

FILED

JUN 18 2025

DEPARTMENT OF REAL ESTATE
By J. Taggart

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7
8 BEFORE THE DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of

12 MLCSPACES INC.,

13 HERVE VATINEL, individually and as
14 designated officer of MLCSpaces Inc.,

15 NAEEM FAROKHNIA, individually,

16 Respondents.

No. H-12758 SF

ACCUSATION

17 The Complainant, STEPHANIE YEE, a Supervising Special Investigator
18 of the State of California, for cause of Accusation against MLCSPACES INC., HERVE
19 VATINEL (collectively referred to as "Respondents"), and NAEEM FAROKHNIA
(referred to as "Respondent"), is informed and alleges as follows:

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21 The Complainant, STEPHANIE YEE, a Supervising Special Investigator of the
22 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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Respondent MLCSPACES INC. ("MLCS") was and is licensed by the Department as a real estate broker corporation, License ID No. 02177375, on or about February 10, 2022. Unless renewed, MLCS's corporate broker license will expire February 9, 2026. MLCS's broker license is currently designated as "NBA" (No Broker Affiliation) and therefore remains in a non-working status. Currently, MLCS is precluded from performing acts for which its license is required until it restores a non-NBA status with the Department.

Respondent HERVE VATINEL ("VATINEL") was licensed by the Department as the designated officer-broker of MLCS on the same date MLCS became licensed as a corporate broker on February 10, 2022. VATINEL's designated officer-broker status was cancelled on February 22, 2023. As a designated officer-broker, VATINEL 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 MLCS for which a license is required.

Respondent VATINEL was and is licensed by the Department individually as a real estate broker, License ID No. 01268682. VATINEL was originally licensed as a real estate broker on or about October 14, 1999. Unless renewed, VATINEL's broker license will expire August 29, 2025.

Respondent NAEEM FAROKHNIA ("FAROKHNIA") was and is the Chief Executive Officer ("CEO") and founder of MLCS. On or about May 21, 2024, FAROKHNIA was licensed by the Department as a real estate salesperson, License ID No. 02237161. Unless renewed, FAROKHNIA's salesperson license will expire on May 20, 2028.

On or about December 22, 2021, MLCS filed for, and was granted California corporate status with the Secretary of State as a foreign corporation, having previously formed corporate status in Delaware. On or about December 19, 2022, MLCS filed for surrender of its

1 foreign corporate status with the California Secretary of State, terminating its right to transact
2 intrastate business in California.

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

9 AUDIT OK230071

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11 On or about June 26, 2024, the Department completed its audit (OK230071) of
12 the books and records of MLCS's property management activities described in Paragraph 9
13 below. The accounting and other records of MLCS were examined for the period from March 1,
14 2023, to September 30, 2023 ("audit period"). The auditor herein initiated examination of said
15 records from April 10, 2024, through June 9, 2024.

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17 At all times mentioned, Respondents engaged in the business of, acted in the
18 capacity of, advertised, or assumed to act as a real estate broker within the State of California
19 within the meaning of Sections 10131(b) of the Code, including the operation and conduct of a
20 property management business with the public wherein, on behalf of others, for compensation or
21 in expectation of compensation, Respondents leased or rented and offered to lease or rent, and
22 solicited for prospective tenants of real property or improvements thereon, and collected rents
23 from real property or improvements thereon.

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25 While acting as a real estate broker as described in Paragraph 9, Respondents
26 accepted or received funds in trust ("trust funds") from or on behalf of owners and tenants in
27 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 trust funds.

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

BANK ACCOUNT # 1	
Bank Name and Location:	JP Morgan Chase Bank PO Box 40305, San Francisco, California 94140
Account No.:	XXXXXX9553
Account Name:	MLCSpaces Inc.
Purpose:	Bank Account #1 was used for deposits and disbursements related to the management of properties. Deposits consisted of rents collected from tenants. Disbursements were payments of expenses related to the properties managed, remittances to owners, and payment of management fees.

BANK ACCOUNT # 2	
Bank Name and Location:	Enterprise Bank & Trust 1281 N. Warson Rd., St. Louis, Missouri 63132.
Account No.:	XXXX751
Account Name:	TheSFPropertyManagement Inc., As Trustee, Client Trust
Purpose:	Bank Account #2 was used for deposits and disbursements related to the management of properties. Deposits consisted of rents collected from tenants. Disbursements were payments of expenses related to the properties managed, remittances to owners, and payment of management fees.

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In the course of the property management activities described in Paragraph 9, and during the audit period described in Paragraph 8, Respondents violated the Code and various sections of the California Code of Regulations, Title 10, Chapter 6 (Regulations) described below:

Control Records

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Respondents failed to maintain accurate and complete written control records for Bank Account #1 and #2 as required by Section 10145 of the Code and Section 2831 of the Regulations.

Separate Records

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Respondents failed to maintain accurate and complete separate records for each beneficiary or transaction to account for all trust funds deposited and disbursed out of Bank Account #1 and #2 as required by Section 10145(g) of the Code and Section 2831.1 of the Regulations.

Trust Account Reconciliation

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Respondents failed to perform and/or maintain records of the required monthly reconciliation that compares the total balance of all separate beneficiaries or transaction records with the balance of the record of all trust funds received and disbursed for Bank Account #1 and #2 as required by Section 10145 of the Code and Section 2831.2 of the Regulations.

Unlicensed Broker Activity

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Respondents' property management activities revealed that Respondent FAROKHNIA conducted broker activities for a management fee. Property management services provided included rent collection, repair and maintenance expense disbursement and net

1 proceeds remittance to owners. FAROKHNIA also negotiated and entered into sublease
2 agreements with subtenants for a property located at 190 Riverview Drive in Vallejo, California
3 94589 on or about April 12, 2022. FAROKHNIA, although the CEO of MLCS and a licensed
4 real estate salesperson since May 21, 2024, was not licensed as a real estate broker in order to
5 perform property management activities as outlined in Paragraph 9 above. FAROKHNIA's
6 unlicensed broker activities are a violation of Code Sections 10130 and 10137.

7 Unlicensed Bank Account Signatory

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9 Respondents' bank signature cards for Bank Account #1 and #2 listed
10 FAROKHNIA, an unlicensed broker, CEO and owner of MLCS as the only signatory for both
11 bank accounts in violation of Section 10145 of the Code and Section 2834 of the Regulations.

12 Unincorporated Broker Activities

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14 Respondent MLCS surrendered its certification of incorporation to the California
15 Secretary of State on or about December 19, 2022. However, Respondents continued to perform
16 property management activities after said surrender in violation of Code Section 10211 and
17 Section 2742 of the Regulations.

18 Licensed Non Broker Affiliation Activities

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20 Respondent VATINEL was cancelled as the designated officer-broker of MLCS
21 as of February 22, 2023, which resulted in MLCS's status being termed Licensed NBA.
22 Respondent MLCS continued to perform property management activities during the audit period,
23 including rent collection, repair and maintenance expense disbursement and net proceeds
24 remittance to owners, without an active designated officer-broker after February 22, 2023, in
25 violation of Code Section 10158, 10211 and Section 2740 of the Regulations.

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1 FAILURE TO SUPERVISE

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3 Respondent VATINEL failed to exercise reasonable supervision over the acts of
4 MLCS. VATINEL permitted, ratified and/or caused the conduct described above, to occur, and
5 failed to take reasonable steps, including, but not limited to, the handling of trust funds,
6 supervision of employees, and the implementation of policies, rules, procedures, and systems to
7 ensure the compliance of the corporation with the Real Estate Law and the Regulations.

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9 The acts and/or omissions of VATINEL as described in Paragraph 19 above,
10 constitutes failure on the part of VATINEL, as designated officer-broker for MLCS, to exercise
11 reasonable supervision and control over the licensed activities of MLCS as required by Section
12 10159.2 of the Code and Section 2725 of the Regulations.

13 GROUND FOR DISCIPLINE

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15 The acts and/or omissions of Respondents MLCS and VATINEL as alleged in
16 Paragraphs 12-14 and 16-18 above constitute grounds for the suspension or revocation of all
17 licenses and license rights of Respondents sections 10177(d) (violation of real estate laws) and/or
18 10177(g) (negligence or incompetence) of the Code.

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20 The acts and/or omissions of VATINEL as alleged in Paragraphs 19 and 20
21 constitute grounds for the suspension or revocation of all licenses and license rights of
22 VATINEL under Sections 10177(d) (violation of real estate laws), 10177(g) (negligence or
23 incompetence), and 10159.2/10177(h) (failure to reasonably supervise) of the Code.

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25 The acts and/or omissions of FAROKHNIA as alleged in Paragraph 15 above
26 constitute grounds for the suspension or revocation of all licenses and license rights of

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1 FAROKHNIA under Sections 10137 (unlawful compensation) and (10177(d) (violation of real
2 estate laws) of the Code.

3 COST RECOVERY

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5 The acts and/or omissions of Respondent(s) as alleged above, entitle the
6 Department to reimbursement of the costs of its audit pursuant to Section 10148(b) of the Code.

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

13 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
14 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
15 action against all licenses and license rights of Respondent(s) under the Code, for the cost of
16 investigation and enforcement as permitted by law, for the cost of the audit, and for such other
17 and further relief as may be proper under the provisions of law.

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21 STEPHANIE YEE

22 Supervising Special Investigator

23 Dated at ^{Dakota St} Sacramento, California,
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25 This 12th day of June, 2025
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1 DISCOVERY DEMAND

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