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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. PEARL ESCROW CORPORATION, Respondent.	File No.: 963-2469 ACCUSATION

The Complainant, California Corporations Commissioner ("Complainant" or "Commissioner") is informed and believes and based upon such information and belief, alleges and charges as follows:

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Pearl Escrow Corporation ("Respondent") is an escrow agent licensed by the Complainant pursuant to the Escrow Law of the State of California (Financial Code Section 17000 *et seq*.).

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II

Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to file an annual audit report containing audited financial statements ("audit report") within one hundred and five (105) days after the close of their fiscal year. Respondent's fiscal year ended on July 31, 2008. Accordingly, Respondent was required to file its audit report on or before November 15, 2008 and each year thereafter on that date.

On or about June 9, 2008, Complainant notified Respondent to file its audit report for its July 31, 2008 fiscal year. Respondent, however, then failed to file the audit report by November 15, 2008. On or about December 5, 2008, Complainant sent Respondent another letter demanding the 2008 audit report be filed or face monetary penalties and a special examination. Respondent ultimately filed its 2008 audit report on October 1, 2009, 302 days late. A review of the audit report revealed that Respondent did not meet the liquidity requirements of Financial Code section 17210, which requires escrow agents to maintain at all times a tangible net worth of $50,000, including liquid assets of at least $25,000.

On April 2, 2009, Complainant commenced a regulatory examination of Respondent, from which Complainant determined that Respondent failed to meet tangible net worth requirements under Financial Code section 17210 as well. As of March 31, 2009, Complainant determined that Respondent was deficient by $22,305 in liquid assets and deficient by $12,423 in tangible net worth requirements.

By letter dated July 23, 2009 and again on January 4, 2010, Complainant notified Respondent of the results of the regulatory examination and that it did not meet the liquid asset and tangible net worth requirements of section 17210. Respondent was informed that it was $22,305.00 deficient in liquid assets and deficient by $12,423.00 in tangible net worth requirements as per the results of the regulatory examination. Respondent was asked to provide proof of correction of the deficiencies or face possible suspension of its escrow license and monetary penalties. Respondent did not respond to either letter.

On or about April 8, 2010, Complainant spoke, via telephone, with Respondent's President Jose Lugo regarding the demands of the two regulatory letters and Respondent's then delinquent

2009 audit report. Respondent informed Complainant at that time that its Certified Public Accountant was working to correct these issues.

Thereafter, Respondent filed its 2009 audit report on November 15, 2010, approximately 365 days late, along with its 2010 audit report. Both reports continue to reveal tangible net worth and liquid requirement deficiencies. As of July 31, 2010, the end of Respondent's 2010 fiscal year, Respondent's liquid assets were deficient by $16,942 and its tangible net worth requirements were deficient by $10,991. Complainant contacted Respondent again by letter dated December 3, 2010 about its continuing deficiencies and demanding proof of correction or face possible suspension of its license.

Respondent has since filed its audit report timely for its 2011 fiscal year, but which continues to reveal liquid asset and tangible net worth deficiencies. As of July 31, 2011, the end of Respondent's 2011 fiscal year, Respondent is deficient in liquid assets by $22,213, and deficient by $20,892 in tangible net worth requirements.

III

Respondent has repeatedly failed to timely file its annual audit reports and has not met the liquid and tangible requirements of the Escrow Law since its fiscal year ending July 31, 2008.

Financial Code section 17406 provides in pertinent part as follows:

> (a) Each licensee shall submit to the commissioner, at the licensee's own expense, an audit report containing audited financial statements covering…[its] fiscal year, within 105 days after the close of the…fiscal year…At that time, each licensee shall also file additional relevant information as the commissioner may require.

In addition, Financial Code section 17210 provides in pertinent part as follows:

> (a) An escrow agent licensed on or after January 1, 1986, shall maintain at all times a tangible net worth of fifty thousand dollars ($50,000), including liquid assets of at least twenty-five thousand dollars ($25,000) in excess of current liabilities.

The requirements of Financial Code section 17210(a) apply to Respondent since it has been licensed as an escrow agent since August 13, 2007.

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Respondent's numerous violations under the Escrow Law warrant suspension of Respondent's escrow agent's license under sections 17602.5 and 17608.

Financial Code section 17602.5 provides in pertinent part as follows:

> If any licensed escrow agent fails to make any reports required by law or by the commissioner within ten (10) days from the day designated for the making of the reports, or within any extension of time granted by the commissioner, . . . such failure shall constitute grounds for the suspension or revocation of the license held by such escrow agent.

In addition, Financial Code section 17608 provides in pertinent part:

> The commissioner may, after notice and a reasonable opportunity to be heard, suspend or revoke any license if he finds that:
>
> (b) The licensee has violated any provision of this division or any rule made by the commissioner under and within the authority of this division.

IV

Complainant finds that, by reason of the foregoing, Respondent has violated Financial Code sections 17406 and 17210, which constitutes grounds for the suspension of its escrow agent's license.

WHEREFORE, IT IS PRAYED that the Respondent's escrow agent's license be suspended for one month or until such time as Respondent shall meet the requirements of Financial Code section 17210 and has provided sufficient proof of such to Complainant, whichever period is longer.

Dated: November 29, 2011
Sacramento, CA

California Corporations Commissioner

By _____
Lindsay B. Herrick
Corporations Counsel

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