

REAL ESTATE AGENCY
BEFORE THE REAL ESTATE COMMISSIONER

In the Matter of the Real Estate License of)
PAUL H LABBY) STIPULATED FINAL ORDER

The Oregon Real Estate Agency (Agency) and Paul Labby (Labby) do hereby agree and stipulate to the following:

FINDINGS OF FACT
AND
CONCLUSIONS OF LAW

1.

1.1 At all times mentioned herein, Labby was licensed as a principal broker with Carla Properties Ltd (Carla).

1.2 On October 17, 2023, Carla was notified that clients' trust account ending in 2682 (CTA-SD #2682), which holds security deposits, had been selected for a reconciliation review. Documents for August 2023 were requested and provided to the Agency. An investigation was opened due to the outstanding issues found in the reconciliation review.

1.3 A review of the August 2023 Trust Account Reconciliation document for CTA-SD #2682 showed the following totals:

Part I \$139,143.75

Part II \$139,143.75

Part III \$191,507.00

Part IV -\$52,363.25

1.4 The Trust Account Reconciliation document for August 2023 reconciliation was signed and dated November 8, 2023.

1 **(1) Conclusion of Law:** By failing to sign and date the Trust Account Reconciliation
2 document for the month of August 2023 for CTA-SD #2682 within 30 days of the date of the
3 bank statement, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-
4 0028(3)(b)(d)(A)(B) 1/1/2023 Edition.

5 1.5 A review of the August 2023 bank statement showed a single withdrawal of
6 \$250,000.00, which was transferred to a separate clients' trust account ending in 1345 (CTA
7 #1345).

8 1.6 A review of the general ledger showed a withdrawal in the amount of
9 \$250,000.00 with a description of "Rec ssb online transfer to ckg."

10 1.7 Agency Compliance Specialist Roger McComas (McComas) emailed Labby for
11 an explanation for the movement of \$250,000.00 between CTA-SD #2682 and CTA #1345,
12 including the payee and purpose. Labby directed McComas to work with Jessica Dhillon
13 (Dhillon) and Lisa Holter (Holter).

14 1.8 Dhillon informed McComas that there was a clerical error on the Trust Account
15 Reconciliation document. In addition, Dhillon explained the "\$250,000 was an internal banking
16 transfer from the Money Market/Security Deposit Account; based on an audit, we discovered
17 the balance was not in line with the actual dollar amount." On January 23, 2024, the Agency
18 received a revised Trust Account Reconciliation document.

19 1.9 The revised August 2023 Trust Account Reconciliation document for CTA-SD
20 #2682 showed the following totals:

21 Part I \$139,143.75

22 Part II \$139,143.75

23 Part III \$168,057.33

24 Part IV -\$28,913.58

25 1.10 In response to follow up questions from McComas, Dhillon provided additional
26 supporting documentation, including a spreadsheet identifying five months of internal audits of
27 security deposits.

28 1.11 A review of the spreadsheet for August 2023, showed a difference of \$23,449.67,
29 from the Part III total that was included on the revised August 2023 Trust Account
30 Reconciliation for CTA-SD #2682.

1.12 In addition, the discrepancies between the total security deposits collected and the ending bank account balance is not resolved until December 2023 and still showed a difference of \$53.42.

(2) Conclusion of Law: By failing to take correction action to resolve adjustments made in a reconciliation prior to the next reconciliation, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-0028(4) 1/1/2023 Edition.

1.13 Dhillon provided the Agency with the December 2023 reconciliation documents for CTA-SD #2682. A review of the Trust Account Reconciliation document showed the following totals:

Part I \$183,388.09

Part II *left blank*

Part III \$183,339.67

Part IV difference of \$48.42, due to overage that was transferred into the "Client Trust Operating Account" on February 15, 2024.

(3) Conclusion of Law: By failing to include the required three components that are to be contained in a single reconciliation document, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-0028(3)(a)(B)(4) 1/1/2023 Edition.

1.14 A review of the bank statement for October 2023 showed a deposit into CTA-SD #2682 in the amount of \$250,00.00, from CTA #1345.

1.15 A review of the bank statement for November 2023 showed a withdrawal from CTA-SD #2682 in the amount of \$250,000.00 into CTA #1345.

1.16 A review of the bank statement for December 2023 showed a deposit into CTA-SD #2682 in the amount of \$43,614.85 from CTA #1345.

1.17 Dhillon explained that the funds belonged to Stone Ridge Property and that all deposits and withdrawals are handled within the property's operating account. Dhillon further explained that the movement of funds was due to a "planned distribution...the security deposits amounts are audited once per month, and moved according, to ensure the security deposits are held in the security deposit account."

1 1.18 Agency Investigator Dylan Ray (Ray) emailed Labby and Dhillon requesting they
2 provide the reason, along with supporting documentation, to support the transfer of \$250,00.00
3 from CTA-SD #2682 to CTA #1345.

4 1.19 Dhillon provided a response, writing “There were no tenants affected by the
5 transfer, as this was a journal entry transaction...it had zero impact on tenant ledgers, as the
6 security deposits were indeed in the Stone Ridge Operating Account (x#1345).”

7 1.20 Ray requested Labby provide documentation authorizing them to use tenant
8 security deposit funds for planned distributions. In response, Dhillon wrote, “I’m sorry, but we
9 don’t have any documentation from Residents, nor any documentation from the investors.”

10 **(4) Conclusion of Law:** By transferring trust funds between CTA-SD #2682 and CTA
11 #1345 on multiple occasions, Labby violated ORS 696.301(3) and its implementing rule OAR
12 863-025-0030(1)(a)(b)(c)(d) 1/1/2023, 1/1/2024 Editions.

13 In addition, it was alleged that that transfer of security deposits was a journal entry
14 transaction that had no impact on tenant ledgers. Records showed the transfer of tenant
15 security deposits did physically occur on more than one occasion, and tenant ledgers would
16 have been affected. This act is Grounds for Discipline per ORS 696.301(12) 2023 Edition.

17 1.21 In an interview with Ray, Dhillon, and Holter, when asked if he oversaw all of the
18 property management activity for Carla, Labby responded, “Yes...ultimately the day-to-day
19 transfer of monies from funds. No. I don’t...ultimately, I suppose I do as the broker of record,
20 but I have bookkeepers and property managers that do the day-to-day transfer of funds.”

21 1.22 Ray asked Labby if he reviews and approves the monthly reconciliations. In
22 response, Labby stated “No... I didn’t know that that was a requirement that the reconciliations
23 are approved...I approve the bank statements and the deposits to the client’s trust accounts,
24 but I don’t go through the reconciliation. We have too many. I could never do that.”

25 1.23 Dhillon explained that their bank statements are approved and reviewed each
26 month by one of the brokers.

27 1.24 After the interview, Labby provided to Ray a signed “authorization letter” that
28 read “The following staff members have the authority to communicate with the Oregon Real
29 Estate Agency regarding the Client Trust Account Audit/Investigations...”
30

1.25 Dhillon confirmed to Ray that the authorization letter provided was intended to be the delegation of authority.

(5) Conclusion of Law: By failing to supervise the professional property management conducted under his license, Labby violated ORS 696.301(3) and its implementing rule OAR 863-015-0140(1)(3) 1/1/2023, 1/1/2024 Editions.

(6) Conclusion of Law: By failing to have a written delegation of authority identifying individuals who could review and approve clients' trust account reconciliations, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-0028(5) 1/1/2023, 1/1/2024 Editions. In addition, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-0015(5)(b) 1/1/2023, 1/1/2024 Editions.

1.26 The Agency received the November 2024 reconciliation for CTA-SD #2682, and supporting documentation.

1.27 A review of the General Ledger showed two deposits. The first in the amount of \$674.14 with the description "Sec Dep audit Oct 2024." The second deposit was in the amount \$163.80, included the description "PostRecurring Monthly Sterling Savings In."

(7) Conclusion of Law: By failing to identify receipt of funds in the record of receipts and disbursements, Labby violated ORS 696.301(3) and its implementing rule OAR 863-025-0040(2)(a)(C) 1/1/2023 Edition.

1.28 All of the above demonstrates a failure to uphold affirmative duties to account in a timely manner for all funds received from or on behalf of the owner, and to act in a fiduciary manner in all matters relating to trust funds.

(8) Conclusion of Law: Based on the foregoing, Labby violated ORS 696.301(3) as it incorporates ORS 696.890(4)(c)(d)(e) 2023 Edition.

1.29 All of the above demonstrate incompetence or untrustworthiness in performing acts for which the real estate licensee is required to hold a license and conduct that is below the standard of care for the practice of professional real estate activity in Oregon.

(9) Conclusion of Law: Based on the foregoing, Licensee is subject to discipline under ORS 696.301(12) and (15) 2023 Edition.

2.

2.1 The foregoing violations are grounds for discipline pursuant to ORS 696.301.

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

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

3.

STIPULATION AND WAIVER

I, Paul Labby, have read and reviewed this Stipulated Final Order and its Findings of Fact, Statements of Law and Conclusions of Law. I understand that the Findings of Fact, Conclusions of Law and this Stipulation and Waiver of Hearing rights embody the full and complete agreement and stipulation between the Agency and me. I further understand that if I do not agree with this stipulation, I have the right to request a Hearing on this matter and to be represented by legal counsel at such a Hearing. I also understand that any Hearing would be conducted in accordance with the procedures set forth in ORS Chapter 183 and in accordance with the Rules of Practice and Procedure adopted by the Attorney General of the State of Oregon. By signing this Stipulated Final Order, I freely and voluntarily waive my rights to a Hearing, to representation by legal counsel at such a Hearing, and to judicial review of this matter.

I hereby agree and stipulate to the above Findings of Fact and Conclusions of Law and understand that the Order which follows hereafter, which I have also read and understand, may be completed and signed by the Real Estate Commissioner or may be rejected by the Real Estate Commissioner. I further understand that, in accordance with the provisions of ORS 696.445(3), notice of this Order shall be published in the Oregon Real Estate News Journal.

In addition to all of the above, I agree that once the Commissioner executes this Stipulated Final Order, I will accept service of the Stipulated Final Order by email, and hereby waive the right to challenge the validity of service.

///

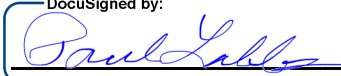
ORDER

IT IS HEREBY ORDERED that Paul Labby's principal broker license be reprimanded.

IT IS SO STIPULATED:

IT IS SO ORDERED:

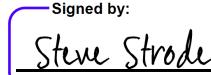
DocuSigned by:



8BC8A1B3DEE04A8...

PAUL LABBY

Signed by:



E2C2D0097AD8471...

STEVEN STRODE

Real Estate Commissioner



Date 7/10/2025 | 11:36 AM PDT

Date 7/14/2025 | 9:06 AM PDT

Date of Service: 7/14/2025