

1 Code Section 10159.2, for ensuring compliance with the Real Estate Law.

2 3.

3 Respondent WILLIAM HUBERT ALLEN III (hereinafter "ALLEN") is presently
4 licensed and/or has license rights under the Code as a real estate broker. Respondent ALLEN
5 has been licensed by the Department as a real estate broker since on or about November 12,
6 2002. As set forth above, Respondent ALLEN was and is the designated broker-officer of
7 HEALSTONE.
8

9 4.

10 Respondent HEALSTONE is a California corporation. ALLEN is the President
11 and 100% owner of the corporation. HEALSTONE's corporate status was suspended effective
12 on or about June 1, 2012, and has remained suspended since that time. HEALSTONE is
13 therefore not currently a corporation in good standing in the State of California.
14

15 Prior Discipline

16 5.

17 Effective on or about July 15, 2009, pursuant to the Commissioner's Order in
18 Department Case No. H-33904 LA, Respondent ALLEN's real estate broker license was
19 suspended for thirty days, which suspension was stayed for two years. The grounds for
20 suspension of ALLEN's license included Code Sections 10160, 10177(d), 10177(g) and
21 10177(h) for violation of Code Sections 10130, 10137, 10145 and 10159.2 and Title 10, Chapter
22 6 of the California Code of Regulations, Regulations 2731, 2726, 2752, 2832(a), and 2834.
23

24 6.

25 Respondent ALLEN's discipline in Case No. H-33904 LA stemmed from his role
26 as designated broker-officer and sole owner of corporate real estate broker Healstone Investment
27 Real Estate Inc. Healstone Investment Real Estate Inc.'s corporate broker license was revoked.

1 outright in the same action, effective July 15, 2009. Healstone Investment Real Estate Inc.'s
2 corporate real estate license has not been reinstated.

3 7.

4 All further references to "Respondents" include the parties listed in Paragraphs 2
5 through 4 above, as well as the officers, agents, affiliates and employees of the parties listed in
6 Paragraphs 2 through 4.

7 8.

8 At all times relevant herein, Respondents engaged in the business of, acted in the
9 capacity of, advertised or assumed to act as real estate brokers in the State of California within
10 the meaning of Code Section 10131(b) (managing residential rental properties and collecting
11 rents on behalf of the owners).

12
13 FIRST CAUSE OF ACCUSATION

14 Audit No. LA 100224

15 9.

16 On May 31, 2011, the Department completed an audit examination of Respondent
17 HEALSTONE's books and records pertaining to the property management activities described in
18 Paragraph 8 above, covering a period from July 1, 2010 to February 28, 2011. The primary
19 purpose of the examination was to determine Respondent HEALSTONE's compliance with the
20 Real Estate Law. The examination, Audit No. LA 100224, revealed violations of the Code and
21 Title 10, Chapter 6 of the California Code of Regulations ("Regulations"), as set forth below, and
22 as more specifically set forth in the Audit Report and Exhibits attached thereto.
23

24 10.

25 During the examination period, Respondent HEALSTONE, acting by and through
26 ALLEN as its designated broker officer, performed residential rental property management.
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1 HEALSTONE managed approximately 24 residential properties with approximately 227
2 residential units for approximately 20 owners. HEALSTONE collected approximately
3 \$3,000,000.00 in trust fund receipts during the calendar year 2010. Approximately 15 percent of
4 the trust fund receipts consisted of cash. Management fees ranged from 4% to 6% of collected
5 rents. For one-time tenant placement services, HEALSTONE was compensated with 33% of the
6 first month's rent.

7 11.

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9 According to ALLEN, HEALSTONE maintained 24 bank accounts used to hold
10 trust funds during the audit period account pertaining to its real property management activities
11 during the audit period. Of these, the auditor examined two accounts, identified as follows:

12 Bank Account #1 ("B/A1"): "Healstone Property Management LLC ATF
13 LBLGP: Lime," Account No. XXXX695, held at Farmers & Merchants Bank, 4827 E. Second
14 St., Long Beach, CA 90803. This account was used for the deposit and disbursement of rents
15 and trust funds related to the management of a nine unit residential property located at 711-714
16 and 722 Lime Avenue in Long Beach, CA. Respondent ALLEN and Mary A. Curran, a real
17 estate salesperson, were signatories on the account.

18
19 Bank Account #2 ("B/A/2"): "Healstone Property Management LLC ATF A Mile
20 From the Beach: 1717 California," Account No. XXXX768, held at Farmers & Merchants Bank,
21 4827 E. Second Street, Long Beach, CA 90803. This account was used for the deposit and
22 disbursement of rents and trust funds related to the management of a four unit residential
23 property located at 1717 California Street in Huntington Beach, CA. Respondent ALLEN and
24 Mary A. Curran, a real estate salesperson, were signatories on the account.

25
26 12.

27 In the course of activities described in Paragraph 8 above, and during the

1 examination period described in Paragraph 9, Respondents acted in violation of the Code and the
2 Regulations in that:

3 (a) B/A 1 and B/A 2 were used to hold trust funds, but were not properly
4 designated as trust accounts in the name of the broker as trustee, in violation of Code Section
5 10145 and Regulation 2832.

6 (b) A licensed salesperson working as a bookkeeper for HEALSTONE during
7 2010 but not employed under the corporation broker license of HEALSTONE prior to January
8 24, 2011 was an authorized signer on B/A 1 and B/A 2 without proper fidelity bond coverage, in
9 violation of Code Section 10145 and Regulation 2834.

10 (c) HEALSTONE and ALLEN used the names "Healstone," "Healstone Property
11 Management," and "Healstone Property Management LLC" in conducting acts for which a
12 license was required without first obtaining a real estate license bearing those names, in violation
13 of Regulation 2731.

14 (d) HEALSTONE and ALLEN moved HEALSTONE's principal place of
15 business from 555 E. Ocean Blvd. #110 in Long Beach to 4425 N. Atlantic Avenue #B-11 in
16 Long Beach on or before November 1, 2009. However, Respondents ALLEN and
17 HEALSTONE failed to notify the Department of the change of HEALSTONE's main office
18 address until April 27, 2011, after the audit was conducted. This failure to notify the Department
19 of the change of address of the principal place of business within one day of moving was in
20 violation of Code Section 10162 and Regulation 2715.

21 (e) HEALSTONE failed to have a signed and dated Broker-Salesperson
22 Relationship agreement in place with salesperson Mary Curran, in violation of Regulation 2726.

23 (f) Respondent ALLEN's and salesperson Mary Curran's business cards did not
24 set forth their respective license identification numbers, in violation of Code Section 10140.6 and
25

1 Regulation 2773.

2 13.

3 The conduct, acts and/or omissions of Respondent HEALSTONE and ALLEN, as
4 described in Paragraph 10, above, violated the Code and Regulations as follows:

| 5 <u>PARAGRAPH</u> | 6 <u>PROVISIONS VIOLATED</u> |
|--------------------|---|
| 7 12 (a) | Code Section 10145 Regulation 2832 |
| 8 12 (b) | Code Section 10145 Regulation 2834 |
| 9 12 (c) | Regulation 2731 |
| 10 12 (d) | Code Section 10162 Regulation 2715 |
| 11 12 (e) | Regulation 2726 |
| 12 12 (f) | Code Section 10140.6 Regulation 2773 |

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17 Of these violations, Respondent ALLEN was previously disciplined for the
18 violations set forth in Paragraphs 12(a), 12(b), 12(c), 12(e) and 12(f).

19 14.

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21 The foregoing violations constitute cause for the suspension or revocation of the
22 real estate licenses and license rights of Respondents HEALSTONE and ALLEN under the
23 provisions of Code Sections 10145, 10177(d) and 10177(g).

24 15.

25 The foregoing violations constitute cause for the suspension or revocation of
26 Respondent ALLEN's real estate broker license pursuant to Code Sections 10159.2 and 10177(h)
27

1 for failing to adequately supervise the real estate activities of HEALSTONE to ensure
2 compliance with the Real Estate Law.

3 16.

4 The foregoing violations constitute cause for the suspension or revocation of the
5 ALLEN's real broker license pursuant to Code Sections 10176(i) and/or 10177(j) for engaging
6 in dishonest dealing, knowingly failing to correct previously cited violations, and willfully and
7 intentionally violating the Real Estate Law.

8 SUSPENSION OF CORPORATE POWERS
9

10 17.

11 On or about June 1, 2012, pursuant to the provisions of Section 23302 of the
12 California Revenue and Taxation Code, the corporate rights and privileges of Respondent
13 HEALSTONE were suspended by the California Secretary of State. The corporate rights and
14 privileges of Respondent HEALSTONE have remained suspended since that time.

15 18.

16 The suspension of the corporate powers of Respondent HEALSTONE constitutes
17 grounds to suspend or revoke Respondent HEALSTONE's corporate real estate broker license
18 pursuant to Code Sections 10177(d), 10177(f) and/or 10177(g) in conjunction with Regulation
19 2742.
20

21 19.

22 The suspension of the corporate powers of Respondent HEALSTONE by the
23 California Secretary of State for failure to pay taxes is grounds to suspend or revoke the license
24 and/or license rights of Respondent ALLEN pursuant to Code Sections 10177(h), 10177(d),
25 10177(g), 10176(i) and/or 10177(j).
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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/or license rights of Respondents HEALSTONE REAL ESTATE
4 GROUP INC. and WILLIAM HUBERT ALLEN III under the Real Estate Law (Part 1 of
5 Division 4 of the Business and Professions Code), for the cost of investigation and enforcement
6 as permitted by law, and for such other and further relief as may be proper under other provisions
7 of law.

8 Dated at Los Angeles, California,

9 this 30 day of April, 2013
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13 Robin Trujillo
14 Deputy Real Estate Commissioner
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24 cc: Healstone Real Estate Group Inc.
25 William Hubert Allen III
26 Robin Trujillo
27 Sacto.