

1 REAL ESTATE AGENCY  
2 BEFORE THE REAL ESTATE COMMISSIONER  
3

4 In the Matter of the Real Estate License of )

5  
6 WILLIAM PEARSON )

STIPULATED FINAL ORDER

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9  
10 The Real Estate Agency (OREA) and William Pearson (Pearson) do hereby agree and  
11 stipulate to the following:

12 FINDINGS OF FACT  
13 &  
14 CONCLUSIONS OF LAW

15 1.

16 1.1 On October 22, 2014, OREA received a complaint against PPG Property  
17 Management (PPG) from Maria Van Fleet (Van Fleet). Van Fleet complained that PPG staff  
18 were not being responsive to her since the former property manager was no longer associated  
19 with PPG and questioned whether PPG was licensed.

20 1.2 On November 5, 2014, OREA opened an investigation and on December 9, 2014  
21 it was assigned to investigator Philip Johnson (Johnson). The investigation was not opened  
22 with high priority as there was no allegation or evidence of missing funds in the complaint.  
23 Johnson began investigating Van Fleet's complaint in April 2015 after completion of pre-  
24 existing investigations in his caseload. Johnson's investigation found what follows:

25 1.3 On September 26, 2012, PPG Property Management LLC was registered with  
26 the Oregon Secretary of State as a domestic limited liability company. The registration shows  
27 Julie Fugate (Fugate) as the registered agent and Pearson as the member.

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1           1.4    Fugate hired Pearson to perform property management activity around  
2 approximately September 2012. From approximately September 2012 to around January  
3 2015, Pearson performed property management activity under the name PPG Property  
4 Management LLC.

5           1.5    Some time after August 2012, Fugate purported to enter into a sale agreement of  
6 Fugate's property management portfolio to Pearson. Neither Pearson nor Fugate were able to  
7 produce the sale agreement during the investigation.

8           1.6    On January 27, 2014, Pearson applied for a real estate property manager  
9 license. On October 9, 2014, after completing all licensing requirements, Pearson obtained his  
10 real estate property manager license. Once licensed, Pearson never registered PPG Property  
11 Management LLC with OREA as a registered business name.

12           1.7    On October 9, 2014, Pearson associated his license with SunStone Property  
13 Management LLC when he obtained his real estate property manager license. However,  
14 Pearson said during the investigation he continued to conduct his property management  
15 activity under the name PPG Property Management LLC until January 2015, when he began  
16 using the name Sunstone Property Management LLC.

17           **Violation:** By doing professional real estate activity under the name PPG Property  
18 Management LLC, a business name other than Pearson's registered business name of  
19 Sunstone Property Management LLC Pearson violated ORS 696.301(3) (2013 Edition) as it  
20 incorporates ORS 696.026(6) (2013 Edition), which states, a property manager may only  
21 conduct professional real estate activity under his licensed name or a registered business  
22 name.

23           1.8    Pearson told Johnson during the investigation, he opened clients' trust accounts  
24 (CTAs) in the name of SunStone Property Management LLC with First Republic Bank in  
25 January 2015, and closed the CTAs in the name of PPG Property Management LLC which had  
26 been held at Columbia Bank.

27           1.9    As of June 16, 2015, Pearson did not have any CTA's associated with the  
28 business name SunStone Property Management LLC in OREA's licensing records. When  
29 Johnson brought this to Pearson's attention, Pearson added his property management CTA  
30 and security deposit CTA to the OREA licensing system.

1           **Violation:** By failing to notify the Agency of both the CTA and the security deposit CTA,  
2 Pearson violated ORS 696.301(3) (2013 Edition) as it incorporates ORS 696.241(4) (2013  
3 Edition), which requires a property manager to notify OREA within 10 business days of  
4 opening a CTA.

5           1.10 On June 16, 2015, Johnson requested CTA reconciliations and property  
6 management records from Pearson by email to be produced no later than June 24, 2015.

7           1.11 On June 24, 2015, Pearson's legal counsel, Jack Graham (Graham) called  
8 Johnson, and told him that Pearson did not have the completed CTA reconciliation records that  
9 were being requested. As of July 13, 2015 the requested CTA reconciliation records had not  
10 been produced for inspection by the OREA.

11           **Violation:** By failing to maintain the requested reconciliation documents, Pearson  
12 violated ORS 696.301(3) (2013 Edition) as it incorporates OAR 863-025-0035(1)(j) (5-15-2014  
13 Edition), which requires property manager's records to be complete and accurate, which  
14 includes records of the reconciliation of each CTA and security deposit account, including the  
15 reconciliation document.

16           **Violation:** By failing to complete the required three-way reconciliations for his CTA and  
17 security deposit CTA, Pearson violated ORS 696.301 (2013 Edition) as it incorporates: OAR  
18 863-025-0025(20) (4-1-13, 5-15-14 Editions) and OAR 863-025-0025 (21) (4-1-2013, 5-15-14  
19 Editions), which requires a property manager to reconcile each clients' trust account and  
20 security deposit CTA within 30 calendar days of the date of the bank statements, requiring  
21 three components for the reconciliation. Also, by failing to complete the required  
22 reconciliations, Pearson demonstrated incompetence per ORS 696.301(12) (2013 Edition),  
23 which states a licensee can be subject to discipline if they have demonstrated incompetence or  
24 untrustworthiness in performing any act for which the licensee is required to hold a license.

25           **1.12 Security Deposit CTA ending in #0593, as of June 30, 2015/July 1, 2015:**

26           a. On July 1, 2015, the security deposit CTA bank account, ending in #0593 had an  
27 ending balance of \$45,444.52.

28           b. Documentation submitted to OREA and agreed upon by Pearson, showed a total  
29 of \$234,499.26 for tenant security deposits being held by SunStone Property Management  
30 LLC.

1 c. In comparing the balance of the tenant security deposits \$234,499.26 against the  
2 July 1, 2015, bank balance of \$45,444.52, it shows the account has a negative balance of  
3 \$189,054.74.

4 1.13 When Johnson asked Pearson where the money had gone, Pearson said he  
5 started taking money from the security deposit CTA around September 2012. Pearson said  
6 the money was used to cover payroll, overhead expenses, and purchase appliances for  
7 tenants.

8 **Violation:** By taking and/or allowing funds from security deposits CTA ending in #0593  
9 to be depleted and unaccounted for, Pearson violated ORS 696.301(12) (2013 Edition), which  
10 states a real estate licensee is subject to discipline if they have demonstrated incompetence or  
11 untrustworthiness in performing any act for which the licensee is required to hold a license.  
12 Additionally, by his actions Pearson committed an act of fraud or engaged in dishonest  
13 conduct substantially related to the fitness of the applicant or licensee to conduct professional  
14 real estate activity, without regard to whether the act or conduct occurred in the course of  
15 professional real estate activity in violation of ORS 696.301(14) (2013 Edition).

16 1.14 Dated July 1, 2015, Pearson provided a document labeled as "RE: Sale  
17 Agreement for Sunstone Property Management." The document stated, "On July 1<sup>st</sup> 2015,  
18 Andrew Pearson and David Cota struck an agreement for the purchase of Sunstone Property  
19 Management in the amount of any and all missing security deposits, including any future  
20 deposits that may be found inaccurate. The total initial investment is \$164,643.35." The  
21 document provided was unsigned by Pearson or Cota.

22 1.15 Additionally, Pearson provided an unsigned copy of a Business Purchase  
23 Agreement and Bill of Sale which listed David Cota as the buyer.

24 1.16 On July 13, 2015, David Cota was interviewed by Johnson. Cota said he  
25 deposited \$165,000 to fully fund the security deposits account. Cota said the money was  
26 placed into PropM's (Cota's company) security deposits account. Pearson sent Cota a check  
27 in an amount around \$40,000 to \$43,000. The check from Pearson also was deposited in the  
28 security deposits account at PropM. Cota provided proof to OREA that the \$164,643.35 was in  
29 the bank for the security deposits and on the security deposit ledger.

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1 1.17 On July 13, 2015, OREA issued a Notice of Intent to Revoke Pearson's real  
2 estate property manager license.

3 1.18 On August 14, 2015, OREA received an email from Pearson. The email contains  
4 a screen shot of the Security Deposit Ledger as of August 14, 2015, for all the properties in  
5 Oregon that are managed by PropM, including all the properties transferred to PropM from  
6 Sunstone. The total on the Security Deposit Leger as of August 14, 2015, was \$494,653.37.  
7 The screenshot also included a bank statement for PropM Security Deposit account ending in  
8 #7338, with a balance of \$494,653.37, as of August 14, 2015.

9 1.19 On July 30, 2015, OREA received a request for hearing from Graham on behalf  
10 of Pearson.

11 2

12 2.1 The foregoing violations are grounds for discipline pursuant to ORS 696.301.  
13 Based on these violations, a revocation of Pearson's real estate license is appropriate for  
14 violations of ORS 696.301(12) and (14) (2013 Edition). A revocation is appropriate under ORS  
15 696.396(2)(c)(A), (B), and (C). According to ORS 696.396, OREA may revoke a real estate  
16 license if the material facts establish a violation of a ground for discipline under ORS 696.301  
17 that results in significant damage or injury, exhibits incompetence in the performance of  
18 professional real estate activity, or exhibits dishonesty or fraudulent conduct.

19 2.2 OREA reserves the right to investigate and pursue additional complaints that  
20 may be received in the future regarding this licensee.

21 2.3 In establishing the violations alleged above, OREA may rely on one or more  
22 definitions contained in ORS 696.010.

23 3.

24 STIPULATION & WAIVER

25 I have read and reviewed the above findings of fact and conclusions of law which have  
26 been submitted to me by OREA and further, the order which follows hereafter. I understand  
27 that the findings of fact, conclusions of law and this stipulation and waiver embody the full and  
28 complete agreement and stipulation between OREA and me. I further understand that if I do  
29 not agree with this stipulation I have the right to request a hearing on this matter and to be  
30 represented by legal counsel at such a hearing. Hearings are conducted in accordance with

1 the procedures set forth in ORS Chapter 183 and in accordance with the Rules of Practice and  
2 Procedure adopted by the Attorney General of the State of Oregon. I freely and voluntarily  
3 waive my rights to a hearing, to representation by legal counsel at such a hearing, and to  
4 judicial review of this matter.

5 I hereby agree and stipulate to the above findings of fact and conclusions of law and  
6 understand that the order which follows hereafter may be completed and signed by the Real  
7 Estate Commissioner or may be rejected by the Real Estate Commissioner, in which case an  
8 amended notice of intent may be issued in this matter. I understand that, in accordance with  
9 the provisions of ORS 696.445(3), notice of this order shall be published in the Oregon Real  
10 Estate News Journal.

11 ORDER

12 IT IS HEREBY ORDERED that Pearson's property manager license is revoked.

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14 IT IS SO STIPULATED:

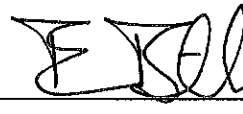
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18 WILLIAM PEARSON

19  
20 Date

2/5/16

IT IS SO ORDERED:

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24 GENE BENTLEY

25 Real Estate Commissioner

26 Date

2.5.16

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DATE of service: 2-5-2016