

OFFICE OF THE ATTORNEY GENERAL
FOR THE DISTRICT OF COLUMBIA,
441 4th Street, N.W.
Washington, D.C. 20001,

Petitioner,

v.

DARO MANAGEMENT SERVICES, LLC
2929 Connecticut Ave. NW, Suite A
Washington, D.C. 20008,

and

DARO REALTY, LLC.,
2929 Connecticut Ave. NW, Suite A
Washington, D.C. 20008,

Respondents.

ASSURANCE OF VOLUNTARY COMPLIANCE

Petitioner the Attorney General for the District of Columbia, on behalf of the District of Columbia (“District”), and Respondents Daro Management Services, LLC, and Daro Realty, LLC (collectively “Respondents”) (and with the District, the “Parties”), hereby enter into this Assurance of Voluntary Compliance (“Assurance”), pursuant to D.C. Code § 28-3909(c)(6), and agree as follows:

I. THE PARTIES

1. Petitioner the Attorney General for the District of Columbia is the chief legal officer for the District of Columbia. Pursuant to D.C. Code § 28-3909(a)-(b), the Attorney General is authorized to bring legal actions seeking injunctive relief, consumer restitution, civil penalties, costs, and attorneys’ fees for violations of the District’s Consumer Protection Procedures Act (“CPPA”), D.C. Code §§ 28-3901, *et seq.* Pursuant to D.C. Code § 28-3909(c),

the Attorney General is authorized to negotiate and enter into agreements for compliance by merchants with the provisions of the CPPA.

2. Respondent Daro Management Services, LLC (“Daro Management”) is a Delaware corporation that, at all times relevant to this matter, has been engaged in the business of providing apartment management services in the District of Columbia, including managing apartment buildings at 1421 Massachusetts Avenue, NW (known as the Phoenix or Heatherington) and 1911 R Street, NW (known as the Rodney). Since at least August of 2015, Respondent Daro Management has leased apartments to Ginosi USA Corporation (“Ginosi”) at the 1421 Massachusetts Avenue, NW and/or 1911 R Street, NW properties.

3. Respondent Daro Realty, LLC (“Daro Realty”) is a Delaware corporation that, at all times relevant to this matter, has owned apartment buildings in the District of Columbia, including apartment buildings at 1421 Massachusetts Avenue, NW and 1911 R Street, NW.

II. DEFINITIONS

4. “Short Term Rental” means any transaction involving payment by a person for the right to occupy a unit, apartment, room, or any other space or property for a period of time less than ninety days or for a transient purpose, except that a residential lease for a person to occupy an apartment for thirty-days or longer shall not be a Short Term Rental.

5. “Long Term Rental” means any transaction involving payment by a person for the right to occupy a unit, apartment, room, or any other space or property for a period of time of ninety days or longer.

III. DISTRICT’S ALLEGATIONS

6. On April 24, 2017, the District filed its Complaint in *District of Columbia v. Ginosi USA Corporation, et al.*, 2017 CA 2823 B (D.C. Superior Court).

7. In its action, the District alleges that Respondents, through a partnership with Ginosi, offer, sell and provide transient accommodations to consumers in the District of Columbia, which violates the CPPA. The District further alleges that these transient accommodations that Respondents offer, sell and provide are illegal under the District's Rental Act, D.C. Code § 42-3506.01, because Respondents are converting apartment units into Short Term Rentals.

8. The District also alleges that Respondents failed to disclose to their Long-Term Rental consumers that they will be sharing an apartment building with transient tenants, which is alleged to be another violation of the CPPA.

9. Respondents deny that they engaged in any wrongdoing, and specifically deny that they violated the CPPA or the District's Rental Act.

10. The Parties have agreed to the terms of this Assurance in order to fully resolve the District's claims against Respondents set out in the Complaint in *District of Columbia v. Ginosi USA Corporation, et al.*, 2017 CA 2823 B (D.C. Superior Court).

IV. APPLICATION

11. The provisions of this Assurance shall apply to Respondents and all persons or entities that they control or have the ability to control, including without limitation their principals, officers, directors, employees, agents, successors, assignees, affiliates, merged or acquired entities, or wholly owned subsidiaries.

12. The provisions of this Assurance shall apply to Respondents' conduct in connection with their offer and sale of rental units in the District of Columbia.

13. The injunctive provisions of this Assurance set out in paragraphs 14 thru 19 below shall remain in effect unless the prohibited conduct is authorized by a change in District law.

V. INJUNCTIVE TERMS

14. Respondents shall not engage in any unlawful trade practice prohibited by the District's CPPA, D.C. Code §§ 28-3901, *et seq.*, as it pertains to their offer for rent of rental units in the District of Columbia.

15. Respondents shall not engage in any business practice that violates the Conversion provision of the District's Rental Act, set out at D.C. Code § 42-3506.01.

16. Respondents shall not offer, rent or sell any rental units as Short Term Rentals.

17. Respondents shall not make available, offer, rent or sell any rental unit to any entity or individual for the purpose of offering or selling Short Term Rentals.

18. Respondents shall not enter into any partnership or arrangement with any entity or individual for the purpose of offering or selling Short Term Rentals.

19. Respondents shall take appropriate legal steps to terminate or cancel any contracts entered into prior to the effective date of this Assurance with any entity or individual that is offering or selling Short Term Rentals, including instituting and maintaining eviction proceedings against Ginosi, or any successor entity.

VI. PAYMENT TERMS

a. Restitution

20. Respondents shall pay an Individual Restitution Amount to each consumer who entered into a lease for a Long Term Rental of an apartment at 1421 Massachusetts Avenue, NW or 1911 R Street, NW, between August 31, 2017, and the date Ginosi first leased any units in the applicable building. The total Individual Restitution Amount that Respondents shall pay each eligible consumer shall equal \$132 for each month the consumer occupied an apartment during the relevant time frame, except that to the extent any apartment was leased during any month by

more than one consumer, than the Individual Restitution Amount due for that month shall be divided equally among each of the consumers who leased that unit.

21. Within thirty (30) days of the date of the execution of this Assurance, Respondents shall provide the Office of the Attorney General with a list of all consumers eligible to receive restitution under paragraph 20 above (the "Consumer List"). Respondents shall produce the Consumer List in electronic form. For each consumer whose name is contained on the Consumer List, Respondents shall provide the following information in the form of a spreadsheet, to the extent in Respondents' possession, with each item below contained in a separate field:

- (a) First Name;
- (b) Last Name;
- (c) Current Street Address;
- (d) Current City;
- (e) Current State;
- (f) Current Zip Code;
- (g) Phone Number(s);
- (h) Email Address(es);
- (i) Social Security Number;
- (j) Full address of property rented from Respondents, including unit number;
- (k) Beginning date of rental for each consumer;
- (l) Ending date of rental for each consumer, if applicable; and
- (m) Total Individual Restitution Amount owed to each consumer, as calculated pursuant to paragraph 20.

For a period of five (5) years, Respondents shall maintain all of their records in their possession that document the information contained in the Consumer List or that were necessary to calculate restitution owed under this Assurance. Respondents shall provide the District access to such documents upon request. The District shall treat the personal information of each consumer listed in the Consumer List as confidential to the fullest extent permitted under District law.

22. Within sixty (60) days of the date of the execution of this Assurance, Respondents shall pay the total of the Individual Restitution Amounts owed in paragraph 20 to each consumer

identified in the Consumer List by sending a check to those individuals along with the written notice attached as Exhibit A, under the Attorney General's signature, on the Attorney General's letterhead, informing the consumer that he or she is receiving a refund due to a settlement of this matter. If the consumer is currently a tenant of the Respondents, Respondents may pay the consumer's restitution amount in whole or in part in the form of a credit against future rent, provided the consumer is also sent the written notice attached as Exhibit A and that any such credits be applied against no more than two monthly rent payments that will become due under any existing lease between either of the Respondents and consumer.

23. Within one hundred eighty (180) days of the date of the execution of this Assurance, Respondents shall (i) provide the District with copies of the cancelled checks or rent account documents reflecting each payment of restitution to a consumer, and (ii) send the District a payment equal to the total amount of any restitution payments that were not received by consumers, as reflected by any returned or uncashed checks. The District shall hold any unpaid restitution amounts either as an unclaimed fund for the consumer or it shall use the funds for any other lawful purpose designated by the Attorney General.

b. Costs and Penalties

24. Within sixty (60) days of the date of the execution of this Assurance, Respondents shall pay to the District \$100,054.00 for civil penalties and for costs the District has incurred investigating and litigating this matter (the "Penalty Payment").

VII. RECITALS

25. In connection with entering into this Assurance, Respondents Daro Management and Daro Realty recite as follows: (i) Daro Management and Daro Realty have not received any amounts from Ginosi, either directly or indirectly, except as rent payments, or associated

charges, such as late fees or charges for repairs to apartments; and (ii) Daro Management and Daro Realty have not charged Ginosi any amount for an apartment in the District of Columbia that violates D.C. Code § 42-3501.01, *et seq.*

26. The District has relied upon the recitals by Daro Management and Daro Realty in paragraph 25 above in entering into this Assurance. If any of the factual statements contained in those recitals that are material to the District are untrue, the District may re-instate its released claims against those Respondents.

27. In consideration for resolving this matter, Daro Management and Daro Realty agree to cooperate with the District in connection with its prosecution of its claims against Ginosi set out in the Complaint in *District of Columbia v. Ginosi USA Corporation, et al.*, 2017 CA 2823 B (D.C. Superior Court), including providing access to its employees with knowledge of facts relevant to the subject matter of the lawsuit, promptly providing any non-privileged relevant documents, testimony or affidavits that are sought by the District prior to the trial of this matter, and appearing and providing any requested trial testimony.

VIII. ADDITIONAL TERMS

28. Within five (5) days of the execution of this Assurance, the District shall dismiss, without prejudice, its claims against Respondents in *District of Columbia v. Ginosi USA Corporation, et al.*, 2017 CA 2823 B (D.C. Superior Court) and shall not re-file those claims except (i) as permitted under paragraph 26 of this Assurance, or (ii) if Respondents fail to make any payments due under this Assurance. Upon receipt of all payments due under the terms of this Assurance, the District releases Respondents, and their direct and indirect principals, officers, directors, employees, agents, affiliates, shareholders, members and wholly owned subsidiaries, from all civil claims that the Attorney General asserted or could have asserted,

based on the facts alleged in the District's Complaint, for violations of the District's Consumer Protection Procedures Act, D.C. Code §§ 28-3901, *et seq.*

29. Any breach of the injunctive terms contained in this Assurance shall be considered an unlawful trade practice that violates the CPPA.

30. If the District believes that Respondents have violated any terms of this Assurance, the District shall provide notice by email and first-class mail to Respondents. Respondents shall have ten (10) business days from receipt of that notice to explain and correct any violation before the District shall take any legal action based on that violation.

31. Respondents shall not cause or encourage any third-parties, or knowingly permit third-parties acting on their behalf, to engage in any practices from which Respondents are prohibited by this Assurance.

32. Respondents shall not participate, directly or indirectly, in any activity, or form a separate entity or corporation for the purpose of, circumventing any part of this Assurance or the spirit or purpose of this Assurance.

33. This Assurance shall be considered effective and fully executed on the last date which any party executes the Assurance. This Assurance may be executed in counterparts, and copies of signature pages transmitted electronically shall have the same effect as originals of those signature pages.

34. All notices under this Assurance shall be provided to the following address via first class and electronic mail, unless a different address is specified in writing by the party changing such address:

For the District:

Jimmy Rock
Deputy Director
Office of Consumer Protection
441 4th Street, N.W., Suite 600-South
Washington, D.C. 20001
(202) 741-0770
Jimmy.Rock@dc.gov

For the Respondents:

Steven J. Kassin
Managing Partner
Infinity Real Estate
1407 Broadway
30th Floor
New York, NY 10018
Steve.kassin@infinity.com

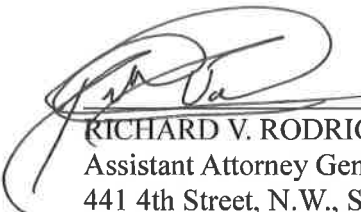
FOR THE DISTRICT OF COLUMBIA:

KARL A. RACINE
Attorney General for the District of Columbia

PHILIP ZIPERMAN
Director, Office of Consumer Protection



JIMMY R. ROCK
Deputy Director, Office of Consumer Protection



RICHARD V. RODRIGUEZ
Assistant Attorney General
441 4th Street, N.W., Suite 630 South
Washington, D.C. 20001
(202) 727-6337 | Richard.rodriquez@dc.gov

Dated: 9/21/17

FOR RESPONDENTS DARO MANAGEMENT SERVICES, LLC and DARO REALTY, LLC:

A handwritten signature in black ink, appearing to read 'Steven J. Kassin', written over a horizontal line.

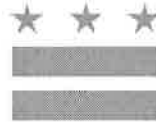
STEVEN J. KASSIN
Managing Partner
Infinity Real Estate

Dated: 09/20/2017

EXHIBIT A

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL

ATTORNEY GENERAL
KARL A. RACINE
OFFICE OF CONSUMER PROTECTION



[Date]

[FIRST NAME] [LAST NAME]
[STREET ADDRESS]
[CITY] [STATE] [ZIP CODE]
Refund owed: [INDIVIDUAL RESTITUTION AMOUNT]
Property: [PROPERTY RENTED ADDRESS]

Dear [FIRST NAME] [LAST NAME],

I am pleased to inform you that you will be receiving a [refund payment/rent credit] in the amount listed above due to a settlement that was reached by the Office of Consumer Protection in the Office of the Attorney General in the matter of *District of Columbia v. Ginosi USA Corporation, et al.* The [refund/credit] is based on a negotiated rent abatement value for the time Daro Management Services, LLC, and Daro Realty, LLC rented units in the [PROPERTY RENTED ADDRESS] property to Ginosi USA Corporation.

If you have any questions or concerns about why you are receiving your refund payment or the amount of the refund, you may call Office of Consumer Protection at (202) 442-9828 or e-mail your questions to consumer.protection@dc.gov.

Sincerely,

KARL A. RACINE
Attorney General for the District of Columbia