

FILED

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DEPARTMENT OF REAL ESTATE

By J. Taggart

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BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of

THESFPROPERTYMANAGEMENT, INC.;

ALAN WAYNE KAPLAN, individually and
as designated officer of
TheSFPropertyManagement, Inc.;

NAEEM FAROKHNIA, individually and as
chief executive officer of
TheSFPropertyManagement, Inc.,

Respondents.

No. H-12742 SF

ACCUSATION

The Complainant, STEPHANIE YEE, a Supervising Special Investigator
of the State of California, for cause of Accusation against
THESFPROPERTYMANAGEMENT INC., ALAN WAYNE KAPLAN (collectively
referred to as "Respondents"), and NAEEM FAROKHNIA (referred to as
"Respondent"), is informed and alleges as follows:

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

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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").

Respondent THESFPROPERTYMANAGEMENT INC. ("TSFPM") was and is licensed by the Department as a real estate broker corporation, License ID No. 02219812, on or about September 9, 2023. Unless renewed, TSFPM's corporate broker license will expire August 31, 2027.

Respondent ALAN WAYNE KAPLAN ("KAPLAN") was and is licensed by the Department and acted as the designated officer-broker of TSFPM from September 1, 2023, until cancellation on or about May 15, 2024. As a designated officer-broker, KAPLAN 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 TSFPM for which a license is required.

Respondent KAPLAN was and is licensed by the Department individually as a real estate broker, License ID No. 01331933. KAPLAN was originally licensed as a real estate salesperson on March 8, 2002, and as a real estate broker on or about January 17, 2014. Unless renewed, KAPLAN's broker license will expire January 16, 2026.

Respondent NAEEM FAROKHNIA ("FAROKHNIA") was and is the Chief Executive Officer ("CEO") and founder of TSFPM. On or about May 21, 2024, FAROKHNIA was licensed by the Department as a real estate salesperson, License ID No. 02237161. Unless renewed, FAROKHNIA's salesperson license will expire on May 20, 2028.

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

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AUDIT OK230070

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On or about June 25, 2024, the Department completed its audit (OK230070) of the books and records of TSFPM's property management activities described in Paragraph 8 below. The accounting and other records of TSFPM were examined for the period from March 1, 2023, to February 29, 2024 ("audit period"). The auditor herein initiated examination of said records from March 28, 2024, through June 7, 2024.

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

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While acting as a real estate broker as described in Paragraph 8, 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 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:

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TRUST ACCOUNT # 1	
Bank Name and Location:	Enterprise Bank & Trust 1281 N. Warson Rd., St. Louis, Missouri 63132.
Account No.:	XXXX751
Account Name:	TheSFPropertyManagement Inc., As Trustee, Client Trust
Purpose:	Trust Account #1 was used for deposits and disbursements related to the management of properties. Deposits consisted of rents collected from tenants. Disbursements were payments of expenses related to the properties managed, remittances to owners, and payment of management, rent and pet fees.

TRUST ACCOUNT # 2	
Bank Name and Location:	Enterprise Bank & Trust 1281 N. Warson Rd., St. Louis, Missouri 63132.
Account No.:	XXXX778
Account Name:	TheSFPropertyManagement Inc., As Trustee, Security Deposit Trust
Purpose:	Trust Account #2 was used for deposits and disbursements related to the management of properties. Deposits consisted of security deposits collected from tenants. Disbursements were repayments of security deposits.

During the property management activities described in Paragraph 8, and the audit period described in Paragraph 7, Respondents violated the Code and various sections of the California Code of Regulations, Title 10, Chapter 6 ("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 February 29, 2024. The adjusted bank balance of Trust Account #1 was compared to the total balances of the beneficiary records for Trust Account #1.

Adjusted Bank Balance	\$37,220.29
Accountability	<u>\$38,669.94</u>
Trust Fund Shortage	<u>(\$1,449.65)</u>

A shortage of \$1,449.65 was found in Trust Account #1 as of February 29, 2024. The cause of the shortage was due to negative account balances for two (2) property owners.

Respondents provided no evidence that the owners of the trust funds in Trust Account #1 had given their written consent to allow the balance of the funds in Trust Account #1 to be reduced to an amount less than its existing aggregate trust fund liabilities, in violation of Section 10145(a) of the Code and Section 2832.1 of the Regulations.

Control Records

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Respondents failed to maintain accurate and complete written control records for Trust Account #1 and #2 as required by Section 10145 of the Code and Section 2831 of the Regulations.

Separate Records

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Respondents failed to maintain accurate and complete separate records for each beneficiary or transaction to account for all trust funds deposited and disbursed out of Trust Account #1 and #2 as required by Section 10145 of the Code and Section 2831.1 of the Regulations.

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1 Unlicensed Individual Broker Activity

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3 Respondents' property management activities revealed that Respondent
4 FAROKHNIA conducted unlicensed broker activities for a management fee. Property
5 management services provided included rent collection, repair and maintenance expense
6 disbursement and net proceeds remittance to owners. FAROKHNIA also negotiated lease
7 agreements and property management agreements, including, but not limited to, signing as a
8 broker on behalf of TSFPM for a property located at 2221 15th Street, San Francisco, California
9 94114 on or about April 11, 2023. FAROKHNIA's unlicensed broker activities as outlined in
10 paragraph 8, above, are a violation of Code Sections 10130 and 10137.

11 Unlicensed Corporate Broker Activity

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13 Respondents' property management activities revealed that Respondents
14 conducted broker activities for a management fee prior to TSFPM being licensed as a corporate
15 broker. Property management services provided included rent collection, repair and maintenance
16 expense disbursement and net proceeds remittance to owners. TSFPM entered into lease
17 agreements and property management agreements, including, but not limited to, managing a
18 property located at 2221 15th Street, San Francisco, California 94114 on or about April 11, 2023.
19 TSFPM was licensed by the Department on September 9, 2023, and was not licensed as a real
20 estate broker in order to perform property management activities as outlined in Paragraph 8
21 above. TSFPM's unlicensed broker activities are a violation of Code Section 10130.

22 Unlicensed Bank Account Signatory

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24 Respondents' bank signature cards for Trust Account #1 and #2, through at least
25 May 27, 2024, listed FAROKHNIA, an unlicensed broker, CEO and owner of TSFPM as the
26 only signatory for both bank accounts in violation of Section 10145 of the Code and Section
27 2834 of the Regulations.

1 Advance Pet Fee Agreement

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3 Respondents collected and retained advance fees toward a Pet Protection
4 Guarantee program from tenants without first submitting all materials used in obtaining advance
5 fee agreement to the Department at least ten (10) calendar days before they were used in
6 soliciting owners and tenants in violation of Code Section 10085 and Section 2970 of the
7 Regulations.

8 Advance Fee Accounting to Principals

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10 Respondents failed to furnish a verified copy of the accounting with respect to
11 advance fees to the principal property owners under management at the end of each calendar
12 quarter and when the contract completely performed by Respondents in violation of Code
13 Section 10146 and Section 2972 of the Regulations.

14 FAILURE TO SUPERVISE

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16 Respondent KAPLAN failed to exercise reasonable supervision over the acts of
17 TSFPM. KAPLAN permitted, ratified and/or caused the conduct described above, to occur, and
18 failed to take reasonable steps, including, but not limited to, the handling of trust funds,
19 supervision of employees, and the implementation of policies, rules, procedures, and systems to
20 ensure the compliance of the corporation with the Real Estate Law and the Regulations.

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22 The acts and/or omissions of KAPLAN as described in Paragraph 19 above,
23 constitutes failure on the part of KAPLAN, as designated officer-broker for TSFPM, to exercise
24 reasonable supervision and control over the licensed activities of TSFPM as required by Section
25 10159.2 of the Code and Section 2725 of the Regulations.

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

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8 STEPHANIE YEE

9 Supervising Special Investigator

10 Dated at ^{Oakland CA} ~~Sacramento~~, California,

11 This 12th day of June, 2025

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16 DISCOVERY DEMAND

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