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FILED

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DEPT. OF REAL ESTATE

By 

9 BEFORE THE DEPARTMENT OF REAL ESTATE
10 STATE OF CALIFORNIA

11 In the Matter of the Accusation of) No. H-05129 SD
12)
13) JOE ECO REAL ESTATE BROKER)
14) INC., JOSEPH P. ECONOMOU,) ACCUSATION
15) individually and as designated officer)
16) of Joe Eco Real Estate Broker Inc.,)
17) Respondents.)

18 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the
19 Department of Real Estate ("Department" or "DRE") of the State of California, for cause of
20 Accusation against JOE ECO REAL ESTATE BROKER INC. ("JEREBI") and JOSEPH P.
21 ECONOMOU ("ECONOMOU") (collectively "Respondents"), alleges as follows:

22 1. The Complainant, Maria Suarez, acting in her official capacity as a Supervising
23 Special Investigator, makes this Accusation against Respondents.

24 2. All references to the "Code" are to the California Business and Professions Code
25 and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

LICENSE HISTORY

26 3. Respondent JEREBI has been licensed by the Department as a real estate
27 corporation, License ID 01966336, from on or about October 29, 2014, through the present, with
28 JEREBI's license scheduled to expire on October 28, 2022 unless renewed. JEREBI is licensed,

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1 through ECONOMOU's real estate broker ("REB") license, ID 01053989, and ECONOMOU is the
2 designated officer ("D.O."). According to Department records as of July 12, 2019, JEREBI
3 maintains the fictitious business name of "Islander Realty," has no branch offices, and employs
4 four salespersons.

5 4. Respondent ECONOMOU has been licensed by the Department as a REB from on
6 or about December 27, 1996, through the present, with ECONOMOU's license scheduled to expire
7 on December 26, 2020, unless renewed. Previously, ECONOMOU was licensed by the Department
8 as a real estate salesperson ("RES") from on or about November 22, 1989 to on or about December
9 26, 1996. According to Department records to date, the fictitious business name "Beach House
10 Realty" is licensed to ECONOMOU, and has been active as of February 13, 2002.

11 **DRE CASE NO. H-04750 SD**

12 5. On or about July 13, 2016, in Case No. H-04750 SD, the Department filed a
13 Stipulation and Agreement for BEACH HOUSE REALTY, JEREBI, and ECONOMOU. Under
14 the Stipulation and Agreement, all licenses and licensing rights of JEREBI and ECONOMOU
15 under the Real Estate Law were suspended for a period of 60 days from the effective date of the
16 decision provided, however, that 60 days of the suspension would be stayed for two years on
17 condition that:

- 18 a. JEREBI and ECONOMOU obey all laws and regulations governing the
19 rights, duties, and responsibilities of a real estate licensee in the State of California; and,
20 b. No final subsequent determination be made, after hearing or upon
21 stipulation, that cause for disciplinary action occurred within two years from the effective
22 date of the decision;
23 c. JEREBI and ECONOMOU pay the Commissioner's cost of the audit;
24 d. JEREBI and ECONOMOU pay the Commissioner's reasonable cost, not to
25 exceed \$7,553, for an audit to determine if Respondents have corrected the violations found
26 in the Determination of Issues;

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1 e. All licenses and licensing rights of ECONOMOU be indefinitely suspended
2 until he provides proof satisfactory of having completed the continuing education course on
3 trust fund accounting and handling;

4 f. All licenses and licensing rights of JEREBI and ECONOMOU be
5 indefinitely suspended until they paid the Commissioner's reasonable costs of investigation
6 and enforcement that lead to the disciplinary action.

7 6. The Stipulation and Agreement was adopted as the Decision of the Real Estate
8 Commissioner, effective August 12, 2016.

9 **BROKERAGE: JEREBI**

10 7. At all times mentioned, in the County of San Diego, JEREBI acted as a real estate
11 broker, conducting licensed activities within the meaning of Code Section 10131(b): leasing or
12 renting, offering to lease or rent, or collecting rents from real property for others. At all times
13 mentioned, JEREBI was acting by and through ECONOMOU as its D.O. pursuant to Code Section
14 10159.2 who was responsible for ensuring compliance with the Real Estate Law.

15 **AUDIT OF JEREBI: AUDIT NO. SD180022**

16 8. On November 27, 2019, the Department completed an audit examination of the
17 books and records of JEREBI's real estate activities that require a corporate real estate broker
18 license under Code Section 10131. The audit examination, SD180022, covered the dates October
19 16, 2016, to February 28, 2019 ("audit period") and was limited to JEREBI's property management
20 activities.

21 9. The purpose of the audit examination was to perform a chargeable follow-up
22 examination to determine whether Respondents have complied with the requirements of the
23 Stipulation and Agreement in Case No. H-04750 SD, and more specifically whether Respondents
24 complied with Code Sections 10145, 10130, 10162, 10159.5 and 10159.2, and with Regulations
25 2832, 2831.2, 2715, 2731 and 2725.

26 10. An entrance interview was held by the DRE's auditor on March 6, 2019, with
27 ECONOMOU at JEREBI's main office in Coronado, California. Salesperson Jacqueline Anne

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1 Hanson ("Hanson," ID 01896059) and ECONOMOU were the primary persons who provided
2 records for the examination.

3 11. Based on discussions between the Department's auditor and ECONOMOU,
4 JEREBI's corporate structure as of March 6, 2019 was as follows:

<u>Name</u>	<u>Title</u>	<u>License Status</u>	<u>Shareholder %</u>
ECONOMOU	President, Secretary, and Treasurer	REB (ID 01053989)	100%

7 12. According to ECONOMOU and the records examined, JEREBI conducted property
8 management activities during the audit period, managing about two single family residences and 10
9 apartment complexes for approximately 12 owners. JEREBI collects rents, pays expenses, and
10 screens tenants for compensation. JEREBI collected approximately \$693,000.00 in rents and
11 security deposits from tenants during the twelve months prior to March 6, 2019. JEREBI charged a
12 management fee of 7% to 10% of the rents collected.

13 13. According to ECONOMOU, JEREBI maintained one (1) bank account for its
14 property management activity during the audit period, as follows:

15 a. Bank Account 1 ("BA1")

Bank:	Chase Bank
Account Name:	Joe Eco Real Estate Broker Inc. dba Islander Realty
Account #:	XXXXXXXXX2928
Signatories:	ECONOMOU
Description:	BA1 was maintained for the receipts and disbursements of trust funds for multiple beneficiaries in connection with JEREBI's property management activity. According to ECONOMOU, BA1 was used to handle the rent and the security deposits for multiple beneficiaries.

22 Audit Violations in Audit No. SD180022

23 14. Complainant realleges and incorporates by reference all of the allegations contained
24 in paragraphs 1 through 13 above, with the same force and effect as though fully set forth herein.

25 15. Under the Stipulation and Agreement in Case No. H-04750 SD, discussed above in
26 paragraphs 5 and 6, Respondents understood that the factual allegations in the Accusation in Case
27 No. H-04750 SD would serve as a prima facie basis for disciplinary action, and that the Accusation

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1 alleged that Respondents had violated Code Sections 10145, 10130, 10162, 10159.5 and 10159.2,
2 and Regulations 2832, 2831.2, 2715, 2731 and 2725.

3 16. Based on the DRE auditor's follow-up examination of JEREBI's property
4 management activities, JEREBI was in compliance with Code Sections 10130, 10162 and 10159.5,
5 and Regulations 2715 and 2731. The DRE's auditor found that JEREBI was not in compliance
6 with Code Sections 10145 and 10159.2, and Regulations 2832, 2831.2 and 2725.

7 17. The audit examination in Audit No. SD180022 thus revealed violations of the Code
8 and the Regulations, as set forth in the following paragraphs, and more fully discussed in Audit No.
9 SD180022 and the exhibits and work papers attached to the audit report:

10 **Issue One (1). Code Section 10145(a) and Regulation 2832.1: Trust Fund Handling for**
11 **Multiple Beneficiaries**

12 18. As of February 28, 2019, there was a trust fund shortage of \$3,300.00 in BA1. The
13 shortage was caused by a negative property balance totaling \$3,300.00. In addition, there were
14 unidentified/unaccounted for funds of \$5,207.49. On March 6, 2019, ECONOMOU deposited
15 \$3,300.00 in BA1.

16 19. JEREBI provided no evidence that the owners of the trust funds had given their
17 written consent to allow JEREBI to reduce the balance of the funds in BA1 to an amount less than
18 the existing aggregate trust fund liabilities.

19 20. JEREBI's failure to obtain the written authorization of the owners of the trust funds
20 to reduce the balance of funds in BA1 to an amount less than the existing aggregate trust fund
21 liability was in violation of **Code section 10145(a) and Regulation 2832.1.**

22 **Issue Two (2). Code Section 10145 and Regulation 2831.2: Trust Account Reconciliation**

23 21. JEREBI maintained a monthly reconciliation for BA1, however, the balance of all
24 separate records compared to the balance of the record of all trust funds received and disbursed
25 (control record) for BA1 were not accurate. BA1 had unidentified/unaccounted for funds of
26 \$5,207.49 as of February 28, 2019.

27 22. JEREBI's failure to accurately maintain the monthly reconciliation for BA1 was in
28 violation of **Code section 10145 and Regulation 2831.2.**

Issue Three (3). Code Section 10145 and Regulation 2831: Trust Fund Records to be Maintained

23. JEREBI did not maintain accurate records of all trust funds received and disbursed (control record) for BA1 related to its property management activities. The control records did not indicate when the trust funds were deposited. The control record maintained by JEREBI consists of a deposit register and check register. Examples are as follows:

<u>Tenant</u>	<u>Property</u>	<u>Date Received per ledger</u>	<u>Amount Received per ledger</u>	<u>Date of Deposit</u>
Timmons	503 Turnstone Ln.	02/01/19	\$2,700.00	Not Posted
Kalomaris	1720 Ave. Del Mundo #509	02/06/19	\$1,902.50	Not Posted
Kunz	1710 Ave. Del Mundo #809	11/01/18	\$5,117.80	Not Posted
Smith	220 A Ave.	11/02/18	\$5,250.00	Not Posted
Thuman	854 E Ave.	09/12/18	\$3,300.00	Not Posted
Freeman	1760 Ave. Del Mundo #1004	09/01/18	\$5,463.64	Not Posted
Navakas	1750 Ave. Del Mundo #1505	05/01/18	\$3,300.00	Not Posted
Kunz	1710 Ave. Del Mundo #809	05/01/18	\$5,117.80	Not Posted
McKie	7-301	01/02/18	\$4,100.00	Not Posted
Krasnitsky	534 E Ave.	11/06/17	\$2,750.00	Not Posted
Thuman	854 E Ave.	07/03/17	\$3,300.00	Not Posted
Miller	5-1002	05/01/17	\$2,794.50	Not Posted
Krasnitsky	534 E Ave.	03/01/17	\$2,750.00	Not Posted
Donahue	1730 Ave. Del Mundo #304	01/01/17	\$6,095.00	Not Posted
Miller	5-1002	12/01/16	\$2,794.50	Not Posted

24. JEREBI's failure to maintain a complete and accurate control record of trust funds for BA1 in connection with property management activities was in violation of **Code section 10145 and Regulation 2831.**

Issue Four (4). Code Section 10145 and Regulation 2831.1: Separate Records for Each Beneficiary or Transaction

25. JEREBI did not maintain an accurate separate record for each beneficiary or property for BA1 related to its property management activity. The separate records provided for

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1 security deposits did not indicate the date of deposit. JEREBI provided two separate records, one
2 for the security deposits received, and one for rent received. Examples are as follows:

<u>Tenant</u>	<u>Property</u>	<u>Date Received per Record</u>	<u>Amount Received & Bank Balance</u>	<u>Date of Deposit</u>
L. McKie	La Perla 7-301	03/20/17	\$2,500.00	Not Posted
J. McKie	La Perla 7-301	03/23/17	\$4,100.00	Not Posted
Navakas	1750 Ave Del Mundo #1505	05/07/17	\$5,800.00	Not Posted
Dexter	1710 Ave Del Mundo #702	04/30/18	\$2,500.00	Not Posted
Donahue	1710 Ave Del Mundo #304	03/14/18	\$2,500.00	Not Posted
Timmons	503 Turnstone Ln.	09/14/18	\$2,700.00	Not Posted
Guthrie/Hoo	1760 Ave Del Mundo #308	05/15/17	\$2,500.00	Not Posted
Gabin	Las Palmas 3-208	12/14/18	\$4,000.00	Not Posted
Hechter	Ave Del Mundo #5-1002	01/08/19	\$2,800.00	Not Posted

10 26. JEREBI's failure to maintain a complete and accurate separate record for each
11 beneficiary or property during the audit period was in violation of **Code Section 10145 and**
12 **Regulation 2831.1.**

13 **Issue Five (5). Code Section 10145 and Regulation 2832: Trust Fund Handling**

14 27. Based on the DRE auditor's review of JEREBI's bank signature card, BA1, used to
15 handle property management trust funds, was not designated as a "trust account." JEREBI's failure
16 to designate BA1 as a trust account in the name of JEREBI as trustee was in violation of **Code**
17 **section 10145 and Regulation 2832.**

18 **Issue Six (6). Code Section 10159.2 and Regulation 2725: Responsibility of Corporate Officer**
19 **in Charge / Broker Supervision**

20 28. Complainant realleges and incorporates by reference all of the allegations contained
21 in paragraphs 1 through 27 above, with the same force and effect as though fully set forth herein.

22 29. Based on the above findings in Issues One (1) through Five (5) above, as the broker
23 and designated officer of JEREBI, ECONOMOU did not exercise adequate supervision and control
24 over the real estate activities conducted on behalf of JEREBI and by its employees and licensees to
25 ensure compliance with the Real Estate Laws and Regulations. ECONOMOU failed to establish
26 policies, rules, procedures, and systems to review, oversee, inspect, and manage transactions
27 requiring a real estate license and the handling of trust funds by JEREBI's licensees and
28 employees.

1 30. ECONOMOU's acts and/or omissions were in violation of **Code Section 10159.2**
2 **and Regulation 2725.**

3 **INVESTIGATION AND ENFORCEMENT COSTS**

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

8 **AUDIT COSTS**

9 32. Code Section 10148(b) provides, in pertinent part, the Commissioner shall charge a
10 real estate broker for the cost of any audit, if the Commissioner has found in a final decision
11 following a disciplinary hearing that the broker has violated Code Section 10145 or a regulation or
12 rule of the Commissioner interpreting said section.

13 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of
14 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
15 against all the licenses and license rights of JOE ECO REAL ESTATE BROKER INC. and
16 JOSEPH P. ECONOMOU under the Real Estate Law, for the costs of investigation and
17 enforcement, and audit as permitted by law, and for such other and further relief as may be proper
18 under other applicable provisions of law, and for costs of audit.

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20 Dated at San Diego, California this 1st day of July, 2020.

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23 
24 Veronica Kilpatrick
25 Supervising Special Investigator

26 cc: JOE ECO REAL ESTATE BROKER INC.
27 JOSEPH P. ECONOMOU
28 Veronica Kilpatrick
 Sacto.