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DEPARTMENT OF REAL ESTATE
BY: [Signature]

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BEFORE THE BUREAU OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of)	No. H- 39198 LA
)	
CRAIG MARTIN SHULTS,)	<u>ACCUSATION</u>
)	
Respondent,)	
)	

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California acting in her official capacity, for cause of Accusation against CRAIG MARTIN SHULTS is informed and alleges as follows:

1.

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in her official capacity.

2.

All references to the "Code" are to the California Business and Professions Code and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

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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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Property Address

1. 1002 Chittock, Jackson, MI 49203;
2. 1023 Tillie Avenue, Saint Louis, MO 63147;
3. 1035 Garth Avenue, Saint Louis, MO 63147;
4. 1204 Lake Street, Kalamazoo, MI 49001;
5. 1417 Elizabeth Street, Lansing, MI 48912;
6. 1506 North Brookfield, South Bend, IN 46628;
7. 1532 Dumham Street, South Bend, IN 46619;
8. 1536 Linval Street, Lansing, MI 48910;
9. 1617 Wesleyan Road, Dayton, OH 45406;
10. 1682 Superior Street, Muskegon, MI 49442;
11. 1862 Manz Street, Muskegon, MI 49442;
12. 2220 Peck Street, Muskegon, MI 49444;
13. 26423 Princeton Street, Inkster, MI 48141;
14. 424 W. Madison Street, South Bend, IN 46601;
15. 4429 Oliver, Fort Wayne, IN 46806;
16. 4962 Thrush Avenue, Saint Louis, MO 63147;
17. 5411 Hamilton Avenue, Saint Louis, MO 63136;
18. 5529 Oriole Avenue, Saint Louis, MO 63120;
19. 562 Dayton Avenue, Kalamazoo, MI 49048;
20. 705 N. Walnut Street, Lansing, MI 48906;
21. 96 Vale Street, Battle Creek, MI 49014.

(b) Failed to maintain a control record in the form of a columnar record in chronological order of all trust funds including security deposits and rental receipts received, deposited and disbursed for "Surf City Escrow," and "National Real Estate Escrow Services Inc.," through BA 1 and BA 2, in violation of Code Section 10145 and Regulations 2831, 2950(d) and 2951;

(c) Failed to maintain a separate record for each beneficiary or transaction for "Surf City Escrow," and "National Real Estate Escrow Services Inc.," thereby failing to account for all trust funds received, deposited and disbursed through BA 1 and BA 2, in violation of Code Section 10145 and Regulations 2831.1, 2950(d) and 2951;

(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

1 Respondent's licensed activities, in violation of Code Section 10145 of the Code and Regulations
2 2832(a)2950(d) and 2951;

3 (e) Used the fictitious names of "Wealth Out of Chaos," "Surf City Escrow" and
4 "National Real Estate Escrow Services Inc." to conduct licensed activities, without first obtaining
5 from the Bureau a license bearing said fictitious business names, in violation of Code Section
6 10159.5 and Regulation 2731; and

7
8 (f) Failed to disclose SHULTS's real estate license identification number and
9 Mortgage Loan Originator number on the Nationwide Mortgage Licensing System Registry
10 identification numbers on SHULTS's the Real Estate Sales Agreements used in his real estate
11 sales activity, in violation of Code Section 10140.6(b) and Regulation 2773.

12 (g) Failed to notify the Bureau of the employment of real estate salesperson Frank
13 Betourne, in violation of Code Section 10161.8 and Regulation 2752.

14
15 (h) Failed to retain all records of Respondents SHULT's activity during the audit
16 period requiring a real estate broker license, in violation of Code Section 10148. SHULTS failed
17 to maintain the control and separate records for BA 1 and BA 2, with respect to his licensed
18 activities conducted under his unlicensed fictitious business names of "Wealth Out of Chaos
19 Inc.," "Surf City Escrow" and, "National Real Estate Escrow Services Inc."

20
21 (i) Failed to adequately supervise and control the real estate and broker escrow
22 activities conducted under SHULTS's real estate broker license. Additionally, SHULTS had no
23 system in place for regularly monitoring his compliance with the Real Estate Law especially in
24 regard to establishing, systems, policies and procedures to review trust fund handling and to keep
25 his brokerage in compliance with the Real Estate Law, in violation of Code Sections 10159.2,
26 10177(h) and Regulation 2725.
27

Disciplinary Statutes and Regulations

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>	<u>PROVISIONS VIOLATED</u>
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 Section 10159.5 and Regulation 2731
7(f)	Code Section 10140.6 (b)
7(g)	Code Section 10161.8 and Regulation 2752
7(h)	Code Section 10148
7(i)	Code Section 10177 (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).

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1 this part to pay a sum not to exceed the reasonable costs of the investigation and enforcement of
2 the case.

3 13.

4 Code Section 10148(b) provides, in pertinent part the Commissioner shall charge
5 a real estate broker for the cost of any audit, if the commissioner has found in a final decision
6 following a disciplinary hearing that the broker has violated Code section 10145 or a regulation
7 or rule of the Commissioner interpreting said section.
8

9 WHEREFORE, Complainant prays that a hearing be conducted on the allegations
10 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary
11 action against the license and license rights of Respondent CRAIG MARTIN SHULTS, under
12 the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code) and for such
13 other and further relief as may be proper under other applicable provisions of law including, but
14 not limited to, but not limited to (1) restitution, (2) costs of audit pursuant to Code Section
15 10148; and (3) costs of investigation and enforcement pursuant to Code Section 10106, and as
16 pursuant to applicable provisions of the California Administrative Procedure Act.
17

18 Dated at Los Angeles, California

19
20 this 3rd day of Dec., 2013

21 
22 MARIA SUAREZ
23 Deputy Real Estate Commissioner
24

25 cc: Craig Martin Shults
26 Maria Suarez
27 Audits – Chona T. Soriano
Sacto