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STATE OF WISCONSIN
BEFORE THE REAL ESTATE BOARD

IN THE MATTER OF THE DISCIPLINARY	:	
PROCEEDINGS AGAINST	:	
	:	FINAL DECISION AND ORDER
	:	
PATRICK F. DRUGG and	:	LS0510272REB
GREGORY A. SLAYTON	:	
RESPONDENTS.	:	

Division of Enforcement Case No. 02 REB 026

The parties to this action for the purpose of Wis. Stats. sec. 227.53 are:

Patrick F. Drugg
1054 Gale Dr.
Wisconsin Dells, WI 53965

Gregory A. Slayton
P.O. Box 349
Oxford, WI 53952

Wisconsin Real Estate Board
P.O. Box 8935
Madison, WI 53708-8935

Department of Regulation and Licensing
Division of Enforcement
P.O. Box 8935
Madison, WI 53708-8935

The parties in these matters agree to the terms and conditions of the attached Stipulation as the final decision of the matter(s), subject to the approval of the Real Estate Board (“Board”). The Board has reviewed the Stipulation agreement annexed to this Final Decision and Order, and considers it acceptable. Accordingly, the Board adopts the attached Stipulation and makes the following:

FINDINGS OF FACT

1. Gregory A. Slayton ("Slayton"), date of birth 08/14/1961, is licensed in the State of Wisconsin as a real estate broker having license # 90-48352. Slayton's license expires on 12-31-2006. This license was first granted to him on 02/28/1996. Slayton's most recent address on file with the Department of Regulation and Licensing is P.O. Box 349, Oxford, WI 53952.

2. Patrick F. Drugg ("Drugg") date of birth 07/13/1950, is licensed in the State of Wisconsin as a real estate broker having license # 90-47548. Drugg's license expires on 12-31-2006. This license was first granted to him on 07/19/1994. Drugg's most recent address on file with the Department of Regulation and Licensing is 1054 Gale Dr., Wisconsin Dells, WI 53965.

3. At the inception of this sequence of transactions Slayton was Vice President of Wisconsin Lakes Realty, and managed Wisconsin Lakes Realty's Coloma office; Drugg was the managing broker of Wisconsin Lakes Realty's Janesville office; and Wisconsin Lakes Realty (or a company with common ownership) owned the Lots 17 and 20 on Emerald Lake.

4. Emerald Lake was a relatively narrow impoundment for a hydro-electric plant, which maintained the "lake" at 877-879 ft. mean sea level per its permit from the Federal Energy Regulatory Commission.

5. At some point in time Wisconsin Lakes Realty accepted an offer to purchase Lots 17 and 20 from D.B., who was also the brother-in-law of Mr. Drugg. The offer to purchase Lots 17 and 20 was subject to the lake reaching 877.1 ft. mean sea level.

6. In January of 2000, Mr. Drugg showed Lot 20 to Mr. and Mrs. F, and placed them in contact with D.B.

7. At the time that Mr. and Mrs. F. viewed Emerald Lake the "lake" was dry, because the dike had collapsed. D.B. accepted an offer to purchase Lot 20 from Mr. and Mrs. F. dated March 15, 2000, and accepted March 17, 2000. The offer to purchase was subject to the lake reaching 877.1 ft. mean sea level. Per the offer to purchase, Mr. F. and Mrs. F. submitted earnest money in the amount of \$10,000. Mr. F. and Mrs. F. assumed that Drugg had placed the earnest money in a trust account.

8. Subsequently, the lake reached 877.1 mean sea level, and D.B. was required to purchase Lots 17 and 20 per his offer to purchase. D.B. had purchased Lots 17 and 20 for investment purposes, and did not wish to own them.

9. On or about October 19, 2003, D.B. sold Lots 17 and 20. The buyers were Slayton, as an individual, and Drugg, through a company wholly owned by him, called Recreational Land Specialists, Inc. Slayton and Drug assumed this interest in Lot 20 with the knowledge and consent of, and subject to the offer to purchase by, Mr. F. and Mrs. F. At this time neither Drugg nor Slayton was employed by Wisconsin Lakes Realty. Instead, Slayton owned his own brokerage firm, and Drugg was engaged in various real estate activities.

10. As part of the transaction described in paragraph 9, above, Drugg and Slayton were credited with the receipt of the \$10,000 in earnest money held by D.B., which belonged to Mr. F. and Mrs. F. Said funds were not deposited in a trust account.

11. Thereafter Mr. F. and Mrs. F. viewed Emerald Lake, were dissatisfied with its effective depth, were having difficulty securing financing, and inquired about the status of their earnest money. Mr. F. and Mrs. F. were initially informed by Drugg that earnest money was in the possession of D.B., and were later informed that the money was held in trust.

12. Thereafter Mr. F. and Mrs. F. filed a legal action against Slayton and Drugg, seeking the return of the earnest money. An out of court settlement was reached, which resolved the claim for the earnest money. Slayton and Drugg maintain that Mr. F. and Mrs. F. were in breach of the offer to purchase, and were not entitled to the return of the earnest money.

13. Per Wis. Stat. § 452.13(1)(a) "client funds" are broadly defined to include "all... earnest money... related to a conveyance of real estate that is received by a broker... on behalf of the broker's... principal *or any other person*." Per Wis. Stat. § 452.13(2)(c) "client funds" are to be deposited in a trust account.

14. Additionally, on October 28, 2003, Slayton's trust account was audited. Slayton was given notice of, and agreed that, he was in violation of Wis. Admin. Code § 18.13(1), (2), (4) and (5).

CONCLUSIONS OF LAW

1. The Wisconsin Real Estate Board has jurisdiction to act in this matter pursuant to Wis. Stat. § 452.14.
2. The Wisconsin Real Estate Board is authorized to enter into the attached Stipulation pursuant to Wis. Stat. § 227.44(5).
3. Respondent **Patrick F. Drugg** has violated Wis. Stat. § 452.13(2)(c).07, thereby subjecting himself to discipline per Wis. Stat. § 452.14(3)(L).
4. Respondent **Gregory A. Slayton** has violated Wis. Stat. § 452.13(2)(c).07, thereby subjecting himself to discipline per Wis. Stat. § 452.14(3)(L); and Wis. Admin. Code § RL 18.13 (1), (2), (4) and (5), thereby subjecting himself to discipline per Wis. Stat. § 452.14(3)(i) and Wis. Admin. Code § RL 18.14.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. Respondents **Gregory A. Slayton**, license # 90-48352, and **Patrick F. Drugg**, license # 90-47548, be, and hereby are, **REPRIMANDED**.

IT IS FURTHER ORDERED that:

2. Respondent Gregory A. Slayton shall take and successfully complete the pre-license module regarding trust accounts within three (3) months of the date of signing of this Order.
3. Respondent Gregory A. Slayton shall, within thirty (90) days from the date of this Order, pay costs of this proceeding in the amount of one thousand eight hundred (\$1800.00) dollars; and Respondent Patrick F. Drugg shall, within sixty (60) days from the date of this Order, pay costs of this proceeding in the amount of six hundred (\$600.00).
4. Payments shall be made payable to the Wisconsin Department of Regulation and Licensing. Payments and proof of successful completion of continuing education shall be mailed to:

Department Monitor
Division of Enforcement
Department of Regulation and Licensing
P.O. Box 8935, Madison, WI 53708-8935
Telephone (608) 261-7904, Fax (608) 266-2264

5. Violation of any of the terms of this Order by either Respondent may be construed as conduct imperiling public safety and welfare and may result in a summary suspension of the license of the Respondent who is in violation of the Order. The Board in its discretion may in the alternative impose additional conditions and limitations or other additional discipline for a violation of any of the terms of this Order. In the event that a Respondent fails to timely submit his payment of costs as set forth above, or fails to comply with the ordered continuing education the Respondent's or Respondents' license (90-47548 and/or 90-48352) SHALL BE SUSPENDED, without further notice or hearing, until Respondent(s) has/have complied with the terms of this Order.

6. This Order is effective on the date of its signing.

REAL ESTATE BOARD

By: Richard Kollmansberger
A Member of the Board

10/27/05
Date