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DEPT. OF REAL ESTATE
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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation of
MAGNUM REALTY GROUP INC.,
DANIEL EDWARD MOORE,
individually and as designated officer
of Magnum Realty Group Inc.
Respondents.

No. H-42719-LA
ACCUSATION

The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the Department of Real Estate ("Department" or "DRE") of the State of California, for cause of Accusation against MAGNUM REALTY GROUP INC. ("MRGI"), and DANIEL EDWARD MOORE ("MOORE"), individually and as designated officer of MRGI, collectively "Respondents", alleges as follows:

1. The Complainant, Veronica Kilpatrick, acting in her official capacity as a Supervising Special Investigator, makes this Accusation against Respondents.
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.

LICENSE HISTORY

3. Respondent MRGI has been licensed by the Department as a real estate corporation ("REC"), DRE license identification number ("License ID") 01900858, from on or about June 20, 2011, through the present, with MRGI's license scheduled to expire on June 19, 2027, unless

renewed. MRGI has been licensed through MOORE's real estate broker ("REB") license, License ID 00939654, and MOORE is the designated officer ("D.O."). MRGI maintains the licensed fictitious business name "Magnum Property Management," active as of August 12, 2021, and maintains one branch office in Murrieta, California. As of August 18, 2022, MRGI employed three (3) licensed employees. MRGI previously maintained the licensed fictitious business name "Management One Professionals," active from April 13, 2012 to May 30, 2023.

4. Respondent MOORE has been licensed by the Department as a REB from on or about January 5, 1995, through the present, with MOORE's license scheduled to expire on June 9, 2027, unless renewed. Previously, MOORE was licensed by the DRE as a real estate salesperson ("RES"), from on or about October 3, 1986, until on or about January 4, 1995.

BROKERAGE: MRGI

5. At all times mentioned, in the County of Riverside, MRGI acted as a real estate broker, conducting licensed activities within the meaning of Code 10131(b): leasing or renting, offering to lease or rent, or collecting rents from real property for others. At all times relevant herein, MRGI was acting by and through MOORE as its D.O. pursuant to Code Section 10159.2, and MOORE was responsible for ensuring compliance with the Real Estate Law.

AUDIT OF MRGI: AUDIT NO. SD220027

6. On August 18, 2023, the Department completed an audit examination of the books and records of MRGI's real estate activities that require a corporate real estate broker license under Code Section 10131. The audit examination, SD220027, covered the time period from January 1, 2021 to February 28, 2023 ("audit period") and was limited to MRGI's property management activities.

7. The purpose of the audit examinations was to determine whether MRGI conducted its real estate activities and handled and accounted for trust funds in accordance with the Real Estate Law and the Regulations.

8. According to MOORE, MRGI's corporate structure as of April 24, 2023 was:

<u>Name</u>	<u>Title</u>	<u>License Status</u>	<u>Shareholder %</u>
MOORE	CEO-CFO-Secretary	REB ID 00939654	100%

1 9. According to MOORE on April 24, 2023, MRGI manages about two hundred and
2 thirty (230) properties for about two hundred and sixteen (216) owners and collected about \$6 million
3 in trust funds annually in connection with the property management activity. MRGI charged a
4 management fee of \$129.00 to \$149.00 flat fee per property per month, depending on the property
5 management agreement with each property owner.

6 10. MRGI maintained two (2) bank accounts for handling the receipts and disbursements
7 of trust funds in connection with its property management activity during the audit period, and also
8 maintained one (1) general business account related to its property management activity, as follows:

9 a. **Bank Account 1 ("BA1")**

10 Bank: JPMorgan Chase Bank
11 Account Name: Magnum Realty Group Inc
 DBA Management One Professionals
12 Account #: XXXXXXXXX0551
13 Signatories: MOORE
14 Signatures required: One (1) signature
15 Purpose: BA1 is maintained for multiple beneficiaries for handling the
 receipts and disbursements of trust funds (Rents) in connection
 with MRGI's property management activity.

16 b. **Bank Account 2 ("BA2")**

17 Bank: JPMorgan Chase Bank
18 Account Name: Magnum Realty Group Inc
 DBA Management One Professionals
19 Account #: XXXXXXXXX2375
20 Signatories: MOORE
21 Signatures required: One (1) signature
22 Purpose: BA2 is maintained for multiple beneficiaries for handling the
 receipts and disbursements of trust funds (Security Deposits) in
 connection with MRGI's property management activity.

23 c. **Bank Account 3 ("GA1")**

24 Bank: JPMorgan Chase Bank
25 Account Name: Magnum Realty Group Inc
 DBA Management One Professionals
26 Account #: XXXXXXXXX6310
27 Signatories: MOORE
28 Signatures required: One (1) signature

Purpose: GA1 is maintained for handling the receipts and disbursements of funds in connection with MRGI's property management general business activity.

Audit Violations in Audit No. SD220027

11. The Complainant realleges and incorporates by reference all of the allegations contained in paragraphs 1 through 10 above, with the same force and effect as though fully set forth herein.

12. The audit examination revealed violations of the Code and the Regulations, as set forth in the following paragraphs, and more fully discussed in Audit No. SD220027 and the exhibits and work papers attached to the audit report:

Issue One (1). Code Section 10145 and Regulation 2832.1: Handling of Trust Funds; Trust Fund Handling for Multiple Beneficiaries

13. As of February 28, 2023, there was a shortage in BA1 of <\$47,636.73>, caused by: negative property balances totaling <\$8,751.48>; unauthorized disbursements, commingling, and conversion of trust funds totaling <\$30,214.50>; bank charges totaling <\$45.00>; and an unidentified shortage totaling <\$8,625.75>.

14. As of February 28, 2023, there was a shortage in BA2 of <\$78,130.00>, caused by: negative property balances totaling <\$4,030.00> and unauthorized disbursements, commingling, and conversion of trust funds totaling <\$74,100.00>. In addition, there were "unidentified/unaccounted for funds" held in BA2 totaling \$7,560.00.

15. MRGI provided no evidence that the owners of the trust funds provided written consent to allow MRGI to reduce the balance of funds in BA1 and BA2 to amounts less than the existing aggregate trust fund liabilities.

16. MRGI's reduction of the balance of funds in BA1 and BA2 to amounts less than the existing aggregate trust fund liabilities was in violation of **Code Section 10145 and Regulation 2832.1**.

17. MOORE made deposits into BA1 from GA1 on April 18, 19, and 24, 2023, and on July 31, 2023, totaling \$47,636.73, to cure the total trust fund shortage in BA1.

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1 18. MOORE made deposits into BA2 from GA1 on April 18 and 19, 2023, and on July
2 31, 2023, totaling \$78,130.00, to cure the total trust fund shortage in BA2.

3 **Issue Two (2). Code Sections 10145, 10176(e), 10176(i), and Regulation 2832: Unauthorized**
4 **Disbursements; Commingling; Conversion of Trust Funds; Dishonest Dealing; Mishandling**
5 **of Trust Funds**

6 19. As of February 28, 2023, there were unauthorized disbursements, commingling, and
7 conversion of trust funds totaling \$30,214.50 from BA1. The unauthorized disbursements caused the
8 majority of the shortage in BA1 as of February 28, 2023, the audit cut-off date. MOORE disbursed
9 trust funds from BA1 to pay for his personal and financial obligations. MOORE deposited and
10 commingled trust funds into MRGI's general business bank account, GA1, which was used for
11 general business activities and to pay for MOORE's personal and financial obligations. The balance
12 of GA1 was reduced to an amount that was less than the amount of trust funds deposited into GA1.
13 The ending bank balance of GA1 as of February 28, 2023 was \$5,392.91.

14 20. As of February 28, 2023, there were unauthorized disbursements, commingling, and
15 conversion of trust funds totaling \$74,100.00 from BA2. The unauthorized disbursements caused the
16 majority of the shortage in BA2 as of February 28, 2023, the audit cut-off date. MOORE deposited
17 and commingled trust funds into MRGI's general business bank account, GA1, which was used for
18 general business activities and to pay for MOORE's personal and financial obligations. The balance
19 of GA1 was reduced to an amount that was less than the amount of trust funds deposited into GA1.
20 The ending bank balance of GA1 as of February 28, 2023 was \$5,392.91.

21 21. MRGI's acts and/or omissions that caused and/or resulted in unauthorized
22 disbursements, commingling, and conversion of trust funds totaling \$30,214.50 from BA1, and
23 \$74,100.00 from BA2, were in violation of Code sections 10145, 10176(e), 10176(i), and
24 Regulation 2832.

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1 **Issue Three (3). Code Sections 10145 and 10176(e) and Regulation 2832: Commingling; Trust**
2 **Funds Deposited into Broker's General Business Bank Account; Mishandling of Trust Funds**

3 22. MRGI commingled trust funds with MRGI's general funds by transferring and/or
4 depositing trust funds back and forth from BA1 and BA2 to GA1, MRGI's general business account
5 used for MRGI's general business activities.

6 23. MRGI's acts and/or omissions that caused and/or resulted in the commingling of trust
7 funds with MRGI's general funds were in violation of Code sections 10145, 10176(e), and
8 **Regulation 2832.**

9 **Issue Four (4). Code Section 10145 and Regulation 2831: Handling of Trust Funds; Trust Fund**
10 **Records to be Maintained**

11 24. The control record maintained for BA1, which was used for handling the receipts and
12 disbursements of rent trust funds in connection with the property management activity. was
13 inaccurate and incomplete. The control record of BA1 did not have an accurate daily balance. Some
14 disbursements were disbursed from BA1 but were not recorded on the control record of BA1. In
15 addition, some disbursements were recorded on the control record of BA1 but were not disbursed
16 from BA1.

17 25. The control record maintained for BA2, which was used for handling the receipts and
18 disbursements of security deposit trust funds in connection with the property management activity,
19 was inaccurate and incomplete. The control record of BA2 did not have an accurate daily balance.
20 Some receipts were deposited into BA2 but were not recorded on the control record of BA2. In
21 addition, some receipts were recorded on the control record of BA2 but were not deposited into BA2.
22 Furthermore, some disbursements were disbursed from BA2 but were not recorded on the control
23 record of BA2.

24 26. MRGI's failure to maintain complete and accurate control records for trust funds
25 received and disbursed for BA1 and BA2 was in violation of Code Section 10145 and Regulation
26 **2831.**

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Issue Five (5). Code Section 10145 and Regulation 2831.1: Handling of Trust Funds; Separate Record for Each Beneficiary or Transaction

27. The separate records maintained for BA1, which was used for handling the receipts and disbursements of rent trust funds in connection with the property management activity, were inaccurate and incomplete. Some disbursements were disbursed from BA1 but were not recorded on the separate records of BA1. In addition, some disbursements were recorded on the separate records of BA1 but were not disbursed from BA1.

28. The separate records maintained for BA2, which was used for handling the receipts and disbursements of security deposit trust funds in connection with the property management activity, were inaccurate and incomplete. Some receipts were deposited into BA2 but were not recorded on the separate records of BA2.

29. MRGI failed to maintain a separate record for the "unidentified/unaccounted for funds" held in BA2 totaling \$7,560.00 as of February 28, 2023.

30. MRGI's failure to maintain an accurate separate record of the receipts and disbursements of all trust funds deposited into BA1 and BA2, and MRGI's acts and/or omissions resulting in BA2 containing unidentified/unaccounted for funds totaling \$7,560.00 as of February 28, 2023, were in violation of **Code Section 10145 and Regulation 2831.1**.

Issue Six (6). Code Section 10145 and Regulation 2831.2: Trust Account Reconciliation

31. MRGI did not perform and maintain the monthly reconciliation comparing the balance of all the separate beneficiaries' records to the balance of the control record for BA1 and BA2 as required in connection with the property management activity during the audit period.

32. MRGI failed to reconcile the "unidentified/unaccounted for funds" held in BA2 totaling \$7,560.00 as of February 28, 2023.

33. MRGI's failure to perform and maintain an accurate monthly reconciliation comparing the balance of all separate beneficiary or transaction records (separate records) to the balance of the record of all trust funds received and disbursed (control record) for BA1 and BA2, and MRGI's failure to reconcile the "unidentified/unaccounted for funds" held in BA2 totaling \$7,560.00 as of February 28, 2023, were in violation of **Code Section 10145 and Regulation 2831.2**.

Issue Seven (7). Code Section 10145(a) and Regulation 2832: Handling of Trust Funds; Trust Account Designation

34. According to the bank signature card maintained at JPMorgan Chase Bank for BA1, which was used for handling the receipts and disbursements of the rent trust funds in connection with the property management activity during the audit period, BA1 was not designated as a trust account.

35. According to the bank signature card maintained at JPMorgan Chase Bank for BA2, which was used for handling the receipts and disbursements of the security deposit trust funds in connection with the property management activity during the audit period, BA2 was not designated as a trust account.

36. MRGI's failure to set up BA1 and BA2 as trust accounts in MRGI's name as trustee or in any of MRGI's licensed fictitious business names as trustee was in violation of **Code Section 10145 and Regulation 2832.**

Issue Eight (8). Code Sections 10145(a) and 10176(g) - Trust Fund Handling; Secret Profit or Undisclosed Compensation

37. MRGI received and/or collected vendor discounts from some vendors who provided repair and maintenance services to the property owners. The discount/profit amount for repairs, which was 5% - 10% of the vendor's invoice, was not disclosed in writing to the property owners in all the property management agreements sampled for examination, in violation of **Code Sections 10145(a) and 10176(g).**

Issue Nine (9). Code Section 10159.5 and Regulation 2731: Unlicensed Fictitious Business Name

38. MRGI used the unlicensed fictitious business name "Oak Tree Realty Group" in connection with the property management activity during the audit period without first obtaining a license from the DRE bearing such fictitious business name, in violation of **Code Section 10159.5 and Regulation 2731.**

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Issue Ten (10). Code Section 10163 and Regulation 2715: Branch Offices / Business and Mailing Addresses of Licensees

39. MRGI used the unlicensed branch office located at 24630 Washington Ave, Suite 202, Murrieta, CA 92562 during the audit period in connection with the property management activity without first obtaining a branch license from the DRE. This unlicensed branch office used during the audit period appeared on some property management agreements and lease/rental agreements sampled for examination. According to Moore, MRGI has maintained this branch office since September 2021. Moore notified the DRE about this branch office on April 23, 2023.

40. MRGI's use of an unlicensed branch office without first obtaining a branch license from the DRE was in violation of **Code Section 10163 and Regulation 2715**.

FIRST CAUSE OF ACCUSATION

AUDIT VIOLATIONS IN AUDIT NO. SD220027

41. The Complainant realleges and incorporates by reference all of the allegations contained in paragraphs 1 through 40 above, with the same force and effect as though fully set forth herein.

42. MRGI's conduct as alleged above in paragraphs 13 through 40, violated the Code and the Regulations as set forth below:

<u>Issue No.</u>	<u>Paragraphs</u>	<u>Violations</u>
1	13-18	Code section 10145; Regulation 2832.1
2	19-21	Code sections 10145, 10176(e), and 10176(i); Regulation 2832
3	22-23	Code sections 10145 and 10176(e); Regulation 2832
4	24-26	Code section 10145; Regulation 2831
5	27-30	Code section 10145; Regulation 2831.1
6	31-33	Code section 10145; Regulation 2831.2
7	34-36	Code section 10145(a); Regulation 2832
8	37	Code sections 10145(a) and 10176(g)
9	38	Code section 10159.5; Regulation 2731
10	39-40	Code section 10163; Regulation 2715

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1 43. The violations alleged above in paragraphs 13 through 40 constitute cause for the
2 suspension or revocation of MRGI's real estate license and license rights under the provisions of
3 **Code sections 10177(d) and/or 10177(g).**

4 **SECOND CAUSE OF ACCUSATION**

5 **FRAUD OR DISHONEST DEALING**

6 44. The Complainant realleges and incorporates by reference all of the allegations
7 contained in paragraphs 1 through 43 above, with the same force and effect as though fully set forth
8 herein.

9 45. MOORE's acts and/or omissions making unauthorized disbursements, commingling,
10 and converting trust funds from BA1 and BA2 to pay for MOORE's personal and financial
11 obligations were in violation of **Code sections 10176(i) and/or 10177(j)**, and constitute cause for
12 the suspension or revocation of MOORE's real estate license and license rights under the provisions
13 of **Code sections 10176(i) and/or 10177(j), and 10177(d) and/or 10177(g).**

14 **THIRD CAUSE OF ACCUSATION**

15 **BREACH OF FIDUCIARY DUTIES**

16 46. The Complainant realleges and incorporates by reference all of the allegations
17 contained in paragraphs 1 through 45 above, with the same force and effect as though fully set forth
18 herein..

19 47. MRGI, through MOORE, entered into written property management agreements
20 ("PMA") with each of the residential property owners for the purpose of granting MRGI, through
21 MOORE, the exclusive right to rent, lease, operate, and manage the properties on behalf of the
22 owners. The PMAs used by MRGI, through MOORE, provided MRGI with the authority to collect
23 rents or other charges and expenses due. MRGI, through MOORE, engaged in licensed activities
24 within the meaning of Code section 10131(b) on behalf of the residential property owners that
25 contracted with MRGI, through MOORE, under the PMAs: leasing or renting, offering to lease or
26 rent, or collecting rents from real property for others, and other property management activities.
27 Through MRGI's and MOORE's real estate activities on behalf of the residential property owners,
28 MRGI and MOORE created a fiduciary relationship with each residential property owner.

1 48. Based on the audit findings in Issues 2 and 3, as alleged in paragraphs 19 through 23,
2 MOORE engaged in a fraudulent course of conduct of making unauthorized disbursements,
3 commingling, and converting trust funds from BA1 and BA2 to pay for MOORE's personal and
4 financial obligations

5 49. At all relevant times herein, while acting as a real estate broker and property manager,
6 MRGI and MOORE owed the residential property owners fiduciary duties, including, but not limited
7 to the following: duty of reasonable care and skill; duty of good faith; duty of loyalty; duty to
8 diligently exercise reasonable care, diligence, and skill in representing the residential property
9 owners and in the performance of the responsibilities agreed to in the PMAs; duty to avoid conflicts
10 of interest; duty of fullest disclosure of all material facts affecting the residential property owners'
11 rights and interests; duty not to use or deal with rents or other charges and expenses due for any other
12 purpose unconnected with the PMAs and property management activities; duty to manage the
13 properties and trust funds solely in the interests of the residential property owners; duty to take and
14 keep control of and preserve the residential property owners' properties and trust funds; duty to fully
15 account in a timely manner for all funds and property received in which the residential property
16 owners have or may have an interest; and duty to exercise the utmost honesty, absolute candor,
17 integrity, and unselfishness toward the residential property owners.

18 50. In the course of the activities described above in paragraphs 19 through 23, based on
19 the facts discovered by the DRE, and the facts discovered by the DRE's auditor in Audit No.
20 SD220027, MRGI's and MOORE's acts and/or omissions constitute fraudulent breaches of MRGI's
21 and MOORE's fiduciary duties, and constitute cause for the suspension or revocation of MRGI's and
22 MOORE's real estate licenses and license rights under the provisions of **Code sections 10177(d)**
23 **and/or 10177(g).**

24 **INVESTIGATION AND ENFORCEMENT COSTS**

25 51. Code Section 10106 provides that in any order issued in resolution of a disciplinary
26 proceeding before the Department of Real Estate, the Commissioner may request the administrative
27 law judge to direct a licensee found to have committed a violation of this part to pay a sum not to
28 exceed the reasonable costs of the investigation and enforcement of the case.

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2 **AUDIT COSTS**

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

7 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of
8 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
9 against all the licenses and license rights of MAGNUM REALTY GROUP INC. and DANIEL
10 EDWARD MOORE under the Real Estate Law, for the costs of investigation and enforcement, and
11 audit as permitted by law, and for such other and further relief as may be proper under other
12 applicable provisions of law, and for costs of audit.

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14 Dated at San Diego, California May 29, 2024.

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16 *Veronica Kilpatrick*

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18 Veronica Kilpatrick
19 Supervising Special Investigator

20 cc: MAGNUM REALTY GROUP INC.
21 DANIEL EDWARD MOORE
22 Veronica Kilpatrick
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