LISSETE GARCIA, Counsel (SBN 211552)
Department of Real Estate
320 West 4th Street, Suite 350
Los Angeles, California 90013-1105
Telephone: (213) 559-5990
Direct: (213) 559-5933
Fax: (213) 576-6917
Staff Counsel for Department of Real Estate

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JUN 19 2026

DEPT. OF REAL ESTATE

By [redacted]

BEFORE THE DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

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In the Matter of the Accusation against SANTA BARBARA PROPERTY MANAGEMENT, INC. and STEPHEN JAMES DOWNAROWICZ, individually, and as Designated Officer for Santa Barbara Property Management, Inc., Respondents.	DRE No. H-43248 LA **ACCUSATION**

The Complainant, Ray Dagnino, a Supervising Special Investigator for the Department of Real Estate[1] ("Department") of the State of California, for cause of Accusation against SANTA BARBARA PROPERTY MANAGEMENT, INC. and STEPHEN JAMES DOWNAROWICZ, individually, and as Designated Officer for Santa Barbara Property Management, Inc.; (collectively "Respondents"), alleges as follows:

[1] Between July 1, 2013, and July 1, 2018, the Department of Real Estate operated as the Bureau of Real Estate under the Department of Consumer Affairs.

1. The Complainant, Ray Dagnino, acting in his official capacity as a Supervising Special Investigator, makes this Accusation against Respondents.

2. All references to the "Code" are to the California Business and Professions Code, all references to the "Real Estate Law" are to Part 1 of Division 4 of the Code, and all references to "Regulations" are to the Regulations of the Real Estate Commissioner, Title 10, Chapter 6, California Code of Regulations.

STATEMENT OF FACTS

Licensees

3. Respondents are presently licensed and/or have license rights under the Real Estate Law (Part 1 of Division 4 of the Code).

4. On March 30, 2018, the Department issued a real estate corporation license to Respondent SANTA BARBARA PROPERTY MANAGEMENT, INC ("SBPMI"), License ID 02061577.

5. Respondent SBPMI's license is currently restricted. Unless renewed, Respondent SBPMI's license is scheduled to expire on November 16, 2027. The Department retains jurisdiction pursuant to Code section 10103.

6. On August 7, 2017, the Department issued a real estate broker license to Respondent STEPHEN JAMES DOWNAROWICZ ("DOWNAROWICZ"), License ID 01056752.

7. Respondent DOWNAROWICZ's license is currently restricted. Unless renewed, Respondent DOWNAROWICZ's license is scheduled to expire on November 16, 2027. The Department retains jurisdiction pursuant to Code section 10103.

8. DOWNAROWICZ was licensed as a real estate salesperson from approximately December 20, 1989, through August 6, 2017.

9. From March 30, 2018, through the present, Respondent DOWNAROWICZ has been the designated officer for Respondent SBPMI, pursuant to Code section 10211. As the designated officer for SBPMI, Respondent DOWNAROWICZ is responsible for the supervision and control of the activities conducted on behalf of SBPMI by its officers, agents, real estate licensees, and employees, as necessary to secure full compliance with the provisions of the Real Estate Law, pursuant to Code section 10159.2.

<u>Prior discipline DRE Case No. H-42417 LA</u>

10. On November 9, 2022, the Department filed and served an Accusation against Respondents in Department Case No. H-42417 LA. The Accusation was based on allegations of trust fund violations found during an audit of Respondents' property management activities in Audit No. LA210020.

11. Respondents SBPMI and DOWNAROWICZ submitted a Notice of Defense.

12. On July 12, 2023, the parties entered into a Stipulation and Agreement in Settlement and Order ("Stipulation") to settle the Accusation. The Stipulation became effective on August 17, 2023.

13. Pursuant to the Stipulation, Respondents' respective licenses were revoked, with the right to issuance of restricted licenses subject to the terms and conditions noted in the Stipulation, including payment of the audit costs for a subsequent audit (up to a maximum of $5,000.00) to determine if Respondents have corrected the violations found in the Determination of Issues of the Stipulation.

14. The Determination of Issues in the Stipulation for Case No. H-42417 LA held that Respondent SBPMI was in violation of Code sections 10145 and 10148 and Regulations 2831, 2831.1, 2831.2, 2832, and 2834 and Respondent DOWNAROWICZ was in violation of Code sections 10159.2 and 10177, subdivision (h), and Regulation 2725.

15. The Department's Accusation in Case No. H-42417 LA was also filed against former real estate licensees Adam Michael Pirozzi ("A. Pirozzi") and AMPCore, Incorporated ("AI"). On or about August 22, 2023, A. Pirozzi surrendered his broker license. AI's corporation license rights expired on November 9, 2020.

16. DOWNAROWICZ was formerly licensed as a real estate salesperson affiliated with broker, AI, from March 17, 2009, through August 6, 2017.

<u>Cause of Accusation – Follow-up/Subsequent Audit No. LA240087</u>

17. At all times relevant herein, in the State of California, Respondents engaged in activities that require a real estate broker license within the meaning of Code section 10131, subdivision (b). Respondents' activities included soliciting or offering to negotiate the sale, purchase or exchange of leases for real property and the collection of rents or security deposits on real property or on a business opportunity for others, for compensation or in expectation of compensation.

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

19. On or about December 31, 2025, the Department completed the subsequent audit of Respondent SBPMI's activities which required a real estate license to determine if Respondents handled and accounted for trust funds in compliance with the Real Estate Law and the Regulations. The audit examination was limited to SBPMI's property management activities.

20. The audit examination covered the period from August 17, 2023, through April 30, 2025 (“audit period”).

21. The auditor held an entrance conference with Respondent DOWNAROWICZ on June 17, 2025. The audit examination was based on records examined on a sample basis from the records provided to the Department by the Respondents, bank records, and Department licensing records, among other documents.

22. Respondent DOWNAROWICZ is the sole owner, officer, director, and shareholder of SBPMI. DOWNAROWICZ has been licensed as the Designated Officer for SBPMI since March 30, 2018.

23. According to DOWNAROWICZ, during the audit period, SBPMI managed approximately 83 one-to-four family residences with 90 units for 76 property owners. Respondents collected rents, paid expenses, and screened tenants for compensation. SBPMI charged a management fee of 6% -8% of collected rents for its property management activities.

24. According to DOWNAROWICZ, SBPMI maintained one (1) trust account (TA-1) used for handling the receipt and disbursements of trust funds for multiple beneficiaries in connection with SBPMI’s property management activities during the audit period. SBPMI collected annually approximately $1,721,019.79 in trust funds in connection with their property management activities.

25. According to DOWNAROWICZ, SBPMI also maintained one (1) general bank account (GA #9407) with Wells Fargo Bank. GA #9407 was used for handling SBPMI’s business/operating expenses.

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26. The SBPMI trust account is listed below:

Trust Account 1 (TA-1)

Bank: American Riviera Bank

Account Name: Santa Barbara Property Management, Inc. SBPM Trust Account

Account #: xxxxx9953

Signatories: DOWNAROWICZ (D.O./CEO/Secretary)

Signatures required: One (1)

Purpose: According to examination of bank records, TA-1 was used to deposit rents and security deposits collected from tenants for multiple beneficiaries in connection with SBPMI's property management activities. Disbursements from TA-1 included payments for expenses related to the properties managed, owner remittances, and to SBPMI for management fees. TA-1 was opened on December 21, 2020.

27. The audit examination revealed violations of the Code and the Regulations as set forth in the following paragraphs, and more fully discussed in Audit Report LA240087 and the exhibits and work papers attached to said audit report.

Audit Violations

28. In the course of its property management activities during the audit period, Respondents acted in violation of the Code and the Regulations as follows:

Issue 1. Code section 10145 and Regulation 2832.1. Handling of trust funds/Trust fund handling for multiple beneficiaries

29. A bank reconciliation was prepared for TA-1 with a cut-off date of April 30, 2025. The adjusted bank balance ($17,693.45) was compared to the combined total balance ($60,173.06) of the separate records (Respondents' "Owner Statements") and the accountability ("Trust Account Balance of 2101: Mgmt Held Security Deposit").

30. To determine the accountability for TA-1, the auditor used the combined balances of the separate records totaling $30,023.06 and the "Trust Account Balance" of "2101: Mgmt Held Security Deposit" created on 6/12/2025 totaling $30,150.00.

31. Based on the records examined, SBPMI did not maintain a complete and accurate control record (records of all trust funds received and disbursed). There were instances when the control record did not reflect an accurate daily balance during the audit period.

32. As of April 30, 2025, TA-1 had a minimum shortage of <$42,479.61>. The minimum shortage was caused by minimum negative property account balances of <$2,580.00> and a minimum unidentified shortage of <$39,899.61>, as of April 30, 2025.

33. The minimum negative property account balances of <$2,580.00> were caused by disbursements related to property accounts when there were insufficient funds to do so. The negative property account balances are listed below:

Property Address	Amount
4002 Via Lucero, Santa Barbara, CA 93110	<$2,200.00>
1217 Stonecreek Rd., #G, Santa Barbara, CA 93105	<$380.00>
Minimum Negative Property Account Balance as of 04/30/2025	**<$2,580.00>**

34. Respondents provided no evidence that the owners of the trust funds had given their written consent to allow Respondents to reduce the balance of funds in TA-1 to an amount less than the existing trust fund liabilities, in violation of Code section 10145 and Regulation 2832.1.

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<u>Issue 2. Code section 10177(k). Compliance with Stipulation and Agreement in Department Case No. H-42417 LA</u>

35. The subsequent audit examination showed that Respondent SBPMI was in compliance with Code section 10148 and Regulation 2834; however, Respondents SBPMI and DOWNAROWICZ were not in compliance with Code sections 10145, 10159.2, and Regulations 2725, 2831, 2831.1, 2831.2 and 2832 during the audit period, in violation of Code section 10177(k).

<u>Issue 3. Code section 10145 and Regulation 2831. Trust fund records to be maintained.</u>

36. Based on an examination of a "General Ledger 1150 – Operating Cash" dated 06/12/2025, for the period from 01/01/2025 to 05/31/2025, SBPMI's control record of all trust funds received and disbursed for TA-1 was not accurate, in violation of Code section 10145 and Regulation 2831. The control record did not reflect an accurate daily balance during the audit period.

37. SBPMI's control record reflected a negative balance of <$9,924.81> as of 01/01/2025. An examination of General Ledger records showed the ending balance of <$20,537.74> as of 04/30/2025.

38. SBPMI's "Reconciliation Report" showed the "1150 Operating Cash" had a negative balance of <$20,762.74> as of 04/30/2025. The "Reconciliation Report" for February through April of 2025 reflected an outstanding check (check number 1224) issued on 02/06/2025 in the amount of $225.00 for pest control that was not recorded on the control record as of 04/30/2025.

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Issue 4. Code section 10145 and Regulation 2831.1. Separate records for each beneficiary or transaction.

39. During the audit period, Respondent SBPMI failed to maintain accurate separate records (owner statements) for TA-1, in violation of Code section 10145(g) and Regulation 2831.1. The separate records did not include the security deposits and did not always reflect an accurate date of deposit of trust funds including, but not limited to, the following examples:

Property	Deposit Amount	Recorded Date of Deposit	Date of Deposit posted at bank
5316 Berkeley Rd.	$5,009.50	10/03/2023	10/10/2023
7361 Davenport Rd.	$4,659.50	11/04/2024	11/12/2024
914 Cheltenham	$1,400.00	04/28/2025	05/02/2025

40. SBPMI only provided a "Trust Account Balance" of "2101: Mgmt Held Security Deposits" created on 06/12/2025 showing a total of $30,150.00, for the audit examination. The separate records maintained for the "2101: Mgmt Held Security Deposits" were not made available for the audit examination.

Issue 5. Code section 10145 and Regulation 2831.2. Trust account reconciliation.

41. During the audit period, SBPMI did not maintain complete and accurate monthly reconciliations comparing the balance of all separate records (all separate beneficiary or transaction records) to the balance of the control record (the record of all trust funds received and disbursed) for TA-1, in violation of Code section 10145 and Regulation 2831.2.

42. For the audit examination, Respondents provided a "Reconciliation Report" for April 30, 2025, which showed the "1150: Operating Cash" with a negative total balance of <$20,762.74>, the "1160: Security Deposit Cash" balance of $39,800, and a combined "Total Cash Balance" of $19,037.26 as of April 30, 2025.

Issue 6. Code sections 10145, 10176(e), and Regulation 2832. Commingling/Trust fund handling.

43. According to Respondent DOWNAROWICZ and based on an examination of records, a receipt dated 11/12/2024, SBPMI collected trust funds totaling $84,132.81 from the "County Auditor-Controller from Santa Barbara County." The trust funds totaling $84,132.81 were deposited into SBPMI'S general operating business account GA #9407 maintained at Wells Fargo Bank. The trust funds totaling $84,132.81 were commingled with SBPMI's funds in SBPMI's general/operating account GA #9407, in violation of Code section 10145 and Regulation 2832.

44. The bank statement for GA #9407 for the month of November 2024 was not provided to the auditor for the audit examination. The auditor was unable to determine to whom (the specific property owners or property addresses) the trust funds were owed. As of the audit cut-off date of April 30, 2025, GA#9407 had an ending balance of $54,892.88.

45. According to Respondent DOWNAROWICZ, in response to the violations cited in Issue 6 and the shortage in TA-1, noted above in Issue 1, the trust funds totaling $84,132.81 were deposited into SBPMI's general/operating account GA #9407 to pay business expenses for SBPMI, "as this was only a partial recovery of misappropriated fund embezzled by A. Pirozzi, it was not an amount that could be accurately reconciled in accounting. This was returned after the Main Trust account for SBPMI was subsidized by me to keep that account solvent and to be able to maintain business activities without interruption and financial injury to owners/tenants..."

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Issue 7. Code section 10159.2 and Regulation 2725. Responsibility of Corporate Officer in Charge/Broker supervision.

46. Based on the trust fund handling violations by SBPMI cited above, Respondent DOWNAROWICZ failed to adequately supervise SBPMI's activities and failed to establish policies, rules, procedures, and systems to review, oversee, inspect, and manage transactions requiring a real estate license and the handling of trust funds to ensure full compliance with the Real Estate Law, in violation of Code section 10159.2 and Regulation 2725.

47. During the audit period, DOWNAROWICZ failed to maintain an accurate control record and separate records of the receipt and disbursement of all trust funds deposited into SBPMI's TA-1 account, as required by Code section 10145 and Regulations 2831 and 2831.1.

48. During the audit period, DOWNAROWICZ also failed to accurately reconcile the balance of all separate records and control records for SBPMI's TA-1 on a monthly basis, as required by Regulation 2831.2.

49. The conduct of Respondent SBPMI as described in Paragraphs 29 through 45, above, violated the Code and the Regulations as set forth below:

Issue	Paragraph(s)	Violations
1	29-34	Code section 10145 and Regulation 2832.1
2	35	Code section 10177(k)
3	36-38	Code section 10145 and Regulation 2831
4	39 & 40	Code section 10145 and Regulation 2831.1
5	41 & 42	Code section 10145 and Regulation 2831.2
6	43-45	Code sections 10145, 1076(e) and Regulation 2832

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50. The foregoing violations, as described in Paragraphs 29 through 45, above, constitute cause for the suspension or revocation of the real estate licenses and license rights of Respondent SBPMI pursuant to the provisions of Code section 10176, subdivision (e) and 10177, subdivisions (k), (d), and/or (g), for violation of Code sections 10145, 10176, subdivision (e), 10177subdivision (k), and Regulations 2832.1, 2831, 2831.1, 2831.2, and 2832.

<u>Respondent DOWNAROWICZ– Officer - Broker Supervision</u>

51. The conduct, acts, and/or omissions of Respondent DOWNAROWICZ, as alleged above in Paragraphs 35 and 46 through 48, constitutes a failure to exercise the supervision and control over the activities of SBPMI to ensure compliance with the Real Estate Law and Regulations, as required by Code section 10159.2 and Regulation 2725. Said conduct, acts, or omissions constitute cause to suspend or revoke the real estate licenses and license rights of Respondent DOWNAROWICZ pursuant to Code section 10177, subdivisions (h), (k), (d), and/or (g).

<u>Audit Costs</u>

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

<u>Investigation/Enforcement Costs</u>

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

WHEREFORE, Complainant prays that a hearing be conducted on the allegations of this Accusation and that upon proof thereof, a decision be rendered imposing disciplinary action against all licenses and/or license rights of Respondents under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code), for the costs of the audit, investigation, and enforcement as permitted by law, and for such other and further relief as may be proper under other provisions of law.

Dated on Jun 16, 2026 at Los Angeles, California.

[redacted]

RAY DAGNINO
Supervising Special Investigator

cc: Santa Barbara Property Management, Inc.
Stephen James Downarowicz
Ray Dagnino
Sacto
Audits/Auditor Anna Hartoonian