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FILED

OCT 23 2017

BUREAU OF REAL ESTATE

By H. Diaz

7
8 BEFORE THE BUREAU OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of:

12 DONALD RAY HUDSON

13 Respondents.

No. H-3113 FR

ACCUSATION

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15 The Complainant, BRENDA SMITH, a Supervising Special Investigator of the
16 State of California, for cause of Accusation against DONALD RAY HUDSON ("Respondent"),
17 is informed and alleges as follows:

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19 Respondent was and is licensed by the State of California Bureau of Real Estate
20 ("Bureau") under the Real Estate Law, Part 1 of Division 4 of the Business and Professions
21 Code ("Code") as a real estate broker.

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23 At all times mentioned herein, Respondent engaged in the business of, acted in the
24 capacity of, advertised, or assumed to act as a real estate broker within the State of California
25 within the meaning of Section 10131(b) of the Code, including the operation and conduct of a
26 property management business with the public wherein, on behalf of others, for compensation or
27 in expectation of compensation, Respondent leased or rented and offered to lease or rent, and

1 solicited for prospective tenants of real property or improvements thereon, and collected rents
2 from real property or improvements thereon.

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4 Beginning on or about December 5, 2016, and continuing intermittently through
5 January 27, 2017, an audit was conducted of Respondent's records. The audit was performed at
6 Respondent's main office location at 817 Morro Bay Blvd., Morro Bay, CA, and at the Bureau's
7 Oakland office.

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9 The auditor examined records for the period of January 1, 2015, through
10 December 31, 2016, ("audit period").

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12 At all times mentioned herein, Respondent had and has three licensed fictitious
13 business names registered with the Bureau: (1) RE/MAX-Coastal Living, (2) Seaside Real
14 Estate, and (3) Seaside Real Estate & Property Management.

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16 While engaging in real estate activities, as described in Paragraph 2, above,
17 Respondent accepted or received funds in trust ("trust funds") from or on behalf of owners and
18 tenants in connection with the leasing, renting, and collection of rents on real property or
19 improvements thereon, as alleged herein, and thereafter from time-to-time made disbursements
20 of said trust funds.

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22 The trust funds accepted or received by Respondent, as described above in
23 Paragraph 6, were deposited or caused to be deposited by Respondent into four bank accounts
24 that were maintained by Respondent for the handling of trust funds, and thereafter from time-to-
25 time Respondent made disbursements of said trust funds, from the following bank accounts:

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1 Bank Account #1

2 Bank Name: Robobank
3 251 Harbor Street, Morro Bay, CA 93443
4 Account Name: Seaside Real Estate, Inc.
5 Account No.: Last 4 Digits: 1811
6 Signatories: Donald R. Hudson (REB)
7 Sheri Hudson (unlicensed)
8 Description: Business checking account used for deposits and
9 disbursements related to management of properties.

10 Bank Account #2

11 Bank Name: Robobank
12 251 Harbor Street, Morro Bay, CA 93443
13 Account Name: Seaside Real Estate, Inc.
14 Account No.: Last 4 Digits: 1812
15 Signatories: Donald R. Hudson (REB)
16 Sheri Hudson (unlicensed)
17 Description: Business checking account used for deposits and
18 disbursements related to management of properties.

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21 Bank Account #3

22 Bank Name: Robobank
23 251 Harbor Street, Morro Bay, CA 93443
24 Account Name: Seaside Real Estate, Inc.
25 Account No.: Last 4 Digits: 7217
26 Signatories: Donald R. Hudson (REB)
27 Sheri Hudson (unlicensed)

1 Description: Business checking account used for deposits and
2 disbursements related to management of properties.
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5 Bank Account #4

6 Bank Name: Robobank

7 251 Harbor Street, Morro Bay, CA 93443

8 Account Name: Seaside Real Estate, Inc. David Hilgeman Trust

9 Account No.: Last 4 Digits: 2211

10 Signatories: Donald R. Hudson (REB)

11 Sheri Hudson (unlicensed)

12 Description: Single beneficiary account used for deposits and
13 disbursements related to management of properties owned
14 by David Hilgeman.

15 AUDIT FINDINGS

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17 Each and every allegation made in Paragraphs 1 through 7, inclusive, is
18 incorporated by this reference as if fully set forth herein.

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20 In the course of the real estate broker activities described in Paragraph 2, above,
21 and during the audit period, it was discovered:

22 (a) As of October 25, 2016, Respondent caused, suffered or permitted the
23 balance of funds in Bank Account #1 to contain a shortage of \$29,671.66, without the prior
24 written consent of each owner of such funds, in violation of Section 10145 of the Code and
25 Section 2832.1, Title 10, California Code of Regulations ("Regulations");

26 (b) As of December 23, 2016, Bank Account #1 had a shortage of \$14,837.78,
27 in violation of Section 10145 of the Code and Section 2832.1 of the Regulations;

1 (c) As of October 25, 2016, Respondent caused, suffered or permitted the
2 balance of funds in Bank Account #2 to contain a shortage of \$140,369.30, without the prior
3 written consent of each owner of such funds, in violation of Section 10145 of the Code and
4 Section 2832.1 of the Regulations;

5 (d) As of December 23, 2016, Bank Account #2 had a shortage of \$55,359.71,
6 in violation of Section 10145 of the Code and Section 2832.1 of the Regulations;

7 (e) As of October 31, 2016, Respondent caused, suffered or permitted the
8 balance of funds in Bank Account #3 to contain a shortage of \$17,783.19, without the prior
9 written consent of each owner of such funds, in violation of Section 10145 of the Code and
10 Section 2832.1 of the Regulations;

11 (f) As of December 30, 2016, Bank Account #3 had a shortage of \$9,798.03,
12 in violation of Section 10145 of the Code and Section 2832.1 of the Regulations;

13 (g) Respondent failed to properly designate Bank Account #1, Bank Account
14 #2, Bank Account #3, and Bank Account #4 as trust accounts in the name of Respondent and/or
15 a fictitious business name associated with Respondent, as trustee, in violation of Section 10145
16 of the Code and Section 2832 of the Regulations;

17 (h) Respondent failed to reconcile at least once a month, the balance of all
18 separate beneficiary or transaction records with the balance of the control records for Bank
19 Account #1, Bank Account #2, and Bank Account #3, in violation of Section 10145 of the Code
20 and Section 2831.2 of the Regulations; and

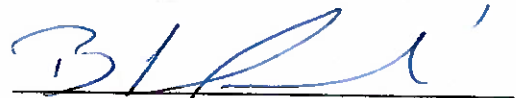
21 (i) Respondent commingled and purposefully caused \$18,000 in funds to be
22 transferred from Bank Account #2 to Respondent's own bank account, in violation of Section
23 10176(e) and Section 2835 of the Regulations.

24 (j) Respondent maintained a signature card for Bank Account #1, Bank
25 Account #2, Bank Account #3, and Bank Account #4, which were used to hold trust funds, in the
26 name of Sheri Hudson, an unlicensed individual, without fidelity bond coverage.

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Section 10106 of the Code provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Bureau, the Commissioner may request the Administrative Law Judge to direct a licensee found to have committed a violation of this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and license rights of Respondent under the Code, for the cost of investigation and enforcement as permitted by law, for the cost of the audit, and for such other and further relief as may be proper under other provisions of law.



BRENDA SMITH
Supervising Special Investigator

Dated at Fresno, California,

this 19 day of October, 2017.

DISCOVERY DEMAND

Pursuant to Sections 11507.6, *et seq.* of the *Administrative Procedure Act*, the Bureau hereby makes demand for discovery pursuant to the guidelines set forth in the *Administrative Procedure Act*. Failure to provide Discovery to the Bureau may result in the exclusion of witnesses and documents at the hearing or other sanctions that the Office of Administrative Hearings deems appropriate.