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Foct 26 2006

DEPARTMENT OF REAL ESTATE

By anne Shawer

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of

Department of Real Estate

Sacramento, CA 95818-7007

Telephone: (916) 227-0781

P.O. Box 187007

CAL-PROP MANAGEMENT INC. and RICHARD NEIL THORNTON,

Respondent.

No. H-3471 SD

STIPULATION AND AGREEMENT

It is hereby stipulated by and between CAL-PROP MANAGEMENT INC. and RICHARD NEIL THORNTON (hereinafter "Respondents") and their attorney, Adam G. Slote, and the Complainant, acting by and through Truly Sughrue, Counsel for the Department of Real Estate, as follows for the purpose of settling and disposing the Accusation filed on March 27, 2006 in this matter:

1. All issues which were to be contested and all evidence which was to be presented by Complainant and Respondents at a formal hearing on the Accusation, which hearing was to be held in accordance with the provisions of the Administrative Procedure Act (APA), shall instead and in place thereof be

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 submitted solely on the basis of the provisions of this Stipulation and Agreement.

- 2. Respondents have received, read and understand the Statement to Respondent, and the Discovery Provisions of the APA filed by the Department of Real Estate in this proceeding.
- 3. Respondents filed a Notice of Defense pursuant to Section 11505 of the Government Code for the purpose of requesting a hearing on the allegations in the Accusation. Respondents hereby freely and voluntarily withdraw said Notice of Defense. Respondents acknowledge that they understand that by withdrawing said Notice of Defense they will thereby waive their rights to require the Commissioner to prove the allegations in the Accusation at a contested hearing held in accordance with the provisions of the APA, and that they will waive other rights afforded to them in connection with the hearing such as the right to present evidence in defense of the allegations in the Accusation and the right to cross-examine witnesses.
- allegations contained in the Accusation. In the interest of expediency and economy, Respondents choose not to contest these factual allegations, but to remain silent and understands that, as a result thereof, these factual statements will serve as a prima facie basis for the "Determination of Issues" and "Order" set forth below. The Real Estate Commissioner shall not be required to provide further evidence to prove such allegations.
 - 5. This Stipulation and Respondents decision not to

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contest the Accusation are made for the purpose of reaching an agreed disposition of this proceeding and are expressly limited to this proceeding and any other proceeding or case in which the Department of Real Estate (hereinafter "the Department"), the state or federal government, an agency of this state, or an agency of another state is involved.

- 6. Respondents understand that by agreeing to this Stipulation and Agreement, Respondents agree to pay, pursuant to Section 10148 of the California Business and Professions Code, the cost of the audit which resulted in the determination that Respondent committed the trust fund violation(s) found in Paragraph I, below, of the Determination of Issues. The amount of said costs is \$9,442.55.
- 7. Respondents further understands that by agreeing to this Stipulation and Agreement in Settlement, the findings set forth below in the Determination Of Issues become final, and that the Commissioner may charge said Respondents for the costs of any audit conducted pursuant to Section 10148 of the California Business and Professions Code to determine if the violations have been corrected. The maximum costs of said audit shall not exceed \$9,442.55.
- 8. It is understood by the parties that the Real Estate Commissioner may adopt the Stipulation and Agreement as his decision in this matter thereby imposing the penalty and sanctions on the real estate licenses and license rights of Respondent as set forth in the below "Order". In the event that

the Commissioner in his discretion does not adopt the Stipulation and Agreement, it shall be void and of no effect, and Respondents shall retain the right to a hearing and proceeding on the Accusation under all the provisions of the APA and shall not be bound by any admission or waiver made herein.

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

DETERMINATION OF ISSUES

By reason of the foregoing stipulations and waivers and solely for the purpose of settlement of the pending Accusation without a hearing, it is stipulated and agreed that the following determination of issues shall be made:

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The acts and omissions of Respondents CAL-PROP

MANAGEMENT INC. and RICHARD NEIL THORNTON as described in the

Accusation are grounds for the suspension or revocation of

Respondents licenses and license rights under the following

sections of the Code and Regulations:

(1) As to Paragraphs IX(a), under Section 10177(d) of the Code in conjunction with Section 10145 of the Code;

- (2) As to Paragraph IX(b), under Section 10177(d) of the Code in conjunction with Section 2832.1 of the Regulations;
- (3) As to Paragraph IX(c), under Section 10177(d) of the Code in conjunction with Section 2831 of the Regulations;
- (4) As to Paragraph IX(d), under Section 10177(d) of the Code in conjunction with Section 2831.1 of the Regulations;
- (5) As to Paragraph IX(e), under Section 10177(d) of the Code in conjunction with Section 2831.2 of the Regulations;
- (6) As to Paragraph IX(f), under Section 10177(d) of the Code in conjunction with Section 2835 of the Regulations and Section 10176(e) of the Code;
- (7) As to Paragraph X, under Section 10177(d) of the Code in conjunction with Section 2834 of the Regulations;
- (8) As to Paragraph XI, under Section 10177(d) of the Code in conjunction with Section 10145(d) of the Code; and
 - (9) As to Paragraph XI, under Section 10177(d) of the Code in conjunction with Section 2731 of the Regulations.

The acts and/or omissions of Respondent RICHARD NEIL THORNTON (hereinafter "THORNTON") described in the Accusation, constitute failure on the part of THORNTON, as designated broker-officer for CAL-PROP MANAGEMENT INC., to exercise reasonable supervision and control over the licensed activities of CAL-PROP MANAGEMENT INC. required by Section 10159.2 of the Code, and is cause for the suspension or revocation of THORNTON's license and/or license rights under Section 10177(h) of the Code.

ORDER

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All licenses and licensing rights of Respondent CAL-PROP

MANAGEMENT INC. (hereinafter "CAL-PROP") under the Real Estate

Law are suspended for a period of thirty (30) days from the effective date of this Order; provided, however, that

1) Thirty (30) days of said suspension shall be stayed, upon the condition that CAL-PROP petition pursuant to Section 10175.2 of the Business and Professions Code and pays a monetary penalty pursuant to Section 10175.2 of the Business and Professions Code at a rate of \$200 for each day of the

suspension for a total monetary penalty of \$6,000.

- a) Said payment shall be in the form of a cashier's check or certified check made payable to the Recovery Account of the Real Estate Fund. Said check must be delivered to the Department prior to the effective date of the Order in this matter.
- b) No further cause for disciplinary action against the Real

 Estate licenses of CAL-PROP occurs within two (2) years from

 the effective date of the decision in this matter.
- above prior to the effective date of this Order, the stay of the suspension shall be vacated as to that Respondent and the order of suspension shall be immediately executed, under this Order, in which event the said Respondent shall not be

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 entitled to any repayment nor credit, prorated or otherwise, for the money paid to the Department under the terms of this Order.

- d) If said Respondent pays the monetary penalty and any other moneys due under this Stipulation and Agreement and if no further cause for disciplinary action against the real estate license of said Respondent occurs within two (2) years from the effective date of this Order, the entire stay hereby granted this Order, as to said Respondent only, shall become permanent.
- 2) Pursuant to Section 10148 of the Business and Professions

 Code, CAL-PROP shall jointly and severally with THORTNTON pay
 the sum of \$9,442.55 for the Commissioner's cost of the audit
 which led to this disciplinary action. Respondents shall pay
 such cost within forty-five (45) days of receiving an invoice
 therefor from the Commissioner. The Commissioner may suspend
 the CAL-PROP's license pending a hearing held in accordance
 with Section 11500, et seq., of the Government Code, if
 payment is not timely made as provided for herein, or as
 provided for in a subsequent agreement between the Respondent
 and the Commissioner. The suspension shall remain in effect
 until payment is made in full or until Respondent enters into
 an agreement satisfactory to the Commissioner to provide for
 payment, or until a decision providing otherwise is adopted
 following a hearing held pursuant to this condition.
- 3) Pursuant to Section 10148 of the Business and Professions Code, CAL-PROP shall jointly and severally with THORNTON pay

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the Commissioner's reasonable cost, not to exceed \$9,442.55, for an audit to determine if Respondents have corrected the trust fund violation(s) found in Paragraph I of the Determination of Issues. In calculating the amount of the Commissioner's reasonable cost, the Commissioner may use the estimated average hourly salary for all persons performing audits of real estate brokers, and shall include an allocation for travel time to and from the auditor's place of work. Respondent shall pay such cost within forty-five (45) days of receiving an invoice therefor from the Commissioner detailing the activities performed during the audit and the amount of time spent performing those activities. The Commissioner may suspend CAL-PROP'S license pending a hearing held in accordance with Section 11500, et seq., of the Government Code, if payment is not timely made as provided for herein, or as provided for in a subsequent agreement between Respondent and the Commissioner. The suspension shall remain in effect until payment is made in full or until Respondent enters into an agreement satisfactory to the Commissioner to provide for payment, or until a decision providing otherwise is adopted following a hearing held pursuant to this condition.

II

All licenses and licensing rights of Respondent THORNTON under the Real Estate Law are suspended for a period of THIRTY (30) days from the effective date of this Order; provided, however, that:

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- 1) Thirty (30) days of said suspension shall be stayed, upon the condition that THORNTON petition pursuant to Section 10175.2 of the Business and Professions Code and pays a monetary penalty pursuant to Section 10175.2 of the Business and Professions Code at a rate of \$200 for each day of the suspension for a total monetary penalty of \$6,000.
 - a) Said payment shall be in the form of a cashier's check or certified check made payable to the Recovery Account of the Real Estate Fund. Said check must be delivered to the Department prior to the effective date of the Order in this matter.
 - b) No further cause for disciplinary action against the Real Estate licenses of said Respondent occurs within two (2) years from the effective date of the decision in this matter.
 - above prior to the effective date of this Order, the stay of the suspension shall be vacated as to that Respondent and the order of suspension shall be immediately executed, under this Order, in which event the said Respondent shall not be entitled to any repayment nor credit, prorated or otherwise, for the money paid to the Department under the terms of this Order.
 - d) If THORNTON pays the monetary penalty and any other moneys due under this Stipulation and Agreement and if no further cause for disciplinary action against the real estate

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 license of said Respondent occurs within two (2) years from the effective date of this Order, the entire stay hereby granted under this Order, as to said Respondent only, shall become permanent.

- of this Decision, take and pass the Professional

 Responsibility Examination administered by the Department including the payment of the appropriate examination fee. If THORNTON fails to satisfy this condition, the Commissioner may order suspension of the license until Respondent passes the examination.
- 3) THORNTON shall, prior to the effective date of this Decision, submit proof satisfactory to the Commissioner of having taken and successfully completed the continuing education course on trust fund accounting and handling specified in subdivision (a) of Section 10170.5 of the Business and Professions Code. Proof of satisfaction of this requirement includes evidence that THORNTON has successfully completed the trust fund account and handling continuing education course within 120 days prior to the effective date of the Decision in this matter. If THORNTON fails to satisfy this condition, the Commissioner may order the suspension of THORNTON'S license until THORNTON presents proof that she has successfully completed the trust fund course.
- 4) Pursuant to Section 10148 of the Business and Professions

 Code, THORNTON shall jointly and severally with CAL-PROP pay
 the sum of \$9,442.55 for the Commissioner's cost of the audit

which led to this disciplinary action. Respondent shall pay such cost within forty-five (45) days of receiving an invoice therefor from the Commissioner. The Commissioner may suspend THORNTON'S license pending a hearing held in accordance with Section 11500, et seq., of the Government Code, if payment is not timely made as provided for herein, or as provided for in a subsequent agreement between the Respondent and the Commissioner. The suspension shall remain in effect until payment is made in full or until Respondent enters into an agreement satisfactory to the Commissioner to provide for payment, or until a decision providing otherwise is adopted following a hearing held pursuant to this condition.

Code, THORNTON shall jointly and severally with CAL-PROP pay the Commissioner's reasonable cost, not to exceed \$9,442.55, for an audit to determine if Respondents have corrected the trust fund violation(s) found in Paragraph I of the Determination of Issues. In calculating the amount of the Commissioner's reasonable cost, the Commissioner may use the estimated average hourly salary for all persons performing audits of real estate brokers, and shall include an allocation for travel time to and from the auditor's place of work. Respondent shall pay such cost within forty-five (45) days of receiving an invoice therefor from the Commissioner detailing the activities performed during the audit and the amount of time spent performing those activities. The Commissioner may suspend THORNTON'S license pending a hearing held in

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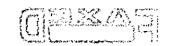
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accordance with Section 11500, et seq., of the Government Code, if payment is not timely made as provided for herein, or as provided for in a subsequent agreement between Respondent and the Commissioner. The suspension shall remain in effect until payment is made in full or until Respondent enters into an agreement satisfactory to the Commissioner to provide for payment, or until a decision providing otherwise is adopted following a hearing held pursuant to this condition.

14-Sept-06

TRULY SUGHRUE

Couns for Complainant

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I have read the Stipulation and Agreement, discussed it with my counsel, and its terms are understood by me and are agreeable and acceptable to me. I understand that I am waiving rights given to me by the California Administrative Procedure Act, and I willingly, intelligently and voluntarily waive those rights, including the right of requiring the Commissioner to prove the allegations in the Accusation at a hearing at which I would have the right to cross-examine witnesses against me and to present evidence in defense and mitigation of the charges.

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9-8-06

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DATED

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DATED

9-8-06

CAL-PROP MANAGEMENT INC. Respondent

RICHARD NEIL THORNTON Respondent

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1	I have reviewed the Stipulation and Agreement as to
2	form and content and have advised my client accordingly.
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4	9-8-06
5	DATED ADAM G. SLOTE Attorney for Respondents
6	*, * *
7 .	The foregoing Stipulation and Agreement is hereby
8	adopted as my Decision and shall become effective at 12 o'clock
9	noon on NOV 1 5 2008
10	TT IS SO ORDERED 10 27 . 2006.
11	IT IS SO ORDERED (S C), 2006.
12	JEFF DAVI
13	Real estate Commissioner
14	(NIM)
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TRULY SUGHRUE, Counsel State Bar No. 223266 Department of Real Estate P.O. Box 187007 Sacramento, CA 95818-7007 Telephone: (916) 227-0781



DEPARTMENT OF REAL ESTATE

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

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In the Matter of the Accusation of

No. H-3471 SD

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CAL-PROP MANAGEMENT INC. and RICHARD NEIL THORNTON, 13

ACCUSATION

Respondent.

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The Complainant, J. CHRIS GRAVES, a Deputy Real Estate Commissioner of the State of California, for cause of Accusation against CAL-PROP MANAGEMENT INC. and RICHARD NEIL THORNTON (hereinafter "Respondents"), are informed and alleges as follows:

The Complainant, J. CHRIS GRAVES, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in his official capacity.

II

Respondents are presently licensed and/or have license rights under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) (hereinafter "the Code").

III

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At all times herein mentioned, CAL-PROP MANAGEMENT INC. (hereinafter "CAL-PROP") was and is licensed by the Department of Real Estate (hereafter the "Department") as a real estate broker corporation.

IV

At all times herein mentioned, RICHARD NEIL THORNTON (hereinafter "THORNTON") was and is licensed by the Department of Real Estate as the designated officer for CAL-PROP.

V

As said designated officer-broker, THORNTON was responsible pursuant to Section 10159.2 of the Code for the supervision of the activities of the officers, agents, real estate licensees, and employees of CAL-PROP for which a license is required.

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At all times herein mentioned, Respondents engaged in activities on behalf of others for which a real estate license is required under Section 10131(b) of the Code, for or in expectation of compensation, and leased or rented, offered to lease or rent, solicited prospective tenants, collected rents on, and/or managed certain real properties in California.

VII

In acting as real estate brokers, as described in Paragraph VI, Respondents accepted or received funds in trust (hereinafter "trust funds") from or on behalf of owners and

tenants in connection with the leasing, renting, and collection of rents on real property or improvements thereon, as alleged herein, and thereafter from time to time made disbursements of said trust funds. VIII The aforesaid trust funds accepted or received by Respondents were deposited or caused to be deposited by Respondents into on or more bank accounts (hereinafter "trust funds accounts") maintained by Respondents for the handling of trust funds, including but not limited to the following: TITLE AND ACCOUNT NUMBERS **BANK** San Diego Trust Bank Lucas Neil, Inc. DBA Cal-Prop Management 2550 5th Avenue Trust Account Account No. 1302124 San Diego, CA 92103 (hereinafter "Trust #1") 1.3 Lucas Neil Inc. DBA Cal Property U.S. Bank 14 Management A 1-Trust Account 1601 Grand Avenue Account No. 153490964621 15 San Diego, CA 92109 (hereinafter "Trust #2") Lucas Neil Inc. DBA Cal Prop Mgmt Trust AIG Annuity Insurance A/C Company 205 east 10th Avenue Account No. RH200872 18 (hereinafter "Trust #3") Amarillo, TX 79101-3546 19 Lucas Neil Inc. DBA Cal-Prop Management San Diego Trust Bank 2550 5th Avenue Lease Only Trust Account 20 Account No. 1301928 San Diego, CA 92103 (hereinafter "Trust #4") Lucas Neil Inc. DBA Cal Property U.S. Bank 22 Management Lease Only Trust Account 1601 Grand Avenue Account No. 153492115255 San Diego, CA 92109 (hereinafter "Trust #5") 111 111 111

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IX

Between on or about October 1, 2003 through August 31, 2005, in connection with the collection and disbursement of said trust funds Respondents:

- (a) Failed to deposit and maintain trust funds in Trust #1 and Trust #2 in such manner that as of August 31, 2005, there was a combined shortage of \$356,096.44 of trust funds.
- (b) Failed to obtain prior written consent from each of the principals for the reduction of the aggregate balance of trust funds in Trust #1 and Trust #2 to an amount less than the existing aggregate trust fund liability to the owners of said funds in violation of Section 2832.1 of the Regulations.
- (c) Failed to maintain a written control record of all trust funds received and disbursed for Trust #1, 2, 3, 4, and 5 containing all information required by Section 2831.
- (d) Failed to maintain accurate separate records and accurate beneficiary or transaction statements for all trust funds deposited into and/or disbursed from Trust #3 as required by Section 2831.1
- (e) Failed to reconcile the balance of separate beneficiary or transaction records with the control records of trust funds received and disbursed, from Trust #1, 2, 3,4 and 5, at least once a month, and/or failed to maintain a record of such reconciliations as required by Section 2831.2 of the Regulations.
- (f) Commingled with CAL-PROP's own money or property, the money or property of others which was received or held by

Respondent in trust in violation of Section 10176(e) of the Code.

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In connection with the receipt and disbursement of trust funds described in Paragraph VIII above, CAL-PROP permitted withdrawals to be made from Trust #1, 2, 3, 4, and 5 by someone other than a corporate officer, or a salesperson licensed to CAL-PROP and authorized in writing by CAL-PROP to withdraw said funds, or an authorized unlicensed employee covered by a fidelity bond indemnifying CAL-PROP against loss in an amount sufficient to cover the maximum amount of funds to which the employee had access at any time, as required by Section 2834 of the Regulations.

XI

CAL-PROP deposited trust funds of multiple beneficiaries into Trust #3 an interest bearing annuity account. CAL-PROP failed to comply with the requirements of Section 10145(d) of the Code.

XII

CAL-PROP operated their real estate business in San Diego, California, under the fictitious business names of "Cal-Prop Investments and Management", without CAL-PROP obtaining a license bearing said fictitious business name as required by Section 2731 of the Regulations.

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XIII

THORNTON failed to exercise reasonable supervision over the acts of CAL-PROP in such a manner as to allow the acts and events described above to occur.

XIV

The acts and/or omissions of THORNTON described in paragraph XIII, constitutes failure on the part of THORNTON, as designated broker-officer for CAL-PROP, to exercise reasonable supervision and control over the licensed activities of CAL-PROP required by Section 10159.2 of the Code.

XV

The facts alleged above are grounds for the suspension or revocation of Respondents licenses and license rights under the following sections of the Code and Regulations:

- (1) As to Paragraphs IX(a), under Section 10177(d) of the Code in conjunction with Section 10145 of the Code;
- (2) As to Paragraph IX(b), under Section 10177(d) of the Code in conjunction with Section 2832.1 of the Regulations;
- (3) As to Paragraph IX(c), under Section 10177(d) of the Code in conjunction with Section 2831 of the Regulations;
- (4) As to Paragraph IX(d), under Section 10177(d) of the Code in conjunction with Section 2831.1 of the Regulations;
- (5) As to Paragraph IX(e), under Section 10177(d) of the Code in conjunction with Section 2831.2 of the Regulations;
- (6) As to Paragraph IX(f), under Section 10177(d) of the Code in conjunction with Section 2835 of the Regulations and Section 10176(e) of the Code;

Code in conjunction with Section 2834 of the Regulations; 2 (8) As to Paragraph XI, under Section 10177(d) of the 3 Code in conjunction with Section 10145(d) of the Code; and 4 (9) As to Paragraph XI, under Section 10177(d) of the 5 Code in conjunction with Section 2731 of the Regulations. 6 IVX 7 The facts alleged in Paragraphs XIII and XIV, are 8 grounds from the suspension or revocation of the licenses and 9 license rights of Respondent THORNTON under Sections 10177(g) 10 and/or 10177(h) of the Code, and Section 10177(d) of the Code in 11 conjunction with Section 10159.2 of the Code. 12 WHEREFORE, Complainant prays that a hearing be 13 conducted on the allegations of this Accusation and that upon 14 proof thereof, a decision be rendered imposing disciplinary 15 action against all licenses and license rights of Respondents, 16 under the Real Estate Law (Part 1 of Division 4 of the Business 17 and Professions Code), and for such other and further relief as 18 may be proper under other provisions of law. 19 20 21 22 Real Estate Commissioner 23 Dated at San Diego, California, 24 25 26 27

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(7) As to Paragraph X, under Section 10177(d) of the