

1 REAL ESTATE AGENCY  
2 BEFORE THE REAL ESTATE COMMISSIONER  
3

4 In the Matter of the Real Estate License of )  
5 )  
6 CODY CLARK HALSEY ) ORDER ON DEFAULT  
7 )  
8 )

9 1.

10 1.1 On June 11, 2015, the Real Estate Commissioner issued a notice of intent to  
11 revoke the property manager license of Cody Clark Halsey (Halsey). The notice of intent was  
12 served by personal service by Oregon Real Estate Agency (OREA) Regulations Manager,  
13 Selina Barnes (Barnes). Barnes served the notice of intent to Halsey on June 11, 2015.

14 1.2 Over twenty (20) days have elapsed since the service of the notice issued in this  
15 matter and no written request for hearing has been received.

16 1.3 Copies of the entire investigation file are designated as the record for purposes  
17 of default, including any submission from respondent and all information in the administrative  
18 file relating to the mailing of notices and any responses received:

19 2.

20 Based upon the foregoing and upon a review of the above described investigation  
21 reports, documents and files, the Real Estate Commissioner makes the following:

22 FINDINGS OF FACT

23 AND

24 CONCLUSIONS OF LAW

25 2.1 In 2007, Halsey purchased Cascade Community Management, LLC (CCM). On  
26 the Oregon Secretary of State website, CCH Enterprises, Inc is listed as the manager of CCM,  
27 and Halsey is listed as a member. On the Oregon Secretary of State website, Halsey is listed  
28 as the president and secretary for CCH Enterprises, Inc.

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1           2.2 In October 2008, CCH Enterprises, Inc, the parent company for CCM, purchased  
2 Peters & Company Real Estate Management. In June 2009, Peters & Company formally  
3 changed their name to Noah & Associates Community Management. On the Oregon  
4 Secretary of State website, Halsey is listed as president for Noah & Associates Community  
5 Management, Inc.

6           2.3 At all times mentioned herein, Halsey was licensed as a property manager doing  
7 business under the registered business names of: CCM, CCH Enterprises, Inc., and Noah &  
8 Associates Community Management, Inc.

9           2.4 On May 4, 2014, OREA received information that Halsey may be embezzling  
10 funds from CCM clients by deducting expenses from owner accounts for invoices that were not  
11 paid to vendors.

12           2.5 The information received by OREA indicated that a client, Vern Van Horn (Van  
13 Horn) owns five properties in Portland, Oregon and one in Milwaukie, Oregon. Van Horn was  
14 billed for utility payments allegedly made by CCM for his property in Milwaukie. Specifically,  
15 Van Horn was charged for payments to the Portland Water Bureau for Van Horn's Milwaukie  
16 property located at 10447-10489 SE 23<sup>rd</sup> Ave, Milwaukie, Oregon (Milwaukie property). The  
17 Milwaukie property gets water service from the City of Milwaukie, and is not serviced by the  
18 Portland Water Bureau.

19           2.6 Based on the information received the OREA initiated an investigation. The  
20 investigation verified that the Portland Water Bureau did not service the Milwaukie property.  
21 The investigation also confirmed that Van Horn had been paying his water bill, over the phone  
22 with his credit card every month. According to this information, there should not have been  
23 any disbursements by CCM for water service for the Milwaukie property.

24           2.7 CCM has four licensees associated with it; Jessica Brown, Rhiann Doster,  
25 Halsey and Anthony Sammons. Halsey is the only one in the office who is authorized to sign  
26 checks. All clients' trust account three-way reconciliations were prepared by Brenda Bryan  
27 (Bryan) on behalf of Halsey.

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1           2.8     On May 6, 2015, Investigator Robert Pierce (Pierce) and Compliance Specialist  
2 Lindsey Nunes (Nunes) attempted to interview Halsey at the CCM office. Halsey informed  
3 Pierce and Nunes that he was represented, and all communication would need to go through  
4 his attorney, Jack Graham (Graham).

5           2.9     On May 6, 2015, a written request was made to Halsey, to produce financial  
6 documents for the investigation.

7           2.10    On May 6, 2015, Graham sent an email to Pierce, requesting an extension to the  
8 deadline for Halsey to submit the requested documents. The request for the extension was  
9 granted and the new deadline for submitting the documents to OREA was May 15, 2015.

10          2.11    A general ledger received by the Agency for 10447-10489 SE 23<sup>rd</sup> Ave,  
11 Milwaukie, Oregon for Van Horn's Milwaukie property showed 33 checks made payable to  
12 Portland Water Bureau for water and sewer service since February 2, 2011. The 33 checks  
13 totaled \$23,502.19.

14          2.12    Halsey was asked to provide copies of the front and back of check numbers  
15 37133, 36673, 36669, 36180, and 34231 associated with clients' trust account ending in #8619  
16 (holding owner funds). These were the last five checks made payable to the Portland Water  
17 Bureau and charged to Van Horn's Milwaukie property between January 8, 2015 and April 10,  
18 2015.

19          2.13    Halsey provided copies of the front and back of check numbers 3109, 3267,  
20 3154, 3208, and 3310 associated with clients' trust account ending in #8619. All five of these  
21 checks were made payable to CCM and showed bank processing information on the back.  
22 The checks were handwritten instead of computer generated and were all signed by Halsey,  
23 the memo line on these checks referenced the corresponding five digit check numbers listed in  
24 paragraph 2.12. None of these checks (with four digit check numbers) appeared on the check  
25 register.

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1           2.14 A review of the bank statement for the owner clients' trust account ending in  
2 #8619, for the months of January 2015 through April 2015 showed that none of the five checks  
3 made payable to the Portland Water Bureau (five digit check #s referenced in 2.12) cleared the  
4 bank. The checks provided by Halsey with four digit check numbers were all written for the  
5 same amount as their corresponding check, (checks with five digit numbers- referenced in  
6 2.12), which were made payable to Portland Water Bureau, listed on the ledger, from the same  
7 clients' trust account. The checks with four digit check numbers were listed on the bank  
8 statement.

9           2.15 Halsey was also requested to provide copies of the Portland Water Bureau  
10 invoices that the five checks were written to pay. The response provided by Halsey, prepared  
11 by his bookkeeper, Bryan, stated the invoices did not exist and there were no such documents  
12 to provide for this request.

13           2.16 Pierce had scheduled an interview with Halsey and his attorney Graham on June  
14 2, 2015. Graham called that morning and stated Halsey was unable to attend. That afternoon,  
15 a phone conversation between Graham, Pierce and Regulations Manager, Selina Barnes  
16 (Barnes) took place. Graham told Pierce and Barnes that Halsey had admitted to: fabricating  
17 bills, charging the "bill" to the owner, and taking the funds. Graham, said he did not know the  
18 amount of funds missing, nor the amount of the false bills to the owners.

19           2.17 On June 8, 2015, Pierce conducted an interview with Halsey and Graham.  
20 Halsey was asked about the Milwaukie property that was billed for Portland Water Bureau bills.  
21 Halsey said he did it. Halsey said he created a Portland Water Bureau invoice number and an  
22 amount in his accounting software. Halsey confirmed that he wrote the five digit number check  
23 from the accounting software which would charge it to the appropriate owner ledger. Halsey  
24 would then handwrite a four digit number check made out to CCM. The four digit numbered  
25 check made payable to CCM would actually remove the money from the clients' trust account.  
26 Halsey said he thought about \$60,000.00 had been taken. Halsey said it was anywhere  
27 between \$60,000 to \$70,000.

28           **Violation:** By creating false checks payable to the Portland Water Bureau, when the  
29 property was serviced by a different service provider, and then creating and signing checks  
30 made payable to CCM for the same amount, Halsey violated ORS 696.301(12) (2011 and

1 2013 Editions), which states a licensee may be subject to discipline if they have demonstrated  
2 incompetence or untrustworthiness in performing any act for which the licensee is required to  
3 hold a license. Additionally, Halsey committed an act of fraud or engaged in dishonest conduct  
4 substantially related to the fitness of the applicant or licensee to conduct professional real  
5 estate activity, in violation of ORS 696.301(14) (2011 and 2013 Edition).

6 2.18 Further review of the owner ledgers provided by Halsey show multiple examples  
7 of owner ledgers being charged twice for the same check number. Specifically, the ledger for  
8 1022-1040 SE 29<sup>th</sup> Ave, Portland, Oregon, shows check number 36125 made payable to  
9 Portland Water Bureau, charged to Van Horn's owner ledger on February 29, 2015, and a  
10 duplicate amount with the same check number 36125, was charged to Van Horn's owner  
11 ledger again on April 25, 2015. Van Horn's owner ledger also shows check number 36138,  
12 made payable to Ryan Cleaning Services charged to the owner ledger on February 29, 2015,  
13 and a duplicate amount with the same check number 36138 charged to Van Horn's owner  
14 ledger again on April 25, 2015. The five digit check number 36125 made payable to Portland  
15 Water Bureau and five digit check number 36138, payable to Ryan Cleaning Services both  
16 cleared the bank. The duplicate charges made on April 25, 2015, were made by two four digit  
17 check numbers, 3220 and 3231. These two four digit checks were made payable to CCM and  
18 signed by Halsey. These checks, 3220 and 3231, cleared the bank, but were not listed on Van  
19 Horn's owner ledger.

20 2.19 During the June 8<sup>th</sup> interview with Halsey and Graham, Pierce asked Halsey  
21 about the duplicate checks. Halsey said he started duplicating some of the checks to help  
22 offset what CCM had lost. Halsey clarified that he charged property owners for the same  
23 invoice twice. When Pierce asked if the four digit check numbers were used for the duplicate  
24 payments, Halsey replied "not all." Halsey said the accounting software he used reverted back  
25 to old check numbers that had been used about a year ago.

26 **Violation:** By charging the owners ledgers twice for the same check number, and then  
27 for the second charge, writing a replacement check payable to CCM, Halsey violated ORS  
28 696.301(12) (2013 Edition), which states a licensee may be subject to discipline if they have  
29 demonstrated incompetence or untrustworthiness in performing any act for which the licensee  
30 is required to hold a license. Additionally, Halsey committed an act of fraud or engaged in

1 dishonest conduct substantially related to the fitness of the applicant or licensee to conduct  
2 professional real estate activity, in violation of ORS 696.301(14) (2013 Edition).

3       2.20 Halsey was asked to provide a copy of the three-way reconciliation for the  
4 owners' client trust account #8619, for the period ending March 31, 2015. The reconciliation  
5 showed the reconciled bank balance as of March 31, 2015 was -\$64,038.51. The check  
6 register balance as of March 31, 2015 was -\$17,388.00. The balance of the owners' ledger  
7 totals was -\$17,388.00. The discrepancy between the reconciled bank balance and the check  
8 register and owner ledger totals was -\$46,650.51.

9       2.21 The explanations given for the discrepancy stated numerous checks had cleared  
10 the bank twice, but had only been entered on the ledger once.

11       2.22 A review of the bank statements showed all the check numbers listed appeared  
12 on the bank statements only once. The bank statement also showed numerous four digit  
13 numbered checks for these same amounts had cleared the bank but had not been entered on  
14 the check register. A few samples of the four digit numbered checks were requested from  
15 Halsey on June 2, 2015.

16       2.23 The four digit numbered checks reviewed by Pierce were all handwritten, made  
17 payable to CCM, signed by Halsey, and referenced the five digit check numbers listed in the  
18 explanation. The clients' trust account reconciliation had been prepared by Bryan on behalf of  
19 Halsey.

20       2.24 Further review of the owners' ledger balances report showed specific instances  
21 where funds were disbursed causing the account to become negative:

- 22       • On property 19911 NE Halsey Street, Portland, OR, the balance on the owners'  
23 ledger on March 10, 2015, was \$1,717.93. On March 11, 2015, a check  
24 numbered 36692 was issued in the amount of \$7,751.00 to CCM, causing the  
25 balance to become -\$6033.07. The negative balance continued through March  
26 31, 2015 for this property.
- 27       • On property 31499 SE Highway 211, Eagle Creek, Oregon, the balance on the  
28 owners' ledger on March 10, 2015 was \$628.00. On March 11, 2015, a check  
29 numbered 36692 was issued to CCM in the amount of \$1,990.00, causing the  
30 balance to become -\$1,362.00.

- 1           • On property 12435 SE Imperial Crest St, Happy Valley, Oregon, the balance on  
2           the owners' ledger on March 4, 2015, was \$1,655.90. On March 4, 2015, a  
3           check numbered 36524 was issued for \$2,515.50 to Kelly Flowers and Gregory  
4           Hunter for move out refund, causing the balance to become -859.00.

5           **Violation:** By allowing the owners' ledger balance to become negative, Halsey  
6           violated ORS 696.301(3) as it incorporates OAR 863-025-0025(12) (5-15-2014 Edition), which  
7           states that a property manager shall not disburse funds from a clients' trust account or  
8           security deposits account unless there are sufficient funds in the ledger account against which  
9           the disbursement is made. Additionally, Halsey violated ORS 696.301(12) (2013 Edition),  
10          which states a real estate licensee is subject to discipline if they have demonstrated  
11          incompetence or untrustworthiness in performing any act for which the licensee is required to  
12          hold a license. Halsey also committed an act of fraud or engaged in dishonest conduct  
13          substantially related the fitness of the applicant or licensee to conduct professional real estate  
14          activity, without regard to whether the act or conduct occurred in the course of professional  
15          real estate activity in violation of ORS 696.301(14) (2013 Edition).

16          2.25 A review of the clients' trust account security deposit account ending in #8622  
17          showed the following. A comparison was done between the owners' and tenants' ledger to  
18          determine if all the tenant security deposits were being reported. The comparison revealed  
19          that of the tenants showing on the owners' ledgers as paying rent in March 2015, only a small  
20          percentage of the tenants showed on the tenants security deposit ledger balances report.

21          2.26 According to the owners' ledgers, CCM manages twenty properties for Richard  
22          Rocci (Rocci). The tenant security deposit ledger balances report does not show any security  
23          deposits being held for any of Rocci's tenants.

24          2.27 The property management agreement signed by Rocci specified that CCM was  
25          responsible for collecting and maintaining the security deposits collected from the tenants.  
26          Halsey provided copies of the tenant lease agreements for eight tenants selected from Rocci's  
27          owner ledgers. All eight lease agreements showed security deposits being collected from the  
28          tenants, but none of these deposits were reported on the tenant security deposit ledger  
29          balances report.

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1           2.28 In his interview with Halsey on June 8, 2015, Pierce asked Halsey if the tenant  
2 security deposit ledger total report submitted with the reconciliation was a complete list of the  
3 security deposits being held by CCM. Halsey explained that one of the property management  
4 agreements CCM submitted, for Rocci Partners, LLC contained an addendum stating CCM  
5 would hold the first \$10,000.00 in security deposits for this property and any deposits over  
6 \$10,000.00 would be held by Rocci. However, a review of the tenants' security deposits ledger  
7 does not show the \$10,000.00 being held by CCM. No property management agreement  
8 addendum was provided to OREA.

9           **Violation:** By collecting and failing to account for and/or maintain the security deposits  
10 held on behalf of Rocci, Halsey violated ORS 696.301(3) (2009, 2011 and 2013 Editions) as it  
11 incorporates OAR 863-025-0030(1) (6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13, and 5-15-14  
12 Editions), which states all tenants' security deposits received by a property manager must be  
13 deposited and maintained in a security deposit account until: (a) the property manager  
14 forwards the tenant's security deposit to the owner of the property according to the terms of the  
15 tenant's rental or lease agreement and the property management agreement, (b) the property  
16 manager disburses the tenant's security deposit for purposes authorized by the tenant's rental  
17 or lease agreement and the property management agreement, (c) The property manager  
18 refunds a deposit to the tenant according to the terms of the tenant's rental or lease agreement  
19 and the property management agreement, or (d) The property management agreement is  
20 terminated and the property manager transfers the tenant's security deposit to the owner  
21 unless the owner directs the property manager, in writing, to transfer the security deposits and  
22 fees to another property manager, escrow agent or person.

23           By his actions, Halsey violated ORS 696.301(3) (2009, 2011 and 2013 Editions) as it  
24 incorporates OAR 863-025-0050(1) (6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13, and 5-15-14  
25 Editions), which states a property manager must prepare and maintain at least one tenant's  
26 ledger for each tenant or individual from whom the property manager has received any funds  
27 under a property management agreement, whether or not the tenant has executed a written  
28 rental or lease agreement at the time of the payment of funds of the property manager. Halsey  
29 also violated ORS 696.301(3) (2009, 2011 and 2013 Editions) as it incorporates OAR 863-025-  
30 0050(4) (6-15-10, 4-15-11, 9-1-11, 9-14-12, 4-1-13, and 5-15-14 Editions), which requires the



1 tenant's ledger to contain at least the name of the tenant and for each deposits of funds: the  
2 amount of funds received, the purpose of the funds, and identity of the person who tendered  
3 the funds, the check number, cash receipt number or a unique series of letters and/or numbers  
4 that establish an audit trail to the receipt of funds, and the date the funds were deposited.

5 Additionally, by his actions, Halsey violated ORS 696.301(12) (2009, 2011, and 2013  
6 Editions), which states a real estate licensee is subject to discipline if they have demonstrated  
7 incompetence or untrustworthiness in performing any act for which the licensee is required to  
8 hold a license. Halsey also committed an act of fraud or engaged in dishonest conduct  
9 substantially related the fitness of the applicant or licensee to conduct professional real estate  
10 activity, without regard to whether the act or conduct occurred in the course of professional  
11 real estate activity in violation of ORS 696.301(14) (2009, 2011, and 2013 Editions).

12 3.

13 3.1 Based on these findings, OREA is revoking Halsey's property manager license.  
14 A revocation of Halsey's real estate license is appropriate for violations of ORS 696.301(12)  
15 and (14) (2009, 2011 and 2013 Editions). A revocation is appropriate under ORS  
16 696.396(2)(c)(A), (B), and (C). According to ORS 696.396, OREA may revoke a real estate  
17 license if the material facts establish a violation of a ground for discipline under ORS 696.301  
18 that results in significant damage or injury, exhibits incompetence in the performance of  
19 professional real estate activity, or exhibits dishonesty or fraudulent conduct.

20 3.2 OREA reserves the right to investigate or pursue additional complaints that may  
21 be received in the future regarding this licensee.

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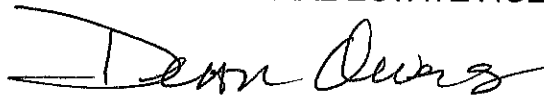
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ORDER

IT IS HEREBY ORDERED that Halsey's property manager license is revoked.

Dated this 2<sup>nd</sup> day of July, 2015.

OREGON REAL ESTATE AGENCY



Deputy Commissioner for

GENE BENTLEY

Real Estate Commissioner

DATE of service: 7-2-2015

NOTICE: You are entitled to judicial review of this order. Judicial review may be obtained by filing a petition for review within 60 days from the date of service of this order. Judicial review is pursuant to the provisions of ORS 183.482.