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DEPT. OF REAL ESTATE

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8 BEFORE THE DEPARTMENT OF REAL ESTATE
 9 STATE OF CALIFORNIA

10 * * *

11 In the Matter of the Accusation of) No. H-12466 SF
 12 GREYSTAR RS CA, INC., and)
 13 GERARD STEPHEN DONOHUE JR.,) ACCUSATION
 14 individually and as former designated)
 officer of Greystar RS CA, Inc.,)
 15 Respondents.)

16 The Complainant, Stephanie Yee, a Supervising Special Investigator for the
 17 Department of Real Estate ("Department" or "DRE") of the State of California, for cause of
 18 Accusation against GREYSTAR RS CA, INC. ("GRCI") and GERARD STEPHEN DONOHUE
 19 JR. ("DONOHUE") (collectively "Respondents"), alleges as follows:

- 20 1. The Complainant, Stephanie Yee, acting in her official capacity as a Supervising
 21 Special Investigator, makes this Accusation against Respondents.
 22 2. All references to the "Code" are to the California Business and Professions Code
 23 and all references to "Regulations" are to Title 10, Chapter 6, California Code of Regulations.

24 **LICENSE HISTORY**

- 25 3. Respondent GRCI has been licensed by the Department as a real estate corporation,
 26 License ID 01857675, from on or about January 12, 2009, through the present, with GRCI's license
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1 scheduled to expire on June 30, 2021^{1/} unless renewed. GRCI was licensed from on or about July
2 11, 2013 to on or about January 3, 2020, through DONOHUE's real estate broker ("REB") license,
3 ID 01265072, and DONOHUE was the designated officer ("D.O.") during this time until the officer
4 was canceled on or about January 3, 2020. According to DONOHUE, in 2014, Greystar Real
5 Estate Partners, LLC, acquired Riverstone Residential CA, Inc. and on December 4, 2014 changed
6 the name to "Greystar RS CA, Inc." GRCI maintained the licensed fictitious business name
7 "Riverstone Residential Group" from January 23, 2014 to April 28, 2019. Since January 3, 2020,
8 GRCI has been licensed with no broker associated.

9 4. According to Department records as of February 5, 2021, GRCI has no current main
10 office address on file, no branch offices, no employees, and no current fictitious business names.

11 5. Respondent DONOHUE has been licensed by the Department as a REB from on or
12 about October 18, 1999, through the present, with DONOHUE's license scheduled to expire on
13 September 11, 2024, unless renewed. According to Department records to date, DONOHUE
14 employs two real estate salespersons as of February 5, 2023. In addition to being the D.O. for
15 GRCI, during the audit period DONOHUE was the D.O. for "Lincoln BP Management Inc."
16 (License ID 011319176), "Avenue5 California Inc." (License ID 02034255), and "Greystar
17 California Inc." (License ID 01525765). DONOHUE informed the DRE's auditor that he resides
18 in Utah and owns the company Axiom Multifamily Realty Advisors, LLC in Washington, Utah.

19 **BROKERAGE: GRCI**

20 6. At all times mentioned, in Orange County, GRCI acted as a real estate broker,
21 conducting licensed activities within the meaning of Code Section 10131(b): leasing or renting, or
22 soliciting prospective tenants, or collecting rents on behalf of another or others. At all times
23 relevant herein, GRCI was acting by and through DONOHUE as its D.O. pursuant to Code Section
24 10159.2, and DONOHUE was responsible for ensuring compliance with the Real Estate Law.

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28 ^{1/} GRCI's license was originally scheduled to expire on January 11, 2021, however pursuant to Governor Newsom's Executive Order N-83-20, Paragraph 5, the timeframe for certain real estate license expirations, including GRCI's, was extended until June 30, 2021.

AUDIT OF GRCI: AUDIT NO. LA180095

7. On October 31, 2019, the Department completed an audit examination of the books and records of GRCI's real estate activities that require a corporate real estate broker license under Code Section 10131. The audit examination, LA180095, covered the time January 1, 2017 to March 31, 2019 ("audit period") and was limited to GRCI's property management activities.

8. The purpose of the audit examinations was to determine whether GRCI conducted its real estate activities and handled and accounted for trust funds in accordance with the Real Estate Law and the Regulations.

9. An entrance conference was held by the DRE's auditor on May 1, 2019 with DONOHUE at GRCI's main office located at 620 Newport Center Dr., 15th Floor, in Newport Beach, California. GRCI's consultant Keith Loughran ("Loughran") was also in attendance and was the primary person who provided the records for the audit.

10. According to DONOHUE, GRCI's corporate structure as of May 1, 2019 was:

<u>Name</u>	<u>Title</u>	<u>License Status</u>	<u>Shareholder %</u>
Greystar Real Estate Partners, LLC	CEO	Not Licensed	100%

11. According to records provided by DONOHUE and Loughran, during the audit period, GRCI managed seventy-nine (79) apartment complexes with sixteen thousand, eight hundred and three (16,803) units for 68 owners. GRCI collected approximately \$15,325,000 in trust funds annually, in the form of rent receipts. GRCI collected rent, paid expenses, and screened tenants for compensation. GRCI charged a management fee of 1% to 5% of the rents collected or a flat fee ranging from \$2,500 to \$10,000.

12. According to a letter from DONOHUE dated May 7, 2019, DONOHUE was compensated \$1,000 monthly by GRCI "for the relationship," as GRCI's D.O.

13. According to DONOHUE and Loughran, GRCI maintained a minimum of one hundred and sixty-six (166) single beneficiary bank accounts, for 68 property owners with 79 apartment complexes, which were used for the receipts and disbursements of trust funds in connection with GRCI's property management activities.

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1 14. During the entrance interview on May 1, 2019, DONOHUE indicated that only
2 employees of GRCI were signers on the bank accounts owned by GRCI. In a letter from
3 DONOHUE dated July 9, 2019, DONOHUE wrote that and that the signers on bank accounts for
4 the properties K Street Flats, The Vermont, and The Wilshire Vermont Station ("WVS") (which
5 accounts are identified below as BA1, BA2, BA3, BA4, and BA5) were employed by Greystar
6 Management Services, LP. In his July 9, 2019 letter, DONOHUE identified each individual signor
7 followed by the person's title and employer as follows:

8 Eddie Fletcher - Executive Director, Greystar Management Services, LP,
9 Matt Irvine - Managing Director, Greystar Management Services, LP,
10 Greg Livingston - Senior Director, Greystar Management Services, LP,
11 Jill Drabik - Senior Director, Greystar Management Services, LP,
12 Melissa Danner - Director, Greystar Management Services, LP, and
13 Mia Richie - Controller, Greystar Management Services, LP

14 DONOHUE also wrote in his July 9, 2019 letter that none of the above individuals are licensed by
15 the California Department of Real Estate.

16 15. The DRE's auditor examined ten (10) bank accounts maintained for five (5)
17 properties provided for the audit, as follows:

18 a. Bank Account 1 ("BA1")

19 Bank: Bank of America
20 Account Name: Greystar RS CA Inc. ITF
21 K Street Flats
22 Account #: XXXXXXXX8408
23 Signatories: Eddie Fletcher (non-employee/non-licensee)
24 Matt Irvine (non-employee/non-licensee)
25 Mia Richie (non-employee/non-licensee)
26 Jill Drabik (non-employee/non-licensee)
27 Melissa Danner (non-employee/non-licensee)
28 Greg Livingston (non-employee/non-licensee)
29 Signatures required: One (1) signature
30 Description: BA1 was maintained for the receipts and disbursements of trust funds for the property,
31 K Street Flats, in connection with GRCI's property management activity.

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b. Bank Account 2 ("BA2")

Bank: Bank of America
Account Name: Riverstone Residential CA, Inc DBARRGAAF
WVS Operating
Account #: XXXXXXXX9231
Signatories: Eddie Fletcher (non-employee/non-licensee)
Matt Irvine (non-employee/non-licensee)
Mia Richie (non-employee/non-licensee)
Jill Drabik (non-employee/non-licensee)
Melissa Danner (non-employee/non-licensee)
Greg Livingston (non-employee/non-licensee)
Signatures required: One (1) signature
Description: BA2 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCl's property management activity. BA2 was also referred as "WVS Operating." According to DONOHUE and the bank signature card, there were four (4) additional accounts used to hold security deposits, laundry, parking, and renovation expenses.

c. Bank Account 3 ("BA3")

Bank: Bank of America
Account Name: Riverstone Residential CA, Inc DBARRGAAF
WVS Security Deposits
Account #: XXXXXXXX5296
Signatories: Eddie Fletcher (non-employee/non-licensee)
Matt Irvine (non-employee/non-licensee)
Mia Richie (non-employee/non-licensee)
Jill Drabik (non-employee/non-licensee)
Melissa Danner (non-employee/non-licensee)
Greg Livingston (non-employee/non-licensee)
Signatures required: One (1) signature
Description: BA3 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCl's property management activity. BA3 was also referred as "WVS Security Deposits."

d. Bank Account 4 ("BA4")

Bank: Bank of America
Account Name: Greystar RS CA Inc AAF
The Vermont Operating
Account #: XXXXXXXX7415
Signatories: Eddie Fletcher (non-employee/non-licensee)
Matt Irvine (non-employee/non-licensee)
Mia Richie (non-employee/non-licensee)
Jill Drabik (non-employee/non-licensee)
Melissa Danner (non-employee/non-licensee)
Greg Livingston (non-employee/non-licensee)
Signatures required: One (1) signature
Description: BA4 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCl's property management activity. BA4 was also referred as "The Vermont Operating." GRCl maintained three (3) additional accounts for The Vermont's replacement funds, security deposits, and tax and insurance account.

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e. **Bank Account 5 ("BA5")**

Bank: Bank of America
Account Name: Greystar RS CA Inc AAF
The Vermont SD
Account #: XXXXXXXX7428
Signatories: Eddie Fletcher (non-employee/non-licensee)
Matt Irvine (non-employee/non-licensee)
Mia Richie (non-employee/non-licensee)
Jill Drabik (non-employee/non-licensee)
Melissa Danner (non-employee/non-licensee)
Greg Livingston (non-employee/non-licensee)
Signatures required: One (1) signature
Description: BA5 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA5 was also referred as "The Vermont Security Deposit."

16. According to DONOHUE, the next five accounts—referred to below as BA6, BA7, BA8, BA9, and BA10—were opened by the property owners. These bank accounts were managed by GRCI during the audit period. The DRE's auditor was only able to identify the bank name, account name, and account number. The DRE's auditor requested the bank signature cards or written bank statements regarding the accounts being opened by the property owners, however, neither signature cards nor statements were provided. Based on check images examined for BA6, BA8, and BA10, Eddie Fletcher and Matt Irvine signed checks for these accounts, however, they were neither licensed to GRCI and nor employees of GRCI.

f. **Bank Account 6 ("BA6")**

Bank: Bank of America
Account Name: UC Block 3 Associates LP Operating
Account #: XXXXXXXX7620
Signatories: Unknown
Signatures required: Unknown
Description: BA6 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA6 was also referred as "The Union Flats Operating."

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g. Bank Account 7 ("BA7")

Bank: Bank of America
Account Name: UC Block 3 Associates LP SD
Account #: XXXXXXXX7625
Signatories: Unknown
Signatures required: Unknown
Description: BA7 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA7 was also referred as "The Union Flats Operating." BA7 was also referred to as "Union Flats Security Deposit, and was maintained for security deposits for the property.

h. Bank Account 8 ("BA8")

Bank: Wells Fargo Bank
Account Name: 22751 El Prado LLC (Disbursement)
Account #: XXXXXXXX9408
Signatories: Unknown
Signatures required: Unknown
Description: BA8 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA8 was also referred as "El Prado LLC Disbursement."

i. Bank Account 9 ("BA9")

Bank: Wells Fargo Bank
Account Name: 22751 El Prado LLC (Depository)
Account #: XXXXXXXX9390
Signatories: Unknown
Signatures required: Unknown
Description: BA9 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA9 was also referred as "El Prado LLC (Depository)."

j. Bank Account 10 ("BA10")

Bank: Wells Fargo Bank
Account Name: 22751 El Prado LLC (Capital)
Account #: XXXXXXXX2788
Signatories: Unknown
Signatures required: Unknown
Description: BA10 was maintained for the receipts and disbursements of trust funds for single beneficiaries in connection with GRCI's property management activity. BA9 was also referred as "El Prado LLC (Capital)."

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1 **Audit Violations in Audit No. LA180095**

2 17. The Complainant realleges and incorporates by reference all of the allegations
3 contained in paragraphs 1 through 16 above, with the same force and effect as though fully set forth
4 herein.

5 18. The audit examination revealed violations of the Code and the Regulations, as set
6 forth in the following paragraphs, and more fully discussed in Audit No. LA180095 and the
7 exhibits and work papers attached to the audit report:

8 **Issue Three (3).^{2/} Code Section 10145 and Regulation 2831: Trust Fund Records to be**
9 **Maintained**

10 21. GRCI failed to maintain accurate and/or complete control records for the receipts
11 and disbursements of trust funds for BA1, BA2, BA3, BA4, BA5, BA6, BA7, BA8, BA9, and
12 BA10 in connection with GRCI's property management activities. In some instances, the control
13 records were not in chronological order and the transactions were recorded on an incorrect date. In
14 addition, multiple updated versions of the control records were provided to the DRE's auditor
15 during the course of the audit examination.

16 22. GRCI's failure to maintain accurate and/or complete control records for the receipts
17 and disbursements of trust funds for BA1, BA2, BA3, BA4, BA5, BA6, BA7, BA8, BA9, and
18 BA10 in connection with GRCI's property management activities was in violation of **Code Section**
19 **10145 and Regulation 2831.**

20 **Issue Four (4). Code Section 10145 and Regulation 2832: Trust Fund Handling**

21 23. GRCI failed to designate BA1, BA2, BA3, BA4, BA5, BA6, BA7, BA8, BA9, and
22 BA10 as trust accounts and were not set up in the name of "Greystar RS CA, Inc." as trustee in
23 violation of **Code Section 10145 and Regulation 2832.**

24 **Issue Five (5). Code Section 10145 and Regulation 2834: Trust Account Withdrawals**

25 24. According to DONOHUE and based on the bank signature cards from Bank of
26 America for BA1, BA2, BA3, BA4, and BA5, the following individuals that were neither licensed
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28 ^{2/} Issues One (1) and Two (2) of the audit report are being skipped intentionally. Complainant reserves the right to
conduct further investigation and to amend the Accusation should further evidence be acquired in support of Issues One
and Two, as well as potential causes of accusation not alleged in this Accusation at the time of filing.

1 to GRCI nor employees of GRCI, were authorized as signers and to make withdrawals on these five
2 accounts: Eddie Fletcher; Matt Irvine; Greg Livingston; Jill Drabik; Melissa Danner; and Mia
3 Richie.

4 25. Based on check images examined from BA6, BA8, and BA10, Eddie Fletcher and
5 Matt Irvine also signed checks drawn from BA6, BA8, and BA10.

6 26. GRCI's acts and omissions that resulted in individuals that are neither licensed to
7 GRCI nor employees of GRCI being authorized as signers and to make withdrawals on BA1, BA2,
8 BA3, BA4, BA5, BA6, BA8, and BA10 were in violation of **Code Section 10145 and Regulation**
9 **2834.**

10 **Issue Six (6). Code Section 10159.5 and Regulation 2731: Unlicensed Fictitious Business Name**

11 27. GRCI conducted licensed real estate activities using the unlicensed fictitious
12 business name "Greystar" without first obtaining a license from the DRE bearing such fictitious
13 business name. "Greystar" was not and is not licensed to GRCI as a fictitious business name.

14 28. GRCI thus used an unlicensed fictitious business name to conduct its property
15 management activities in violation of **Code Section 10159.5 and Regulation 2731.**

16 **Issue Eight (8).^{3/} Code Section 10148: Retention of Records**

17 29. During the audit, the DRE's auditor requested books and records related to GRCI's
18 property management activities. The DRE also served a subpoena duces tecum on GRCI for books
19 and records related to GRCI's property management activities. Not all books, records, and
20 documents related to GRCI's property management activities were made available for examination
21 during the audit period. Books, records, and documents requested and subpoenaed that were not
22 made available for examination as of the audit report date included bank signature cards and
23 written bank statements for BA6, BA7, BA8, BA9, and BA10.

24 30. GRCI's failure to make all documents requested and subpoenaed available for the
25 audit examination was in violation of **Code Section 10148.**

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28 ^{3/} Issue Seven (7) of the audit report is being skipped intentionally. Complainant reserves the right to conduct further investigation and to amend the Accusation should further evidence be acquired in support of Issue Seven, as well as potential causes of accusation not alleged in this Accusation at the time of filing.

1 **Issue Nine (9). Code Section 10159.2 and Regulation 2725: Responsibility of Corporate**
2 **Officer in Charge; Broker Supervision**

3 31. The Complainant realleges and incorporates by reference all of the allegations
4 contained in paragraphs 1 through 30 above, with the same force and effect as though fully set forth
5 herein.

6 32. Based on the above audit findings of Audit No. LA180095 in Issues One, and Three
7 through Eight above, as alleged in paragraphs 7 through 30 above, as the broker and designated
8 officer of GRCI, DONOHUE did not exercise adequate supervision and control over the real estate
9 activities conducted on behalf of GRCI by its employees and licensees to ensure compliance with
10 the Real Estate Laws and Regulations. DONOHUE failed to establish policies, rules and systems to
11 review, oversee, inspect, and manage transactions requiring a real estate license and the handling of
12 trust funds.

13 33. DONOHUE'S acts and/or omissions, as alleged above in paragraphs 7 through 35
14 above were in violation of **Code Section 10159.2 and Regulation 2725.**

15 **INVESTIGATION AND ENFORCEMENT COSTS**

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

20 **AUDIT COSTS**

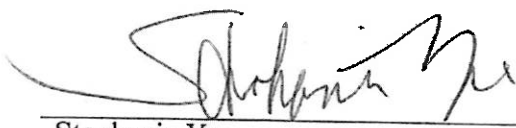
21 41. Code Section 10148(b) provides, in pertinent part, the Commissioner shall charge a
22 real estate broker for the cost of any audit, if the Commissioner has found in a final decision
23 following a disciplinary hearing that the broker has violated Code Section 10145 or a regulation or
24 rule of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

25 WHEREFORE, Complainant prays that a hearing be conducted on the allegations of
26 this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action
27 against all the licenses and license rights of GREYSTAR RS CA, INC. and GERARD STEPHEN
28 DONOHUE JR. under the Real Estate Law, for the costs of investigation and enforcement, and

1 audit as permitted by law, and for such other and further relief as may be proper under other
2 applicable provisions of law, and for costs of audit.

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Dated at Oakland, California this 11th day of March, 2021.



Stephanie Yee
Supervising Special Investigator

cc: GREYSTAR RS CA, INC.
GERARD STEPHEN DONOHUE JR.
Greystar California Inc.
Stephanie Yee
Sacto.