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FILED
APR 27 2011

DEPARTMENT OF REAL ESTATE
By R. Miller

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of	)	No. H-11062 SF
	)	
K4 CORPORATION and	)	
IRA WILLIAM STONE,	)	
	)	
Respondents.	)	
	)	

ORDER ACCEPTING VOLUNTARY SURRENDER OF REAL ESTATE LICENSE

On February 8, 2011, an Accusation was filed in this matter against Respondents K4 CORPORATION and IRA WILLIAM STONE.

On April 1, 2011, Respondents petitioned the Commissioner to voluntarily surrender their real estate licenses pursuant to Section 10100.2 of the Business and Professions Code.

IT IS HEREBY ORDERED that Respondents K4 CORPORATION's and IRA WILLIAM STONE's petition for voluntary surrender of their real estate broker licenses are accepted as of the effective date of this Order as set forth below, based upon the understanding and agreement expressed in Respondents' Declaration dated April 1, 2011 (attached as Exhibit

///

1 "A" hereto). Respondents' license certificates and pocket cards shall be sent to the below listed
2 address so that they reach the Department on or before the effective date of this Order:

3 DEPARTMENT OF REAL ESTATE
4 Attn: Licensing Flag Section
5 P. O. Box 187000
6 Sacramento, CA 95818-7000

7 This Order shall become effective at 12 o'clock noon

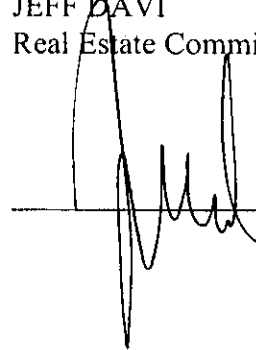
8 **MAY 18 2011**

9 on _____

10 DATED: _____

11 4-26-2011

12 JEFF DAVI
13 Real Estate Commissioner

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6 BEFORE THE DEPARTMENT OF REAL ESTATE
7 STATE OF CALIFORNIA

8 * * *

9 In the Matter of the Accusation of)
10)
11)

11 K4 CORPORATION and,
12 IRA WILLIAM STONE,

12 Respondents.)
13)
14)

No. H-11062 SF

15 DECLARATION

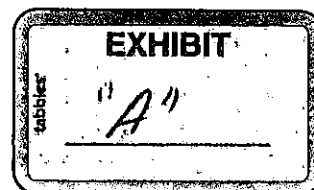
16 Respondent K4 CORPORATION and IRA WILLIAM STONE are currently
17 licensed or have license rights as a real estate broker corporation and real estate broker,
18 respectively.

19 In lieu of proceeding in this matter in accordance with the provisions of the
20 Administrative Procedures Act (Sections 11400 et seq., of the Government Code) K4
21 CORPORATION and IRA WILLIAM STONE wish to voluntarily surrender the real estate
22 license(s) issued by the Department of Real Estate ("Department"), pursuant to Business and
23 Professions Code Section 10100.2.

24 K4 CORPORATION and IRA WILLIAM STONE understand that by so
25 voluntarily surrendering the license(s), that they can only be reinstated in accordance with the

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1 provisions of Section 11522 of the Government Code. K4 CORPORATION and IRA
2 WILLIAM STONE also understand that by so voluntarily surrendering their license(s), K4
3 CORPORATION and IRA WILLIAM STONE agree to the following:

4 The filing of this Declaration shall be deemed as K4 CORPORATION's and
5 IRA WILLIAM STONE's petition for voluntary surrender. It shall also be deemed to be an
6 understanding and agreement by K4 CORPORATION and IRA WILLIAM STONE that, K4
7 CORPORATION and IRA WILLIAM STONE waive all rights they have to require the
8 Commissioner to prove the allegations contained in the Accusation filed in this matter at a
9 hearing held in accordance with the provisions of the Administrative Procedures Act
10 (Government Code Sections 11400 et seq.), and that K4 CORPORATION and IRA WILLIAM
11 STONE also waive other rights afforded to them in connection with the hearing such as the right
12 to discovery, the right to present evidence in defense of the allegations in the Accusation and the
13 right to cross examine witnesses. K4 CORPORATION and IRA WILLIAM STONE further
14 agree that upon acceptance by the Commissioner, as evidenced by an appropriate order, all
15 affidavits and all relevant evidence obtained by the Department in this matter prior to the
16 Commissioner's acceptance, and all allegations contained in the Accusation filed in the
17 Department Case No. H-11062 SF, may be considered by the Department to be true and correct
18 for the purpose of deciding whether or not to grant reinstatement of K4 CORPORATION's and
19 IRA WILLIAM STONE's licenses pursuant to Government Code Section 11522.

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1 K4 CORPORATION and IRA WILLIAM STONE declare under penalty of
2 perjury under the laws of the State of California that the above is true and correct and that they
3 freely and voluntarily surrender its licenses and all license rights attached thereto.
4

5 4/1/11

6 DATED

IRA WILLIAM STONE

Respondent

8 4/1/11

9 DATED

K4 CORPORATION

Respondent

By: IRA WILLIAM STONE
Designated Officer

1 RICHARD K. UNO, Counsel (SBN 98275)
2 Department of Real Estate
3 P. O. Box 187007
4 Sacramento, CA 95818-7007

5 Telephone: (916) 227-0789
6 (916) 227-2380 (Direct)

FILED

FEB - 8 2011

DEPARTMENT OF REAL ESTATE

By H. Mar

9 BEFORE THE DEPARTMENT OF REAL ESTATE

10 STATE OF CALIFORNIA

11 * * *

12 In the Matter of the Accusation of	)	
	)	NO. H-11062 SF
13 K4 CORPORATION and	)	
14 IRA WILLIAM STONE,	)	<u>ACCUSATION</u>
	)	
15 Respondents.	)	
16	)	

17 The Complainant, E. J. HABERER, II, a Deputy Real Estate Commissioner of
18 the State of California, for Accusation against Respondent K4 CORPORATION (K4C) and
19 Respondent IRA WILLIAM STONE (STONE), is informed and alleges as follows:

20 1

21 The Complainant makes this Accusation against Respondents in his official
22 capacity.

23 2

24 K4C is presently licensed by the Department of Real Estate (the Department)
25 as a corporate real estate broker dba Sonoma Mortgage & Investment Co.

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STONE is presently licensed and/or has license rights under the Real Estate Law, Part 1 of Division 4 of the California Business and Professions Code (the Code) as a real estate broker.

At all times herein mentioned, STONE was licensed by the Department as the designated broker/officer of K4C. As the designated broker/officer, STONE 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 K4C for which a real estate license is required to ensure the compliance of the corporation with the Real Estate Law and the Regulations.

At all times herein mentioned, Respondents engaged in the business of, acted in the capacity of, advertised, or assumed to act as real estate brokers within the State of California within the meaning of Section 10131(d) of the Code, including the operation and conduct of a loan brokerage business with the public wherein, on behalf of others, for compensation or in expectation of compensation, and claimed, demanded, charged, received, collected or contracted for an advance fee, Respondents solicited lenders and borrowers for loans secured directly or collaterally by liens on real property, and wherein Respondents arranged negotiated, processed, and consummated such loans.

Whenever reference is made in an allegation in this Accusation to an act or omission of K4C, such allegation shall be deemed to mean that the officers, directors, employees, agents and real estate licensees employed by or associated with K4C committed such act or omission while engaged in furtherance of the business or operations of K4C and while acting within the course and scope of their corporate authority and employment.

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1 FIRST CAUSE OF ACTION

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3 Beginning on March 11, 2010, and continuing intermittently through May 28,
4 2010, an audit was conducted of K4C's real estate activities at its main office located at 520
5 Mendocino Avenue in Santa Rosa, California and at the Oakland District Office of the
6 Department of Real Estate located at 1515 Clay Street, Suite 702, Oakland, California, where
7 the auditor examined records for the period of July 1, 2008 through February 28, 2010 (the audit
8 period).

9 8

10 While acting as a real estate broker as described in Paragraph 5, above, and
11 within the audit period, K4C accepted or received funds in trust (trust funds) from or on behalf
12 of lender, investors, borrowers and others in connection with the mortgage loan brokerage
13 activities, deposited or caused to be deposited those funds into a bank accounts maintained by
14 K4C at Sonoma Bank, 1650 Northpoint Parkway, Suite A, Santa Rosa, California as follows:

- 15 1) Account No. XXXXXXXXX002, entitled "K4 Corporation DBA Sonoma
16 Mortgage & Inv Co Trust Account #1" (Trust #1);
17 2) Account No. XXXXXXXXX044, entitled "K4 corporation DBA Sonoma
18 Mortgage & Inv Co Trust Account #2" (Trust #2) and thereafter from time to
19 time made disbursements of said trust funds.

20 9

21 In the course of the activities described in Paragraph 5, in connection with the
22 collection and disbursement of trust funds, K4C:

- 23 (a) Failed to disclose the fact that an affiliate of the broker had an interest in
24 the property securing the notes of Loan Nos. C8110124 and C9030236 as
25 required by Section 10238(e) of the Code;
26 (b) Failed to complete the Statements of Investor Qualification on Loan Nos.
27 C-90301236 and 8070160 as required by Section 10238(f) of the Code;

- 1 (c) Failed to disclose, in writing, the fact that the broker would be the escrow
2 holder as required by Section 10238(e) of the Code;
- 3 (d) Failed to provide Lender/Purchaser Disclosure Statements (LPDS) to
4 Borrowers before the disbursement of funds as required by Section
5 10232.4 of the Code;
- 6 (e) Failed to provide Completed and Signed LPDS's to borrowers as required
7 by Section 10232.5 of the Code;
- 8 (f) Failed to cause the deed of trust to be recorded prior to the disbursement
9 of funds for Loan Nos. C-8110124 and C-9030236 as required by Section
10 10234 of the Code;
- 11 (g) Failed to disclose license on escrow instructions on Loan Nos.
12 C-8110124, C-9030236 and 8070160 as required by Section 17403.4 of
13 the Finance Code and
- 14 (h) Paid out money deposited into escrow without written instructions as
15 required by Section 2950(g) of the Regulations.

16 10

17 The acts and/or omissions of K4C as alleged above violate Section 2950(g)
18 (Withdraw from Escrow w/o Written Instructions) of the Regulations and of Sections 10232.4
19 (Lender Purchaser Disclosure Statement: Delivery), 10234.5 (Lender Purchaser Disclosure
20 Statement: Content), 10234 (Record Deed of Trust Before Disbursement), 10238(e) (Broker
21 Disclosure: Interest in Security Property) and 10238(f) (Investor Net Worth/Income Threshold
22 Requirement/Form) of the Code and Section 17403.4 of the Financial Code (Name/License
23 Number on Escrow Instructions) and are grounds for discipline under Section 10177(d) (Willful
24 Disregard/Violation Real Estate Law) and 10177(g) (Negligence/Incompetence Real Estate
25 Licensee) of the Code.

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1 SECOND CAUSE OF ACTION

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3 Complainant refers to Paragraphs 1 through 10, above, and incorporates them
4 herein by reference.

5 12

6 K4C represented, as set forth below, in the Lender Purchaser Disclosure
7 Statements that certain title companies would be the escrow holders:

8 <u>Loan No.</u>	<u>Escrow Holder</u>
9 C-8110124	North Bay Title Company
10 C-9030236	Stewart Title of California
11 8070160	Financial Title Company

12 13

13 The representations made by K4C to the borrowers in each of the transactions as
14 described in Paragraph 15, above, were false, and K4C knew that they were false when those
15 representations were made. The true facts were that K4C intended to be the escrow holder for
16 each of the loans referenced above.

17 14

18 The facts alleged in Paragraphs 12 and 13 above violate and are grounds for the
19 suspension or revocation of the license and license rights of Respondents under Sections
20 10176(a) (Substantial Misrepresentation) and 10176(e) (Conduct: Fraud/Dishonest Dealing) of
21 the Code.

22 THIRD CAUSE OF ACTION

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24 Complainant refers to Paragraphs 1 through 14, above, and incorporates them
25 herein by reference.

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At all times herein above mentioned, STONE was responsible, as the designated broker/officer of K4C, for the supervision and control of the activities conducted on behalf of the corporation by its officers and employees to ensure its compliance with the Real Estate Law and the Regulations. STONE failed to exercise reasonable supervision and control over the property management brokering activities of K4C. In particular, STONE permitted, ratified and/or caused the conduct described in the First and Second Causes of Action, above, to occur, and failed to take reasonable steps, including but not limited to the handling of trust funds, supervision of employees, and the implementation of policies, rules, procedures, and systems to ensure the compliance of the corporation with the Real Estate Law and the Regulations.

The above acts and/or omissions of STONE violate Section 2725 (Broker Supervision) of the Regulations and Section 10159.5 (Designated Officer Responsible) of the Code and are grounds for disciplinary action under the provisions of Section 10177(d) and 10177(h) (Broker Failure to Supervise) of the Code.

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof a decision be rendered imposing disciplinary action against all licenses and license rights of Respondents under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code), and for such other and further relief as may be proper under other provisions of law.


E. J. HABERER, II
Deputy Real Estate Commissioner

Dated at Oakland, California,
this 4th day of February, 2011.