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California Corporations Commissioner
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7 Attorneys for Complainant

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9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE) File No.: 963-2469
12 CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
14 Complainant,)
15 vs.)
16 PEARL ESCROW CORPORATION,)
17 Respondent.)
18)

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20 The Complainant, California Corporations Commissioner (“Complainant” or
21 “Commissioner”) is informed and believes and based upon such information and belief, alleges and
22 charges as follows:
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25 Pearl Escrow Corporation (“Respondent”) is an escrow agent licensed by the Complainant
26 pursuant to the Escrow Law of the State of California (Financial Code Section 17000 *et seq.*).
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II

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2 Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to
3 file an annual audit report containing audited financial statements (“audit report”) within one
4 hundred and five (105) days after the close of their fiscal year. Respondent’s fiscal year ended on
5 July 31, 2008. Accordingly, Respondent was required to file its audit report on or before November
6 15, 2008 and each year thereafter on that date.

7 On or about June 9, 2008, Complainant notified Respondent to file its audit report for its July
8 31, 2008 fiscal year. Respondent, however, then failed to file the audit report by November 15,
9 2008. On or about December 5, 2008, Complainant sent Respondent another letter demanding the
10 2008 audit report be filed or face monetary penalties and a special examination. Respondent
11 ultimately filed its 2008 audit report on October 1, 2009, 302 days late. A review of the audit report
12 revealed that Respondent did not meet the liquidity requirements of Financial Code section 17210,
13 which requires escrow agents to maintain at all times a tangible net worth of \$50,000, including
14 liquid assets of at least \$25,000.

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

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

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

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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