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FILED

JUL 07 2023

DEPARTMENT OF REAL ESTATE
By B. Nichols

11 BEFORE THE DEPARTMENT OF REAL ESTATE
12 STATE OF CALIFORNIA
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14 * * *

15 In the Matter of the Accusation of)

16 AJR MANAGEMENT INC.;)

17 and)

18 JOHN W. AHL, JR., individually and as)
19 designated officer of AJR Management Inc.,)

20 Respondents.)

No. H-3462 FR

ACCUSATION

21 The Complainant, RUBEN CORONADO, a Supervising Special Investigator of
22 the State of California, for cause of Accusation against AJR MANAGEMENT INC. and JOHN
23 W. AHL, JR. (collectively referred to as "Respondents"), is informed and alleges as follows:

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25 The Complainant, RUBEN CORONADO, a Supervising Special Investigator of
26 the State of California, makes this Accusation in his official capacity.

27 PRELIMINARY ALLEGATIONS

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Respondents are presently licensed and/or have license rights under the Real
Estate Law, Part 1 of Division 4 of the Business and Professions Code (Code).

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At all times mentioned, Respondent AJR MANAGEMENT INC. (AJR) was and is licensed by the Department as a real estate broker corporation, License ID 01524787. AJR was licensed by the Department as a real estate corporation on or about October 26, 2006. Unless renewed, AJR's corporate broker license will expire June 12, 2025.

At all times mentioned, AJR was and is licensed to do business under the fictitious business name, "AJR Real Estate & Financial Services."

At all times mentioned, JOHN W. AHL, JR. (AHL) was licensed by the Department as the designated broker officer of AJR. As said designated officer-broker, AHL was responsible pursuant to Section 10159.2 of the Code for the supervision of the activities of the officers, agents, real estate licensees, and employees of AJR for which a license is required.

Effective March 17, 2014, in Case No. H-2780 FR before the Department, the Real Estate Commissioner issued an order revoking the corporate broker license of AJR, granting the right to a restricted real estate corporate broker license under terms and conditions including a 60 day suspension for violation of Business and Professions Code (Code) Sections 10177(d), 10177(g), and 10176(e). On or about April 27, 2017, an Order Granting Reinstatement of Licenses was issued reinstating AJR's unrestricted corporate broker license.

At all times mentioned, Respondent AHL was licensed by the Department individually as a real estate broker, License ID 01767610. AHL was licensed as a real estate broker on August 25, 2006. Unless renewed, AHL's broker license will expire June 7, 2025.

AHL is also licensed by the Department as the designated broker officer of AJR.

Effective March 17, 2014, in Case No. H-2780 FR before the Department, the Real Estate Commissioner issued an order revoking the broker license of AHL, granting the right to a restricted real estate broker license under terms and conditions including a 60 day suspension for violation of Business and Professions Code (Code) Sections 10177(d), 10177(g), 10176(e),

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1 and 10177(h). On or about April 27, 2017, an Order Granting Reinstatement of Licenses was
2 issued reinstating AHL's unrestricted broker license.

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4 Whenever reference is made in an allegation in this Accusation to an act or
5 omission of AJR, such allegation shall be deemed to mean that the officers, directors, employees,
6 agents and real estate licensees employed by or associated with AJR committed such acts or
7 omissions while engaged in furtherance of the business or operation of AJR and while acting
8 within the course and scope of their corporate authority and employment.

9 AUDIT FR-20-0071

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11 On or about April 11, 2023, the Department completed its audit (FR-20-0071) of
12 the books and records of AJR's property management activities described in Paragraph 7. The
13 auditor herein examined the records for the period of January 1, 2021, through July 1, 2021.

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15 At all times mentioned, Respondents engaged in the business of, acted in the
16 capacity of, advertised, or assumed to act as a real estate broker within the State of California
17 within the meaning of Sections 10131(b) of the Code, including the operation and conduct of a
18 property management business with the public wherein, on behalf of others, for compensation or
19 in expectation of compensation, Respondents leased or rented and offered to lease or rent, and
20 solicited for prospective tenants of real property or improvements thereon, and collected rents
21 from real property or improvements thereon.

22 As of the audit examination, Respondents managed two hundred and eleven (211)
23 one-to-four family residences for eighty (80) owners. Respondents collected approximately
24 \$4,800,000 in trust funds annually.

25 Respondents' property management services include, but not limited to, collecting
26 rents, paying expenses, and screening tenants. For such property management services,

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Respondents charged a management fee of 7 to 8 percent of collected rents, or a flat fee of \$90 to \$105 per unit per month.

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While acting as a real estate broker as described in Paragraph 7, Respondents accepted or received funds in trust (trust funds) from or on behalf of owners and tenants in connection with the leasing, renting, and collection of rents on real property or improvements thereon, as alleged herein, and thereafter from time-to-time made disbursements of said trust funds.

The trust funds accepted or received by Respondents were deposited or caused to be deposited by Respondents into accounts which were maintained by Respondents for the handling of trust funds, and thereafter from time-to-time Respondents made disbursements of said trust funds, identified as follows:

TRUST ACCOUNT # 1	
Bank Name and Location:	Citizens Bank 7110 N. First Street Fresno, CA 93720
Account No.:	XXXX0011
Account Name:	AJR Management Inc. Rental Trust Account
Signatories:	AHL
Purpose:	Trust Account #1 was used for the handling of trust funds from property management activities.

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TRUST ACCOUNT # 2	
Bank Name and Location:	Citizens Bank 7110 N. First Street Fresno, CA 93720
Account No.:	XXXX8130
Account Name:	AJR Management dba AJR Real Estate and Financial Services Deposit Trust Account 1
Signatories:	AHL
Purpose:	Trust Account #1 was used for the handling of security deposits from property management activities.

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In the course of the property management activities described in Paragraph 7, and during the audit examination period described in Paragraph 6, Respondents violated the Code and Regulations described below:

Trust Account Accountability and Balances

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(Trust Account #1)

Based on the records provided during the audit, a bank reconciliation for Trust Account #1 was prepared for as of April 30, 2021, May 31, 2021, and June 30, 2021. The adjusted bank balance of Trust Account #1, was compared to the beneficiaries' accountability for Trust Account #1.

April 30, 2021

Adjusted Bank Balance

\$20,766.66

Accountability

Identified Accountability	\$17,648.93	
Unidentified/Unaccounted for Funds	\$6,134.91	<u>\$23,783.84</u>
Trust Fund Shortage		<u>(\$3,017.18)</u>

A shortage of \$3,017.18 was found in Trust Account #1 as of April 30, 2021. The trust fund shortage was caused by negative account balances.

May 31, 2021

Adjusted Bank Balance		\$35,449.79
Accountability		
Identified Accountability	\$20,424.45	
Unidentified/Unaccounted for Funds	\$15,785.91	<u>\$36,210.36</u>
Trust Fund Shortage		<u>(\$760.57)</u>

A shortage of \$760.57 was found in Trust Account #1 as of May 31, 2021. The trust fund shortage was caused by negative account balances.

June 30, 2021

Adjusted Bank Balance		\$84,390.67
Accountability		
Identified Accountability	\$59,823.60	
Unidentified/Unaccounted for Funds	\$24,754.51	<u>\$84,578.11</u>
Trust Fund Shortage		<u>(\$187.44)</u>

A shortage of \$187.44 was found in Trust Account #1 as of June 30, 2021. The trust fund shortage was caused by negative account balances.

Respondents provided no evidence that the owners of the trust funds had given their written consent to allow Respondents to reduce the balance of the funds in Trust Account #1 to an amount less than the existing aggregate trust fund liabilities, in violation of Section

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10145 of the Code and Section 2832.1 of Title 10, Chapter 6, California Code of Regulations (Regulations).

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(Trust Account #2)

Based on the records provided during the audit, a bank reconciliation for Trust Account #2 was prepared for as of April 30, 2021, May 31, 2021, and June 30, 2021. The adjusted bank balance of Trust Account #2, was compared to the beneficiaries' accountability for Trust Account #2.

April 30, 2021

Adjusted Bank Balance	\$348,942.21
Accountability	<u>\$352,734.21</u>
Trust Fund Shortage	<u>(\$3,792.00)</u>

A shortage of \$3,792 was found in Trust Account #2 as of April 30, 2021. \$2,695 of the shortage was caused by negative balances. The cause of the remainder of the shortage, \$1,097, is unidentified.

May 31, 2021

Adjusted Bank Balance	\$348,942.21
Accountability	<u>\$361,923.21</u>
Trust Fund Shortage	<u>(\$13,041.00)</u>

A shortage of \$13,041 was found in Trust Account #2 as of May 31, 2021. \$3,204 of the shortage was caused by negative balances. The cause of the remainder of the shortage, \$9,837, is unidentified.

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1 Trust Account #1 contained unidentified and/or unaccounted for funds of at least
2 \$6,134.91 as of April 30, 2021, \$15,785.91 as of May 31, 2021, and \$24,751.51 as of June 30,
3 2021. Respondent failed to maintain a separate records for the unidentified funds.

4 Trust Account Reconciliation

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6 Respondents failed to reconcile the balance of separate beneficiary or transaction
7 records with the control record of trust funds received and disbursed at least once a month, and/or
8 failed to maintain a record of such reconciliations for each bank account holding trust funds as
9 required by Section 2831.2 of the Regulations.

10 FAILURE TO SUPERVISE

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12 Respondent AHL failed to exercise reasonable supervision over the acts of AJR in
13 such a manner as to allow the acts and events described above to occur.

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15 The acts and/or omissions of AHL as described in Paragraph 15, constitutes
16 failure on the part of AHL, as designated broker-officer for AJR, to exercise reasonable
17 supervision and control over the licensed activities of AJR as required by Section 10159.2 of the
18 Code and Section 2725 of the Regulations.

19 GROUND FOR DISCIPLINE

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21 The acts and/or omissions of Respondents as alleged in the above constitute
22 grounds for the suspension or revocation of all licenses and license rights of Respondents,
23 pursuant to the following provisions of the Code and Regulations:

24 As to Paragraphs 10 and 11, under Sections 10177(d) and/or 10177(g) of the
25 Code in conjunction with Section 10145 of the Code and Section 2832.1 of the Regulations; and

26 As to Paragraph 12, under Sections 10177(d) and/or 10177(g) of the Code in
27 conjunction with Section 2831 of the Regulations.

1 As to Paragraph 13, under Sections 10177(d) and/or 10177(g) of the Code in
2 conjunction with Section 2831.1 of the Regulations.

3 As to Paragraph 14, under Sections 10177(d) and/or 10177(g) of the Code in
4 conjunction with Section 2831.2 of the Regulations.

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6 The acts and/or omissions of AHL as alleged in Paragraphs 15 and 16 constitute
7 grounds for the suspension or revocation of all licenses and license rights of AHL under Sections
8 10177(g) and/or 10177(h) of the Code, and Section 10159.2 of the Code in conjunction with
9 Section 10177(d) of the Code.

10 COST RECOVERY

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12 The acts and/or omissions of Respondents as alleged above, entitle the
13 Department to reimbursement of the costs of its audit pursuant to Section 10148(b) of the Code.

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15 Section 10106 of the Code provides, in pertinent part, that in any order issued in
16 resolution of a disciplinary proceeding before the Department, the Commissioner may request the
17 Administrative Law Judge to direct a licensee found to have committed a violation of this part to
18 pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

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1 WHEREFORE, Complainant prays that a hearing be conducted on the
2 allegations of this Accusation and that upon proof thereof, a decision be rendered imposing
3 disciplinary action against all licenses and license rights of Respondent under the Code, for the
4 cost of investigation and enforcement as permitted by law, and for such other and further relief as
5 may be proper under the provisions of law.

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8 RUBEN CORONADO
9 Supervising Special Investigator

10 Dated at Fresno, California,
11 this 19th day of June, 2023

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13 DISCOVERY DEMAND

14 Pursuant to Sections 11507.6, *et seq.* of the *Government Code*, the Department of
15 Real Estate hereby makes demand for discovery pursuant to the guidelines set forth in the
16 *Administrative Procedure Act*. Failure to provide Discovery to the Department of Real Estate
17 may result in the exclusion of witnesses and documents at the hearing or other sanctions that the
18 Office of Administrative Hearings deems appropriate.