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**FILED**

SEP 26 2019

DEPARTMENT OF REAL ESTATE  
By B. Nicholas

8 BEFORE THE DEPARTMENT OF REAL ESTATE  
9 STATE OF CALIFORNIA

10 \* \* \*

11 In the Matter of the Accusation of )  
12 MANAGEMENT CONSULTING GROUP, INC. )  
13 LANCE EDWARD ARMO, and SALLEY ) DRE No. H-6865 SAC  
WALKER MERKER, ) ACCUSATION  
14 Respondents. )  
15

16 The Complainant, TRICIA D. PARKHURST, a Supervising Special Investigator  
17 of the State of California, for cause of Accusation against MANAGEMENT CONSULTING  
18 GROUP, INC., LANCE EDWARD ARMO, and SALLEY WALKER MERKER (collectively  
19 "Respondents"), are informed and allege as follows:

20 PRELIMINARY ALLEGATIONS

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22 The Complainant, TRICIA D. PARKHURST, a Supervising Special Investigator  
23 of the State of California, makes this Accusation in her official capacity.

24 2

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

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2 Beginning on or about June 20, 2009, and continuing through June 19, 2017,  
3 Respondent MANAGEMENT CONSULTING GROUP, INC. (MCGI) was licensed by the State  
4 of California Department of Real Estate (Department) as a real estate broker corporation. On  
5 June 20, 2017, MCGI's real estate broker corporation license expired, and was not renewed until  
6 September 24, 2018. Beginning on or about September 24, 2018, and continuing until present,  
7 MCGI's was and is licensed by the Department as a real estate broker corporation.

8 4

9 At all times mentioned, Respondent LANCE EDWARD ARMO (ARMO) was  
10 and is licensed by the Department individually as a real estate broker. At all times prior to June  
11 20, 2017, and after September 24, 2018, ARMO was licensed by the Department as the  
12 designated broker officer of MCGI. As said designated broker officer, ARMO was responsible  
13 pursuant to Section 10159.2 of the Code for the supervision of the activities of the officers,  
14 agents, real estate licensees, and employees of MCGI for which a license is required.

15 5

16 At all times mentioned, ARMO, under his individual broker license, was licensed  
17 to do business under the fictitious business name "A+ Property Management."

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19 At all times mentioned, SALLY WALKER MERKER (MERKER) was and is  
20 licensed by the Department as a real estate salesperson. Beginning on or about January 15,  
21 2016, and continuing through June 19, 2017, MERKER's salesperson license was affiliated  
22 under the brokerage of MCGI. Beginning on or about June 20, 2017, and continuing through  
23 September 12, 2017, MERKER's salesperson had no broker affiliation. Beginning on or about  
24 September 13, 2017, and continuing through October 23, 2018, MERKER's salesperson license  
25 was affiliated under the broker of ARMO. Beginning on or about October 24, 2018, and  
26 continuing through present, MERKER's salesperson license was affiliated under the brokerage  
27 of MCGI. MERKER is the President and sole shareholder of MCGI.

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Whenever reference is made in an allegation in this Accusation to an act or omission of MCGI, such allegation shall be deemed to mean that the officers, directors, employees, agents and real estate licensees employed by or associated with MCGI committed such acts or omissions while engaged in furtherance of the business or operation of MCGI and while acting within the course and scope of their corporate authority and employment.

8

At all times mentioned, Respondents engaged in the business of, acted in the capacity of, advertised, or assumed to act as real estate brokers in the State of California, within the meaning of Section 10131(b) of the Code in the operation and conduct of a property management business with the public wherein, on behalf of others, for compensation or in expectation of compensation, Respondents leased or rented and offered to lease or rent, and placed for rent, and solicited listings of places for rent, and solicited for prospective tenants of real property or improvements thereon, and collected rents from real property or improvements thereon.

FIRST CAUSE OF ACTION

(Audit #SC18-0026 of MCGI)

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Each and every allegation in Paragraphs 1 through 8, inclusive, is incorporated by this reference as if fully set forth herein.

10

On or about October 24, 2018, and continuing through October 26, 2018, an audit was conducted of the records of MCGI (MCGI audit). The auditor herein examined MCGI's records for the period of January 1, 2017, through September 30, 2018.

11

While acting as a real estate broker as described in Paragraph 8, MCGI accepted or received funds in trust (trust funds) from or on behalf of owners and tenants in connection

1 with the leasing, renting, and collection of rents on real property or improvements thereon, as  
2 alleged herein, and thereafter from time-to-time made disbursements of said trust funds.

3 12

4 The trust funds accepted or received by MCGI as described in Paragraph 11 were  
5 deposited or caused to be deposited by MCGI into trust accounts which were maintained by  
6 MCGI for the handling of trust funds, and thereafter from time-to-time MCGI made  
7 disbursements of said trust funds, identified as follows:

8

9 MCGI TRUST ACCOUNT # 1

10 Bank Name and Location:	Umpqua Bank 11 1545 River Park Drive #101 12 Sacramento, CA 95815
13 Account No.:	XXXXXXXX3227
14 Entitled:	Management Consulting Group, Inc., SIL Investments LLC 15 Client Trust account

16

17 MCGI BANK ACCOUNT # 1

18 Bank Name and Location:	Umpqua Bank 19 1545 River Park Drive #101 20 Sacramento, CA 95815
21 Account No.:	XXXXXXXX0452
22 Entitled:	American River Drive Office Park c/o Mgmt Consulting 23 Group Inc

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25 MCGI BANK ACCOUNT # 2

26 Bank Name and Location:	Umpqua Bank
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	1545 River Park Drive #101 Sacramento, CA 95815
Account No.:	XXXXXXX0591
Entitled:	American River Drive Office Park Association c/o Mgmt Consulting Group Inc

MCGI BANK ACCOUNT # 3	
Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
Account No.:	XXXXXXX1338
Entitled:	Le-Jo Inc dba Cavitt c/o Mgmt Consulting Group Inc

MCGI BANK ACCOUNT # 4	
Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
Account No.:	XXXXXXX1325
Entitled:	Le-Jo Inc. DBA Merryhill Plaza c/o Mgmt Consulting Group Inc

MCGI BANK ACCOUNT # 5	
Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
Account No.:	XXXXXXX0478

1	Entitled:	Eugene W Lee Property c/o Mgmt Consulting Group Inc
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2	MCGI BANK ACCOUNT # 6	
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4	Bank Name and Location:	Umpqua Bank
5		1545 River Park Drive #101
6		Sacramento, CA 95815
7	Account No.:	XXXXXXXX1309
8	Entitled:	Le-Jo Inc. DBA Roseville Commons II c/o Mgmt Consulting
9		Group Inc

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11 13

12 In the course of the activities described in Paragraph 8, MCGI & ARMO:

13 (a) caused, suffered, or permitted the balance of funds in MCGI Trust  
14 Account #1 to be reduced to an amount which, as of August 31, 2018, was approximately  
15 \$2,907.28 less than the aggregate liability of MCGI Trust Account #1 to all owners of such  
16 funds in violation of Section 10145 of the Code and Section 2832.1 of Title 10 of the California  
17 Code of Regulations (Regulations);

18 (b) caused, suffered, or permitted the balance of funds in MCGI Bank  
19 Account #1 to be reduced to an amount which, as of August 31, 2018, was approximately  
20 \$849.52 less than the aggregate liability of MCGI Bank Account #1 to all owners of such funds  
21 in violation of Section 10145 of the Code and Section of the Regulations;

22 (c) caused, suffered, or permitted the balance of funds in MCGI Bank  
23 Account #3 to be reduced to an amount which, as of August 31, 2018, was approximately  
24 \$474.15 less than the aggregate liability of MCGI Bank Account #3 to all owners of such funds  
25 in violation of Section 10145 of the Code and Section of the Regulations;

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1 (d) failed to deposit trust funds into a trust fund account in the name of MCGI  
2 as trustee at a bank or other financial institution, in conformance with Section 10145 of the Code  
3 and Section 2832 of the Regulations; and

4 (e) failed to keep accurate separate records for each beneficiary or transaction,  
5 accounting therein for all funds which were deposited into MCGI Bank Account #1, 3, and 6,  
6 containing all of the information required by Section 2831.1 of the Regulations;

7 (f) failed to reconcile the balance of separate beneficiary or transaction  
8 records with the control record of trust funds received and disbursed at least once a month,  
9 and/or failed to maintain a record of such reconciliations for MCGI Bank Account #1, 3, and 6,  
10 as required by Section 2831.2 of the Regulations;

11 (g) caused, permitted, and/or allowed, the possible withdrawal of trust funds  
12 from MCGI Trust Account #1 and MCGI Bank Account #1, 2, 3, 4, 5, and 6, by a person,  
13 MERKER, who was not licensed under MCGI and not covered by a fidelity bond in violation of  
14 Section 2834 of the Regulations; and

15 (h) caused, permitted, and/or allowed, the possible withdrawal of trust funds  
16 from MCGI Bank Account #3, 4, and 6, by a person, Britney Eck, who was not licensed by the  
17 Department and not covered by a fidelity bond in violation of Section 2834 of the Regulations.

18 14

19 The facts alleged in the First Cause of Action are grounds for the suspension or  
20 revocation of MCGI and ARMO licenses and license rights under the following Sections of the  
21 Code and Regulations:

22 As to Paragraphs 13(a), 13(b), and 13(c), under Section 10177(d) and/or  
23 10177(g) of the Code in conjunction with Section 10145 of the Code and Section 2832.1 of the  
24 Regulations;

25 As to Paragraph 13(d), under Sections 10177(d) and/or 10177(g) of the Code in  
26 conjunction with Section 10145 of the Code and Section 2832 of the Regulations;

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1 As to Paragraph 13(e), under Sections 10177(d) and/or 10177(g) of the Code in  
2 conjunction with Section 10145 of the Code and Section 2831.1 of the Regulations;

3 As to Paragraph 13(f), under Sections 10177(d) and/or 10177(g) of the Code in  
4 conjunction with Section 10145 of the Code and Section 2831.2 of the Regulations; and

5 As to Paragraphs 13(g) and 12(h), under Section 10177(d) and/or 10177(g) of the  
6 Code in conjunction with Section 10145 of the Code and Section 2834 of the Regulations.

7 SECOND CAUSE OF ACTION

8 (Unlicensed Activity of MCGI & MERKER)

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10 Each and every allegation in Paragraphs 1 through 14, inclusive, above, are  
11 incorporated by this reference as if fully set forth herein.

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13 Between June 20, 2017 and September 23, 2018, MCGI, while its license was  
14 expired, employed and compensated MERKER, to perform the acts and conduct the real estate  
15 activities described in Paragraph 8, above, including but not limited to the activities described in  
16 Paragraph 17, below.

17 17

18 Between June 20, 2017 and September 23, 2018, MERKER, while employed  
19 under the individual broker license of ARMO or with no broker affiliation, and on behalf of  
20 MCGI, solicited prospective tenants for, negotiated rental agreements for, and/or collected rents  
21 from real properties owned by another or others, including but to the collection of rents for  
22 sixteen commercial complexes totaling eighty-seven units on behalf of eleven owners. MCGI  
23 was also advertising its property management services on its website, [www.managementcg.com](http://www.managementcg.com).

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25 In acting as described in paragraphs 15 through 17, above, MERKER and MCGI  
26 willfully caused, suffered, permitted, and/or disregarded Sections 10130 and/or 10137 of the  
27 Code.



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The facts described in the Second Cause of Action constitute cause to suspend or revoke all licenses and license rights of MERKER and MCGI pursuant to the provisions of Sections 10130 and/or 10137 of the Code in conjunction with Section 10177(d) of the Code.

THIRD CAUSE OF ACTION  
(Failure to Supervise MCGI)

20

Each and every allegation in Paragraphs 1 through 19, inclusive, is incorporated by this reference as if fully set forth herein.

21

Respondent ARMO failed to exercise reasonable supervision over the acts of MCGI in such a manner as to allow the acts and events described in the First and Second Causes of Action to occur.

22

The acts and/or omissions of ARMO as described in Paragraph 21, constitutes failure on the part of ARMO, as designated broker-officer for MCGI, to exercise reasonable supervision and control over the licensed activities of MCGI as required by Section 10159.2 of the Code and Section 2725 of the Regulations.

23

The facts described above as to the Third Cause of Action constitute cause for the suspension or revocation of the licenses and license rights of Respondent ARMO under Section 10177(g) and/or Section 10177(h) of the Code, and Section 10159.2 of the Code in conjunction with Section 10177(d) of the Code.

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1 FOURTH CAUSE OF ACTION

2 (Audit #FR17-0127 of ARMO)

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4 Each and every allegation in Paragraphs 1 through 23, inclusive, is incorporated  
5 by this reference as if fully set forth herein.

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7 The trust funds accepted or received by ARMO as described in Paragraph 8 were  
8 deposited or caused to be deposited by ARMO into trust accounts which were maintained by  
9 ARMO for the handling of trust funds, and thereafter from time-to-time ARMO made  
10 disbursements of said trust funds, identified as follows:

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12 ARMO TRUST ACCOUNT # 1	
13 Bank Name and Location:	Wells Fargo 1851 E. Herndon Avenue 15 Clovis, CA 93611
16 Account No.:	XXXXXXXX1552
17 Entitled:	Vicki Lea Miller DBA A+ Property Management Trust 18 Account

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20 ARMO BANK ACCOUNT # 1	
21 Bank Name and Location:	US Bank 22 P.O. Box 1800 23 Saint Paul, MN 55101
24 Account No.:	XXXXXXXXXX2513
25 Entitled:	Jessica Pierce dba Empire Property Management 26

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In the course of the activities described in Paragraph 8, ARMO:

(a) Caused, suffered, or permitted the balance of funds in ARMO Trust Account #1 to be reduced to an amount which, as of April 30, 2018, was approximately \$8,901.62 less than the aggregate liability of ARMO Trust Account #1 to all owners of such funds in violation of Section 10145 of the Code and Section 2832.1 of the Regulations.

(b) Caused, suffered, or permitted the balance of funds in ARMO Bank Account #1 to be reduced to an amount which, as of April 30, 2018, was approximately \$350.00 less than the aggregate liability of ARMO Bank Account #1 to all owners of such funds in violation of Section 10145 of the Code and Section 2832.1 of the Regulations.

(c) Failed to deposit trust funds into a trust fund account in the name of ARMO as trustee at a bank or other financial institution, in conformance with Section 10145 of the Code and Section 2832 of the Regulations.

(d) commingled with its own money or property, the money or property of others which was received or held by ARMO in trust in violation of Section 10176(e) of the Code;

(e) failed to register his branch office located at 264 Clovis Avenue, Suite 110, Clovis, CA 93612, with the Department, in violation of Section 10163 of the Code;

(f) Collected and retained unearned fees, compensation, profit, and/or failed to disclose failed to reveal the full amount of compensation from homeowners in connection with payment for property management legal services performed by "Law Office of Lance E. Armo," a maintenance company owned by Respondent, in violation of Section 10176(g) of the Code. Specifically, Respondent failed to disclose his ownership interest on property management agreements or on any other kind of other disclosures to at least some owner clients legal services provided by ARMO, including but not limited to the following:

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Property Address	Payment Date	Amount Paid
3740 N. Thompson	1/4/18	\$800
4230 E. Shaw	1/30/18	\$850
3740 N. Thompson	3/7/18	\$35
1318 Safford	4/16/18	\$850

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At all times relevant herein, ARMO was required to exercise reasonable supervision and control over the activities of ARMO's employees, agents, and others acting on ARMO's behalf pursuant to Section 2725 of the Regulations.

28

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

As to Paragraphs 26(a) and 26(b), under Sections 10177(d) and/or 10177(g) of the Code in conjunction with Section 10145 of the Code and Section 2832.1 of the Regulations;

As to Paragraph 26(c), under Sections 10177(d) and/or 10177(g) of the Code in conjunction with Section 2832 of the Regulations and Section 10145 of the Code;

As to Paragraph 26(d), under Section 10176€ of the Code;

As to Paragraph 27(e), under Sections 10177(d) and/or 10177(g) of the Code in conjunction with Section 10163 of the Code;

As to Paragraph 26(f), under Section 10176(g) of the Code;

As to Paragraph 27, under Sections 10177(d), 10177(g), and/or 10177(h) of the Code, in conjunction with Section 2725 of the Regulations.

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1 COST RECOVERY

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3 The acts and/or omissions of Respondents as alleged above, entitle the  
4 Department to reimbursement of the costs of its audit pursuant to Section 10148(b) (audit costs  
5 for trust fund handling violation) of the Code.

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

12 WHEREFORE, Complainant prays that a hearing be conducted on the allegations  
13 of this Accusation and that upon proof thereof, a decision be rendered imposing discipline on all  
14 licenses and license rights of Respondents under the Real Estate Law (Part 1 of Division 4 of the  
15 Business and Professions Code), for the cost of the investigation and enforcement of this case as  
16 permitted by law, for the cost of the Department's audit as permitted by law, and for such other  
17 and further relief as may be proper under the provisions of law.

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20 TRICIA D. PARKHURST  
21 Supervising Special Investigator

21 Dated at Sacramento, California,  
22 this 24<sup>th</sup> day of September, 2019

DISCOVERY DEMAND

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