

1 Lissete Garcia, Counsel (SBN 211552)  
Department of Real Estate  
2 320 West 4th Street, Suite 350  
Los Angeles, California 90013-1105  
3 Telephone: (213) 576-6982  
Direct: (213) 576-6914  
4 Fax: (213) 576-6917  
*Attorney for Complainant*

**FILED**  
MAR 05 2019  
DEPT. OF REAL ESTATE  
By John Aguilera

5  
6  
7  
8 BEFORE THE DEPARTMENT OF REAL ESTATE  
9 STATE OF CALIFORNIA

10 \* \* \*

11 In the Matter of the Accusation against

} DRE No. H-41311 LA

12 LOGIC PROPERTIES, INC. and JOSE SOLORZANO,  
13 individually and as designated officer for Logic  
Properties, Inc.,

} ACCUSATION

14 Respondents.  
15

16 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the  
17 Department of Real Estate<sup>1</sup> (“Department”) of the State of California, makes this Accusation in  
18 her official capacity for cause of Accusation against LOGIC PROPERTIES, INC. and JOSE  
19 SOLORZANO, individually and as designated officer for Logic Properties, Inc. (collectively  
20 “Respondents”), is informed and alleges as follows:

21 ///

22 ///

23  
24 <sup>1</sup> Between July 1, 2013 and July 1, 2018, the Department of Real Estate operated as the Bureau of Real Estate under the Department of Consumer Affairs.

1. 1

2 All references to the "Code" are to the California Business and Professions Code, all  
3 references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references to  
4 "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,  
5 California Code of Regulations.

2. 6

7 Respondents are presently licensed and/or have license rights under the Real Estate Law  
8 (Part 1 of Division 4 of the Code).

3. 9

10 On April 29, 2014, the Department issued a corporate real estate broker license to LOGIC  
11 PROPERTIES, INC. ("LPI"), License ID 01953293. LPI is licensed to do business as Orange  
12 Coast Properties and Viva Properties.

4. 13

14 On November 27, 2013, JOSE SOLORZANO ("SOLORZANO") aka Jose J. Solorzano  
15 was issued a real estate broker license, License ID 01714959. SOLORZANO was licensed as a  
16 real estate salesperson from November 28, 2005 through November 26, 2013. SOLORZANO is  
17 licensed to do business as Logic Properties.

5. 18

19 At all times relevant herein, LPI has acted as a corporate real estate broker by and  
20 through SOLORZANO as the designated officer and broker responsible, pursuant to Code  
21 section 10159.2, for supervising the activities requiring a real estate license conducted on behalf  
22 of LPI by LPI's officers, agents and employees.

23 ///

24

1 6.

2 At all times relevant herein, in the State of California, LPI acted as a corporate real estate  
3 broker and conducted licensed activities within the meaning of the following Code sections:

4 (A) 10131(a), including the solicitation for listings of and the negotiation of the purchase  
5 and sale of real property as the agent of others for or in expectation of compensation; and

6 (B) 10131(b), including soliciting or offering to negotiate the sale, purchase, or exchange  
7 of leases on real property or on a business opportunity or collecting rents from real property or  
8 improvements thereon, or from business opportunities.

9 FIRST CAUSE OF ACCUSATION

10 Audit SD180002

11 7.

12 On or about September 26, 2018, the Department completed an audit examination of the  
13 books and records of Respondent LPI's property management activities, which require a real  
14 estate license pursuant to Code section 10131(b). The audit examination covered the period of  
15 time from July 1, 2016 through June 29, 2018 ("audit period"). The audit examination was  
16 limited to LPI's property management activities. The audit examination revealed violations of  
17 the Code and the Regulations as set forth in the following paragraphs, and more fully discussed  
18 in Audit Report SD180002 and the exhibits and work papers attached to said audit report.

19 8.

20 An entrance conference was held on August 23, 2018, with Respondent SOLORZANO.  
21 Based on the information provided to the Department's auditor and the audit work papers  
22 examined, Respondent LPI conducted property management activities during the audit period.  
23 During the audit period, Respondent LPI managed approximately 80 properties with 109 units  
24 for 70 property owners.

1 Bank Accounts

2 9.

3 According to the SOLORZANO, LPI maintained two bank accounts for handling the  
4 receipts and disbursements of trust funds in connection with its property management activities  
5 during the audit period. LPI collected trust funds totaling approximately \$2.1 million annually  
6 for its property management activities.

7 T/A #1

8 Bank: Citizen Business Bank

9 Account: Logic Properties Inc. Trust Account

10 Account No. 232XXXXXXX

11 Signatories: SOLORZANO

12 Signatures required: One (1)

13 Description: T/A 1 was used for multiple beneficiaries for handling the receipts and  
14 disbursements of trust funds in connection with LPI's property management activities.  
15 T/A 1 was opened on November 16, 2016.

16 B/A #1

17 Bank: Bank of America

18 Account: Logic Properties Inc.

19 Account No. 3250XXXXXXX

20 Signatories: SOLORZANO

21 Signatures required: One (1)

22 Description: B/A 1 was used for multiple beneficiaries for handling the receipts and  
23 disbursements of trust funds in connection with LPI's property management activities.  
24 B/A 1 was opened on January 3, 2014 and closed on January 12, 2017.

17 Violations

18 10.

19 In the course of the property management activities described in Paragraph 8, above, and  
20 during the audit period described in Paragraph 7, Respondent LPI acted in violation of the Code  
21 and the Regulations in that:

22 10(A) Code section 10145 and Regulation 2832.1. Trust fund handling for  
23 multiple beneficiaries.

1 As of June 29, 2018, T/A 1 had a shortage in the amount of <\$10,883.75>.  
 2 Respondent LPI caused, permitted and/or allowed, the withdrawal or disbursement of trust funds  
 3 from this account, without the prior written consent of every principal who then was an owner of  
 4 funds in the account, thereby reducing the balance of funds in the said account to an amount less  
 5 than the existing aggregate trust fund liability of the broker to all owners of said trust funds, in  
 6 violation of Section 10145 of the Code and Regulation 2832.1;

7 (i) A bank reconciliation was prepared for T/A 1 with the cutoff date  
 8 of June 29, 2018. The accountability was determined based on the separate records and the trial  
 9 balance report (trust account balance report) provided by SOLORZANO. The adjusted bank  
 10 balance was compared to the accountability. The <\$10,883.75> shortage was caused by the  
 11 following:

- 12 • Bank service charges <\$ 324.00>
- 13 • Unidentified Shortage <\$2,628.62>
- 14 • Negative Property Balances <\$7,931.13>
  - 15 ○ Includes, without limitation, the following sample properties:
  - 16 ▪ 10195 Hemlock Ave. <\$1,000.00>
  - 17 ▪ 14044 Valley Forge Ct. <\$2,075.00>
  - 18 ▪ 17377 Granada Ave. <\$1,500.00>
  - 19 ▪ 16090 Dorsey <\$ 672.71>
  - 20 ▪ 585 San Anselmo Ave. <\$1,380.00>

21 (ii) On or about August 21, 2018, <\$5,400.00> of the <\$10,883.75>  
 22 shortage was cured with deposits made into T/A 1 from the properties with negative balances.  
 23 The remaining shortage <\$5,483.75> was cured with LPI's check no. 2667 deposited into T/A 1  
 24 on September 18, 2018.

1 (iii) A bank reconciliation for B/A 1 could not be performed because  
2 the accounting records were not made available for examination.

3 10(B). Code section 10145 and Regulation 2831. Trust fund records to be maintained.

4 During the audit period, LPI failed to maintain an accurate control record of trust funds  
5 received and disbursed for T/A 1, in violation of Code section 10145 and Regulation 2831.

6 (i) Some receipts were recorded on the control record but were not  
7 deposited into T/A 1 as of June 29, 2018. Examples of the inaccurate entries include, without  
8 limitation, the following:

<u>Property</u>	<u>Amount</u>	<u>Date Recorded</u>	<u>Dated Deposited</u>
10 10195 Hemlock Ave.	\$1,000.00	01/09/2018	08/21/2018
11 14044 Valley Forge Ct.	\$2,075.00	01/05/2018	08/21/2018
12 16090 Dorsey	\$ 825.00	01/05/2018	08/21/2018
13 17377 Granada Ave.	\$1,500.00	01/05/2018	08/21/2018

14 10(C). Code section 10145 and Regulation 2831.1. Separate records for each beneficiary  
15 or transaction.

16 LPI failed to maintain accurate separate records for T/A 1, in violation of Code section  
17 10145 and Regulation 2831.1. As noted in the examples above in Paragraph 10(B), some  
18 receipts were recorded on the separate records but were not deposited into T/A 1 as of June 29,  
19 2018, the cutoff date for the audit period.

20 10(D). Code section 10145 and Regulation 2831.2. Trust account reconciliation.

21 During the audit period, LPI failed to maintain a monthly and timely reconciliation  
22 comparing the balance of all separate beneficiary or transaction records (separate records) to the  
23 balance of all trust funds received and disbursed (control record) for T/A 1, in violation of Code  
24 section 10145 and Regulation 2831.2.

1           10(E). Code section 10145(a) and Regulation 2832. Trust fund handling.

2           According to the bank signature card for B/A 1, the bank account was not designated as a  
3 trust account. Moreover, LPI failed to deposit trust funds received into T/A 1 within three (3)  
4 business days of receipt of funds. Examples of rent checks received from tenants, which were  
5 not timely deposited include the following, without limitation:

6 <u>Property</u>	<u>Amount</u>	<u>Date Recorded</u>	<u>Date Deposited</u>
7 10195 Hemlock Ave.	\$1,000.00	01/09/2018	08/21/2018
8 14044 Valley Forge Ct.	\$2,075.00	01/05/2018	08/21/2018
9 16090 Dorsey	\$ 825.00	01/05/2018	08/21/2018
10 17377 Granada Ave.	\$1,500.00	01/05/2018	08/21/2018

11           10(F). Code section 10148. Retention of records.

12           LPI failed to retain the accounting records for B/A 1 including the control record,  
13 separate records, trust account reconciliations, receipts and disbursements details/batches related  
14 to LPI's property management activities during the period from July 1, 2016 through January 12,  
15 2017. Said records were not made available for examination by the Department's auditor.  
16 According to SOLORZANO, he did not have access to the accounting records for B/A 1 which  
17 had been requested for the audit examination.

18           10(G). Code sections 10159.2, 10177(h) and Regulation 2725. Broker supervision

19           Based on the violations noted in Paragraphs 10(A) through 10(F) above, Respondent  
20 SOLORZANO failed to adequately supervise the activities of LPI's property managers,  
21 salespersons, employees, or agents and failed to establish policies, rules, procedures, and systems  
22 to review, oversee, inspect, and manage transactions requiring a real estate license and the  
23 handling of trust funds to ensure compliance with the Real Estate Law and Regulations, in  
24 violation of Code sections 10159.2, 10177(h) and Regulation 2725.

11.

The conduct of Respondent LPI as described above in Paragraphs 10(A) through 10(F), violated the Code and the Regulations as set forth below:

<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
10(A)	Code section 10145 and Regulations 2832.1
10(B)	Code section 10145 and Regulation 2831
10(C)	Code section 10145 and Regulation 2831.1
10(D)	Code section 10145 and Regulation 2831.2
10(E)	Code section 10145(a) and Regulation 2832
10(F)	Code section 10148
10(G)	Code sections 10159.2, 10177(h) and Regulation 2725

12.

The conduct, acts, omissions, and violations described in Paragraphs 10(A) through 10(F) constitute cause for the suspension or revocation of the real estate licenses and license rights of Respondent LPI under the provisions of Code sections 10177(d) and/or 10177(g).

Respondent SOLORZANO- Broker Supervision

13.

The conduct, acts and/or omissions of Respondent SOLORZANO as set forth above in Paragraph 10(G), constitutes a failure to exercise the supervision and control over the activities of LPI to ensure compliance with the Real Estate Law and Regulations, as is required by Code section 10159.2 and Regulation 2725. Said conduct, acts, or omissions constitute cause to suspend or revoke the real estate licenses and license rights of Respondent SOLORZANO pursuant to Code sections 10177(h), 10177(d) and/or 10177(g).



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

Audit Costs

14.

Code section 10148(b) provides, in pertinent part, that 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.

Investigation/Enforcement Costs

15.

Code section 10106 provides, in pertinent part, that in any order issued in resolution of a disciplinary proceeding before the Department 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.

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 all licenses and/or license rights of Respondents under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law.

Dated at San Diego, California this 25 day of February, 2019.

  
VERONICA KILPATRICK  
Supervising Special Investigator

///  
///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

cc: Logic Properties, Inc.  
Jose Solorzano  
Veronica Kilpatrick  
Sacto  
Audits/Zaky Wanis