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DEPT. OF REAL ESTATE
By *[Signature]*

8 BEFORE THE DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation against

DRE No. H-42384 LA

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

ACCUSATION

13 Respondents.

14
15 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator for the
16 Department of Real Estate¹ (“Department”) of the State of California, makes this Accusation in
17 her official capacity for cause of Accusation against LOGIC PROPERTIES, INC. and JOSE
18 SOLORZANO, individually and as designated officer for Logic Properties, Inc. (collectively
19 “Respondents”), is informed and alleges as follows:

20 1. All references to the “Code” are to the California Business and Professions Code,
21 all references to the “Real Estate Law” are to Part 1 of Division 4 of the Code, and all references

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23
24 ¹ 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 to "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6,
2 California Code of Regulations.

3 Licenses

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

6 3. On April 29, 2014, the Department issued a corporate real estate broker license to
7 LOGIC PROPERTIES, INC. ("LPI"), License ID 01953293. LPI was licensed to do business as
8 Orange Coast Properties and Viva Properties from May 27, 2015 through June 29, 2021.

9 4. On November 27, 2013, JOSE SOLORZANO ("SOLORZANO"), aka Jose J.
10 Solorzano and Jesse Solorzano, was issued a real estate broker license, License ID 01714959.
11 SOLORZANO was licensed as a real estate salesperson from November 28, 2005 through
12 November 26, 2013. SOLORZANO was licensed to do business as Logic Properties from
13 December 5, 2013 through June 29, 2021.

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

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

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

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

1 Prior Discipline

2 7. On March 5, 2019, the Department filed an Accusation in Department Case No.
3 H-41311 LA against Respondents. The Accusation was based on allegations of trust fund
4 violations found during an audit of Respondents' property management activities during the
5 period of July 1, 2016 through June 29, 2018, in Audit No. SD180002.

6 8. On or about October 16, 2019, Respondents and the Department entered into a
7 Stipulation and Agreement to settle the Accusation in Case No. H-41311 LA. Under the
8 Determination of Issues of the Stipulation and Agreement, Respondent LPI was determined to be
9 in violation of Code sections 10177, subdivisions (d) and (g), 10145, 10148, and Regulations
10 2831, 2831.1, 2831.2, 2832, and 2832.1, and Respondent SOLORZANO was in violation of
11 Regulation 2725 and Code sections 10159.2 and 10177, subdivision (h).

12 9. According to the Stipulation and Agreement in Case No. H-41311 LA,
13 Respondents' licenses were suspended for sixty (60) days, which was stayed under certain terms
14 and conditions including paying the costs (not to exceed \$7,256.79) of an audit to determine if
15 Respondents have corrected the violations found in Audit No. SD180002.

16 FIRST CAUSE OF ACCUSATION

17 Audit SD210019

18 10. On or about March 25, 2022, the Department completed a follow-up audit
19 examination of the books and records of Respondent LPI's property management activities,
20 which require a real estate license pursuant to Code section 10131(b). The audit examination
21 covered the period of time from July 1, 2020 through November 30, 2021 ("audit period"). The
22 audit examination was limited to LPI's property management activities. The audit examination
23 revealed violations of the Code and the Regulations as set forth in the following paragraphs, and
24 more fully discussed in Audit Report SD210019 and the exhibits and work papers attached to

1 said audit report.

2 11. Based on the information provided to the Department's auditor and the audit work
3 papers examined, Respondent LPI conducted property management activities during the audit
4 period. During the audit period, Respondent LPI managed approximately 94 properties with 124
5 units for 65 property owners. Respondent LPI charged a management fee of 6% to 10% of
6 monthly collected rents or a flat fee of \$100.00 to \$150.00 depending on the property
7 management agreement with each property owner.

8 Bank Account

9 12. According to the SOLORZANO, LPI maintained one bank account for handling
10 the receipts and disbursements of trust funds in connection with its property management
11 activities during the audit period. LPI collected trust funds totaling approximately \$2.3 million
12 annually for its property management activities.

13 T/A #1

14 Bank: Citi National Bank
15 Account: Logic Properties Inc. Trust Account
16 Account No. XXXX302
17 Signatories: SOLORZANO and Arlene Arricaberri
18 Signatures required: One (1)
19 Description: T/A 1 was used for multiple beneficiaries for handling the receipts and
20 disbursements of trust funds in connection with LPI's property management activities.

21 Violations

22 13. In the course of the property management activities described in Paragraph 11,
23 above, and during the audit period, Respondent LPI acted in violation of the Code and the
24 Regulations as follows:

Code section 10145 and Regulation 2832.1. Trust fund handling for multiple beneficiaries.

25 14. As of November 30, 2021, T/A 1 had a shortage in the amount of <\$4,270.16>.
26 Respondent LPI caused, permitted and/or allowed, the withdrawal or disbursement of trust funds

1 from this account, without the prior written consent of every principal who then was an owner of
2 funds in the account, thereby reducing the balance of funds in the said account to an amount less
3 than the existing aggregate trust fund liability of the broker to all owners of said trust funds, in
4 violation of Section 10145 of the Code and Regulation 2832.1.

5 15. The <\$4,270.16> shortage was due to unauthorized disbursements totaling
6 <\$776.43>, an unidentified shortage totaling <\$362.00>, and the following negative property
7 balances totaling <\$3,131.73>:

<u>Property</u>	<u>Owner</u>	<u>Negative Balance</u>
2674 W. Fairview Dr.	A.R.R., LLC ¹	<\$410.00>
13772 Sharon Ct.	G.C.	<1,200.00>
9619 Blanchard Ave.	T.B.	<\$755.00>
Multiple Properties	L.J.	<u><\$766.73> (net amount)</u>
	Total	<\$3,131.73>

14 Code section 10145(a) and Regulation 2832. Unauthorized disbursements/Trust fund handling

15 16. As of November 30, 2021, LPI had unauthorized disbursements from T/A 1
16 totaling <\$776.43>, in violation of Code section 10145(a) and Regulation 2832. The
17 unauthorized disbursements partly caused the shortage in T/A 1, noted in Paragraph 14 above.
18 The unauthorized disbursements included the following: 1) a check no. 4199 in the amount of
19 \$576.43 cleared from T/A 1 on August 10, 2021; and 2) a Capital One credit card online
20 payment in the amount of \$200.00 cleared from T/A 1 on November 1, 2021.

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24 ¹ Initials are used in place of individuals' full names to protect their privacy. Documents containing individuals' full names will be provided during the discovery phase of this case to Respondent(s) and/or their attorneys, after service of a timely and proper request for discovery on Complainant's counsel.

1 Code section 10145 and Regulation 2831. Trust fund records to be maintained.

2 17. During the audit period, LPI failed to maintain an accurate control record of trust
3 funds received and disbursed for T/A 1, in violation of Code section 10145 and Regulation 2831.
4 Disbursements were recorded on the control record but were not disbursed from T/A 1, resulting
5 in an inaccurate daily balance in the control record during the audit period, and as of November
6 30, 2021. The undisbursed funds included \$344.00 and \$18.00 recorded on December 31, 2020.

7 Code section 10145 and Regulation 2831.1. Separate records for each beneficiary or transaction.

8 18. LPI failed to maintain an accurate separate record for funds belonging to LPI
9 (broker's funds ledger), in violation of Code section 10145 and Regulation 2831.1.
10 Disbursements were recorded on said separate record but were not disbursed from T/A 1,
11 resulting in an inaccurate running daily balance during the audit period, and as of November 30,
12 2021. The undisbursed funds included \$344.00 and \$18.00 recorded on December 31, 2020.

13 Code section 10145 and Regulation 2831.2. Trust account reconciliation.

14 19. For the month of November, 2021, the balance of all the separate beneficiaries'
15 records was not reconciled to the balance of the control record for T/A 1 as required in
16 connection with the property management activity. According the records examined, the
17 aggregate trust fund liability per the total *positive* separate beneficiaries' records/balances
18 totaling \$42,819.92 as of November 30, 2021, was not equal to the balance of the control record
19 totaling \$40,205.37 as of November 30, 2021.

20 20. Based on the November 2021 bank reconciliation examination and other bank
21 reconciliations sampled for examination provided by SOLORZANO for the audit, the separate
22 beneficiaries' accounts with *negative* balances were deducted from other separate beneficiaries'
23 accounts with *positive* balances when LPI calculated the aggregate trust fund liability. Examples
24 include the bank reconciliations for the following months: July 2020, December 2020, March

1 2021, June 2021, and September 2021. LPI consistently had separate beneficiaries' accounts
2 with negative balances throughout the audit period.

3 21. The separate beneficiaries' accounts with negative balances were offset by other
4 separate beneficiaries' accounts with positive balances when LPI calculated the aggregate trust
5 fund liability.

6 22. Based on the separate records and the control record provided for the audit, LPI
7 did not perform the monthly reconciliation comparing the balance of all the separate
8 beneficiaries' records to the balance of the control record for T/A 1 as required in connection
9 with its property management activities during the audit period. The aforementioned acts are in
10 violation of Code section 10145 and Regulation 2831.2.

11 Code section 10176(e) and Regulation 2835(a). Commingling/Excess broker funds held in
12 T/A 1.

13 23. LPI kept more than \$200 of its own funds in T/A 1. According to an examination
14 of the separate record that identified the funds belonging to LPI, it had a balance that exceeded
15 \$200 in T/A 1. As of November 30, 2021, LPI had a balance of \$517.18 of its own funds in
16 T/A 1, in violation of Code section 10176(e) and Regulation 2835(a).

17 Code section 10145 and Regulation 2834. Trust account withdrawals

18 24. On June 4, 2002, the Department a real estate salesperson license to Arlene U.
19 Arricaberri ("Arricaberri"), License ID 01341988. Arricaberri was affiliated as a salesperson
20 with broker SOLORZANO from May 15, 2018 through August 22, 2018.

21 25. On August 23, 2018, Arricaberri changed her affiliated broker from
22 SOLORZANO to LPI. Arricaberri was affiliated as a salesperson with broker LPI from
23 August 23, 2018 through June 30, 2021. Arricaberri's salesperson license expired on or about
24 June 30, 2021.

1 26. On September 30, 2021, Arricaberri submitted a Salesperson Renewal
2 Application which noted no employing broker affiliation. On October 6, 2021, Arricaberri
3 submitted a Salesperson Change Application to the Department noting that her affiliation to
4 broker LPI started October 6, 2021.

5 27. According to the cancelled checks examined and the bank signature cards
6 maintained at City National Bank for T/A 1, SOLORZANO allowed Arlene Arricaberri, LPI's
7 bookkeeper/property manager, who was not affiliated with or licensed under LPI during the
8 period from July 10, 2021 to October 5, 2021, to make withdrawals and to be a signer on T/A 1
9 during said period, in violation of Code section 10145 and Regulation 2834. Examples of
10 withdrawals made by Arricaberri during said period include, but are not limited to, the following:

<u>Check date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Payee</u>	<u>Date Check Cleared</u>
09/02/2021	1498	\$4,000.00	E.V.	09/02/2021
09/07/2021	1504	\$1,265.00	G.S.C.C.	09/20/2021
09/20/2021	1518	\$4,605.00	L.C.	09/24/2021

15 Code section 10161.8 and Regulation 2752. Salesperson and broker associate retention and
16 termination/Notice of change of broker

17 28. On June 4, 2002, the Department a real estate salesperson license to Arricaberri,
18 License ID 01341988. Arricaberri was affiliated as a salesperson with broker SOLORZANO
19 from May 15, 2018 through August 22, 2018.

20 29. On August 23, 2018, Arricaberri changed her affiliated broker from
21 SOLORZANO to LPI. Arricaberri was affiliated as a salesperson with broker LPI from
22 August 23, 2018 through June 30, 2021. Arricaberri's salesperson license expired on or about
23 June 30, 2021.

24

1 30. On September 30, 2021, Arricaberri submitted a Salesperson Renewal
2 Application which noted no employing broker affiliation. On October 6, 2021, Arricaberri
3 submitted a Salesperson Change Application to the Department noting that her affiliation to
4 broker LPI started October 6, 2021.

5 31. Arricaberri was associated with/employed by LPI during the entire audit period
6 (July 1, 2020 through November 30, 2021). According to the Department’s licensing records,
7 Arricaberri was not licensed as affiliated with LPI during the period from July 1, 2021 to
8 October 5, 2021. Respondents failed to notify the Department about Arricaberri’s affiliation
9 with LPI during July 1, 2021 to October 5, 2021, in violation of Code section 10161.8 and
10 Regulation 2752.

11 Code section 10159.5 and Regulation 2731. Use of unlicensed false or fictitious name.

12 32. During the audit period, LPI used the unlicensed fictitious business names “Logic
13 Properties” and “Jordan Realty Co., Inc.” in connection with property management activities
14 without first obtaining a license from the Department bearing the fictitious names, in violation of
15 Code section 10159.5 and Regulation 2731. Examples include the use of the unlicensed
16 fictitious business names on property management agreements and rental agreements.

17 Code section 10162. Place of business.

18 33. On or about March 18, 2019, LPI notified the Department that LPI had changed
19 its main office address and mailing address to 10741 Limonite Ave., Mira Loma, California
20 91752. During the audit period, LPI continued to use the following unlicensed main office or
21 branch office address in connection with property management activities: 1307 W. 6th Street
22 #211, Corona California 92882, in violation of Code section 10162. Examples include the use of
23 the unlicensed office address on property management agreements.

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1 Code section 10176(g) and Regulation 2830. Secret profit of undisclosed compensation/Broker
2 placement of trust funds with financial institution.

3 34. LPI had an earnings credit arrangement with City National Bank whereby LPI
4 received earnings credit from trust funds available in T/A 1 in connection with its property
5 management activities during the audit period. The earnings credit was used to offset bank
6 charges incurred for T/A 1, which was not disclosed in writing in all of the property management
7 agreements sampled for examination, in violation of Code section 10176, subdivision (g) and
8 Regulation 2830. Examples of the earnings credits include the following, without limitation:

<u>Month/Year</u>	<u>Amount</u>	<u>Month/Year</u>	<u>Amount</u>	<u>Month/Year</u>	<u>Amount</u>
June 2021	\$103.97	July 2021	\$104.83	August 2021	\$650.13
September 2021	\$635.40	October 2021	\$667.55	November 2021	\$599.69

12 Code section 10176(g). Secret profit of undisclosed compensation.

13 35. During the audit period, LPI overcharged its monthly management fees by \$15.50
14 each month for the property located at: 41619 Royal Palm Dr., Hemet, California, in violation of
15 Code section 10176, subdivision (g). According to the property management agreement for said
16 property, LPI's compensation for its management fee was seven percent (7%) of the monthly
17 rent collected (\$1,550.00), which amounted to \$108.50 each month. However, LPI instead
18 charged \$124.00, which was eight percent (8%) of the rents collected. Examples include the
19 following months, without limitation: September of 2020, May of 2021, and November of 2021.

20 Code section 10130 and Regulation 2742. License required/Certificate of Status, qualification,
21 or good standing.

22 36. LPI is a corporation formed in California. According to records from the
23 California Secretary of State, LPI's corporate status was not in good standing during the period
24 from April 1, 2021 through November 30, 2021, the cut-off date of the audit period. LPI

1 engaged in the business of a real estate broker pursuant to Code section 10131, subdivision (b),
2 including the collection of rents (trust funds) while LPI's corporate status was not in good legal
3 standing with the California Secretary of State, in violation of Regulation 2742, subdivision (c),
4 and Code section 10130.

5 37. Examples of trust funds received/deposited into T/A 1 during the aforementioned
6 period include, without limitation, the following:

<u>Date of Deposit</u>	<u>Property</u>	<u>Tenant</u>	<u>Owner</u>	<u>Amount</u>
05/07/2021	14044 Valley Forge Ct.	M.L./A.M.	O.M.	\$2,550.00
05/11/2021	41619 Royal Palm Dr.	M.G./R.C.	L.J.	\$1,550.00
11/01/2021	17133 Arrow Blvd. A	R.M.	M.P.	\$1,000.00
11/01/2021	7168 Magnolia Pl.	R.J.M.	N.N.	\$1,895.00

12 38. Examples of trust funds disbursed from T/A 1 during the aforementioned period
13 include, without limitation, the following:

<u>Date of Deposit</u>	<u>Property</u>	<u>Owner</u>	<u>Check No.</u>	<u>Amount</u>
05/10/2021	14044 Valley Forge Ct.	O.M.	ACH	\$2,425.00
05/13/2021	41619 Royal Palm Dr.	L.J.	ACH	\$1,426.00
11/08/2021	17133 Arrow Blvd. A	M.P.	ACH	\$930.00
11/08/2021	7168 Magnolia Pl.	N.N.	ACH	\$1,743.40

19 Code sections 10159.2, 10177(h) and Regulation 2725. Broker supervision

20 39. Based on the violations noted in Paragraphs 13 through 38 above, Respondent
21 SOLORZANO failed to adequately supervise the activities of LPI's property managers,
22 salespersons, employees, or agents and failed to establish policies, rules, procedures, and systems
23 to review, oversee, inspect, and manage transactions requiring a real estate license and the
24 handling of trust funds to ensure compliance with the Real Estate Law and Regulations, in

1 violation of Code sections 10177, subdivision (h), 10159.2 and Regulation 2725.

2 40. The conduct of Respondent LPI as described above in Paragraphs 13 through 38,
3 violated the Code and the Regulations as set forth below:

4	<u>PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
5	14-15	Code section 10145 and Regulations 2832.1
6	16	Code section 10145 and Regulation 2832
7	17	Code section 10145 and Regulation 2831
8	18	Code section 10145 and Regulation 2831.1
9	19-22	Code section 10145(a) and Regulation 2831.2
10	23	Code section 10176(e) and Regulation 2835(a)
11	24-27	Code section 10145 and Regulation 2834
12	28-31	Code section 10161.8 and Regulation 2752
13	32	Code section 10159.5 and Regulation 2731
14	33	Code section 10162
15	34	Code section 10176(g) and Regulation 2830
16	35	Code section 10176(g)
17	36-38	Code section 10130 and Regulation 2742(c)

18 41. The conduct, acts, omissions, and violations described in Paragraphs 13 through
19 38 constitute cause for the suspension or revocation of the real estate licenses and license rights
20 of Respondent LPI under the provisions of Code sections 10165 and 10177, subdivisions (d)
21 and/or (g).

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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 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 Jul 15, 2022 at San Diego, California.

Veronica Kilpatrick

VERONICA KILPATRICK
Supervising Special Investigator

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