

1 TRULY SUGHRUE, Counsel  
2 State Bar No. 223266  
3 Department of Real Estate  
4 P.O. Box 137007  
5 Sacramento, CA 95813-7007

6 Telephone: (916) 576-8700  
7 (916) 576-7847 (Direct)

8 Fax: (916) 263-3767

**FILED**

NOV 16 2023

DEPARTMENT OF REAL ESTATE  
By B. Nicholas

9 BEFORE THE DEPARTMENT OF REAL ESTATE  
10 STATE OF CALIFORNIA

11 \* \* \*

12 In the Matter of the Accusation of )

13 KLEE FINANCIAL GROUP INC.; )

14 and )

15 KATY L. LEE, individually and as designated )  
16 officer of Klee Financial Group Inc., )

17 Respondents. )

No. H-7303 SAC

ACCUSATION

18 The Complainant, STEPHANIE YEE, a Supervising Special Investigator of the  
19 State of California, for cause of Accusation against KLEE FINANCIAL GROUP INC. and  
20 KATY L. LEE (collectively referred to as "Respondents"), is informed and alleges as follows:

21 1

22 The Complainant, STEPHANIE YEE, a Supervising Special Investigator of the  
23 State of California, makes this Accusation in her official capacity.

24 PRELIMINARY ALLEGATIONS

25 2

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

///

At all times mentioned, Respondent KLEE FINANCIAL GROUP INC. (KFGI) was and is licensed by the Department as a real estate broker corporation, License ID 01841942. KFGI was licensed by the Department as a real estate corporation on or about April 2, 2008. Unless renewed, KFGI's corporate broker license will expire April 1, 2024.

At all times mentioned, KFGI was and is licensed to do business under the fictitious business names, "Klee Property Management Group," "Klee Real Estate Group," "Klee Real Estate and Property Management."

At all times mentioned, KATY L. LEE (LEE) was and is licensed by the Department as the designated broker officer of KFGI. As said designated officer-broker, LEE was and is 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 KFGI for which a license is required.

At all times mentioned, Respondent LEE was and is licensed by the Department individually as a real estate broker, License ID 01184945. LEE was licensed as a real estate salesperson on July 21, 1994, and as a broker on October 5, 2006. Unless renewed, LEE's broker license will expire October 4, 2026.

At all times mentioned, LEE was and is licensed by the Department as the designated broker officer of KFGI.

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

///

1 AUDIT OK22-0018

2 6

3 On or about March 14, 2023, the Department completed its audit (OK22-0018) of  
4 the books and records of KFGI's property management activities described in Paragraph 7. The  
5 auditor herein examined the records for the period of January 1, 2021, through June 30, 2022.

6 7

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

14 During the audit period, Respondents managed eight (8) residential properties for  
15 eight (8) owners. Respondents collected approximately \$78,400 in trust funds annually.

16 Respondents' property management services include, but not limited to, collecting  
17 rents, paying expenses, and screening tenants. For such property management services,  
18 Respondents charged a management fee of 6 to 10 percent of collected rents. Respondents also  
19 charged a lease execution fee of 6 percent.

20 8

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

26 The trust funds accepted or received by Respondents were deposited or caused to  
27 be deposited by Respondents into accounts which were maintained by Respondents for the

1 handling of trust funds, and thereafter from time-to-time Respondents made disbursements of  
 2 said trust funds, identified as follows:

TRUST ACCOUNT # 1	
Bank Name and Location:	Bank of America P.O. Box 25118 Tampa, FL 33622
Account No.:	XXXXXXX0017
Account Name:	Klee Financial Group Inc Trust Account
Purpose:	Trust Account #1 was used for deposits and disbursements related to management of properties. Trust Account #1 is a multi-beneficiary account.

9

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

17 Trust Account Accountability and Balances

18 10

19 Based on the records provided during the audit, a bank reconciliation for Trust  
 20 Account #1 was prepared for as of June 30, 2022. The adjusted bank balance of Trust Account  
 21 #1 was compared to the total balances of the beneficiary records for Trust Account #1.

23 Adjusted Bank Balance	\$122,345.48
24 Accountability	<u>\$122,495.48</u>
25 Trust Fund Shortage	<u>(\$150.00)</u>

26 ///

27 ///

1 A shortage of \$150.00 was found in Trust Account #1 as of June 30, 2022. The  
2 cause of the shortage was due to a negative account balance for property 626 Marble owned by  
3 H. Han.

4 Respondents provided no evidence that the owners of the trust funds had given  
5 their written consent to allow Respondents to reduce the balance of the funds in Trust Account  
6 #1 to an amount less than the existing aggregate trust fund liabilities, in violation of Section  
7 10145 of the Code and Section 2832.1 of Title 10, Chapter 6, California Code of Regulations  
8 (Regulations).

#### 9 Control Record

10 11

11 Respondents failed to maintain an accurate written control record, for Trust  
12 Account #1, of all trust funds received and disbursed, containing all information required by  
13 Section 2831 of the Regulations.

14 On multiple occasions, income and expenses were either recorded under the  
15 wrong property owner or for the incorrect amount. Examples of incorrect entries included, but  
16 are not limited to:

- 17 • On December 6, 2021, \$2,751.84 of broker funds was deposited in error into  
18 Trust Account #1. The funds were misallocated to owner Robert K. property  
19 592 Lynxwood on the same day.
- 20 • On August 11, 2021, \$2,000 pet deposit for owner Clayton and Diane B.'s  
21 property 11600 Magdalena Avenue was misallocated to owner Tom G. Jr.'s  
22 property 1979 Edgewood.

#### 23 Separate Records

24 12

25 Respondents failed to maintain accurate separate records for each beneficiary or  
26 transaction, accounting therein for all funds which were deposited into Trust Account #1  
27 containing all the information required by Section 2831.1 of the Regulations.

1 On multiple occasions, income and expenses were either recorded under the  
2 wrong property owner or for the incorrect amount. Examples of incorrect entries included, but  
3 are not limited to:

- 4 • On December 6, 2021, \$2,751.84 of broker funds was deposited in error into  
5 Trust Account #1. The funds were misallocated to owner Robert K. property  
6 592 Lynxwood on the same day.
- 7 • On August 11, 2021, \$2,000 pet deposit for owner Clayton and Diane B.'s  
8 property 11600 Magdalena Avenue was misallocated to owner Tom G. Jr.'s  
9 property 1979 Edgewood.

10 Trust Account Reconciliation

11 13

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

16 Commingling

17 14

18 Respondents commingled with its own money or property, the money or property  
19 of others which was received or held by Respondents in trust in violation of Section 10176(e) of  
20 the Code.

21 During the audit period, Respondents maintained more than \$200 of their  
22 own funds in Trust Account #1. On or about December 6, 2021, \$2,751.84 of broker funds was  
23 deposited into Trust Account #1. As of June 30, 2022, Trust Account #1 held \$3,151.84 in  
24 excess broker funds.

25 FAILURE TO SUPERVISE

26 15

27 Respondent LEE failed to exercise reasonable supervision over the acts of KFGI.

1 LEE permitted, ratified and/or caused the conduct described above, to occur, and failed to take  
2 reasonable steps, including but not limited to the handling of trust funds, supervision of  
3 employees, and the implementation of policies, rules, procedures, and systems to ensure the  
4 compliance of the corporation with the Real Estate Law and the Regulations.

5 16

6 The acts and/or omissions of LEE as described in Paragraph 15, constitutes failure  
7 on the part of LEE, as designated broker-officer for KFGI, to exercise reasonable supervision  
8 and control over the licensed activities of KFGI as required by Section 10159.2 of the Code and  
9 Section 2725 of the Regulations.

10       GROUND FOR DISCIPLINE      

11 17

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

15 As to Paragraph 10, under Sections 10177(d) and/or 10177(g) of the Code in  
16 conjunction with Section 10145 of the Code and Section 2832.1 of the Regulations; and

17 As to Paragraph 11, under Sections 10177(d) and/or 10177(g) of the Code in  
18 conjunction with Section 2831 of the Regulations.

19 As to Paragraph 12, under Sections 10177(d) and/or 10177(g) of the Code in  
20 conjunction with Section 2831.1 of the Regulations.

21 As to Paragraph 13, under Sections 10177(d) and/or 10177(g) of the Code in  
22 conjunction with Section 2831.2 of the Regulations.

23 As to Paragraph 14, under Sections 10176(e) of the Code.

24 18

25 The acts and/or omissions of LEE as alleged in Paragraphs 15 and 16 constitute  
26 grounds for the suspension or revocation of all licenses and license rights of LEE under Sections

27 ///

1 10177(g) and/or 10177(h) of the Code, and Section 10159.2 of the Code in conjunction with  
2 Section 10177(d) of the Code.

3 COST RECOVERY

4 19

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

7 20

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

13 WHEREFORE, Complainant prays that a hearing be conducted on the allegations  
14 of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary  
15 action against all licenses and license rights of Respondents under the Code, for the cost of  
16 investigation and enforcement as permitted by law, for the cost of the audit, and for such other  
17 and further relief as may be proper under the provisions of law.

18 

19 \_\_\_\_\_  
20 STEPHANIE YEE  
21 Supervising Special Investigator

22 Dated at Oakland, California,  
23 this 15th day of November, 2023



DISCOVERY DEMAND

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

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