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8	BEFORE THE BUREAU OF REAL ESTATE	
9	STATE OF CALIFORNIA	
10	* * *	
11	In the Matter of the Accusation of) No. H- 39198 LA	
12),	
13	CRAIG MARTIN SHULTS,) <u>ACCUSATION</u>)	
14	Respondent,)	
15	The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the Stat	
16		
17	of California acting in her official capacity, for cause of Accusation against CRAIG MARTIN	
18	SHULTS is informed and alleges as follows:	
19	1.	
20	The Complainant Maria Suggest a Danste De-1 Estate Co.	
21	The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State	
22	of California, makes this Accusation in her official capacity.	
23	2.	
24	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.	
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License Status

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3.

At all times mentioned, CRAIG MARTIN SHULTS ("SHULTS"), was licensed or had license rights issued by the Bureau of Real Estate ("Bureau") as a real estate broker.

On June 7, 2000, Respondent SHULTS was originally licensed as a real estate salesperson. On August 21, 2001, SHULTS was originally licensed as a real estate broker. On October 19, 2012, SHULT's broker license was suspended for violation of California Financial Code Section 17250. On August 20, 2013, SHULT's broker license expired with renewal rights.

Brokerage

4.

At all times mentioned, in the City of Huntington Beach, County of Orange, State of California, Respondent SHULTS, acted as a real estate broker and conducted licensed activities within the meaning of:

A. Code Section 10131(a). Respondent SHULTS engaged in the business of, acted in the capacity of, advertised or assumed to act as a real estate broker, including the solicitation for listings of and the negotiation of the sale of real property as the agent of others; and,

B. In addition, Respondent SHULTS conducted or attempted to conduct broker-controlled in-house escrows through Respondent's escrow division, Surf City Escrow and National Real Estate Escrow Services Inc., under the exemption set forth in California Financial Code Section 17006(a)(4) for real estate brokers performing escrows incidental to a real estate transaction where the broker is a party.

FIRST CAUSE OF ACCUSATION (Audit Examination)

5.

On April 27, 2012, the Bureau attempted to conduct an audit examination of the books and records of SHULTS, pertaining to the real estate and broker-controlled escrow activities described in Paragraph 4, that require a real estate license, including but not limited to, the conduct of a Real Estate Owned brokerage ("REO"). The audit examination covered a period of time beginning on August 1, 2009 and ending on February 29, 2012. The audit examination revealed violations of the Code and the Regulations as set forth below, and more fully discussed in Audit Report LA 100311 and the exhibits and work papers attached.

Trust Accounts

6.

At all times mentioned, in connection with the activities described in Paragraph 4, above, SHULTS accepted or received funds including funds in trust (hereinafter "trust funds") from or on behalf of actual or prospective parties to transactions handled by SHULTS. SHULTS maintained the following bank accounts:

1. BA 1

Bank Name:

Comercia Bank

Account Name:

Surf City Escrow Trust Account

Account No.:

******4657

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2 BA 2

Bank Name:

Comercia Bank

Account Name:

National Real Estate Escrow Services Inc.

Account No.:

*****3663

Violations of the Real Estate Law

7.

In the course of activities described in Paragraphs 4 and 6, above, and during the audit examination period described in Paragraph 5, Respondent SHULTS, acted in violation of the Code and the Regulations in that SHULTS:

(a)(1) Operating under the unlicensed fictitious business name of "Wealth Out of Chaos Inc.," SHULTS misrepresented to buyers NSCL and Michael C. that "Wealth Out of Chaos Inc.," owned the real properties tabled below on the dates set forth, in violation of Code Sections 10176(a) and 10176(i) and/or 10177(j):

Buyer	Property	Purchase Date	Recording Date
Michael C.	942 E. Patterson, Stark County, OH	April 23, 2010	July 18, 2011
Michael C.	733 Euclid Ave, Akron, OH	April 26, 2010	July 18, 2011

(a)(2) In addition, SHULTS misrepresented to buyer NSCL that he owned the twenty-one (21) real properties listed below as of February 6, 2010, when in fact he did not own said properties until August 31, 2010, in violation of Code Sections 10176(a) and 10176(i) and/or 10177(j):

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1	Property Address
2	1. 1002 Chittock, Jackson, MI 49203;
3	2. 1023 Tillie Avenue, Saint Louis, MO 63147; 3. 1035 Garth Avenue, Saint Louis, MO 63147;
4	4. 1204 Lake Street, Kalamazoo, MI 49001;
	5. 1417 Elizabeth Street, Lansing, MI 48912; 6. 1506 North Brookfield, South Bend, IN 46628;
5	7. 1532 Dumham Street, South Bend, IN 46619;
6	8. 1536 Linval Street, Lansing, MI 48910; 9. 1617 Wesleyan Road, Dayton, OH 45406;
7	10. 1682 Superior Street, Muskegon, MI 49442;
8	11. 1862 Manz Street, Muskegon, MI 49442;
9	12. 2220 Peck Street, Muskegon, MI 49444; 13. 26423 Princeton Street, Inkster, MI 48141;
	14. 424 W. Madison Street, South Bend, IN 46601;
10	15. 4429 Oliver, Fort Wayne, IN 46806;
1.1	16. 4962 Thrush Avenue, Saint Louis, MO 63147; 17. 5411 Hamilton Avenue, Saint Louis, MO 63136;
	18. 5529 Oriole Avenue, Saint Louis, MO 63120;
12	19. 562 Dayton Avenue, Kalamazoo, MI 49048;
13	20. 705 N. Walnut Street, Lansing, MI 48906;
14	21. 96 Vale Street, Battle Creek, MI 49014.
15	(b) Failed to maintain a control record in the form of a columnar record in
16	chronological order of all trust funds including security deposits and rental receipts received,
17	deposited and disbursed for "Surf City Escrow," and "National Real Estate Escrow Services
18	Inc.," through BA 1 and BA 2, in violation of Code Section 10145 and Regulations 2831,
19	2950(d) and 2951;
20	
21	(c) Failed to maintain a separate record for each beneficiary or transaction for
22	"Surf City Escrow," and "National Real Estate Escrow Services Inc.," thereby failing to account
23	for all trust funds received, deposited and disbursed through BA 1 and BA 2, in violation of Coo
24	Section 10145 and Regulations 2831.1, 2950(d) and 2951;
25 26	(d) Failed to place trust funds received from beneficiaries into a trust account in
_	the name of the broker as trustee at a bank or other financial institution in connection with

Respondent's licensed activities, in violation of Code Section 10145 of the Code and Regulations 2832(a2950(d) and 2951;

- (e) Used the fictitious names of "Wealth Out of Chaos," "Surf City Escrow" and "National Real Estate Escrow Services Inc." to conduct licensed activities, without first obtaining from the Bureau a license bearing said fictitious business names, in violation of Code Section 10159.5 and Regulation 2731; and
- (f) Failed to disclose SHULTS's real estate license identification number and Mortgage Loan Originator number on the Nationwide Mortgage Licensing System Registry identification numbers on SHULTS's the Real Estate Sales Agreements used in his real estate sales activity, in violation of Code Section 10140.6(b) and Regulation 2773.
- (g) Failed to notify the Bureau of the employment of real estate salesperson Frank Betourne, in violation of Code Section 10161.8 and Regulation 2752.
- (h) Failed to retain all records of Respondents SHULT's activity during the audit period requiring a real estate broker license, in violation of Code Section 10148. SHULTS failed to maintain the control and separate records for BA 1 and BA 2, with respect to his licensed activities conducted under his unlicensed fictitious business names of "Wealth Out of Chaos Inc.," "Surf City Escrow" and, "National Real Estate Escrow Services Inc."
- (i) Failed to adequately supervise and control the real estate and broker escrow activities conducted under SHULTS's real estate broker license. Additionally, SHULTS had no system in place for regularly monitoring his compliance with the Real Estate Law especially in regard to establishing, systems, policies and procedures to review trust fund handling and to keep his brokerage in compliance with the Real Estate Law, in violation of Code Sections 10159.2, 10177(h) and Regulation 2725.

Disciplinary Statures and Regulations

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8.

The conduct of Respondent SHULTS, as alleged and described in Paragraph 7, above, violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	PROVISIONS VIOLATED
7(a)	Code Section 10176(a), 10176(i) and/or 10177(j)
7(b)	Code Section 10145 and Regulations 2831, 2950(d) and 2951
7(c)	Code Section 10145 and Regulations 2831.1, 2950(d) and 2951
7(d)	Code Section 10145 and Regulations 2832(a), 2950(d) and 2951
7(e)	Code Section10159.5 and Regulation 2731
7(f)	Code Section10140.6 (b)
7(g)	Code Section10161.8 and Regulation 2752
7(h)	Code Section 10148
7(i)	Code Section10177 (h) and Regulation 2725

The foregoing violations constitute cause for discipline of the real estate license and license rights of Respondent SHULTS, under the provisions of Code Sections 10176(a), 10176(i) and/or 10177(j), 10177(d), 10177(g), and 10177(h).

SECOND CAUSE OF ACCUSATION (Negligence)

9.

The overall conduct of Respondent SHULTS constitutes negligence or incompetence. This conduct and violation is cause for discipline of the real estate license and license rights of Respondent pursuant to Code Section 10177(g).

THIRD CAUSE OF ACCUSATION

(Breach of Fiduciary Duty)

10.

designating DA 1 and DA 2 as tweet access

In particular, SHULTS, by not designating BA 1 and BA 2 as trust accounts SHULTS unnecessarily exposed these bank accounts and each and every beneficiary of trust funds therein, to suit and seizure by (1) the general creditors of every other trust fund beneficiary, (2) to federal and state taxing authorities, including the Internal Revenue Service, the California Franchise Tax Board, and the California State Board of Equalization, and (3) to a lack of recourse and recompense to said beneficiaries this conduct and violation are cause for discipline of the real estate license and license rights of Respondent SHULTS pursuant to Code Section 10177(g).

FOURTH CAUSE OF ACCUSATION (Supervision)

11.

The overall conduct of Respondent SHULTS constitutes a failure on his part to exercise reasonable supervision and control over the licensed activities of his brokerage, in violation of Code Section 10177(h) and Regulation 2725. Respondent SHULTS failed to keep his brokerage in compliance with the Real Estate Law, and is cause for discipline of the real estate license and license rights of Respondent SHULTS pursuant to the provisions of Code Sections 10177(d), 10177(g) and/or 10177(h).

12.

Code Section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Bureau of Real Estate, 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.

13.

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

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 the license and license rights of Respondent CRAIG MARTIN SHULTS, under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) and for such other and further relief as may be proper under other applicable provisions of law including, but not limited to, but not limited to (1) restitution, (2) costs of audit pursuant to Code Section 10148; and (3) costs of investigation and enforcement pursuant to Code Section 10106, and as pursuant to applicable provisions of the California Administrative Procedure Act.

Dated at Los Angeles, California

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Deputy Real Estate Commissioner

cc: Craig Martin Shults Maria Suarez

Audits – Chona T. Soriano Sacto