

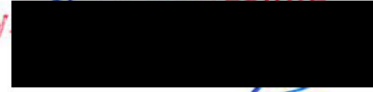
1 Department of Real Estate  
2 320 West Fourth Street, Ste. 350  
3 Los Angeles, California 90013  
4 Telephone: (213) 576-6982

**FILED**

OCT 15 2024

DEPT. OF REAL ESTATE

By



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

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10 To:  
11 LANCE MICHAEL MCHARG,  
12 Respondent.

DRE No. H-42990 LA  
PRELIMINARY BAR ORDER AND  
INTENTION TO ISSUE BAR ORDER

13  
14 TO: LANCE MICHAEL McHARG  
15 2121 S. Towne Centre Place, Suite 100  
16 Anaheim, CA 92806

17 Pursuant to Sections 10087 and 10153.01(b) of the California Business and Professions  
18 Code<sup>1</sup> ("Code"), you, LANCE MICHAEL MCHARG ("Respondent MCHARG"), are hereby  
19 notified of the intention of the California Real Estate Commissioner ("Commissioner") for the  
20 Department of Real Estate<sup>2</sup> to issue a Bar Order pursuant to Section 10087(a)(1) of the Code on  
21 the following grounds:

22  
23 <sup>1</sup> All references to the "Code" are to the California Business and Professions Code, all references to the "Real Estate  
Law" are to Part 1 of Division 4 of the Code, and all references to "Regulations" are to the Regulations of the Real  
Estate Commissioner, Title 10, Chapter 6, California Code of Regulations.

24 <sup>2</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.

FINDINGS OF FACT

1  
2           1.     A person must obtain a real estate license from the Department prior to offering  
3 or engaging in acts that require a real estate broker or salesperson license in California. To  
4 obtain a real estate license, an applicant must apply for and pass a real estate examination  
5 administered by the Department.

6           2.     Real Estate Trainers, Inc. (“RETI”) is not currently licensed by the Department  
7 as a corporation.

8           3.     Respondent LANCE MICHAEL MCHARG (“MCHARG”) has never been  
9 licensed by the Department in any capacity.

10          4.     Respondent MCHARG is an officer and/or director for RETI, a corporation  
11 formed in California.

12          5.     RETI offers real estate licensing education courses.

13          6.     Pursuant to Code sections 10153.2, 10153.3, 10153.4, 10153.5, and Regulations  
14 3000-3004, RETI received approval from the Department to offer nine pre-licensing courses,  
15 Statutory Sponsor ID S0204. The nine approved courses are: Real Estate Office Administration,  
16 Property Management, Legal Aspects of Real Estate, Real Estate Principles, Escrows, Real  
17 Estate Economics, Real Estate Finance, Real Estate Appraisal, and Real Estate Practice.

18          7.     Pursuant to Code section 10170.5 and Regulations 3006-3013, RETI received  
19 approval from the Department to offer 12 continuing education (“CE”) courses, CE Sponsor ID  
20 0217.

21          8.     In addition to the approved pre-licensing and CE courses, RETI offers a  
22 Salesperson Crash Course and a Broker Crash Course, which are not approved by the  
23 Department. The unapproved crash courses prepare attendees to take the state of California’s  
24 salesperson or broker license examinations.

1           9.       RETI's website information for the Salesperson Crash Course includes a  
2 guarantee that students who attend the crash course will pass the State Salesperson License  
3 Exam.

4           10.       Between 2000 and 2023, Respondent MCHARG sat for and took the  
5 Department's real estate salesperson license examination 26 separate times. Respondent  
6 MCHARG never received a passing score.

7           11.       Once Respondent MCHARG passes the salesperson license examination, he  
8 would be ineligible to take the salesperson license examination again.

9           12.       On July 20, 2023, Respondent MCHARG sat for the Department's real estate  
10 salesperson license examination at the Department's Licensing test location in La Palma,  
11 California. After Respondent MCHARG completed the exam, he was approached by a Special  
12 Investigator for the Department who was conducting the investigation for the Department. The  
13 Special Investigator introduced himself to Respondent MCHARG and attempted to interview  
14 Respondent MCHARG about the number of times that Respondent MCHARG has taken the real  
15 estate salesperson license examination. When questioned about his position as an instructor for  
16 RETI and the number of times that Respondent MCHARG has taken the real estate salesperson  
17 exam, Respondent MCHARG denied being an instructor. Respondent MCHARG also stated, "I  
18 simply take the exam to confirm if our real estate teachings are correct and up to date with the  
19 material." Numerous questions were posed to Respondent MCHARG regarding his purpose for  
20 taking the salesperson license exam and about RETI's crash course. Respondent MCHARG  
21 stated that he did not feel comfortable answering the questions without an attorney present and  
22 the interview was terminated.

23           13.       As part of the Department's investigation, on October 28, 2023, and October 29,  
24 2023, another Special Investigator for the Department used an alias to attend a RETI two-day

1 Salesperson Crash Course. The Salesperson Crash Course was held at RETI's offices in  
2 Anaheim, California. Respondent MCHARG was the RETI Instructor for both days of the  
3 Salesperson Crash Course. As part of the salesperson crash course, the Department's Special  
4 Investigator received RETI's course study materials and was given access to RETI's on-line  
5 salesperson state practice exams and simulation questions.

6 14. Throughout the two-day course, Respondent MCHARG repeatedly stated to the  
7 class that he had taken the State exam 26 times and that he had done so for the purpose of  
8 memorizing the State exam questions so that RETI could teach the State exam questions to  
9 RETI's students.

10 15. The Department conducted a search of the State's real estate license exam  
11 questions ("DRE exam questions") which were compared to questions found in course materials  
12 for RETI's Salesperson and Broker Crash Courses, specifically RETI's "State Questions" and  
13 "Simulated Practice Exam" documents.

14 16. The Department's review and comparison found that RETI'S State Questions and  
15 Simulated Practice Exams contained numerous questions that were the same, substantially  
16 similar, or "DRE similar" to DRE exam questions.

17 17. "DRE similar" questions mean new DRE exam questions created from older DRE  
18 exam questions that are linked together in the DRE's item bank of exam questions. The linked  
19 DRE questions are not used on the same exam test forms because they are nearly identical to  
20 each other and were updated to reflect changes in the real estate laws or industry practices. For  
21 example, in 2019, a change in the real estate law updated the term, "employing broker" to  
22 "responsible broker." The Department created new questions using the term, "responsible  
23 broker" from older questions using the term, "employing broker," and linked the new and older  
24 versions together as "DRE similar" questions in the Department's item bank of exam questions.

1 18. The DRE's test forms contain 150 questions.

2 19. RETI's "Simulated Practice Exam" that was reviewed contained 143 questions.

3 20. The Department compared to the Department's item bank of DRE exam

4 questions with RETI's "Simulated Practice Exam" questions. The 143 questions listed on

5 RETI's "Simulated Practice Exam" document were the same, substantially similar, or DRE

6 similar to 227 DRE exam questions.

7 21. Of the 227 compromised DRE exam questions, 84 questions were directly linked

8 to questions on DRE Salespersons examinations taken by Respondent MCHARG, with the

9 same or substantially similar questions.

10 22. An additional 42 compromised DRE exam questions, were "DRE similar" to

11 other DRE exam questions on DRE Salesperson examinations taken by Respondent MCHARG.

12 23. All 227 compromised DRE exam questions had to be deleted from the DRE's

13 item bank of exam questions.

14 24. The Department reviewed a combined total of 170 questions from RETI's "State

15 Questions" and "Simulated Practice Exam" documents, which were compared to the DRE's

16 item bank of exam questions. The 170 questions listed on RETI's "State Questions" and

17 "Simulated Practice Exam" documents were the same, substantially similar, or DRE similar to a

18 total of 265 DRE exam questions.

19 25. Of the 265 compromised DRE exam questions, a combined total of 111 DRE

20 exam questions were directly linked to questions on DRE Salespersons examinations taken by

21 Respondent MCHARG, with the same or substantially similar questions.

22 26. A combined total of 48 compromised DRE exam questions were "DRE similar"

23 to other DRE exam questions on DRE Salesperson examinations taken by Respondent

24 MCHARG.

1           27.     Seven of the 265 compromised DRE exam questions were “Broker only”  
2 questions, three of which appeared on RETI’s “Simulated Practice Exam.”

3           28.     All 265 compromised DRE exam questions had to be deleted from the DRE’s  
4 item bank of exam questions.

5           29.     Between 2000 and 2023, Respondent MCHARG sat for and took the  
6 Department’s real estate salesperson license examination 26 separate times and saw 15 different  
7 DRE test forms. The DRE test forms contain 150 questions. Respondent MCHARG saw 2,250  
8 DRE test form questions. Some DRE exam questions are reused on multiple test forms. All 15  
9 DRE test forms seen by Respondent MCHARG were compromised. The exam questions on the  
10 15 DRE test forms have either had to be deleted or changed in the DRE’s item bank.

11          30.     The DRE’s exam questions have been created over several years by DRE staff or  
12 by Salesperson and Broker subject matter experts, which is an expensive and lengthy process.

13          31.     Respondent MCHARG’s activities as described above, in cheating or subversion  
14 of DRE exam questions for RETI’s use, are in violation of Code Sections 123, 10153.01,  
15 subdivisions (a)(5) and (a)(6), 1015.3.1, and Regulation 2763, subdivisions (a)(4) and (a)(7).

16          32.     A Bar Order is in the public interest in that Respondent has violated provisions  
17 of the Code, which violations were known to Respondent or should have been known to  
18 Respondent.

19          33.     A Bar Order is in the public interest in that Respondent MCHARG has violated  
20 provisions of the Code, which violations have caused material damage to the public.

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22     ///

23     ///

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**STATUTORY PROVISIONS**

**Code Section 10087** provides:

(a) In addition to acting pursuant to the authority provided under Sections 10086, 10176, and 10177, the commissioner may, after appropriate notice and opportunity for a hearing, by order, suspend, bar from any position of employment, management, or control, or bar from participation in an examination for licensure, for a period not exceeding 36 months, a real estate salesperson or real estate broker, or an unlicensed person issued an order under Section 10086, if the commissioner finds either of the following:

(1) That the suspension or bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the public.

(2) That the person has been convicted of or pleaded nolo contendere to any crime, or has been held liable in any civil action by final judgment, or any administrative judgment by any public agency, if that crime or civil or administrative judgment involved any offense involving dishonesty, fraud, or deceit, or any other offense reasonably related to the qualifications, functions, or duties of a person engaged in the real estate business in accordance with the provisions of this division.

(b) Within 15 days from the date of a notice of intention to issue an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act (Chapter 4.5 (commencing with Section 11400) of Division 3 of Title 2 of the Government Code). If no hearing is requested within 15 days after the mailing or service of that notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing.

1 (c) Upon receipt of a notice of intention to issue an order pursuant to this section, the  
2 person who is the subject of the proposed order is immediately prohibited from engaging in any  
3 business activity involving real estate that is subject to regulation under this division.

4 (d) Persons suspended or barred under this section are prohibited from participating in  
5 any business activity of a real estate salesperson or a real estate broker and from engaging in any  
6 real estate-related business activity on the premises where a real estate salesperson or real estate  
7 broker is conducting business. Persons suspended or barred under this section are also prohibited  
8 from participating in any real estate-related business activity of a finance lender, residential  
9 mortgage lender, bank, credit union, escrow company, title company, or underwritten title  
10 company. Persons suspended or barred from a position of employment, management, or control  
11 under this section are also barred from participating in examinations for licensure.

12 **Code Section 123** provides:

13 It is a misdemeanor for any person to engage in any conduct which subverts or attempts  
14 to subvert any licensing examination or the administration of an examination, including, but not  
15 limited to:

16 (a) Conduct which violates the security of the examination materials; removing  
17 from the examination room any examination materials without authorization; the  
18 unauthorized reproduction by any means of any portion of the actual licensing  
19 examination; aiding by any means the unauthorized reproduction of any portion of the  
20 actual licensing examination; paying or using professional or paid examination-takers for  
21 the purpose of reconstructing any portion of the licensing examination; obtaining  
22 examination questions or other examination material, except by specific authorization  
23 either before, during, or after an examination; or using or purporting to use any  
24 examination questions or materials which were improperly removed or taken from any



1 examination for the purpose of instructing or preparing any applicant for examination; or  
2 selling, distributing, buying, receiving, or having unauthorized possession of any portion  
3 of a future, current, or previously administered licensing examination.

4 (b) Communicating with any other examinee during the administration of a  
5 licensing examination; copying answers from another examinee or permitting one's  
6 answers to be copied by another examinee; having in one's possession during the  
7 administration of the licensing examination any books, equipment, notes, written or  
8 printed materials, or data of any kind, other than the examination materials distributed, or  
9 otherwise authorized to be in one's possession during the examination; or impersonating  
10 any examinee or having an impersonator take the licensing examination on one's behalf.

11 Nothing in this section shall preclude prosecution under the authority provided for in any  
12 other provision of law.

13 In addition to any other penalties, a person found guilty of violating this section, shall be  
14 liable for the actual damages sustained by the agency administering the examination not to  
15 exceed ten thousand dollars (\$10,000) and the costs of litigation.

16 (c) If any provision of this section or the application thereof to any person or  
17 circumstances is held invalid, that invalidity shall not affect other provisions or  
18 applications of the section that can be given effect without the invalid provision or  
19 application, and to this end the provisions of this section are severable.

20 **Code Section 10153.01 provides:**

21 (a) No person shall cheat on, subvert, or attempt to subvert a licensing examination given  
22 by the department. Cheating on, subverting, or attempting to subvert a licensing examination  
23 includes, but is not limited to, engaging in, soliciting, or procuring any of the following:  
24

1 (1) Any communication between one or more examinees and any person, other  
2 than a proctor or examination official, while the examination is in progress.

3 (2) Copying answers from another examinee or permitting one's answers to be  
4 copied by another examinee.

5 (3) The taking of all or a part of the examination by a person other than the  
6 applicant.

7 (4) Removing from the examination room any examination materials without  
8 authorization.

9 (5) **The unauthorized reproduction by any means of any portion of the**  
10 **actual licensing examination.**

11 (6) **Aiding by any means the unauthorized reproduction of any portion of**  
12 **the actual licensing examination.**

13 (7) Possession or use at any time during the examination or while the examinee is  
14 on the examination premises of any device, material, or document that is not expressly  
15 authorized for use by examinees during the examination, including, but not limited to,  
16 notes, crib sheets, textbooks, and electronic devices.

17 (8) Failure to follow any examination instruction or rule related to examination  
18 security.

19 (9) Providing false, fraudulent, or materially misleading information concerning  
20 education, experience, or other qualifications as part of, or in support of, any application  
21 for admission to an examination.

22 **(b) The commissioner may bar any candidate who willfully cheats on, subverts, or**  
23 **attempts to subvert an examination from taking any license examination and from holding**  
24

1 **an active real estate license under any provision of this code for a period of up to three**  
2 **years.** [Emphasis added.]

3 **Code Section 10153.1** provides:

4 It is unlawful for any person with respect to any examination under this part to practice  
5 any deception or fraud with regard to his or her identity in connection with any examination,  
6 application, or request to be examined.

7 **Regulation 2763** prescribes the Examination Rules for the Department. Regulation 2763  
8 provides:

9 (a) A person taking an examination for a license issued by the Bureau shall abide by all  
10 of the following rules from the time of entry into the examination room until the examinee has  
11 completed the examination and left the examination room:

12 (1) An examinee may not refer to any printed or written material other than that  
13 furnished by the Bureau.

14 (2) Written computations by examinees shall be made only on paper furnished by  
15 the Bureau for that purpose.

16 (3) An examinee may not communicate with another examinee nor with any  
17 person other than an examination proctor.

18 (4) **The copying of questions and the making of any notes of examination**  
19 **materials by an examinee is prohibited.**

20 (5) An examinee may not leave the examination room prior to completion of the  
21 examination unless express permission of an examination proctor has been obtained and  
22 all examination papers and materials have been turned over to the proctor.

23 (6) The only materials or devices, other than those furnished by the Bureau, that  
24 an examinee may use during the course of the examination are pencils and slide rules or

1 silent, battery-operated, electronic, pocket-sized calculators which are non-  
2 programmable, do not have a print-out capability, or an alphabetic keyboard.

3 **(7) An examinee may not share the use of examination materials with any**  
4 **other examinee.**

5 (b) A violation of any of the above rules or verbal directives of an examination proctor is  
6 ground to disqualify an examinee and to initiate appropriate administrative action to deny the  
7 issuance of a license to the examinee. [Emphasis added.]

8 **NOTICE**

9 **YOU, LANCE MICHAEL MCHARG, ARE HEREBY NOTIFIED that the**  
10 **Commissioner seeks to bar and prohibit you for a period of thirty-six (36) months from**  
11 **the effective date of the Bar Order from engaging in any of the following activities in the**  
12 **State of California:**

13 **(a) From participation in an examination for licensure for a real estate salesperson**  
14 **or a real estate broker license or holding a real estate license;**

15 **(b) Holding any position of employment, management, control, or ownership in a**  
16 **real estate business or a business offering real estate license exam preparation,**  
17 **pre-licensing, or continuing education course offerings;**

18 **(c) Participating in any business activity of a real estate salesperson or real estate**  
19 **broker;**

20 **(d) Engaging in any real estate related business activity on the premises where a**  
21 **real estate salesperson or real estate broker is conducting business; and**

22 **(d) Participating in any real estate related business activity of a property manager,**  
23 **finance lender, residential mortgage lender, bank, credit union, escrow**  
24 **company, title company, or underwritten title company.**

1            LANCE MICHAEL MCHARG, WHILE DOING BUSINESS IN YOUR OWN  
2 NAMES OR ANY FICTITIOUS BUSINESS NAMES, UPON RECEIPT OF THIS  
3 NOTICE YOU ARE IMMEDIATELY PROHIBITED FROM ENGAGING IN ANY  
4 BUSINESS ACTIVITY INVOLVING REAL ESTATE THAT IS SUBJECT TO  
5 REGULATION UNDER THE REAL ESTATE LAW.


6                            NOTICE OF RIGHT AND OPPORTUNITY FOR A HEARING

7            Pursuant to Code Section 10087, you have the right to request a hearing under the  
8 California Administrative Procedure Act (commencing with California Government Code  
9 Section 11400). If you desire a hearing, you must submit a written request within fifteen (15)  
10 days after the mailing or service of this "Notice of Intention to Issue Bar Order." The request  
11 may be in any form provided it is in writing, includes your current return address, and indicates  
12 that you want a hearing, and is signed by you or on your behalf, and is delivered or mailed to the  
13 Department of Real Estate, 320 West Fourth Street, Suite 350, Los Angeles, California 90013,  
14 Attention: Legal Section, Lissete Garcia.

15            If no hearing is requested within said 15- day time period, your failure to request a  
16 hearing shall constitute a waiver of the right to a hearing.

17            It is so ordered this \_\_\_\_\_ day of 10/7/24, 2024.

18                            CHIKA SUNQUIST  
19                            REAL ESTATE COMMISSIONER

20                              
21                            By: Marcus L. McCarther  
22                            Chief Deputy Real Estate Commissioner

23 cc:    Real Estate Trainers, Inc.  
24            2121 S. Towne Centre Place, Suite 100  
             Anaheim, CA 92806