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FILED

JAN 21 2016

BUREAU OF REAL ESTATE

By *John C. Gail*

7
8 BEFORE THE BUREAU OF REAL ESTATE
9 STATE OF CALIFORNIA

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11 In the Matter of the Accusation of No. H-04766 SD

12 KRONE & BUSHARD INC.; and)
13 ALAN WILLIAM KRONE,) A C C U S A T I O N
14 individually, and as designated officer)
15 officer for Krone & Bushard Inc.,)
16 Respondents.)

17 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the
18 California Bureau of Real Estate ("Bureau"), for cause of Accusation against KRONE &
19 BUSHARD INC. ("K & B") and ALAN WILLIAM KRONE ("KRONE"), individually, and as
20 designated officer for K & B (sometimes referred to as "Respondents"), is informed and alleges
21 as follows:

22 1.

23 The Complainant, Veronica Kilpatrick, a Supervising Special Investigator of the
24 Bureau, makes this Accusation in her official capacity.

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2 Respondent K & B is presently licensed and/or has license rights under the Real
3 Estate Law (Part 1 of Division 4 of the Business and Professions Code, hereafter "Code"), as a
4 real estate corporation acting by and through Respondent KRONE as its designated broker-
5 officer. The license of K & B will expire on April 15, 2018, unless renewed.

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7 Respondent KRONE is presently licensed and/or has license rights under the
8 Code as the designated broker-officer for K & B. The license of KRONE will expire on January
9 17, 2018, unless renewed.

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11 At all times relevant herein Respondents were engaged in the business of, acted
12 in the capacity of, advertised or assumed to act as a real estate broker, within the meaning of
13 Code Section 10131(b). Said activities included offering to negotiate and negotiating leases and
14 rental agreements on behalf of prospective real property tenants, and offering to perform and
15 performing the rental and collection of rents and security deposits for real property on behalf of
16 others for compensation or in expectation of compensation.

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5.

18 At all times relevant herein KRONE, as the officer designated by K & B
19 pursuant to Section 10211 of the Code, was responsible for the reasonable supervision and
20 control of the activities conducted on behalf of K & B by its officers and employees as
21 necessary to secure full compliance with the Real Estate Law as set forth in Section 10159.2 of
22 the Code and Section 2725, Title 10, Chapter 6, Code of Regulations ("Regulations").

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1 FIRST CAUSE OF ACCUSATION

2 (Audit Violations)

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4 On or about May 28, 2015, the Bureau completed its audit examination of the
5 books and records of K & B pertaining to the real estate sales activities described in Paragraph
6 4, above, covering a period from October 1, 2013, to October 31, 2014.

7 7.

8 At all times mentioned herein, and in connection with the activities described in
9 Paragraph 4, above, Respondents accepted or received funds, including funds in trust from or
10 on behalf of owners of the real property managed by Respondents, and thereafter made deposits
11 and/or disbursements of such funds. From time-to-time herein mentioned during the audit
12 period, said trust funds were deposited into and/or disbursed from an account maintained as
13 follows:

14 Trust Account 1 (TA #1)

15 Account Name: Krone & Bushard, Inc. Clients Trust Account

16 Acct. No.: xxxxxx8781

17 Bank Name: Union Bank

18 1858 Cable Street

19 San Diego, California 92107

20 Signatories: KRONE (REB/DO)

21 Christopher Bushard (REB)

22 One signature required

23 Description: Used as a depository for rents and security deposits from tenants
24 described as Krone's accounts. Disbursements from the account were
25 payments for expenses related to the properties managed, owner
26 remittances, and to K & B for management fees.

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1 Trust Account 2 (TA #2)

2 Account Name: Krone & Bushard , Inc. Clients Trust Account

3 Acct. No.: xxxxxx9939

4 Bank Name: Union Bank

5 2858 Cable Street

6 San Diego, California 92107

7 Signatories: KRONE (REB/DO)

8 Christopher James Bushard (REB)

9 Brooks V. Howard (RES)

10 One signature required

11 Description: Used as a depository for rents and security deposits described as
12 Bushard's accounts. Disbursements from TA#2 were payments for
13 expenses related to the properties managed, owner remittances, and to K
14 & B for management fees.

15 8.

16 The audit examination revealed violations of the Code and the Regulations, as
17 set forth in the following paragraphs, and more fully discussed in Audit Report No. SD 140022
18 along with the exhibits and work papers attached to the audit report:

19 (a) TA #1: Permitted, allowed or caused the withdrawal or disbursement of trust
20 funds from TA #1 so that as of October 31, 2014, the account had a shortage of \$28,602.16.
21 The shortage was caused by: negative property balances of \$9,958.91, unreimbursed bank
22 service charges of \$63.57, at least three (3) online payments totaling \$2,203.37 not posted to the
23 books, an unidentified withdrawal of \$11,259.08 and unidentified causes of \$5,117.23. On
24 February 9, 2015, Respondents deposited a total of \$5,117.23 into TA #1 to cure a portion of
25 the shortage. There were also unidentified/unaccounted for trust fund deposits totaling at least
26 \$4,308.36 as of October 31, 2014.

1 TA #2: As of October 31, 2014, there was a shortage of \$50,451.77 caused by
2 negative beneficiary balances. There were also unidentified/unaccounted for funds totaling
3 \$7,112.06 as of October 31, 2014.

4 Respondents caused, permitted and/or allowed said withdrawal or disbursement
5 of trust funds from this account so that the total of aggregate funds remaining in the trust
6 account was less than the existing aggregate trust fund liability of Respondents to every
7 principal who was an owner of said funds without first obtaining the prior written consent of
8 the owners of said funds as is required by Code Section 10145 and Section 2832.1 of the
9 Regulations.

10 (b) Respondents failed to maintain an adequate and accurate control record in
11 the form of a columnar record in chronological order of all trust funds received, deposited and
12 disbursed for TA #1, and an accurate control record for TA #2. The foregoing is in violation of
13 Code Section 10145 and Section 2831 of the Regulations.

14 (c) Respondents failed to maintain a separate record for each beneficiary or
15 transaction related to TA #1's unidentified deposits totaling \$4,308.26; the separate record for
16 Property #85 was not available; and some transactions were not accurately posted. Respondents
17 did not maintain a separate record related to the \$7,112.06 unidentified/unaccounted for funds
18 in TA #2. The foregoing is in violation of Code Section 10145 and Regulation 2831.1.

19 (d) Respondents failed to perform and maintain an accurate monthly
20 reconciliation comparing the balance of all separate beneficiary or transaction records to the
21 balance of the record of all trust funds received and disbursed through TA #1 and TA #2 in
22 violation of Code Section 10145 and Section 2831.2 of the Regulations.

23 (e) KRONE failed to exercise reasonable control and supervision over the
24 handling of trust funds and supervision over the licensed activity of K & B to secure
25 compliance with the Real Estate Law and regulations in violation of Code Sections 10159.2 and
26 Section 2725 of the Regulations.

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1 disciplinary action, and (b) a subsequent audit to determine if the respondent has corrected the
2 violations found in the original audit.

3 WHEREFORE, Complainant prays that a hearing be conducted on the
4 allegations of this Accusation and that upon proof thereof, a decision be rendered imposing
5 disciplinary action against all the licenses and license rights of Respondents KRONE &
6 BUSHARD INC. and ALAN WILLIAM KRONE under the Real Estate Law, for the cost of
7 investigation and enforcement as permitted by Code Section 10106, for audit costs pursuant to
8 Code Section 10148(b) and for such other and further relief as may be proper under other
9 applicable provisions of law.

10 Dated at San Diego, California

11 this 14th day of January, 2016.

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13 _____
14 Veronica Kilpatrick
15 Supervising Special Investigator
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19 cc: KRONE & BUSHARD INC.
20 ALAN WILLIAM KRONE
21 Veronica Kilpatrick
22 Sacto.
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