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FILED

MAY 01 2024

DEPARTMENT OF REAL ESTATE  
By B. Nicholas

BEFORE THE DEPARTMENT OF REAL ESTATE  
STATE OF CALIFORNIA

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10 In the Matter of the Accusation of )  
11 ) No. H-12722 SF  
12 JEFF JAMES APPENRODT, )  
13 ) ACCUSATION  
Respondent. )

14 The Complainant, STEPHANIE YEE, a Supervising Special Investigator of the  
15 State of California, for cause of Accusation against JEFF JAMES APPENRODT  
16 ("Respondent"), is informed and alleges as follows:

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

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20  
21 Respondent is presently licensed and/or has license rights under the Real Estate  
22 Law, Part 1 of Division 4 of the Business and Professions Code ("Code").

23 LICENSE HISTORY

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24  
25 At all times mentioned, Respondent was and is licensed by the Department of  
26 Real Estate (Department) as a real estate broker, License ID 01336153. Respondent was  
27 licensed by the Department as a real estate salesperson on or about April 26, 2002, and as a real

1 estate broker on or about May 9, 2005. Unless renewed, Respondent's broker license will  
2 expire May 8, 2025.

3 At all times mentioned, Respondent was licensed to do business under the  
4 fictitious business names "Laurel Realty", Laurel Realty & Investment", "Laurel Realty  
5 Property Management", "Business Realty", and "Bar and Restaurant Realty".

6 AUDIT OK22-0053

7 4

8 On or about May 9, 2023, the Department completed its audit (OK22-0053) of the  
9 books and records of Respondent's property management activities described in Paragraph 5.  
10 The auditor herein examined the records for the period of January 1, 2022, through December  
11 31, 2022.

12 5

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

20 As of the audit examination, Respondent managed twenty-nine (29) one-to-four-  
21 unit residences consisting of ninety (90) units, seventeen (17) apartment complexes consisting of  
22 one-hundred-eighty-nine (189) units, two (2) commercial properties consisting of two (2) units,  
23 and nine (9) other properties consisting of thirty-nine (39) mixed-used properties for fifty-nine  
24 (59) property owners. Respondent collected approximately \$9,070,539 in trust funds annually.

25 Respondent's property management services included, but were not limited to,  
26 collecting rents and security deposits; soliciting tenants; advertising properties; making  
27 mortgage, property tax, and insurance payments; and responsibility for repairs and maintenance.

1 For such property management services, Respondent charged a management fee between 3 and 6  
2 percent of collected rents, and/or a flat amount of \$50 to \$100 per month. Respondent also  
3 charged a lease execution fee of 48 to 72 percent of the monthly rent.

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5 At all relevant times, while acting in Respondent's capacity as a real estate  
6 broker, as described in Paragraph 5, Respondent owed Respondent's clients and/or beneficiaries  
7 those fiduciary duties that are inherent in a position of trust as created by the agent/principal  
8 relationship, including, but not limited to the following duties: the duty of reasonable care and  
9 skill, the duty of honesty, the duty of good faith and fair dealings, the duty of loyalty, and duty of  
10 diligence.

11 7

12 While acting as a real estate broker as described in Paragraph 5, Respondent  
13 accepted or received funds in trust (trust funds) from or on behalf of owners and tenants in  
14 connection with the leasing, renting, and collection of rents on real property or improvements  
15 thereon, as alleged herein, and thereafter from time-to-time made disbursements of said trust  
16 funds.

17 The trust funds accepted or received by Respondent were deposited or caused to  
18 be deposited by Respondent into accounts which were maintained by Respondent for the  
19 handling of trust funds, and thereafter from time-to-time Respondent made disbursements of said  
20 trust funds, include but are not limited to:

ACCOUNT # 1	
Bank Name and Location:	JP Morgan Chase P.O. Box 182051 Columbus, OH 43218-2051
Account No.:	XXXXXX0183
Account Name:	Jeffrey J. Appenrodt Trust Account
Description:	Account #1 was a multi-beneficiary account used to collect, hold, and disburse trust funds generated by broker's licensed property management activities.

In the course of the property management activities described in Paragraph 5, and during the audit examination period described in Paragraph 4, Respondent violated the Code and Title 10, Chapter 6, California Code of Regulations (“Regulations”) described below:

#### Trust Account Accountability and Balances

Based on the records provided during the audit, a bank reconciliation for Account #1 was prepared as of December 30, 2022. The adjusted bank balance of Account #1 as of December 30, 2022, was compared to the beneficiaries’ accountability for Account #1 as of December 30, 2022.

Adjusted Bank Balance	\$24,144.31
Accountability	<u>\$86,294.97</u>
Trust Fund Shortage	<u>(\$62,150.66)</u>

A shortage of \$62,150.66 was found in Account #1 as of December 30, 2022. \$60,117.85 of the shortage was due to negative account balances in twenty-two (22) property ledgers. The remainder of the shortage in the amount of \$2,032.81 was traced to the negative balance of the broker’s ledger (management fees).

Respondent provided no evidence that the owners of the trust funds had given their written consent to allow Respondent to reduce the balance of the funds in Account #1 to an amount less than the existing aggregate trust fund liabilities, in violation of Section 10145 of the Code and Section 2832.1 of the Regulations.

#### Management Fees

During 2022, Respondent collected \$2,032.81 of excess management fees. As detailed in the table below, management fees disbursed in 2022 totaling \$136,960.00 exceeded management fees earned during the same period totaling \$134,927.19 by \$2,032.81.

Month	Fees Earned	Fees Disbursed	Difference
January 2022	\$11,402.32	\$31,960.00	(\$20,557.65)
February 2022	\$8,392.35	\$15,000.00	(\$6,607.65)
March 2022	\$11,992.35	\$15,000.00	(\$3,007.65)
April 2022	\$7,902.23	\$15,000.00	(\$7,097.77)
May 2022	\$7,902.23	\$0.00	\$7,902.23
June 2022	\$15,617.23	\$15,000.00	\$617.23
July 2022	\$11,235.23	\$10,000.00	\$1,235.23
August 2022	\$7,967.23	\$10,000.00	(\$2,032.77)
September 2022	\$14,876.23	\$0.00	\$14,876.23
October 2022	\$15,288.63	\$0.00	\$15,288.63
November 2022	\$10,940.09	\$25,000.00	(\$14,059.91)
December 2022	\$11,411.04	\$0.00	\$11,411.04
Total	\$134,927.19	\$134,960.00	(\$2,032.81)

#### Separate Records

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Respondent failed to maintain accurate separate records for each beneficiary or transaction, accounting therein for all funds which were deposited into Account #1 containing all of the information required by Section 2831.1 of the Regulations. No separate record was maintained for the unidentified funds totaling \$9,264.16 maintained in Account #1 as of December 30, 2022.

#### Trust Account Reconciliation

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Respondent failed to reconcile the balance of separate beneficiary or transaction records with the control record of trust funds received and disbursed at least once a month, and/or failed to maintain a record of such reconciliations for Account #1, as required by Section 2831.2 of the Regulations.

#### LICENSE DISCLOSURE

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Respondent failed to disclose Respondent's license identification numbers on Respondent's website, <http://www.laurelrealtysanfranciscoca.com>, in violation of Section 10140.6(b) of the Code and Section 2773 of the Regulations.



1 action against all licenses and license rights of Respondent under the Code, for the cost of  
2 investigation and enforcement as permitted by law, for the cost of the audit, and for such other  
3 and further relief as may be proper under other provisions of law.

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5 STEPHANIE YEE  
6 Supervising Special Investigator

7 Dated at Oakland, California,  
8 this 8th day of April, 2024

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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.