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FILED

FEB 10 2025

By 

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

11 * * *

12 In the Matter of the Accusation against

13 RGC SERVICES, INC.

14 and

15 MICHAEL GRANT SIPES,
16 as designated officer of RGC Services, Inc.

17 Respondents.

No. H-42891 LA

**FIRST AMENDED
ACCUSATION**

18
19 *The Accusation filed on June 12, 2024 is amended in its entirety as follows:*

20 The Complainant, Ray Dagnino, acting in his official capacity as a Supervising
21 Special Investigator of the State of California, for cause of Accusation against RGC
22 SERVICES, INC. (RSI or "Respondent RSI") and MICHAEL GRANT SIPES (SIPES or
23 "Respondent SIPES") (collectively, "Respondents"), is informed and alleges as follows:

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27 H-42891 LA: DRE First Amended Accusation against RGC Services, Inc. and Michael Grant Sipes

1 1.

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

5 **DEPARTMENT OF REAL ESTATE LICENSE HISTORY**

6 2.

7 RGC

8 According to Department of Real Estate (DRE) records to date and publicly
9 accessible online (https://www2.dre.ca.gov/PublicASP/pplinfo.asp?License_id=01220383),
10 RGC SERVICES, INC. is presently licensed and/or has license rights under the Real Estate
11 Law (Part 1 of Division 4 of the Code) as a real estate corporation (broker) (REC), DRE
12 license ID 01220383.

13 3.

14 According to DRE records to date and publicly accessible online: RSI was
15 originally licensed by the DRE on or about April 14, 1997; its former name is Evan/Sipes Inc;
16 its mailing and main address of record is 5720 Ralston Street, #100, Ventura, CA 93003
17 (Ralston address); and it currently has affiliated with its license eleven (11) active licensed
18 fictitious business names (FBN), thirteen (13) branch offices, twenty-nine (29) broker
19 associates, and 153 real estate salespersons (RES).

20 4.

21 According to DRE records to date and publicly accessible online, MICHAEL
22 GRANT SIPES is currently the designated officer of record (D.O.) for RSI until its license
23 expires.

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According to DRE records to date and publicly accessible online, RSI's DRE license will expire on January 21, 2025. Upon license expiration and pursuant to Code Section 10201, RSI will retain renewal rights, and pursuant to Code Section 10103, the DRE will retain jurisdiction.

6.

According to DRE records to date and publicly accessible online, RSI and its designated officers at the respective subject time periods suffered license discipline between 1998 and 2009 in DRE Cases H-27454 LA, H-31957 LA, and H-34945 LA and within the last decade (between 2012 and 2013), in DRE Case H-38041 LA.

7.

According to DRE records to date and publicly accessible online, in DRE Case H-38041 LA, the licenses of both RSI and SIPES were, pursuant to Code Section 10177(d), suspended for 30 days, stayed for two (2) years, subject to certain terms and conditions, for their violations of Code Sections 10145, 10140.6(b), and 10159.5. Included in the terms and conditions in the Stipulation and Agreement for DRE Case H-38041 LA (effective at 12 o'clock noon on March 7, 2013) was the ability of the DRE to perform a chargeable follow-up audit examination to determine whether RSI and SIPES corrected the trust fund violations cited in the underlying Accusaation.

8.

SIPES

According to Department of Real Estate (DRE) records to date and publicly accessible online (https://www2.dre.ca.gov/publicasp/ppinfo.asp?License_id=01162226), MICHAEL GRANT SIPES is presently licensed and/or has license rights under the Real

1 Estate Law (Part 1 of Division 4 of the Code) as a real estate broker) (REB), DRE license ID
2 01162226.

3 9.

4 According to DRE records to date and publicly accessible online: SIPES was
5 originally licensed by the DRE on or about June 25, 1993 as a RES (and as a REB on October
6 2, 2000), and his mailing and main address of record RSI's Ralston address.

7 10.

8 According to DRE records to date and publicly accessible online, SIPES is
9 currently the D.O. for RSI until its license expires on January 21, 2025.

10 11.

11 According to DRE records to date and publicly accessible online, SIPES' DRE
12 license will expire on October 1, 2024. Upon license expiration and pursuant to Code Section
13 10201, SIPES will retain renewal rights, and pursuant to Code Section 10103, the DRE will
14 retain jurisdiction.
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16 12.

17 According to DRE records to date and publicly accessible online, SIPES
18 suffered license discipline between 2008 and 2013 in DRE Cases H-34945 LA and H-38041
19 LA.
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21 13.

22 According to DRE records to date and publicly accessible online, in DRE Case
23 H-38041 LA, the licenses of both SIPES and RSI were, pursuant to Code Section 10177(d),
24 suspended for 30 days, stayed for two (2) years, subject to certain terms and conditions, for
25 violations of Code Sections 10145, 10140.6(b), and 10159.5. Included in the terms and
26

1 conditions in the Stipulation and Agreement for DRE Case H-38041 LA (effective at 12
2 o'clock noon on March 7, 2013) was the ability of the DRE to perform a chargeable follow-up
3 audit examination to determine whether SIPES and RSI corrected the trust fund violations
4 cited in the underlying Accusaation.

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6 14.

7 RESPONDENTS' REAL ESTATE ACTIVITIES

8 At all times mentioned, in the State of California, Respondents conducted
9 licensed activities within the meaning of Code Section 10131¹, which require a real estate
10 license, including, but not limited to activities performed by RSI, SIPES, REBs and RES
11 affiliated with RSI's DRE license, and RSI's employees and agents.

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19 ¹ Pursuant to Code Section 10131 Broker Defined, "A real estate broker within this meaning of this part is a
20 person who, for a compensation or in expectation of a compensation, regardless of the form or time of payment,
21 does or negotiates to do one or more of the following acts for another or others: (a) Sells or offers to sell, buys or
22 offers to buy, solicits prospective sellers or purchasers of, solicits or obtains listings of, or negotiates the
23 purchase, sale or exchange of real property or a business opportunity. (b) Leases or rents or offers to lease or rent,
24 or places for rent, or solicits listings of places for rent, or solicits for prospective tenants, or negotiates the sale,
25 purchase or exchanges of leases on real property, or on a business opportunity, or collects rents from real
26 property, or improvements thereon, or from business opportunities. (c) Assists or offers to assist in filing an
27 application for the purchase or lease of, or in locating or entering upon, lands owned by the state or federal
government. (d) Solicits borrowers or lenders for or negotiates loans or collects payments or performs services for
borrowers or lenders or note owners in connection with loans secured directly or collaterally by liens on real
property or on a business opportunity. (e) Sells or offers to sell, buys or offers to buy, or exchanges or offers to
exchange a real property sales contract, or a promissory note secured directly or collaterally by a lien on real
property or on a business opportunity, and performs services for the holders thereof."

1 **APPLICABLE SECTIONS OF THE REAL ESTATE LAW**

2 **Trust Fund Handling**

3 **(Code Section 10145 and Regulations: 2831; 2831.1; 2831.2; 2832; and 2832.1)**

4 15.

5 Pursuant to Code Section 10145 *Handling of Trust Funds* (selected portions):

6 “(a)(1): A real estate broker who accepts funds belonging to others in
7 connection with a transaction subject to this part shall deposit all those funds that are not
8 immediately placed into a neutral escrow depository or into the hands of the broker’s principal,
9 into a trust fund account maintained by the broker in a bank or recognized depository in this
10 state. All funds deposited by the broker in a trust account shall be maintained there until
11 disbursed by the broker in accordance with instructions from the person entitled to the funds.

12 (2) Withdrawals may be made from a trust fund account of an individual
13 broker only upon the signature of that broker, or in the case of a corporate broker, only upon
14 the signature of an officer through whom the corporation is licensed pursuant to Section 10158
15 or 10211, or one, or more, of the following persons if specifically authorized in writing by the
16 individual broker or officer:

17 (A) A real estate salesperson licensed to the broker.

18 (B) Another broker acting pursuant to a written agreement with the
19 individual broker that conforms to the requirements of this part and any
20 regulations promulgated pursuant to this part.

21 (C) An unlicensed employee of the individual broker, if the broker has
22 fidelity bond coverage equal to at least the maximum amount of the
23 trust funds to which the unlicensed employee has access at any time.

24 For purposes of this section, bonds providing coverage may be written
25 with a deductible of up to 5 percent of the coverage amount. For bonds
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1 with a deductible, the employing broker shall have evidence of financial
2 responsibility that is sufficient to protect members of the public against
3 a loss subject to the deductible amount.

4 Evidence of financial responsibility shall include one or more of the
5 following:

6 (i) Separate fidelity bond coverage adequate to cover the amount
7 of the fidelity bond deductible.

8 (ii) A cash deposit held in a separate account, apart from other
9 funds of the broker, the broker's employees, or the broker's
10 principals, in a bank or recognized depository in this state
11 adequate to cover the amount of the fidelity bond deductible and
12 held exclusively and solely for the purpose of paying the fidelity
13 bond deductible amount.

14 (iii) Any other evidence of financial responsibility approved by
15 the commissioner.

16 (3) An arrangement under which a person enumerated in subparagraph
17 (A),(B), or (C) of paragraph (2) is authorized to make withdrawals from a trust fund account of
18 a broker shall not relieve an individual broker, nor the broker-officer of a corporate broker
19 licensee, from responsibility or liability as provided by law in handling trust funds in the
20 broker's custody.

21 . . .

22 (4)(b) A real estate broker acting as a principal pursuant to Section 10131.1²
23 shall place all funds received from others for the purchase of real property sales contracts or
24

25 ²Code Section 10131.1 states, "(a) A real state broker within the meaning of this part is also a person who
26 engages as a principal in the business of making loans or buying from, selling to, or exchanging with the public,
27 real property sales contracts or promissory notes secured directly or collaterally by liens on real property..."

1 promissory notes secured directly or collaterally by liens on real property in a neutral escrow
2 depository unless delivery of the contract or notes is made simultaneously with the receipt of
3 the purchase funds.

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5 (4)(g) The broker shall maintain a separate record of the receipt and disposition
6 of all funds described in subdivisions (a) and (b), including any interest earned on the
7 funds...”

8 16.

9 Pursuant to Regulation 2831 *Trust Fund Records To Be Maintained:*

10 “(a) Every broker shall keep a record of all trust funds received, including
11 uncashed checks held pursuant to instructions of his or her principal. This record, including
12 records maintained under an automated data processing system, shall set forth in chronological
13 sequence the following information in columnar form:

14 (1) Date trust funds received.

15 (2) From whom trust funds received.

16 (3) Amount received.

17 (4) With respect to funds deposited in an account, date of said deposit.

18 (5) With respect to trust funds previously deposited to an account, check
19 number and date of related disbursement.

20 (6) With respect to trust funds not deposited in an account, identity of other
21 depository and date funds were forwarded.

22 (7) Daily balance of said account.

23 (b) For each bank account which contains trust funds, a record of all trust funds
24 received and disbursed shall be maintained in accordance with subdivision (a) or (c).

1 (c) Maintenance of journals of account cash receipts and disbursements, or
2 similar records, or automated data processing systems, including computer systems and
3 electronic storage and manipulation of information and documents, in accordance with
4 generally accepted accounting principles, shall constitute compliance with subdivision (a)
5 provided that such journals, records, or systems contain the elements required by subdivision
6 (a) and that such elements are maintained in a format that will readily enable tracing and
7 reconciliation in accordance with Section 2831.2.

8 (d) Nothing in this section shall be construed to permit a violation of Section
9 10145 of the Code.

10 (e) A broker is not required to keep records pursuant to this section of checks
11 which are written by a principal, given to the broker and made payable to third parties for the
12 provision of services, including but not limited to escrow, credit and appraisal services, when
13 the total amount of such checks for any transaction from that principal does not exceed \$1,000.
14 Upon request of the Department or the maker of such checks, a broker shall account for the
15 receipt and distribution of such checks. A broker shall retain for three years copies of receipts
16 issued or obtained in connection with the receipt and distribution of such checks.”

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2 Pursuant to Regulation 2831.1 *Separate Record for Each Beneficiary or*
3 *Transaction:*

4 “(a) A broker shall keep a separate record for each beneficiary or transaction,
5 accounting for all funds which have been deposited to the broker’s trust bank account and
6 interest, if any, earned on the funds on deposit. The record shall include information sufficient
7 to identify the transaction and the parties to the transaction. Each record shall set forth in
8 chronological sequence the following information in columnar form:

- 9 (1) Date of deposit.
- 10 (2) Amount of deposit.
- 11 (3) Date of each related disbursement.
- 12 (4) Check number of each related disbursement.
- 13 (5) Amount of each related disbursement.
- 14 (6) If applicable, dates and amounts of interest earned and credited to
15 the account.
- 16 (7) Balance after posting transactions on any date.

17 (b) Maintenance of trust ledgers of separate beneficiaries or transactions, or
18 similar records, or automated data processing systems, including computer systems and
19 electronic storage and manipulation of information and documents, in accordance with
20 generally accepted accounting principles will constitute compliance with subdivision (a),
21 provided that such ledgers, records, or systems contain the elements required by subdivision
22 (a) and that such elements are maintained in a format that will readily enable tracing and
23 reconciliation in accordance with Section 2831.2.”

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1 18.

2 Pursuant to Regulation 2831.2 *Trust Account Reconciliation*:

3 “The balance of all separate beneficiary or transaction records maintained
4 pursuant to the provisions of Section 2831.1 must be reconciled with the record of all trust
5 funds received and disbursed required by Section 2831, at least once a month, except in those
6 months when the bank account did not have any activities. A record of the reconciliation must
7 be maintained, and it must identify the bank account name and number, the date of the
8 reconciliation, the account number or name of the principals or beneficiaries or transactions,
9 and the trust fund liabilities of the broker to each of the principals, beneficiaries or
10 transactions.”

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12 19.

13 Pursuant to Regulation 2832.1 *Trust Fund Handling for Multiple Beneficiaries*:

14 “The written consent of every principal who is an owner of the funds in the
15 account shall be obtained by a real estate broker prior to each disbursement if such a
16 disbursement will reduce the balance of funds in the account to an amount less than the
17 existing aggregate trust fund liability of the broker to all owners of the funds.”

18 20.

19 Pursuant to Regulation 2835 *Commingling*:

20 “Commingling” as used in Section 10176(e) of the Code is prohibited except as
21 specified in this section. For purposes of Section 10176(e), the following shall not constitute
22 “commingling”:

23 (a) The deposit into a trust account of reasonably sufficient funds, not to exceed
24 \$200, to pay service charges or fees levied or assessed against the account by the bank or
25 financial institution where the account is maintained.

1 (b) The deposit into a trust account maintained in compliance with subdivision
2 (d) of funds belonging in part to the broker's principal and in part to the broker when it is not
3 reasonably practicable to separate such funds, provided the part of the funds belonging to the
4 broker is disbursed not later than twenty-five days after their deposit and there is no dispute
5 between the broker and the broker's principal as to the broker's portion of the funds. When the
6 right of a broker to receive a portion of trust funds is disputed by the broker's principal, the
7 disputed portion shall not be withdrawn until the dispute is finally settled.

8 (c) The deposit into a trust account of broker owned funds in connection with
9 activities pursuant to either subdivision (d) or (e) of Section 10131 of the Code or when
10 making, collecting payments or servicing a loan which is subject to the provisions of Section
11 10240 of the Code provided:

12 (1) The broker meets the criteria of Section 10232 of the Code.

13 (2) All funds in the account which are owned by the broker are
14 identified at all times in a separate record which is distinct from any
15 separate record maintained for a beneficiary.

16 (3) All broker owned funds deposited into the account are disbursed
17 from the account not later than 25 days after their deposit.

18 (4) The funds are deposited and maintained in compliance with
19 subdivision (d).

20 (5) For the purpose of this section, a broker shall be deemed to be
21 subject to the provisions of Section 10240 of the Code if the broker
22 delivers the statement to the borrower required by Section 10240.

23 (d) The trust fund account into which the funds are deposited is maintained in
24 accordance with the provisions of Section 10145 and the regulations of this article.”

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1 **Broker Supervision**

2 **(Code Section 10159.2 and Regulation 2725)**

3 21.

4 Pursuant to Code Section 10159.2 *Responsibility of Corporate Officer in*

5 *Charge:*

6 “(a) The officer designated by a corporate broker licensee pursuant to Section
7 10211 shall be responsible for the supervision and control of the activities conducted on behalf
8 of the corporation by its officers and employees as necessary to secure full compliance with
9 the provisions of this division, including the supervision of salespersons licensed to the
10 corporation in the performance of acts for which a real estate license is required.

11 (b) A corporate broker licensee that has procured additional licenses in
12 accordance with Section 10158 through officers other than the officer designated pursuant to
13 Section 10211 may, by appropriate resolution of its board of directors, assign supervisory
14 responsibility over salespersons licensed to the corporation to its broker-officers.

15 (c) A certified copy of any resolution of the board of directors assigning
16 supervisory responsibility over real estate salespersons licensed to the corporation shall be
17 filed with the Real Estate Commissioner within five days after the adoption or modification
18 thereof.”

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Pursuant to Regulation 2725 *Broker Supervision*:

“A broker shall exercise reasonable supervision over the activities of his or her salespersons. Reasonable supervision includes, as appropriate, the establishment of policies, rules, procedures and systems to review, oversee, inspect and manage:

- (a) Transactions requiring a real estate license.
- (b) Documents which may have a material effect upon the rights or obligations of a party to the transaction.
- (c) Filing, storage and maintenance of such documents.
- (d) The handling of trust funds.
- (e) Advertising of any service for which a license is required.
- (f) Familiarizing salespersons with the requirements of federal and state laws relating to the prohibition of discrimination.
- (g) Regular and consistent reports of licensed activities of salespersons.

The form and extent of such policies, rules, procedures and systems shall take into consideration the number of salespersons employed and the number and location of branch offices. A broker shall establish a system for monitoring compliance with such policies, rules, procedures and systems. A broker may use the services of brokers and salespersons to assist in administering the provisions of this section so long as the broker does not relinquish overall responsibility for supervision of the acts of salespersons licensed to the broker.”

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Grounds for Revocation or Suspension

(selected portions)

Pursuant to Code Section 10176 *Grounds for Revocation or Suspension*:

“The commissioner may, upon his or her own motion, and shall, upon the verified complaint in writing of any person, investigate the actions of any person engaged in the business or acting in the capacity of a real estate licensee within this state, and he or she may temporarily suspend or permanently revoke a real estate licensee at any time where the licensee, while a real estate licensee, in performing or attempting to perform any of the acts within the scope of this chapter has been guilty of any of the following:

...

(e) Commingling with his or her own money or property the money or other property of others which is received and held by him or her.

...

(i) Any other conduct, whether of the same or of a different character than specified I this section, which constitutes fraud or dishonest dealing...”

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Further Grounds for Disciplinary Action

(Code Section 10177)

Pursuant to Code Section 10177 *Further Grounds for Disciplinary Action*:

“The commissioner may suspend or revoke the license of a real estate licensee, delay the renewal of a license of a real estate licensee, or deny the issuance of a license to an applicant, who has done any of the following, or may suspend or revoke the license of a corporation, delay the renewal of a license of a corporation, or deny the issuance of a license to a corporation, if an officer, director, or person owning or controlling 10 percent or more of the corporation’s stock has done any of the following:

(a) Procured, or attempted to procure, a real estate license or license renewal, for themselves or a salesperson, by fraud, misrepresentation, or deceit, or by making a material misstatement of fact in an application for a real estate license, license renewal, or reinstatement.

(b) (1) Entered a plea of guilty or no contest to, or been found guilty of, or been convicted of, a felony, or a crime substantially related to the qualifications, functions, or duties of a real estate licensee, and the time for appeal has elapsed or the judgment of conviction has been affirmed on appeal, irrespective of an order granting probation following that conviction, suspending the imposition of sentence, or of a subsequent order under Section 1203.4 of the Penal Code allowing that licensee to withdraw that licensee’s plea of guilty and to enter a plea of not guilty, or dismissing the accusation or information.

1 (2) Notwithstanding paragraph (1), and with the recognition that
2 sentencing may not occur for months or years following the entry of a
3 guilty plea, the commissioner may suspend the license of a real estate
4 licensee upon the entry by the licensee of a guilty plea to any of the
5 crimes described in paragraph (1). If the guilty plea is withdrawn, the
6 suspension shall be rescinded and the license reinstated to its status prior
7 to the suspension. The department shall notify a person whose license is
8 subject to suspension pursuant to this paragraph of that person's right to
9 have the issue of the suspension heard in accordance with Section
10 10100.

11 (c) Knowingly authorized, directed, connived at, or aided in the
12 publication, advertisement, distribution, or circulation of a material false
13 statement or representation concerning their designation or certification
14 of special education, credential, trade organization membership, or
15 business, or concerning a business opportunity or a land or subdivision,
16 as defined in Chapter 1 (commencing with Section 11000) of Part 2,
17 offered for sale.

18 (d) Willfully disregarded or violated the Real Estate Law (Part 1
19 (commencing with Section 10000)) or Chapter 1 (commencing with
20 Section 11000) of Part 2 or the rules and regulations of the
21 commissioner for the administration and enforcement of the Real Estate
22 Law and Chapter 1 (commencing with Section 11000) of Part 2.

23 (e) Willfully used the term "realtor" or a trade name or insignia of
24 membership in a real estate organization of which the licensee is not a
25 member.
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1 (f) Acted or conducted themselves in a manner that would have warranted
2 the denial of their application for a real estate license, or either had a
3 license denied or had a license issued by another agency of this state,
4 another state, or the federal government revoked, surrendered, or
5 suspended for acts that, if done by a real estate licensee, would be
6 grounds for the suspension or revocation of a California real estate
7 license, if the action of denial, revocation, surrender, or suspension by
8 the other agency or entity was taken only after giving the licensee or
9 applicant fair notice of the charges, an opportunity for a hearing, and
10 other due process protections comparable to the Administrative
11 Procedure Act (Chapter 3.5 (commencing with Section 11340), Chapter
12 4 (commencing with Section 11370), and Chapter 5 (commencing with
13 Section 11500) of Part 1 of Division 3 of Title 2 of the Government
14 Code), and only upon an express finding of a violation of law by the
15 agency or entity.

16 (g) Demonstrated negligence or incompetence in performing an act for
17 which the officer, director, or person is required to hold a license.

18 (h) As a broker licensee, failed to exercise reasonable supervision over
19 the activities of that licensee's salespersons, or, as the officer designated
20 by a corporate broker licensee, failed to exercise reasonable supervision
21 and control of the activities of the corporation for which a real estate
22 license is required.

23 (i) Used their employment by a governmental agency in a capacity
24 giving access to records, other than public records, in a manner that
25 violates the confidential nature of the records.
26

1 (j) Engaged in any other conduct, whether of the same or of a different
2 character than specified in this section, that constitutes fraud or
3 dishonest dealing.

4 (k) Violated any of the terms, conditions, restrictions, and limitations
5 contained in an order granting a restricted license.

6 (l) (1) Solicited or induced the sale, lease, or listing for sale or lease of
7 residential property on the grounds, wholly or in part, of loss of value,
8 increase in crime, or decline of the quality of the schools due to the
9 present or prospective entry into the neighborhood of a person or
10 persons having a characteristic listed in subdivision (a) or (d) of Section
11 12955 of the Government Code, as those characteristics are defined in
12 Sections 12926 and 12926.1 of, subdivision (m) and paragraph (1) of
13 subdivision (p) of Section 12955 of, and Section 12955.2 of, the
14 Government Code.

15 (2) Notwithstanding paragraph (1), with respect to familial status,
16 paragraph (1) shall not be construed to apply to housing for older
17 persons, as defined in Section 12955.9 of the Government Code. With
18 respect to familial status, nothing in paragraph (1) shall be construed to
19 affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil
20 Code, relating to housing for senior citizens. Subdivision (d) of Section
21 51 and Section 4760 of the Civil Code and subdivisions (n), (o), and (p)
22 of Section 12955 of the Government Code shall apply to paragraph (1).

23 (m) Violated the Franchise Investment Law (Division 5 (commencing
24 with Section 31000) of Title 4 of the Corporations Code) or regulations
25 of the Commissioner of Business Oversight pertaining thereto.
26

1 (n) Violated the Corporate Securities Law of 1968 (Division 1
2 (commencing with Section 25000) of Title 4 of the Corporations Code)
3 or the regulations of the Commissioner of Business Oversight pertaining
4 thereto.

5 (o) Failed to disclose to the buyer of real property, in a transaction in
6 which the licensee is an agent for the buyer, the nature and extent of a
7 licensee's direct or indirect ownership interest in that real property. The
8 direct or indirect ownership interest in the property by a person related
9 to the licensee by blood or marriage, by an entity in which the licensee
10 has an ownership interest, or by any other person with whom the
11 licensee has a special relationship shall be disclosed to the buyer.

12 (p) Violated Article 6 (commencing with Section 10237).

13 (q) Violated or failed to comply with Chapter 2 (commencing with
14 Section 2920) of Title 14 of Part 4 of Division 3 of the Civil Code,
15 relating to mortgages.

16 If a real estate broker that is a corporation has not done any of the foregoing acts, either
17 directly or through its employees, agents, officers, directors, or persons owning or controlling
18 10 percent or more of the corporation's stock, the commissioner may not deny the issuance or
19 delay the renewal of a real estate license to, or suspend or revoke the real estate license of, the
20 corporation, provided that any offending officer, director, or stockholder, who has done any of
21 the foregoing acts individually and not on behalf of the corporation, has been completely
22 disassociated from any affiliation or ownership in the corporation. A decision by the
23 commissioner to delay the renewal of a real estate license shall toll the expiration of that
24 license until the results of any pending disciplinary actions against that licensee are final, or
25 until the licensee voluntarily surrenders the licensee's license, whichever is earlier."

1 **CAUSE FOR DISCIPLINE**

2 **AUDIT LA220019**

3 **(Violations from July 1, 2021 to June 30, 2022)**

4 25.

5 On April 28, 2023, the DRE completed its audit examination of the books and
6 records of RSI pertaining to its property management activities (Audit LA220019), which
7 require a real estate license. The audit examination covered a period of time beginning on
8 July 1, 2021 and ending on June 30, 2022 (audit period), and the DRE examination was
9 performed between August 30, 2022 and April 28, 2023 at RSI's Ralston address and at the
10 DRE's Los Angeles District Office (LADO) located at 320 W. 4th Street, Suite 350, Los
11 Angeles, CA 90013-1105.

12 26.

13 The final audit report dated April 28, 2023 revealed violations of the Code and
14 the Regulations as set forth in the following paragraphs, and more fully discussed in Audit
15 Report LA220019 (DRE Form RE 4511 (Rev. 7/14)). On January 24, 2025, an Amended
16 Audit Report LA220019 was prepared to correct typographical errors discovered by the DRE
17 [at Issues Five and Six] subsequent to the completion of the April 28, 2023 audit report.

18 27.

19 **Business Activities**

20 At the time of Audit LA220019 and according to DRE records dated April 28,
21 2023, RSI managed about 1,118 properties for 569 owners, and collected about \$13.7 million
22 in trust funds in the twelve (12) month period ending on June 30, 2022. According to SIPES
23 and the records examined, RSI also performed residential real estate sales activities and
24 provided escrow services to its own clients, and maintained eleven (11) fictitious business
25
26

1 names (DBAs) and thirteen (13) branch offices, with 152 RES and 32 REB associates
2 employed under RSI.

3 28.

4 Corporate Structure

5 According to the DRE auditor's discussions with SIPES, the corporate structure
6 of RSI is as follows:

<u>Name</u>	<u>Corporate Title</u>	<u>License</u>	<u>Shareholder %</u>
MICHAEL GRANT SIPES	President	REB	100%

9 29.

10 Bank Accounts

11 According to Respondents, during the subject audit period and in connection
12 with RSI's property management activities, it maintained one (1) bank account for handling
13 receipts and disbursements of trust funds:

14 A. Trust Account 1: TA 1

15 * Bank: Citizens Business Bank

16 * Bank Address: 2357-B Pickwick Dr., Camarillo, CA 93010

17 * Account Name: RGC Services, Inc., DBA Re/Max Gold Coast Realtors DBA
RE/Max Gold Coast Property Management Trust Account

18 * Account No. #####7138

19 * Signatories: Michael Grant Sipes, Marc Sipes (DRE licensee), and Kristina
Nicole Brewer (DRE licensee)

20 TA 1 for multiple beneficiaries was maintained for handling the receipts and disbursements of
21 trust funds in connection with RSI's property management activities.

22 30.

23 Bank Reconciliation

24 As part of the DRE's audit examination, a bank reconciliation was prepared for
25 TA1 on June 30, 2022 (bank reconciliation date/audit cutoff date). The adjusted bank balance
26 was \$1,607,181.42 and the identified accountability was \$1,609,583.02.

1 **CAUSE FOR DISCIPLINE**

2 **AUDIT FINDINGS: VIOLATIONS OF THE REAL ESTATE LAW**

3 31.

4 In the course of the real estate activities described in paragraph 27 during the
5 subject audit period described in paragraph 25 above, the DRE auditor made findings that
6 Respondents violated the Code and the Regulations, as described below, and more fully
7 discussed in the DRE's Audit Report for Audit LA220019 dated April 28, 2023.

8 32.

9 **Audit LA2200019 - Issue One:**

10 **Handling of Trust Funds/Trust Fund Handling for Multiple Beneficiaries**

11 **(Code Section 10145 and Regulation 2832.1)**

12 A. TA1: As of the bank reconciliation date for TA1, there was a minimum
13 shortage of <\$9,358.82> caused by minimum negative property balances of <\$9,358.82> as of
14 June 30, 2022. TA1 has unidentified/unaccounted for funds in the amount \$6,434.00> as of
15 June 30, 2022.

16 B. Based on an examination of TA1's bank statements, control records (trust
17 account control record), separate records (owner statements) and RSI's "Trust Acct-Balance
18 by Property" as of June 30, 2022 (created on September 22, 2022 and provided for the audit
19 examination), the minimum negative property account balances of <\$9,358.82> were caused
20 by disbursements related to property management accounts when sufficient funds did not exist
21 to do so. Accountability was based on the "Owner Statement" (separate record) provided for
22 the audit.

23 C. Respondents provided no evidence that the owners of the trust funds had
24 provided their written consent to allow them to reduce the balance of the funds in TA1 to an
25

1 amount less than the existing aggregate trust fund liabilities, in violation of **Code Section**
2 **10145 and Regulation 2832.1.**

3 33.

4 **Audit LA220019 - Issue Two:**

5 **Handling of Trust Funds Trust Fund Records To Be Maintained**

6 **(Code Section 10145 and Regulation 2831)**

7 Based on records provided for the audit examination, RSI did not maintain
8 complete and accurate records of all trust funds received and disbursed (control records) for
9 TA1, in violation of **Code Section 10145 and Regulation 2831.**

10 34.

11 **Audit LA220019 - Issue Three**

12 **Handling of Trust Funds/Separate Record for Each Beneficiary or Transaction**

13 **(Code Section 10145 and Regulation 2831.1)**

14 During the audit period, in connection with the collection and disbursement of
15 said trust funds, RSI did not maintain a separate record of the receipts and disbursements of all
16 trust funds deposited into TA1 as required by, and in violation of, **Code Section 10145 and**
17 **Regulation 2831.1.** TA1 contained unidentified/unaccounted for funds totaling at least
18 \$6,434.00.

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1 35.

2 **Audit LA220019 - Issue Four:**

3 **Trust Account Reconciliation**

4 **(Code Section 10145 and Regulation 2831.2)**

5 During the audit period, RSI did not maintain an accurate monthly
6 reconciliation comparing the balance of all separate beneficiary or transaction records
7 (separate records) to the balance of the record of all trust funds received and disbursed (control
8 record), in violation of **Code Section 10145 and Regulation 2831.2.**

9 36.

10 **Audit LA220019 - Issue Five:**

11 **Handling of Trust Funds/Commingling**

12 **(Code Sections 10145 and 10176(e) and Regulation 2835(b))**

13 Based on an examination of records, RSI had a balance greater than \$200.00 in
14 the account titled "RE/MAX Gold Cost Corporate Property – Address Ventura, CA." During
15 the audit period, RSI's own funds were commingled with trust funds in TA1 for more than 25
16 days following the receipt of such funds, in violation of **Code Sections 10145 and 10176(e)**
17 **and Regulation 2835(b).**

18 37.

19 **Audit LA220019 - Issue Six:**

20 **Responsibility of Corporate Officer in Charge/Broker Supervision**

21 **(Code Section 10159.2 and Regulation 2725)**

22 Based on the above findings, D.O. SIPES did not adequately supervise and
23 control the real estate activities of RSI's employees and its RES. SIPES failed to establish
24 policies, rules, procedures, and systems to review, oversee, inspect, and manage transactions
25
26

1 requiring a real estate license and the handling of trust funds, in violation of **Code Section**
2 **10159.2 and Regulation 2725.**

3 38.

4 **Additional Violation of the Real Estate Law**

5 **(Code Sections 10177(d))**

6 The overall conduct of Respondents is in violation of the Real Estate Law and
7 constitutes cause for the suspension or revocation of their real estate licenses and license rights
8 under the provisions of **Code Section 10177(d)** (for willful disregard of the Real Estate Law).

9 **COSTS**

10 39.

11 **Investigation & Enforcement Costs**

12 **(Code Section 10106)**

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

18 40.

19 **Audit Costs**

20 **(Code Section 10148)**

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

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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 Respondents **RGC SERVICES, INC.** and **MICHAEL GRANT SIPES** under the Real Estate Law (Part 1 of vision 4 of the Business and Professions Code), for the cost of investigation and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law, and for costs of audit.

Dated at Los Angeles, California: February 5, 2025.



Ray Dagnino
Supervising Special Investigator

cc: RGC Services, Inc.
Michael Grant Sipes
Enforcement – R. Dagnino
Audits – Los Angeles
Sacto.