually and doing business as Mid Valley Funding
21 Services (hereafter "KORTH"), (hereafter collectively "Respondents"), is informed and alleges
22 as follows:

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24 The Complainant makes this Accusation in his official capacity.

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26 MID VALLEY is licensed by the Department of Real Estate (hereafter "the
27 Department") as a corporate real estate broker.

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2 KORTH is licensed by the Department as a real estate broker.

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4 KORTH is licensed by the Department as the designated broker/officer of MID
5 VALLEY. As the designated broker/officer, KORTH is responsible, pursuant to Section
6 10159.2 of the Code, for the supervision of the activities of the officers, agents, real estate
7 licensees and employees of MID VALLEY for which a real estate license is required. KORTH
8 is also the President of MID VALLEY.

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10 At all times relevant herein, Respondents engaged in the business of, acted in the
11 capacity of, advertised or assumed to act as a real estate broker within the State of California
12 within the meaning of Section 10131(d) of the Code, including the operation and conduct of a
13 loan brokerage business with the public, wherein, on behalf of others, for compensation or in
14 expectation of compensation, Respondents solicited lenders and borrowers for loans secured
15 directly or collaterally by liens on real property, and wherein Respondents arranged, negotiated,
16 processed and consummated such loans. In addition, MID VALLEY operated a "self-directed
17 retirement fund" that acted as a lender on some private investor loans.

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19 Whenever reference is made in an allegation in this Accusation to an act or
20 omission of MID VALLEY, such allegation shall be deemed to mean that the officers, directors,
21 employees, agents and real estate licensees employed by or associated with Respondent MID
22 VALLEY committed such act or omission while engaged in furtherance of the business or
23 operations of Respondent MID VALLEY and while acting within the course and scope of their
24 corporate authority and employment.

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1 FIRST CAUSE OF ACTION

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3 On or about the period of December 2, 2008, and continuing intermittently
4 through April 30, 2009, an audit was conducted of the records of MID VALLEY at its main
5 office located at 7644 North Palm Avenue, Fresno, California, and at the Department's District
6 Office located at 1515 Clay Street, Suite 702, Oakland, California. The auditor herein examined
7 the records for the period of January 1, 2007, through November 30, 2008 (the audit period).

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9 While acting as a real estate broker as described in Paragraph 5, above, and within
10 the audit period, Respondents accepted or received funds in trust (trust funds) from or on behalf
11 of lenders, investors, borrowers and others in connection with mortgage activities, and deposited
12 or caused to be deposited those funds into a bank account maintained by Respondents, including:

13 1. Trust Account #1

14 Fresno First Bank
15 7355 North Palm Avenue, Suite 103
16 Fresno, California 93711

16 Account No. 100001528

17 Account Name: "Mid Valley Services Inc Trust I"

18 Signatories: Larry Korth, D.O./REB
19 Keith Korth, RES
20 Don Akins, RES

21 2. Trust Account #2

22 Fresno First Bank
23 7355 North Palm Avenue, Suite 103
24 Fresno, California 93711

25 Account No. 100001510

26 Account Name: "Mid Valley Services, Inc Trust II, Servicing Account"

27 Signatories: Larry Korth, D.O./REB
Keith Korth, RES
Don Akins, RES

1 Thereafter, from time to time, Respondents made disbursements of said trust funds.

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3 In the course of the activities described in Paragraph 5, above, in connection with
4 the collection and disbursement of trust funds:

5 (a) On or about September 30, 2008, there was a \$57,300 shortage for Trust
6 Account #1. MID VALLEY did not provide evidence that the owners of the trust funds had
7 given their written consent allowing it to reduce the balance of the funds in Trust Account #1 to
8 an amount less than the existing aggregate trust fund liabilities. Such acts and/or omissions by
9 MID VALLEY violate Section 10145 (handling of trust funds) of the Code and Section 2832.1
10 (trust fund handling for multiple beneficiaries) of Title 10 of the California Code of Regulations
11 (hereafter "the Regulations").

12 (b) On or about September 30, 2008, there was a shortage of \$6.13 for Trust
13 Account #2. MID VALLEY did not provide evidence that the owners of the trust funds had
14 given their written consent allowing it to reduce the balance of the funds in Trust Account #2 to
15 an amount less than the existing aggregate trust fund liabilities. Such acts and/or omissions by
16 MID VALLEY violate Section 10145 of the Code and Section 2832.1 of the Regulations.

17 (c) MID VALLEY's 2nd Quarter Trust Fund Status Report for the 2008 fiscal
18 year was due on July 31, 2008, but was not received by the Department until December 10, 2008.
19 Such acts and/or omissions by MID VALLEY violate Section 10232.25 (trust fund status report
20 filing requirements) of the Code.

21 (d) On or about September 20, 2008, MID VALLEY held broker funds of
22 \$269.49 in Trust Account #1; and from April 21, 2008 through June 30, 2008, MID VALLEY
23 kept \$10,977.76 of broker funds in Trust Account #1. Such acts and/or omissions by MID
24 VALLEY violate Section 10176(e) (grounds for revocation or suspension – commingling money
25 or property) of the Code and Section 2835 (commingling of funds) of the Regulations.

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1 (e) MID VALLEY failed to retain complete copies of all cancelled checks for
2 Trust Account #1 and Trust Account #2. Such acts and/or omissions by MID VALLEY violate
3 Section 10148 (records retention requirements) of the Code.

4 Such acts and/or omissions of MID VALLEY violate Sections 10148, 10176(e)
5 and 10232.25 and of the Code, and Sections 2831.1, 2832.1 and 2835 of the Regulations.

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7 The acts and/or omissions of MID VALLEY, as alleged in Paragraphs 8 and 9,
8 above, are grounds for discipline under Sections 10176(e), 10177(g) (demonstrated negligence
9 or incompetence involving acts for which license is required) and 10177(d) (willful disregard or
10 violation of real estate law) of the Code.

11 SECOND CAUSE OF ACTION

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13 MID VALLEY failed to maintain salesperson license certificates for salespersons
14 Lizette Haros, Linda Ann Smoyer and Fred Dean Williams, Jr. at its main office location. Such
15 acts and/or omissions violate Section 10160 (possession and inspection of salesman's license) of
16 the Code and Section 2753 (retention of salesperson's license certificate) of the Regulations.

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18 The acts and/or omissions of MID VALLEY, as alleged in Paragraph 11, above,
19 are grounds for discipline under Section 10177(d) and 10177(g) of the Code.

20 THIRD CAUSE OF ACTION

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22 MID VALLEY failed to have a signed statement of investor qualification for each
23 investor in the Josh Flowers/Todd Fitton loan, a multi-lender transaction. Such acts and/or
24 omissions violate Section 10238(f) (claim of exemption from securities qualifications --
25 statement for sale of notes or interests) of the Code.

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The acts and/or omissions of MID VALLEY, as alleged in Paragraph 13, above, are grounds for discipline under Section 10177(d) and 10177(g) of the Code.

FOURTH CAUSE OF ACTION

At all times relevant herein, KORTH was responsible, as the designated broker/officer for MID VALLEY, for the supervision and control of the activities conducted on behalf of the corporation by its officers and employees. KORTH failed to exercise reasonable supervision and control over the property mortgage loan brokering activities of MID VALLEY. In particular, KORTH permitted, ratified and/or caused the conduct described in the First, Second and Third Causes of Action, above, to occur, and failed to take reasonable steps, including, but not limited to, the handling of trust funds, supervision of employees and the implementation of policies, rules, procedures and systems to ensure the compliance of the corporation with the Real Estate Law and the Regulations. Such acts and/or omissions of KORTH violate Section 10159.2 of the Code (supervision responsibility of corporate officer in charge) and Section 2725 of the Regulations (broker supervision requirement).

The acts and/or omissions of KORTH, as set forth in Paragraph 15, above, constitute grounds for disciplinary action under Sections 10177(d), 10177(g) and 10177(h) (reasonable supervision responsibility of broker) of the Code.

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1 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
2 of this Accusation, and that upon proof thereof, a decision be rendered imposing disciplinary
3 action against all licenses and license rights of Respondents under the Code, and for such other
4 and further relief as may be proper under applicable provisions of law.

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7 LUKE MARTIN
8 Deputy Real Estate Commissioner

9 Dated at Fresno, California,
10 this 21st day of OCTOBER, 2010.