

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

FILED

DEC 17 2024

DEPT. OF REAL ESTATE

By 

8 BEFORE THE DEPARTMENT OF REAL ESTATE

9 STATE OF CALIFORNIA

10 * * *

11 To:

12 LANCE MICHAEL MCHARG and REAL
13 ESTATE TRAINERS, INC.

14 Respondents.

DRE No. H-42990 LA

**FIRST AMENDED PRELIMINARY
BAR ORDER AND NOTICE OF
INTENT TO ISSUE BAR ORDER**

15 TO: LANCE MICHAEL MCHARG and REAL ESTATE TRAINERS, INC.

16 2121 S. Towne Centre Place, Suite 100

17 Anaheim, CA 92806

18 This First Amended Preliminary Bar Order and Notice of Intent to Issue Bar Order
19 amends the Preliminary Bar Order and Intention to Issue Bar Order filed on October 15, 2024.

20 Pursuant to Sections 10087 and 10153.01(b) of the California Business and Professions Code¹

21 ("Code"), you, LANCE MICHAEL MCHARG and REAL ESTATE TRAINERS, INC.

22 (collectively "Respondents"), are hereby notified of the intention of the California Real Estate

23
24 ¹ 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.

Commissioner ("Commissioner") for the Department of Real Estate² to issue a Bar Order pursuant to Section 10087(a)(1) of the Code on the following grounds:

FINDINGS OF FACT

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

2. Respondent Real Estate Trainers, Inc. ("RETI") is not currently licensed by the Department as a corporation.

3. Respondent LANCE MICHAEL MCHARG ("MCHARG") has never been licensed by the Department in any capacity.

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

5. Respondent RETI offers real estate license education courses.

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

² 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 7. Pursuant to Code section 10170.5 and Regulations 3006-3013, Respondent RETI
2 received approval from the Department to offer 12 continuing education ("CE") courses, CE
3 Sponsor ID 0217.

4 8. In addition to the approved pre-license and CE courses, Respondent RETI offers
5 a Salesperson Crash Course and a Broker Crash Course, which are not approved by the
6 Department. The unapproved crash courses prepare attendees to take the state of California's
7 salesperson or broker license examinations.

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

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

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

16 12. On July 20, 2023, Respondent MCHARG sat for the Department's real estate
17 salesperson license examination at the Department's Licensing test location in La Palma,
18 California. After Respondent MCHARG completed the exam, he was approached by a Special
19 Investigator for the Department who was conducting the investigation for the Department. The
20 Special Investigator introduced himself to Respondent MCHARG and attempted to interview
21 Respondent MCHARG about the number of times that Respondent MCHARG has taken the real
22 estate salesperson license examination. When questioned about his position as an instructor for
23 Respondent RETI and the number of times that Respondent MCHARG has taken the real estate
24 salesperson exam, Respondent MCHARG denied being an instructor. Respondent MCHARG

1 also stated, "I simply take the exam to confirm if our real estate teachings are correct and up to
2 date with the material." Numerous questions were posed to Respondent MCHARG regarding his
3 purpose for taking the salesperson license exam and about Respondent RETI's crash course.
4 Respondent MCHARG stated that he did not feel comfortable answering the questions without
5 an attorney present and the interview was terminated.

6 13. As part of the Department's investigation, on October 28, 2023, and October 29,
7 2023, another Special Investigator for the Department used an alias to attend a RETI two-day
8 Salesperson Crash Course. The Salesperson Crash Course was held at Respondent RETI's
9 offices in Anaheim, California. Respondent MCHARG was the RETI Instructor for both days of
10 the Salesperson Crash Course. As part of the salesperson crash course, the Department's Special
11 Investigator received Respondent RETI's course study materials and was given access to
12 Respondent RETI's on-line salesperson state practice exams and simulation questions.

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

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

21 16. The Department's review and comparison found that Respondent RETI'S State
22 Questions and Simulated Practice Exams contained numerous questions that were the same,
23 substantially similar, or "DRE similar" to DRE exam questions.
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1 17. "DRE similar" questions mean new DRE exam questions created from older DRE
2 exam questions that are linked together in the DRE's item bank of exam questions. The linked
3 DRE questions are not used on the same exam test forms because they are nearly identical to
4 each other and were updated to reflect changes in the real estate laws or industry practices. For
5 example, in 2019, a change in the real estate law updated the term, "employing broker" to
6 "responsible broker." The Department created new questions using the term, "responsible
7 broker" from older questions using the term, "employing broker," and linked the new and older
8 versions together as "DRE similar" questions in the Department's item bank of exam questions.

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

10 19. Respondent RETI's "Simulated Practice Exam" that was reviewed contained 143
11 questions.

12 20. The Department compared to the Department's item bank of DRE exam
13 questions with Respondent RETI's "Simulated Practice Exam" questions. The 143 questions
14 listed on Respondent RETI's "Simulated Practice Exam" document were the same, substantially
15 similar, or DRE similar to 227 DRE exam questions.

16 21. Of the 227 compromised DRE exam questions, 84 questions were directly linked
17 to questions on DRE Salespersons examinations taken by Respondent MCHARG, with the
18 same or substantially similar questions.

19 22. An additional 42 compromised DRE exam questions, were "DRE similar" to
20 other DRE exam questions on DRE Salesperson examinations taken by Respondent MCHARG.

21 23. All 227 compromised DRE exam questions had to be deleted from the DRE's
22 item bank of exam questions.

23 24. The Department reviewed a combined total of 170 questions from Respondent
24 RETI's "State Questions" and "Simulated Practice Exam" documents, which were compared to

1 the DRE's item bank of exam questions. The 170 questions listed on Respondent RETI's "State
2 Questions" and "Simulated Practice Exam" documents were the same, substantially similar, or
3 DRE similar to a total of 265 DRE exam questions.

4 25. Of the 265 compromised DRE exam questions, a combined total of 111 DRE
5 exam questions were directly linked to questions on DRE Salespersons examinations taken by
6 Respondent MCHARG, with the same or substantially similar questions.

7 26. A combined total of 48 compromised DRE exam questions were "DRE similar"
8 to other DRE exam questions on DRE Salesperson examinations taken by Respondent
9 MCHARG.

10 27. Seven of the 265 compromised DRE exam questions were "Broker only"
11 questions, three of which appeared on Respondent RETI's "Simulated Practice Exam."

12 28. All 265 compromised DRE exam questions had to be deleted from the DRE's
13 item bank of exam questions.

14 29. Between 2000 and 2023, Respondent MCHARG sat for and took the
15 Department's real estate salesperson license examination 26 separate times and saw 15 different
16 DRE test forms. The DRE test forms contain 150 questions. Respondent MCHARG saw 2,250
17 DRE test form questions. Some DRE exam questions are reused on multiple test forms. All 15
18 DRE test forms seen by Respondent MCHARG were compromised. The exam questions on the
19 15 DRE test forms have either had to be deleted or changed in the DRE's item bank.

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

22 31. Respondent MCHARG's activities as described above, in cheating or subversion
23 of DRE exam questions for Respondent RETI's use, are in violation of Code Sections 123,
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1 10153.01, subdivisions (a)(5) and (a)(6), 10153, 10153.1, and Regulation 2763, subdivisions
2 (a)(4) and (a)(7).

3 32. A Bar Order is in the public interest in that Respondents MCHARG and RETI
4 have violated provisions of the Code, which violations were known to Respondents or should
5 have been known to Respondents.

6 33. A Bar Order is in the public interest in that Respondents MCHARG and RETI
7 have violated provisions of the Code, which violations have caused material damage to the
8 public.

9 STATUTORY PROVISIONS

10 Code Section 10087 provides:

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

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

21 (2) That the person has been convicted of or pleaded nolo contendere to any
22 crime, or has been held liable in any civil action by final judgment, or any administrative
23 judgment by any public agency, if that crime or civil or administrative judgment involved
24 any offense involving dishonesty, fraud, or deceit, or any other offense reasonably related

1 to the qualifications, functions, or duties of a person engaged in the real estate business in
2 accordance with the provisions of this division.

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

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

12 (d) Persons suspended or barred under this section are prohibited from participating in
13 any business activity of a real estate salesperson or a real estate broker and from engaging in any
14 real estate-related business activity on the premises where a real estate salesperson or real estate
15 broker is conducting business. Persons suspended or barred under this section are also prohibited
16 from participating in any real estate-related business activity of a finance lender, residential
17 mortgage lender, bank, credit union, escrow company, title company, or underwritten title
18 company. Persons suspended or barred from a position of employment, management, or control
19 under this section are also barred from participating in examinations for licensure.

20 Code Section 123 provides:

21 It is a misdemeanor for any person to engage in any conduct which subverts or attempts
22 to subvert any licensing examination or the administration of an examination, including, but not
23 limited to:
24

1 (a) Conduct which violates the security of the examination materials; removing
2 from the examination room any examination materials without authorization; the
3 unauthorized reproduction by any means of any portion of the actual licensing
4 examination; aiding by any means the unauthorized reproduction of any portion of the
5 actual licensing examination; paying or using professional or paid examination-takers for
6 the purpose of reconstructing any portion of the licensing examination; obtaining
7 examination questions or other examination material, except by specific authorization
8 either before, during, or after an examination; or using or purporting to use any
9 examination questions or materials which were improperly removed or taken from any
10 examination for the purpose of instructing or preparing any applicant for examination; or
11 selling, distributing, buying, receiving, or having unauthorized possession of any portion
12 of a future, current, or previously administered licensing examination.

13 (b) Communicating with any other examinee during the administration of a
14 licensing examination; copying answers from another examinee or permitting one's
15 answers to be copied by another examinee; having in one's possession during the
16 administration of the licensing examination any books, equipment, notes, written or
17 printed materials, or data of any kind, other than the examination materials distributed, or
18 otherwise authorized to be in one's possession during the examination; or impersonating
19 any examinee or having an impersonator take the licensing examination on one's behalf.

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

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

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

5 Code Section 10153.01 provides:

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

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

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

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

15 (4) Removing from the examination room any examination materials without
16 authorization.

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

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

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

1 (8) Failure to follow any examination instruction or rule related to examination
2 security.

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

6 (b) **The commissioner may bar any candidate who willfully cheats on, subverts, or**
7 **attempts to subvert an examination from taking any license examination and from holding**
8 **an active real estate license under any provision of this code for a period of up to three**
9 **years.** [Emphasis added.]

10 Code Section 10153.1 provides:

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

14 Regulation 2763 prescribes the Examination Rules for the Department. Regulation 2763
15 provides:

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

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

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

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

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

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

(6) The only materials or devices, other than those furnished by the Bureau, that an examinee may use during the course of the examination are pencils and slide rules or silent, battery-operated, electronic, pocket-sized calculators which are non-programmable, do not have a print-out capability, or an alphabetic keyboard.

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

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

PRELIMINARY BAR NOTICE TO LANCE MICHAEL MCHARG

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

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1 **NOTICE OF INTENT TO ISSUE BAR ORDER AGAINST LANCE MICHAEL**
2 **MCHARG AND REAL ESTATE TRAINERS, INC.**

3 YOU, LANCE MICHAEL MCHARG AND REAL ESTATE TRAINERS, INC.
4 ARE HEREBY NOTIFIED that the Commissioner seeks to bar and prohibit you and
5 RETI's officers, directors, instructors, agents, associates, independent contractors, or
6 employees thereof, for a period of thirty-six (36) months from the effective date of the Bar
7 Order from engaging in any of the following activities in the State of California:

- 8 (a) From participation in an examination for licensure for a real estate salesperson
9 or a real estate broker license or holding a real estate license;
- 10 (b) Holding any position of employment, management, control, or ownership in a
11 real estate business or a business that offers real estate license exam preparation
12 courses which uses questions copied from Department of Real Estate License
13 Exams, pre-licensing, or continuing education courses;
- 14 (c) Participating in any business activity of a real estate salesperson or real estate
15 broker;
- 16 (d) Engaging in any real estate related business activity on the premises where a
17 real estate salesperson or real estate broker is conducting business; and
- 18 (d) Participating in any real estate related business activity of a property manager,
19 finance lender, residential mortgage lender, bank, credit union, escrow
20 company, title company, or underwritten title company.

21 **NOTICE OF RIGHT AND OPPORTUNITY FOR A HEARING**

22 Pursuant to Code Section 10087, you have the right to request a hearing under the
23 California Administrative Procedure Act (commencing with California Government Code
24 Section 11400). If you desire a hearing, you must submit a written request within fifteen (15)

1 days after the mailing or service of this "Notice of Intention to Issue Bar Order." The request
2 may be in any form provided it is in writing, includes your current return address, and indicates
3 that you want a hearing, and is signed by you or on your behalf, and is delivered or mailed to the
4 Department of Real Estate, 320 West Fourth Street, Suite 350, Los Angeles, California 90013,
5 Attention: Legal Section, Lissete Garcia.

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

8 It is so ordered this day 12/16/2024, 2024.

9 CHIKA SUNQUIST
10 REAL ESTATE COMMISSIONER
11 

12 By: Marcus L. McCarther
13 Chief Deputy Real Estate Commissioner
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