

FILED

FEB 26 2014

DEPARTMENT OF REAL ESTATE
BY: 

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BEFORE THE BUREAU OF REAL ESTATE
STATE OF CALIFORNIA

* * *

In the Matter of the Accusation of)
)
CASTLE REAL ESTATE &) No. H- 39335 LA
FINANCIAL GROUP INC; and)
) ACCUSATION
KURTIS RAY SANDHOFF,)
individually and as designated officer)
of Castle Real Estate & Financial)
Group Inc.,)
)
Respondents.)

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, Bureau of Real Estate ("Bureau") for cause of Accusation against CASTLE REAL ESTATE & FINANCIAL GROUP INC. ("CREFGI") and KURTIS RAY SANDHOFF("SANDHOFF"), individually and as designated officer of Castle Real Estate & Financial Group Inc. (collectively "Respondents"), is informed and alleges as follows:

1.

The Complainant, Maria Suarez, a Deputy Real Estate Commissioner of the State of California, makes this Accusation in her official capacity.

2.

From March 5, 2003, through the present, Respondent CREFGI has been licensed as a real estate corporation. At all times relevant herein, CREFGI was acting by and through Respondent SANDHOFF as its designated officer pursuant to Business and Professions Code ("Code") Section 10159.2 to be responsible for ensuring compliance with the Real Estate Law.

3.

Respondent SANDHOFF was originally licensed as a real estate broker on January 12, 1977. SANDOFF is the designated officer of CREFGI from May 5, 2003.

Table: Designated Officer Tenure

Designated Officer(s)	Tenure
Kurtis Ray Sandhoff	Inception of CREFGI to present

4.

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

FIRST CAUSE OF ACCUSATION
(Audit)

5.

At all times mentioned, in the City of Whittier, County of Los Angeles, Respondents CREFGI and SANDHOFF acted as a real estate brokers and conducted licensed activities within the meaning of Code Section 10131(b) wherein they conducted a property management brokerage.

1 CREFGI engaged in property management activities during the audit period.
2 CREFGI manages 21 residential properties for 18 owners. CREFGI collects rents, pays
3 expenses, and screens tenants for compensation. CREFGI collected \$277,000 in the last twelve
4 months in rents and security deposits from the tenants. CREFGI charged a management fee of
5 5% to 7% of the rents collected or a monthly flat fee of \$100.00 to \$125.00.
6

7 Audit Examination

8 6.

9 On February 6, 2013, the Bureau completed an audit examination of the books
10 and records of Respondent CREFGI pertaining to the property management activities described
11 in Paragraph 5, which require a real estate license. The audit examination covered a period of
12 time beginning on September 1, 2011 and ending on August 31, 2012. The audit examination
13 revealed violations of the Code and the Title 10, Chapter 6, California Code of Regulations
14 ("Regulations") as alleged in the following paragraphs, and more fully set forth in Audit Report
15 LA 120060 and the exhibits and work papers attached thereto.

16 Bank Accounts

17 7.

18 At all times mentioned, in connection with the activities described in Paragraph
19 6, above, CREFGI accepted or received funds including funds in trust ("trust funds") from or on
20 behalf of property owners and tenants handled by CREFGI and thereafter made deposits and or
21 disbursements of such funds. From time to time herein mentioned, during the audit period and
22 thereafter, said trust funds were deposited and/or maintained by CREFGI in the bank accounts
23 described below:

24 ///

25 ///

26 ///

1. BA 1

Account Name: Castle Real Estate & Finance Group Inc.

Account No.: *****90194

Bank Name: Banco Popular

Bank Address: East Whittier Office
Whittier,, CA 90603

2. BA 2

Account Name: Castle Real Estate & Finance Group Inc.

Account No.: *****38763

Bank Name: Banco Popular

Bank Address: East Whittier Office
Whittier,, CA 90603

3. BA 3

Account Name: Castle Real Estate & Finance Group Inc.

Account No.: *****29073

Bank Name: JP Morgan Chase

Bank Address: P.O. Box 659754
San Antonio, TX 78265-9754

Violations of the Real Estate Law

8.

In the course of activities described in Paragraphs 5 and 7, above, and during the examination period, described in Paragraph 6, Respondents CREFGI and SANDHOFF acted in violation of the Code and the Regulations in which Respondents:

1 (a) Permitted, allowed or caused the disbursement of trust funds from BA 1,
2 CREFGI's property management bank account for rent and security deposits collection, where
3 the disbursement of funds reduced the total of aggregate funds in BA 1 to an amount which, on
4 August 31, 2012, was at a minimum accountability of \$17,657.73, less than the existing
5 aggregate trust fund accountability of CREFGI to every principal who was an owner of said
6 funds, without first obtaining the prior written consent of the owners of said funds, in violation
7 of Code Section 10145(a) and Regulation 2832.1;
8

9 (b) Failed to maintain an accurate and complete control record in the form of a
10 columnar record in chronological order of trust funds received, deposited and disbursed for BA
11 1, in violation of Code Section 10145 and Regulation 2831;
12

13 (c) Failed to maintain an accurate and complete separate record for each
14 beneficiary or transaction, thereby failing to account for all trust funds received, deposited and
15 disbursed for BA 1, in violation of Code Section 10145 and Regulation 2831.1;
16

17 (d) Failed to perform a monthly reconciliation of the balance of all separate
18 beneficiary or transaction records maintained pursuant to Regulation 2831.1 with the record of
19 all trust funds received and disbursed by BA 1, in violation of Code Section 10145 and
20 Regulations 2831.2;
21

22 (e) Failed to place trust funds in the form of rent receipts, accepted on behalf of
23 another into the hands of the owner of the funds, a neutral escrow depository or into a trust fund
24 account in the name of the trustee at a bank or other financial institution, in violation of Code
25 Section 10145 and Regulation 2832(d). BA 1 and BA 2 were not designated as trust accounts;
26

(f) Mixed and commingled trust funds and personal funds of CREFGI by
transferring trust funds into CREFGI's general account, in violation of Code Section 10176(e)

1 and Regulation 2832. \$3,005.21 in trust funds was deposited into CREFGI's general account;

2 (g)(1) Permitted unlicensed and unbonded employee Melissa Potts to be an
3 unauthorized signatory on BA 1 and BA 2; and Robert W. Potts, to be authorized signatory on
4 B2, in violation of Code Section 10145 and Regulation 2834(a); and
5

6 (g)(2) SANDHOFF was not a signatory on BA 1, in violation of Code Section
7 10145 and Regulation 2834(b);

8 (h) Permitted and/or caused the disbursement of trust funds to CREFGI and/or
9 third party providers on the representation that these amounts were needed to pay for
10 maintenance services, which payments exceeded the actual costs of these services by
11 Respondent. Respondent did not disclose these "mark-ups" to the beneficiaries of said trust
12 funds, did not obtain their consent to these "mark-ups" and paid himself the difference between
13 the amounts paid and the actual costs of the services, in violation of Code Section 10176(g).
14 The total amount of said maintenance overcharges is \$152.75.
15

16 (i) Made Unauthorized disbursement of \$7,833.39 in trust funds between the
17 period November 11, 2011 and August 2012 by former employee Jana Wells by means of the
18 instrumentality of ATM purchases, cash withdrawals and other payments from BA 1, yet not
19 related to any specific property account or expense thereof, to former employee Jana Wells, in
20 violation of Code Sections 10145 and 10177(g). CREFGI restored \$6,000 to BA 1 to cover the
21 embezzled amount, leaving an unpaid balance in the amount of \$1,833.39.
22

23 (j) SANDHOFF failed to adequately supervise and control the real estate and
24 property management activity conducted under CREFGI's real estate broker license.
25 Additionally, Respondent SANDHOFF had no system in place for regularly monitoring
26 CREFGI's compliance with the Real Estate Law especially in regard to establishing, systems,

1 policies and procedures to review trust fund handling, and to keep CREFGI in compliance with
2 the Real Estate Law, in violation of Code Sections 10159.2, 10177(h) and Regulation 2725.

3
4 9.

5 The conduct of Respondents CREFGI and SANDHOFF, described in Paragraph
6 8, above, violated the Code and the Regulations as set forth below:

<u>7 PARAGRAPH</u>	<u>PROVISIONS VIOLATED</u>
8 8(a)	Code Section 10145 and Regulation 2832.1
9 8(b)	Code Section 10145 and Regulation 2831
10 8(c)	Code Section 10145 and Regulation 2831.1
11 8(d)	Code Section 10145 and Regulation 2831.2
12 8(e)	Code Section 10145 and Regulation and 2832(a)
13 8(f)	Code Sections 10145 and 10176(e) and Regulation 2832
14 8(g)	Code Section 10145 and Regulation 2834
15 8(h)	Code Section 10176(g)
16 8(i)	Code Sections 10145 and 10177(g)
17 8(i)	Code Section 10162 and Regulation 2715
18 8(j)	Code Sections 10159.2 and 10177(h) and 19 Regulation 2725 (SANDHOFF)

20 The foregoing violations constitute cause for the discipline of the real estate licenses and license
21 rights of Respondents CREFGI and SANDHOFF under the provisions of Code Sections 10145,
22 10176(e), 10176(g), 10177(d), 10177(g), and 10177(h) for SANDHOFF.

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1
2 SECOND CAUSE OF ACCUSATION
3 (Negligence)

4 10.

5 The overall conduct of Respondents CREFGI and SANDHOFF constitutes
6 negligence and is cause for discipline of the real estate license and license rights of said
7 Respondents pursuant to the provisions of Code Section 10177(g).

8 THIRD CAUSE OF ACCUSATION
9 (Fiduciary Duty)

10 11.

11 The conduct, acts and omissions of Respondents CREFGI and SANDHOFF
12 constitute a breach of fiduciary duty, owed to CREFGI's clients, of good faith, trust, confidence
13 and candor, within the scope of their contracted property management relationship with
14 landlords and tenants, in violation of Code Section 10177(g) and constitutes cause for discipline
15 of the real estate license and license rights of said Respondents pursuant to the provisions of
16 Code Section 10177(g).

17 12.

18 Code Section 10106 provides, in part, that in any order issued in resolution of a
19 disciplinary proceeding before the Bureau of Real Estate, the Commissioner may request the
20 administrative law judge to direct a licensee found to have committed a violation of this part to
21 pay a sum not to exceed the reasonable costs of the investigation and enforcement of the case.

22 13.

23 Code Section 10148(b) provides, in pertinent part the Commissioner shall charge
24 a real estate broker for the cost of any audit, if the commissioner has found in a final decision
25 following a disciplinary hearing that the broker has violated Code section 10145 or a regulation
26 or rule of the commissioner interpreting said section.

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 CASTLE REAL ESTATE &
4 FINANCIAL GROUP INC. and KURTIS RAY SANDHOFF, individually and as designated
5 officer of Castle Real Estate & Financial Group Inc., under the Real Estate Law (Part 1 of
6 Division 4 of the California Business and Professions Code) and for such other and further relief
7 as may be proper under other applicable provisions of law, including but not limited to, proof of
8 cure of the shortage, and costs of investigation, enforcement and audit.

9 Dated at Los Angeles, California.

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11 This 7th day of January, 2014.

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15 MARIA SUAREZ
16 Deputy Real Estate Commissioner
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21

22 cc: Castle Real Estate & Financial Group Inc.
23 Kurtis Ray Sandhoff
24 Maria Suarez
25 Isabel Beltran - Audits
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