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**FILED**

JUN 14 2017

BUREAU OF REAL ESTATE  
By B. Nicholas

BEFORE THE BUREAU OF REAL ESTATE  
STATE OF CALIFORNIA

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11 In the Matter of the Accusation of )  
12 PAUL MORRIS MANAGEMENT, INC., and )  
13 CLAUDE WILLIAM MALCOLM, )  
14 Respondents. )

No. H-12019 SF  
FIRST AMENDED  
ACCUSATION

15 The Complainant, ROBIN S. TANNER, a Supervising Special Investigator of the  
16 State of California, for cause of Accusation against PAUL MORRIS MANAGEMENT, INC. and  
17 CLAUDE WILLIAM MALCOLM (Respondents), is informed and alleges as follows:

PRELIMINARY ALLEGATIONS

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20 The Complainant, ROBIN S. TANNER, a Supervising Special Investigator of the  
21 State of California, makes this Accusation in her official capacity.

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

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Beginning on or about August 6, 2011, PAUL MORRIS MANAGEMENT, INC. (PMMI) was and is licensed by the State of California Bureau of Real Estate (Bureau) as a real estate broker corporation.

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At all times mentioned, Respondent CLAUDE WILLIAM MALCOLM (MALCOLM) was and is licensed by the Bureau individually as a real estate broker, and as the designated broker officer of PMMI. As said designated officer-broker, MALCOLM 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 PMMI for which a license is required.

5

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

6

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.

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1 FIRST CAUSE OF ACTION

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3 Each and every allegation in Paragraphs 1 through 6, inclusive, is incorporated by  
4 this reference as if fully set forth herein.

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6 On or about April 28, 2016, and continuing intermittently through June 17, 2016,  
7 an audit was conducted of the records of PMMI. The auditor herein examined the records for the  
8 period of March 1, 2015, through February 29, 2016.

9 9

10 While acting as a real estate broker as described in Paragraph 6, Respondents  
11 accepted or received funds in trust (trust funds) from or on behalf of owners and tenants in  
12 connection with the leasing, renting, and collection of rents on real property or improvements  
13 thereon, as alleged herein, and thereafter from time to time made disbursements of said trust  
14 funds.

15 10

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

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ACCOUNT # 1	
21 Bank Name and Location:	First Bank 13830 San Pablo Avenue, Suite A San Pablo, CA 94806
22 Account No.:	XXXXXX5257
23 Entitled:	Paul Morris Management Inc Rent Payment Clearing

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ACCOUNT # 2	
Bank Name and Location:	First Bank 13830 San Pablo Avenue, Suite A San Pablo, CA 94806
Account No.:	XXXXXX3881
Entitled:	Paul Morris Management Inc

ACCOUNT # 3	
Bank Name and Location:	First Bank 13830 San Pablo Avenue, Suite A San Pablo, CA 94806
Account No.:	XXXXXX5008
Entitled:	Paul Morris Management Inc Spelco Apartments Account

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In the course of the activities described in Paragraph 6, Respondents:

(a) failed to deposit trust funds into one or more trust funds accounts in the name of PMMI as trustee at a bank or other financial institution, in conformance with Section 10145 of the Code and Section 2832 of Title 10 of the California Code of Regulations (Regulations);

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

(c) caused, permitted, and/or allowed, the possible withdrawal of trust funds from Accounts # 1, 2, and 3 by a person, Paul V. Morris and Sue Sougpanya, who was not licensed to the broker and not covered by a fidelity bond in violation of Section 2834 of the Regulations;

(d) failed to keep accurate separate records for each beneficiary or transaction, accounting therein for all funds which were deposited into Accounts # 1 and 2, containing all of the information required by Section 2831.1 of the Regulations;

1 (e) failed to reconcile, for Accounts # 1 and 2, the balance of separate  
2 beneficiary or transaction records with the control record of trust funds received and disbursed at  
3 least once a month, and/or failed to maintain a record of such reconciliations for each account as  
4 required by Section 2831.2 of the Regulations;

5 (f) converted approximately \$1,477.44 of trust funds from Account # 2 to  
6 Respondents own use and benefit or to purposes not authorized by the rightful owners of said  
7 funds;

8 (g) failed to disclose license identification numbers on their website,  
9 www.paulspropertymanagement.com, in violation of Section 10140.6(b) of the Code and  
10 Section 2773 of the Regulations; and

11 (h) deposited trust funds of multiple beneficiaries into Account #2 an interest  
12 bearing checking account, which failed to comply with the requirements of Section 10145(d) of  
13 the Code.

14 12

15 The facts alleged in the First Cause of Action are grounds for the suspension or  
16 revocation of Respondents' licenses and license rights under the following sections of the Code  
17 and Regulations:

18 As to Paragraph 11(a), under Section 10177(d) of the Code in conjunction with  
19 Section 10145 of the Code and Section 2832 of the Regulations;

20 As to Paragraph 11(b), under Section 10176(e) of the Code;

21 As to Paragraph 11(c), under Section 10177(d) of the Code in conjunction with  
22 Section 2834 of the Regulations;

23 As to Paragraph 11(d), under Section 10177(d) of the Code in conjunction with  
24 Section 2831.1 of the Regulations;

25 As to Paragraph 11(e), under Section 10177(d) of the Code in conjunction with  
26 Section 2831.2 of the Regulations; and

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1 As to Paragraph 11(f), under Section 10176(i) of the Code;

2 As to Paragraph 11(g), under Section 10177(d) of the Code in conjunction with  
3 Section 10140.6(b) of the Code and Section 2773 of the Regulations; and

4 As to Paragraph 11(h), under Section 10177(d) of the Code in conjunction with  
5 Section 10145(d) of the Code.

6 SECOND CAUSE OF ACTION

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8 Each and every allegation in Paragraphs 1 through 12, inclusive, above, are  
9 incorporated by this reference as if fully set forth herein.

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11 Respondent MALCOLM failed to exercise reasonable supervision over the acts of  
12 PMMI in such a manner as to allow the acts and events described above to occur.

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14 The acts and/or omissions of MALCOLM described in Paragraph 14 constitute  
15 failure on the part of MALCOLM, as designated broker-officer for PMMI, to exercise reasonable  
16 supervision and control over the licensed activities of PMMI as required by Section 10159.2 of  
17 the Code.

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

23 COST RECOVERY

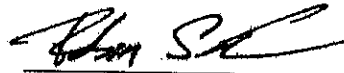
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25 The acts and/or omissions of Respondents as alleged above, entitle the Bureau to  
26 reimbursement of the costs of its audit pursuant to Section 10148(b) of the Code.

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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, and for such other and further relief as may be proper under the provisions of law.



ROBIN S. TANNER  
Supervising Special Investigator

Dated at Oakland, California,  
this 9th day of June, 2017

DISCOVERY DEMAND

Pursuant to Sections 11507.6, *et seq.* of the *Administrative Procedure Act*, the Bureau 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 Bureau 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.