

**FILED**

SEP 15 2015

BUREAU OF REAL ESTATE

By 

BEFORE THE BUREAU OF REAL ESTATE

STATE OF CALIFORNIA

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In the Matter of the Accusation of	)	CalBRE No. H-39198 LA
	)	
CRAIG MARTIN SHULTS,	)	
	)	
Respondent.	)	
	)	

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DECISION

This Decision is being issued in accordance with the provisions of Section 11520 of the Government Code, on evidence of compliance with Section 11505 of the Government Code and pursuant to the Order of Default filed on July 22, 2015, and the findings of fact set forth herein are based on one or more of the following: (1) Respondent CRAIG MARTIN SHULTS express admissions; (2) affidavits; and (3) Bureau Audit Report LA 100311 and (4) other evidence.

FACTUAL FINDINGS

1.

On December 3, 2013, Maria Suarez made the Accusation in her official capacity as a Deputy Real Estate Commissioner of the State of California. The Accusation, Statement to Respondent, and Notice of Defense were mailed by certified mail, to CRAIG MARTIN SHULTS' last known mailing address on file with the Bureau of Real Estate ("Bureau") on December 13, 2013.

2.

On July 22, 2015, no Notice of Defense having been filed by Respondent within the time prescribed by Section 11506 of the Government Code, Respondent's default was entered herein.

### LICENSE STATUS

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 licensed as a real estate broker. On October 19, 2012, SHULTS' broker license was suspended for violation of California Financial Code Section 17250. On August 20, 2013, SHULTS' 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.

### 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.

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## 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 respective 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

2. BA 2

Bank Name: Comercia Bank

Account Name: National Real Estate Escrow Services Inc.

Account No.: \*\*\*\*\*3663

## VIOLATIONS

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.	943 E. Patterson Stark, County of 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, Forth 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 Respondent's licensed activities, in violation of Code Section 10145 and Regulations 2832(a), 2950(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 violations of Code Section 10159.5 and Regulation 2731;

(f) Failed to disclose SHULTS' real estate license identification number and Mortgage Loan Originator number on the Nationwide Mortgage Licensing System Registry identification numbers on SHULTS' Real Estate Sales Agreement 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 sales person Frank Betourne, in violation of Code Section 10161.8 and Regulation 2752.

(h) Failed to retain all records of Respondent SHULTS' 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 STATUTES AND REGULATIONS

8.

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

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
7(a)	Code Section <u>10176(a)</u> , <u>101760(i)</u> and/or <u>10177(j)</u>
7(b)	Code Section <u>10145</u> and Regulations <u>2831</u> , <u>2950(d)</u> and <u>2951</u>
7(c)	Code Section 10145 and Regulations <u>2831.1</u> , <u>2950(d)</u> and <u>2951</u>
7(d)	Code Section 10145 and Regulations <u>2832(a)</u> , <u>2950(d)</u> and <u>2951</u>
7(e)	Code Section <u>10159.5</u> and Regulation <u>2731</u>
7(f)	Code Section <u>10140.6(b)</u>
7(g)	Code Section <u>10161.8</u> and Regulation <u>2752</u>
7(h)	Code Section <u>10148</u>
7(i)	Code Section <u>10177(h)</u> and Regulation <u>2725</u>

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).

#### 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).

#### BREACH OF FIDUCIARY DUTY

10.

In particular, 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).

#### 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).

The standard of proof applied was clear and convincing proof to a reasonable certainty.

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ORDER

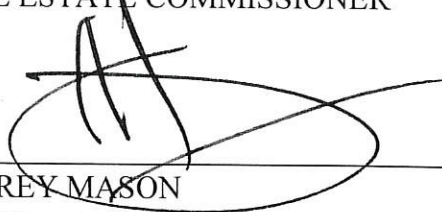
The real estate license and license rights of Respondent CRAIG MARTIN SHULTS, under the provisions of Part I of Division 4 of the Business and Professions Code are revoked.

This Decision shall become effective at 12 o'clock noon on OCT 06 2015

DATED: August 28, 2015

WAYNE S. BELL  
REAL ESTATE COMMISSIONER

By: \_\_\_\_\_

  
JEFFREY MASON  
Chief Deputy Commissioner

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2 320 West Fourth Street, Suite 350  
3 Los Angeles, CA 90013  
4 (213) 576-6982

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BUREAU OF REAL ESTATE

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11 In the Matter of the Accusation of ) NO. H-39198 LA  
12 )  
13 CRAIG MARTIN SHULTS, ) DEFAULT ORDER  
14 )  
15 Respondent. )

16 Respondent CRAIG MARTIN SHULTS, having failed to file a Notice of  
17 Defense within the time required by Section 11506 of the Government Code, is now in  
18 default. It is, therefore, ordered that a default be entered on the record in this matter.

19 IT IS SO ORDERED JULY 22, 2015.

20 REAL ESTATE COMMISSIONER

21  
22 By: 

23 PHILLIP IHDE

24 Regional Manager  
25  
26  
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