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**FILED**

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DEPARTMENT OF REAL ESTATE  
By B. Nicholas

BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

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11 In the Matter of the Accusation of )  
12 MANAGEMENT CONSULTING GROUP, INC. )  
13 LANCE EDWARD ARMO, and SALLIE )  
14 WALKER MERKER, )  
15 Respondents. )

DRE No. H-6865 SAC

SECOND AMENDED  
ACCUSATION

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 SALLIE WALKER MERKER (collectively  
19 "Respondents"), are informed and allege as follows:

PRELIMINARY ALLEGATIONS

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

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24 Respondents are presently licensed and/or have license rights under the Real  
25 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.

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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.

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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, SALLIE 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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2 Whenever reference is made in an allegation in this Accusation to an act or  
3 omission of MCGI, such allegation shall be deemed to mean that the officers, directors,  
4 employees, agents and real estate licensees employed by or associated with MCGI committed  
5 such acts or omissions while engaged in furtherance of the business or operation of MCGI and  
6 while acting within the course and scope of their corporate authority and employment.

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

16 FIRST CAUSE OF ACTION

17 (Audit #SC18-0026 of MCGI)

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

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

25  
26 While acting as a real estate broker as described in Paragraph 8, MCGI accepted  
27 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.

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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

MCGI TRUST ACCOUNT # 1	
9 Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
10 Account No.:	XXXXXXXX3227
11 Entitled:	Management Consulting Group, Inc., SIL Investments LLC Client Trust account

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MCGI BANK ACCOUNT # 1	
13 Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
14 Account No.:	XXXXXXXX0452
15 Entitled:	American River Drive Office Park c/o Mgmt Consulting Group Inc

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MCGI BANK ACCOUNT # 2	
17 Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
18 Account No.:	XXXXXXXX0591
19 Entitled:	American River Drive Office Park Association c/o Mgmt Consulting Group Inc

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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
Entitled:	Eugene W Lee Property c/o Mgmt Consulting Group Inc

MCGI BANK ACCOUNT # 6	
Bank Name and Location:	Umpqua Bank 1545 River Park Drive #101 Sacramento, CA 95815
Account No.:	XXXXXXX1309
Entitled:	Le-Jo Inc. DBA Roseville Commons II c/o Mgmt Consulting Group Inc

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

3 (a) caused, suffered, or permitted the balance of funds in MCGI Trust  
4 Account #1 to be reduced to an amount which, as of August 31, 2018, was approximately  
5 \$2,907.28 less than the aggregate liability of MCGI Trust Account #1 to all owners of such  
6 funds in violation of Section 10145 of the Code and Section 2832.1 of Title 10 of the California  
7 Code of Regulations (Regulations);

8 (b) caused, suffered, or permitted the balance of funds in MCGI Bank  
9 Account #1 to be reduced to an amount which, as of August 31, 2018, was approximately  
10 \$849.52 less than the aggregate liability of MCGI Bank Account #1 to all owners of such funds  
11 in violation of Section 10145 of the Code and Section of the Regulations;

12 (c) caused, suffered, or permitted the balance of funds in MCGI Bank  
13 Account #3 to be reduced to an amount which, as of August 31, 2018, was approximately  
14 \$474.15 less than the aggregate liability of MCGI Bank Account #3 to all owners of such funds  
15 in violation of Section 10145 of the Code and Section of the Regulations;

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

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

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

26 (g) caused, permitted, and/or allowed, the possible withdrawal of trust funds  
27 from MCGI Trust Account #1 and MCGI Bank Account #1, 2, 3, 4, 5, and 6, by a person,

1 MERKER, who was not licensed under MCGI and not covered by a fidelity bond in violation of  
2 Section 2834 of the Regulations; and

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

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

10 As to Paragraphs 13(a), 13(b), and 13(c), under Section 10177(d) and/or  
11 10177(g) of the Code in conjunction with Section 10145 of the Code and Section 2832.1 of the  
12 Regulations;

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

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

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

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

21 SECOND CAUSE OF ACTION

22 (Unlicensed Activity of MCGI & MERKER)

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

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

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

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

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)

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

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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.

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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.

FORTH CAUSE OF ACTION

(Audit #FR17-0127 of ARMO)

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

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

ARMO TRUST ACCOUNT # 1	
Bank Name and Location:	Wells Fargo 1851 E. Herndon Avenue

	Clovis, CA 93611
Account No.:	XXXXXX1552
Entitled:	Vicki Lea Miller DBA A+ Property Management Trust Account

ARMO BANK ACCOUNT # 1	
Bank Name and Location:	Wells Fargo 1851 E. Herndon Avenue Clovis, CA 93611
Account No.:	XXXXXX0302
Entitled:	Vicki Lea Miller DBA A+ Property Management Pollasky Account

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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;

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

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

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

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

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

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

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

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

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

3 COST RECOVERY

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

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

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

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21 TRICIA D. PARKHURST  
22 Supervising Special Investigator  
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25 Dated at Sacramento, California,  
26 this 16<sup>th</sup> day of October, 2020  
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