

BEFORE THE ARKANSAS REAL ESTATE COMMISSION

IN THE MATTER OF

FH 3824

Thomas Wesley Reeder- Principal Broker

Reeder Realty

Arkadelphia, Arkansas

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

A hearing on the above captioned matter was held before the Arkansas Real Estate Commission on Monday, August 12, 2024, in the Meeting Room of the Arkansas Real Estate Commission Building, at 612 South Summit Street, Little Rock, Arkansas. Commission Chair Tony Moore, Vice Chair Jerry Halsey Jr., Commissioner Tammy Browning, Commissioner Eugene Post, and Commissioner Luke Heffley were present. Respondent Thomas Wesley Reeder was present and represented by Clinton Dewitt, Attorney at Law and Todd Turner, Attorney at Law. The Commission was represented by Julie Chavis, Attorney at Law, Senior Assistant Attorney General. Charles Moulton served as Hearing Officer. On the basis of the testimony and other evidence presented, the Commission makes the following FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER.

FINDINGS OF FACT

1. On June 21, 1977, Respondent Thomas Reeder was a licensed Salesperson with Reeder Realty in Arkadelphia, Arkansas. On July 26, 1978, Respondent Reeder became licensed as an Associate Broker with Reeder Realty in Arkadelphia, Arkansas. On January 1, 2014, Respondent Reeder became the Principal Broker for Reeder Realty in Arkadelphia, Arkansas. At all times pertinent

to the activities herein Respondent Reeder was licensed with Reeder Realty in Arkadelphia, Arkansas.

2. On or about January 12, 1995, Myrtle G. Tyson signed an "Agency Representation Disclosure, Century 21 Reeder Realty Management Agreement Contract" with then Principal Broker Frank Reeder of Century 21 Reeder Realty to manage 2510 Country Club Road, Arkadelphia, Arkansas. Century 21 Reeder Realty became Reeder Realty in 2003. The management period was to begin on January 1, 1995, and expire on December 31, 1995, and would be renewed unless 60 days written notice to terminate the agreement was given. The management agreement also noted other properties were to be managed as instructed.

3. On or about June 11, 2008, Tyson Living Trust, Myrtle Tyson (Trustee), and "Wes" Reeder of Reeder Realty, signed an Exclusive Right to Sell Agreement (148301), for the property located at 1025 North 26th Street, Arkadelphia, Arkansas, in the amount of \$195,000, which was later changed and initialed to \$192,500. The listing period was to begin on June 11, 2008, and expire on October 9, 2008. The property did not sell and was managed by Reeder Realty for Myrtle Tyson. In 2001, a warranty deed was recorded listing the ownership of the subject property as the Tyson Family Trust.

4. On or about June 11, 2008, Tyson Living Trust, Myrtle Tyson (Trustee), and "Wes" Reeder of Reeder Realty signed an Exclusive Right to Sell Agreement (Lots and Acreage) (178C01), to list subject property located at 1023 North 26th Street, Arkadelphia, Arkansas, in the amount of \$19,500.

5. On or about May 26, 2010, Jeffery L Ross, Peggy L. Ross, and Derek Lynn Ross submitted Residential Lease Applications to Reeder Realty & Rental. Respondent Reeder stated he did not run a background check on the

Rosses or check any references, as they came with the recommendation from the builder of the home Complainants Tyson and Pryor owned.

6. On or about June 1, 2010, Jeffery Ross and Peggy Ross signed an "Agency Representation Disclosure, Agreement of Lease" with Reeder Realty to occupy 1025 N. 26th Street, Arkadelphia, Arkansas, for \$1,200 per month. A security deposit of \$1,200.00 was collected. The term of the lease agreement was for one (1) year, with an optional thirty (30) day monthly renewal.

7. From December 10, 2015 through September 13, 2016, Bookkeeper Heather Billingsley prepared monthly owner statements to provide to Myrtle G. Tyson for the properties managed by Reeder Realty. The statements reflected rent received from Jeffery and Peggy Ross for the subject property as well as rents received for the multi-unit property located at 2510 Country Club. The monthly statement provided to Myrtle G. Tyson for the month ending July 12, 2016, reflected a negative balance of (\$250.47). During this same time several rents were not collected for the property located at 2510 Country Club, while expenses and the mortgage payment were paid. The August 11, 2016, statement reflected a negative balance of (\$1,469.96) due to rents not being collected for the 2510 Country Club property. The monthly owner statement for the period ending September 14, 2016, reflected a negative balance in the amount of (\$3,424.21). The statements for August and September 2016, reflected that Bookkeeper Billingsley continued to make the monthly mortgage payment for Myrtle G. Tyson although the owner's account carried a negative balance.

8. Tenant Jeffery Ross passed away in September 2016. From September 15, 2016 through January 11, 2017, monthly owner statements prepared by Bookkeeper Billingsley for Myrtle G. Tyson did not reflect rent received from Jeffery and Peggy Ross. The monthly mortgage payment was made in December 2016,

but not in January 2017. The January 11, 2017, monthly owner statement reflected a negative balance for the Tyson properties in the amount of (\$8,413.46).

9. On or about January 16, 2017, a Notice to Vacate was delivered to Peggy Ross and daughters Lisa Ross and Erica Clifton, occupants of 1025 N. 26th Street, Arkadelphia, Arkansas, for failure to pay rent. The total amount owed was \$5,115.00. Salesperson Ella Ruth Reeder filed a complaint in Clark County District Court on January 23, 2017, on behalf of Reeder Realty against Peggy Ross for unpaid rent and late fees.

10. A monthly owner statement was prepared for Myrtle G. Tyson for the period from January 12, 2017 to February 11, 2017. The statement did not reflect rent received on the subject property. The statement reflected payment of two months of mortgage payments in the amount of \$2,566.60 and an insurance bill in the amount of \$4,162.00 were paid from the trust account on behalf of Myrtle G. Tyson. The statement reflected a negative balance of (\$13,475.10).

11. Peggy Ross vacated the subject property sometime prior to March 13, 2017. No money toward the amount owed was collected from the Tenants. From 2010, when Jeffrey and Peggy Ross entered into the lease agreement on 1025 N. 26th Street and the day Peggy Ross vacated the property in March of 2017, Respondent Reeder did not perform any inspections of the subject property. After Peggy Ross vacated the property, it was discovered the property was full of trash and had substantial amounts of damage. Complainants Tyson and Pryor provided before and after photographs of the subject property to AREC Investigators.

12. On or about November 2, 2017, Complainants Tyson and Pryor sent a Certified Demand Letter to Respondent Reeder demanding either payment of \$139,533 for damages or that Respondent Reeder purchase 1025 N. 26th Street for \$198,000.

13. On or about November 17, 2017, Respondent Reeder sent Complainant Tyson an email which included a Real Estate Contract (Residential) from Buyer Ella Ruth Reeder (licensed salesperson and owner of Reeder Realty). The Real Estate Contract (0891540) was for the purchase of 1025 N. 26th Street and Lots 23, 23A, and 22, in the amount of \$177,500. Closing was to be on December 20, 2017. In Paragraph 35 Licensee Disclosure, box A "Not Applicable" was checked however, Buyer Ella Reeder was a licensed Real Estate Agent. Sellers Jane Tyson and Kaye Pryor signed the contract as accepted on December 11, 2017.

14. On or about December 4, 2017, Buyer Salesperson Ella Ruth Reeder submitted General Addendum (2427951) to Real Estate Contract (0891540). The Addendum noted, "22. Closing: Closing is the date and time at which Seller delivers the executed and acknowledged deed and Buyer's completion, signing and delivery to Seller (or Closing Agent agreed to by Buyer and Seller) of all loan, closing documents and Purchase Price funds required to be executed or delivered by Buyer (the "Closing"). "Buyer and Seller agree the Closing date will be January 11, 2018." "The Closing date may be changed by written agreement of Buyer and Seller." Sellers Jane Tyson and Kaye Pryor signed the addendum on December 11, 2017.

15. On or about January 11, 2018, closing occurred on subject property at First National Title Company, located at 501 Main Street, Arkadelphia, Arkansas.

16. On or about April 13, 2018, Jane Tyson sent an email to Respondent Reeder requesting keys, security deposits, list of tenants, and other pertinent information be turned over to Lisa Brosh of Tatman Real Estate.

17. On December 19, 2023, Respondent Reeder sent an email reply to AREC Investigator Sullentrup who requested information regarding a \$10,000, check drawn on the trust account payable to Reeder Realty. In Respondent Reeder's

email he stated, "plus one management draw (highlighted in yellow)." Trust Account # 516689 Bank Statements provided during the course of the investigation were reviewed. The statements reflected numerous checks paid to Reeder Realty for "management fee draws."

18. On February 24, 2024, AREC Supervisor Henries and AREC Investigators Gupton and Sullentrup performed an office visit at Reeder Realty to review the real estate and property management records. During the visit, Respondent Reeder revealed that in March of 2023, the owner of a storage unit managed by the firm discovered approximately \$28,000, had not been disbursed to the property owner. Respondent Reeder alleged that Bookkeeper Billingsley stole the \$28,000. Respondent Reeder stated he filed a police report; however, charges have not yet been filed against Bookkeeper Billingsley. Respondent Reeder stated his mother Ella Reeder paid the \$28,000, to the owner of the storage units.

19. Prior to the office visit, Respondent Reeder had three Trust Accounts registered with the Arkansas Real Estate Commission: Southern Bancorp, Account 1092 (Earnest Money); Southern Bancorp Account 0475 (Security Deposits); and Southern Bancorp Account 6889 (Incoming Rents and outgoing payments for rental properties). When Southern Bancorp was bought out by Bank OZK, Respondent Reeder did not inform the Commission of subsequent changes to the trust accounts.

20. During the course of the AREC investigation and office visit, it was discovered that Respondent Reeder had not performed any trust account bank reconciliations.

21. During the AREC office visit, it was discovered Respondent Reeder had not maintained check registers or deposit registers but instead kept handwritten lists of transactions in each tenant and owner file.

22. During the AREC office visit, it was discovered Respondent Reeder had not maintained any owner ledgers but instead kept handwritten lists of transactions in each owner file.

23. During the AREC office visit, it was discovered Respondent Reeder had not maintained tenant ledgers but instead kept handwritten lists of transactions in each tenant file.

24. During the AREC office visit, it was discovered Respondent Reeder had not reconciled the owner and tenant ledgers to the trust account.

25. Respondent Reeder provided a handwritten security deposit schedule for the office visit which totaled \$24,097.46. A spreadsheet prepared by AREC staff using the information provided by Respondent Reeder reflected the security deposit total should be \$32,777.71.

CONCLUSIONS OF LAW

Respondent Thomas “Wes” Reeder

26. By failing to collect rent payments from the tenants of the subject property from October 2016 through December 2016, Respondent Reeder failed to protect and promote the interests of his owner clients, which constitutes a violation of Commission Rule 8.5(a) and Arkansas Code Annotated § 17-42-316(b)(1).

27. By allowing Bookkeeper Billingsley to continue to make mortgage payments when Complainant Owners Tyson and Pryor’s account carried a negative balance, Respondent Reeder failed to exercise strict supervision of the real estate activities of all those for whom they have supervisory responsibility, a violation of Commission Rule 10.4(b).

28. By continuing to make mortgage payments for Complainants Tyson and Pryor after the funds belonging to Tyson and Pryor were exhausted, Respondent Reeder failed to account for or to remit any moneys coming into his possession which belong to others, which constitutes a violation of Arkansas Code Annotated § 17-42-311(a)(6).

29. By failing to ensure Salesperson Ella Reeder's licensure status was properly disclosed in Paragraph 25 of the Real Estate Contract (0891540) when Salesperson Ella Reeder was purchasing the Complainants' property, Respondent Reeder failed to reduce the exact agreement of the parties to writing a violation of Commission Rule 10.10(a).

30. Respondent Reeder did not transfer management fees at the time they were earned, but instead paid himself lump sums at random intervals without a proper reconciliation and accounting of trust funds, which failed to ensure that he did not commingle personal funds with trust fund money, a violation of Commission Rule 10.8(b).

31. By failing to review monthly records for his owner clients to ensure Bookkeeper Billingsley was properly accounting for funds received, Respondent Reeder failed to be accountable and responsible for all funds received and disbursed from his firm, a violation of Commission Rule 10.8(c).

32. By failing to inform the Arkansas Real Estate Commission of the change of trust account 11092 from Southern Bancorp to Bank OZK and inform the Commission of rent and security deposit trust account changes, Respondent Reeder failed to inform the Commission of each separate trust account, a violation of Commission Rule 10.8(e).

33. By failing to conduct and maintain records of monthly reconciliations of all trust accounts held by the Respondent, Respondent Reeder violated Commission

Rule 10.8(g)(2). By failing to reconcile and balance the trust accounts to the total amount of trust funds deposited in the account which have not been disbursed, Respondent Reeder violated Commission Rule 10.9(b) and Arkansas Code Annotated § 17-42-311(a)(6).

34. By failing to maintain check and deposit ledgers of funds he received and disbursed, Respondent Reeder failed to maintain complete records pertaining to property managed for others, which constitutes a violation of Commission Rules 10.7(b)(2) and 10.21(a).

35. By failing to provide records of owner ledgers for the properties managed by the firm, Respondent Reeder failed to prepare and maintain at least one separate owner's ledger for each property management agreement, for all monies received and disbursed, which constitutes a violation of Commission Rules 10.22(a).

36. By failing to maintain records of tenant ledgers for the properties managed by the firm, Respondent Reeder failed to maintain at least one tenant's ledger for each unit from whom the property manager has received any funds under a property management agreement, which constitutes a violation of Commission Rule 10.23(a).

37. By failing to maintain records reconciling the tenant ledgers and owner ledgers to the trust account Respondent Reeder violated Commission Rule 10.8(g)(2) and 10.9(b) and Arkansas Code Annotated § 17-42-311(a)(6).

ORDER

Based upon these findings and conclusions, the Arkansas Real Estate Commission has assessed against Thomas Wesley Reeder a civil penalty of \$200 for the violation outlined in paragraph 26; a civil penalty of \$200 for the violation outlined in paragraph 27; a civil penalty of \$100 for the

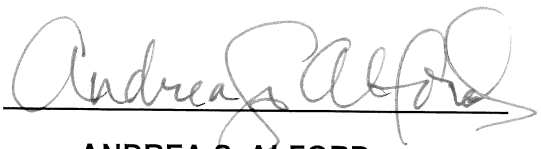
violation outlined in paragraph 28; a civil penalty of \$200 for the violation outlined in paragraph 29; a civil penalty of \$500 for the violation outlined in paragraph 30; a civil penalty of \$1,000 for the violation outlined in paragraph 31; a civil penalty of \$100 for the violation outlined in paragraph 32; a civil penalty of \$1,000 for the violation outlined in paragraph 33; a civil penalty of \$200 for the violation outlined in paragraph 34; a civil penalty of \$200 for the violation outlined in paragraph 35; a civil penalty of \$200 for the violation outlined in paragraph 36; and a civil penalty of \$200 for the violation outlined in paragraph 37. The total of those fines being \$4,100. Mr. Reeder's principal broker license shall be immediately restricted to listing and sales only and prohibited from any property management services whatsoever. Mr. Reeder must pay for a forensic accountant to provide a written audit report of all broker's trust accounts. The audit report should be provided in a format acceptable to the AREC Executive Director within six months. If this is not strictly adhered to, Mr. Reeder's license shall be immediately revoked.

APPEAL ADMINISTRATIVE PROCEDURES ACT

Pursuant to the Arkansas Administrative Procedures Act, Ark. Code Ann. § 25-15-212, Respondent may petition for judicial review of this decision by filing a petition in the Circuit Court in the county in which he resides or does business or in the Circuit Court of Pulaski County within thirty (30) days after service of this order.

DONE AND SO ORDERED THIS 21th DAY OF AUGUST 2024

ARKANSAS REAL ESTATE COMMISSION

By: 

**ANDREA S. ALFORD
EXECUTIVE DIRECTOR**