

WISCONSIN DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES



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STATE OF WISCONSIN
BEFORE THE REAL ESTATE EXAMINING BOARD

IN THE MATTER OF DISCIPLINARY :
PROCEEDINGS AGAINST :
 : FINAL DECISION AND ORDER
JEREMY C. ARRINGTON AND :
WIHBN REALTY LLC, :
RESPONDENTS. : **ORDER 0008216**

Division of Legal Services and Compliance Case No. 19 REB 043 and 21 REB 124

The parties to this action for the purpose of Wis. Stat. § 227.53 are:

Jeremy C. Arrington
Middleton, WI 53562

WIHBN Realty LLC
Madison, WI 53705

Real Estate Examining Board
P.O. Box 8366
Madison, WI 53708-8366

Division of Legal Services and Compliance
Department of Safety and Professional Services
P.O. Box 7190
Madison, WI 53707-7190

The parties in this matter agree to the terms and conditions of the attached Stipulation as the final disposition of this matter, subject to the approval of the Real Estate Examining Board (Board). The Board has reviewed this Stipulation and considers it acceptable.

Accordingly, the Board in this matter adopts the attached Stipulation and makes the following Findings of Fact, Conclusions of Law and Order.

FINDINGS OF FACT

1. Respondent Jeremy C. Arrington (Birth Year 1977) is licensed by the State of Wisconsin as a real estate broker, having license number 55978-90, first issued on June 15, 2010 and current through December 14, 2022. Respondent's most recent address on file with the Wisconsin Department of Safety and Professional Services (Department) is in Middleton, Wisconsin 53562.

2. Respondent WIHBN Realty LLC is licensed by the State of Wisconsin as a real estate business entity, having license number 937237-91, first issued on February 11, 2013 and expired on December 15, 2018. Respondent's most recent address on file with the Department is in Madison, Wisconsin 53705.

3. Respondent Jeremy C. Arrington is identified in Department records as the responsible licensee in charge of Respondent WIHBN Realty LLC.
4. On August 8, 1997, Respondent Arrington was convicted of two counts of felony forgery in Sheboygan County Case Number 97 CF 100.
5. The Board reprimanded Respondent in Board Order #0006850 (case number 19 REB 105) on June 18, 2020 for practicing while his firm's license was expired.
6. On April 8, June 13, and July 2, 2019 the Department received three complaints against Respondent, each alleging that Respondents had taken money as investments, issued unsecured promissory notes, and mismanaged the money, resulting in complainants losing hundreds of thousands of dollars. The Division of Legal Services and Compliance (DLSC) subsequently opened Case Number 19 REB 043 for investigation.
7. On July 7, 2020, the Wisconsin Department of Financial Institutions (DFI) issued a Final Order by Consent to Cease and Desist, Revoking Exemptions and Imposing Restitution and Civil Penalties (DFI Order) against Respondents.
8. The DFI Order found, among other things, that:
 - a. From 2012 to 2017, Arrington, through WIHBN, solicited at least \$2.8 million from approximately 14 Wisconsin residents and the two non-Wisconsin Residents to invest in WIHBN.
 - b. Arrington represented to the prospective investors that their funds would be used to acquire and renovate real estate, which would then be leased to tenants or sold for profit. In some instances, prospective investors were told their investment funds would be used for the general business operations of WIHBN. In other instances, investors were told their funds would be used for a specific purpose or to purchase or renovate a specific property and would be secured by a mortgage. In exchange for their investment of funds, investors received promissory notes with of return between 12-36%.
 - c. Investors' funds were commingled in an account with revenue from WIHBN's business operations such as rents, real estate commissions, and profits from flipping real estate.
 - d. From in 2012 to 2018, when WIHBN did not generate enough revenue to pay principal and interest on the promissory note obligations, Arrington used new investor funds to make Ponzi-like payments to other investors.
 - e. Arrington failed to record mortgages to secure WIHBN investors' interests in specific properties as they represented to investors they would do, and frequently failed to use investors' funds for the purpose for which Arrington represented the funds would be used.
 - f. At no time did WIHBN, through Arrington, disclose to prospective investors Arrington's prior criminal conviction for forgery.

- g. Payments to investors could not have been made without an infusion of funds from new investors or additional investments by current investors.

9. On August 25, 2021, the Department received a new complaint that alleged that Respondent had asked complainants to borrow money to flip a house and stated he would give them a promissory note backed by a mortgage. However, Respondent Arrington had not filed the mortgage with the title company. Complainant also stated that Respondent Arrington had a pending criminal case against him for this conduct. DLSC subsequently opened Case Number 21 REB 124 for investigation.

10. On October 7, 2021, Respondent Arrington was convicted of wire fraud, a felony, in the Eastern District of Wisconsin, Case Number 21-CR-163.

11. According to the information filed in case number 21-CR-163, between 2012 and 2018, Respondent Arrington devised and participated in a scheme to obtain money through fraud. He did so by soliciting investment funds to be used to acquire and renovate real estate to lease and sell for profit. Arrington told potential investors that WIHBN had expertise in real estate investment and was a profitable business. Arrington also claimed there was little or no risk because the funds would be secured by the company's assets and profits and would be used to acquire and renovate specific properties secured with mortgages. Potential investors were directed to wire investment funds to the WIHBN bank account in exchange for promissory notes that purported to memorialize their investment agreements and promised returns that ranged from 12% to 36%. Based on the representations and promises, WIHBN obtained approximately \$2.8 million in investor funds between 2012 and 2017.

12. The information further states that, in fact, WIHBN was not profitable. Between 2012 and 2017, the business did not generate sufficient revenue in any year to meet its operating expenses and pay the principal and interest on the investors' promissory notes as they came due. Contrary to promises that investor funds would be used for real estate acquisition and renovations, investor funds were diverted to other purposes, including but not limited to, Ponzi-like payments to existing investors, draws by the partners, debt reduction, legal fees, and back taxes. Further, despite promises to the contrary, investor funds were not secured, and with a few exceptions, mortgages that were provided to investors were never recorded.

13. On May 19, 2022, Respondent Arrington was sentenced to 33 months in prison and 2 years of supervised release. He was also ordered to pay restitution in the amount of \$2,435,560.59.

14. In resolution of this matter, Respondents consent to the entry of the following Conclusions of Law and Order.

CONCLUSIONS OF LAW

1. The Real Estate Examining Board has jurisdiction to act in this matter pursuant to Wis. Stat. § 452.14, and is authorized to enter into the attached Stipulation pursuant to Wis. Stat. § 227.44(5).

2. By the conduct described in the Findings of Fact, Respondents violated Wis. Stat. § 452.133(1)(a) by failing to provide brokerage services honestly and fairly, pursuant to Wis. Stat. § 452.133(4m)(a).

3. By the conduct described in the Findings of Fact, Respondents violated Wis. Admin. Code § REEB 24.03(2)(b) by failing to act to protect the public against fraud, misrepresentation and unethical practices.

4. By the conduct described in the Findings of Fact, Respondent Arrington violated Wis. Admin. Code § REEB 24.17(1) by violating a law the circumstances of which substantially relate to the practices of a real estate licensee.

5. By the conduct described in the Findings of Fact, Respondents are subject to discipline pursuant to Wis. Stat. § 452.14(3)(c) by making a false promise of a character such as to influence, persuade, or induce a party to his or her injury or damage.

6. As a result of the above violations, Respondents are also subject to discipline pursuant to Wis. Stat. § 452.14(3)(c), (i), (k), (L), and (p), and Wis. Admin. Code § REEB 24.17(2) and (2m).

ORDER

1. The attached Stipulation is accepted.

2. The VOLUNTARY SURRENDER by Respondent Jeremy C. Arrington of his real estate broker's license (no. 55978-90) in the state of Wisconsin is hereby accepted.

3. The VOLUNTARY SURRENDER by Respondent WIHBN Realty LLC of its right to renew its real estate business entity license (no. 937237-91) in the state of Wisconsin is hereby accepted.

4. In the event Respondent Jeremy C. Arrington petitions the Department for reinstatement of his credential or applies for another credential in the state of Wisconsin under Wis. Stat. chs. 440 through 480, Respondent shall pay the COSTS of this matter in the amount of \$1,680, before any petition or application for a credential will be considered by the applicable board or Department.

5. In the event Respondent Jeremy C. Arrington petitions the Department for reinstatement of his credential, the Department may enter an order denying such application without further notice or hearing. Whether to grant a license and whether to impose any limitations or restrictions on any license granted shall be in the sole discretion of the Department and such decision is not reviewable.

6. In the event Respondent WIHBN Realty LLC petitions the Department for reinstatement of his credential, the Department may enter an order denying such application without further notice or hearing. Whether to grant a license and whether to impose any limitations or restrictions on any license granted shall be in the sole discretion of the Department and such decision is not reviewable.

7. Any requests, petitions, or payment of costs (made payable to the Wisconsin Department of Safety and Professional Services) shall be sent by Respondents to the Department Monitor at the address below:

Department Monitor
Division of Legal Services and Compliance
Department of Safety and Professional Services
P.O. Box 7190, Madison, WI 53707-7190
Telephone (608) 266-2112; Fax (608) 266-2264
DSPSMonitoring@wisconsin.gov

Respondents may also submit this information online via DSPS' Monitoring Case Management System at: <https://dpsmonitoring.wi.gov/>

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

WISCONSIN REAL ESTATE EXAMINING BOARD

by: 
A Member of the Board

10/20/22
Date

STATE OF WISCONSIN
BEFORE THE REAL ESTATE EXAMINING BOARD

IN THE MATTER OF DISCIPLINARY
PROCEEDINGS AGAINST

JEREMY C. ARRINGTON AND
WIHBN REALTY LLC,
RESPONDENTS.

:
:
:
:
:
:

STIPULATION

ORDER 0008216

Division of Legal Services and Compliance Case No. 19 REB 043 and 21 REB 124

Respondents Jeremy C. Arrington and WIHBN Realty LLC and the Division of Legal Services and Compliance, Department of Safety and Professional Services stipulate as follows:

1. This Stipulation is entered into as a result of a pending investigation by the Division of Legal Services and Compliance. Respondents consent to the resolution of this investigation by Stipulation.

2. Respondents understand that by signing this Stipulation, Respondents voluntarily and knowingly waive the following rights:

- the right to a hearing on the allegations against Respondents, at which time the State has the burden of proving those allegations by a preponderance of the evidence;
- the right to confront and cross-examine the witnesses against Respondents;
- the right to call witnesses on Respondents' behalf and to compel their attendance by subpoena;
- the right to testify on Respondents' own behalf;
- the right to file objections to any proposed decision and to present briefs or oral arguments to the officials who are to render the final decision;
- the right to petition for rehearing; and
- all other applicable rights afforded to Respondents under the United States Constitution, the Wisconsin Constitution, the Wisconsin Statutes, the Wisconsin Administrative Code, and other provisions of state or federal law.

3. Respondents are aware of Respondents' right to seek legal representation and have been provided an opportunity to obtain legal counsel before signing this Stipulation.

4. Respondents agree to the adoption of the attached Final Decision and Order by the Real Estate Examining Board (Board). The parties to the Stipulation consent to the entry of the attached Final Decision and Order without further notice, pleading, appearance or consent of the parties. Respondents waive all rights to any appeal of the Board's order, if adopted in the form as attached.

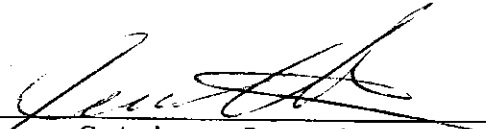
5. If the terms of this Stipulation are not acceptable to the Board, the parties shall not be bound by the contents of this Stipulation, and the matter shall then be returned to the Division

of Legal Services and Compliance for further proceedings. In the event that the Stipulation is not accepted by the Board, the parties agree not to contend that the Board has been prejudiced or biased in any manner by the consideration of this attempted resolution.

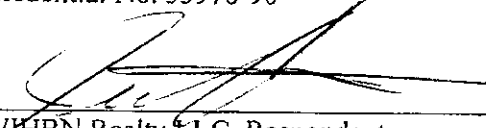
6. The parties to this Stipulation agree that the attorney or other agent for the Division of Legal Services and Compliance and any member of the Board ever assigned as an advisor in this investigation may appear before the Board in open or closed session, without the presence of Respondents, for purposes of speaking in support of this agreement and answering questions that any member of the Board may have in connection with deliberations on the Stipulation. Additionally, any such advisor may vote on whether the Board should accept this Stipulation and issue the attached Final Decision and Order.

7. Respondents are informed that should the Board adopt this Stipulation, the Board's Final Decision and Order is a public record and will be published in accordance with standard Department procedure.

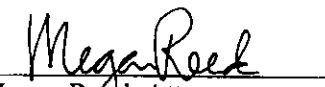
8. The Division of Legal Services and Compliance joins Respondents in recommending the Board adopt this Stipulation and issue the attached Final Decision and Order.


Jeremy C. Arrington, Respondent
Middleton, WI 53562
Credential No. 55978-90

9/12/22
Date


WHBN Realty LLC, Respondent
By: Jeremy C. Arrington, Responsible Licensee
Madison, WI 53705
Credential No. 937237-91

9/12/22
Date


Megan Reed, Attorney
Division of Legal Services and Compliance
P.O. Box 7190
Madison, WI 53707-7190

9/16/2022
Date