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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

In the Matter of:	}	ESCROW LICENSE NO.: 96DBO-50315
THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION,		ACCUSATION TO REVOKE JOINT CONTROL ESCROW AGENT LICENSE
Complainant,	}	
v.	}	(Fin. Code §§ 17602.5 and 17608)
BUILDZIG FUNDS CONTROL CORPORATION,	}	
Respondent.	}	

The Complainant, California Commissioner of Financial Protection and Innovation  
(Commissioner) is informed and believes, and based upon such information and belief, alleges and  
charges Respondent BuildZig Funds Control Corporation (Respondent) as follows:

**I.**

**Introduction**

1. At all relevant times herein, Respondent was a joint control escrow agent licensed by

the Commissioner under the Escrow Law, with its place of business located at 3007 Telegraph Avenue, Oakland, California 94609.

2. The Commissioner seeks to revoke the joint control escrow agent license issued to Respondent based upon its violations of the California Escrow Law (Fin. Code, § 17000 et seq.) (Escrow Law) and the regulations promulgated under title 10 of the California Code of Regulations (Cal. Code Regs., tit. 10, § 1700 et seq.), as set forth below.

3. Under the provisions of Financial Code sections 17602.5 and 17608, the Commissioner brings this action to revoke Respondent’s joint control escrow agent license for violations of the following:

- a. Unauthorized transfers of approximately \$206,172.38 from trust fund accounts into “reserve,” “unearned income” and “operating” accounts, resulting in trust shortages, in violation of Financial Code section 17414, subdivision (a)(1), and title 10 of the California Code of Regulations (CCR) sections 1738, 1738.1 and 1738.2;
- b. Failing to report trust shortages of approximately \$206,172.38 to the Commissioner, in violation of Financial Code section 17414, subdivision (c);
- c. Knowingly or recklessly omitting to state a material fact, in violation of Financial Code section 17414, subdivision (a)(2);
- d. Incorrect designation of funds, in violation of Financial Code section 17409, subdivision (a).
- e. Failing to submit reports, financials, records and escrow files, in violation of Financial Code sections 17405 and 17601;
- f. Failing to submit its 2024 Annual Audit Report, in violation of Financial Code section 17406;
- g. Failing to pay the examination bill in the amount of \$40,280.00, in violation of Financial Code section 17405.1;
- h. Failing to pay the special assessment in the amount of \$1,000.00, in violation of Financial Code section 17207 subdivision (h)(1);
- i. Failing to preserve records for five years, in violation of 10 CCR section 1737.3;

- j. Charging bank fees to the trust account instead of the general account, in violation of 10 CCR section 1732.2;
- k. Failing to include principals’ name and consideration information in the Escrow ledger, in violation of 10 CCR section 1732; and
- l. Maintaining insufficient bond amount, in violation of Financial Code section 17202.

## II.

### Escrow Law Violations

#### Unauthorized Transfer of Trust Funds Resulting in Trust Shortages

4. Financial Code section 17414, subdivision (a)(1) prohibits any person from knowingly or recklessly disbursing or causing the disbursement of escrow funds otherwise than in accordance with escrow instructions, or knowingly or recklessly directing, participating in, or aiding or abetting in a material way, any activity which constitutes theft or fraud in connection with any escrow transaction.

5. On December 3, 2020, the Department of Financial Protection and Innovation (Department) commenced a regulatory examination of Respondent’s books and records (2020 Examination).

6. The 2020 Examination revealed that from November of 2020 to May of 2022, Respondent wrongfully transferred approximately \$206,172.38 from the trust fund accounts into a “reserve” account, an “unearned income” account and an “operating” account, resulting in a total trust shortage of approximately \$206,172.38.

7. From December 2021 to February 2022, Respondent made unauthorized transfers of approximately \$190,322.38 from its trust accounts at Boston Private Bank & Trust Company<sup>1</sup> to Respondent’s “reserve” account at Community Bank of the Bay (Account ending 4126).

8. From December 2021 to May 2022, Respondent made unauthorized transfers of approximately \$11,905.00 from its trust account at Boston Private Bank & Trust Company (Account ending 9895) to its “unearned income” account (Account ending 7003).

9. From November 2020 to October 2021, Respondent made unauthorized transfers of

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<sup>1</sup> Boston Private Bank & Trust Company was acquired by Silicon Valley Bank (SVB) in 2021, and subsequently, SVB was acquired by first Citizens Bank in 2023.

approximately \$3,945.00 from its trust accounts at Boston Private Bank & Trust Company to its “operating” account (Account ending 1482).

10. Thus, Respondent transferred funds without authorization, causing approximately \$206,172.38 in trust shortages, in violation of Financial Code section 17414, subdivision (a)(1), and 10 CCR sections 1738, 1738.1 and 1738.2.

11. In 2023, Respondent provided information that it had refunded \$202,449.38 to the principals of the escrow transactions. To date, Respondent has failed to produce evidence that they cured all trust shortages.

**Failing to Report Trust Shortage**

12. Financial Code section 17414, subdivision (c), requires persons subject to the Escrow Law to immediately report an abstraction or misappropriation in writing to the Commissioner.

13. Respondent failed to report the \$206,172.38 trust shortage to the Commissioner, in violation of Financial Code section 17414, subdivision (c).

**Material Omission**

14. Financial Code section 17414, subdivision (a)(2) prohibits any person from knowingly or recklessly making any material misstatement or omission in escrow books, accounts, files, reports, exhibits, statements, or any other document pertaining to an escrow or escrow affairs.

15. Respondent failed to disclose that over \$50,000.00 of the trust funds transferred to the “reserve” account were used to pay Brooklyn Basin Bar Group, in violation of Financial Code section 17414, subdivision (a)(2).

16. Respondent and Brooklyn Basin Bar Group share some of the same officers.

**Incorrect Designation of Funds**

17. A review of 82 bank accounts with Boston Private Bank & Trust Company showed that these accounts were not correctly identified as “trust accounts,” in violation of Financial Code section 17409, subdivision (a).

**Failing to Submit Records, Reports and Financials**

18. The Commissioner is authorized to investigate escrow licensees’ business and examine the books, accounts, records, and files, and inspect and examine licensees’ business,

1 accounts and records at any time without prior notice, pursuant to Financial Code sections 17405 and  
2 17601. The cost of any investigation, inspection, and examination of a licensee under this section  
3 shall be paid to the Commissioner as provided in Financial Code section 17405.1.

4 19. Throughout the 2020 Examination, Respondent failed to provide the Department with  
5 requested escrow files and records, in violation of Financial Code sections 17405 and 17601.

6 20. Respondent informed the Department that its records were lost or destroyed as a result  
7 of looting during the 2020 Oakland riots.

8 21. Also, on or about March 25, 2025, the Department requested Respondent provide  
9 reports, financials and information, including, but not limited to, trust account bank reconciliation  
10 reports and bank statements. Respondent's response was originally due on April 4, 2025.

11 22. Respondent asked the Department for an explanation concerning the March 2025  
12 request. The Department explained on multiple occasions that the information was needed in order to  
13 determine that Respondent was complying with the Escrow Law, that there were no trust shortages or  
14 any other consumer harm. Despite being repeatedly informed between April and May 2025 of the  
15 Department's rationale for its March 2025 request, Respondent failed to comply with the request and  
16 offered only unsubstantiated excuses for its ongoing noncompliance.

17 23. On or about April 22, 2025, the Department sent a letter to Respondent, again  
18 explaining the reason for the March 2025 request and reminding Respondent of its obligation to  
19 produce the requested reports, financials and information. Respondent was granted an extension to  
20 April 28, 2025 to produce the requested reports, financials and information.

21 24. On April 28, 2025, Respondent notified the Department that it was surrendering its  
22 license.

23 25. On May 7, 2025, the Department sent a letter to Respondent, again reminding  
24 Respondent of its obligation to comply with the Escrow Law and produce the requested information.  
25 Respondent was also notified that it would not be allowed to surrender its license until it had fully  
26 complied with the Department's requests, including, but not limited to, producing the financials,  
27 reports and information requested on March 25, 2025, and submitting the 2024 Annual Audit Report.

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26. Respondent was granted an extension to May 19, 2025 to produce the requested reports, financials and information. Respondent was further notified that failure to produce the requested information would result in revocation of its license and assessment of penalties, pursuant to Financial Code sections 17602.5, 17608 and 17408.

27. Despite providing multiple written explanations to Respondent about the need for the requests and granting two extensions, Respondent failed to produce the requested reports, financials and information, in violation of Financial Code sections 17405 and 17601.

**Failing to Submit Annual Audit Report**

28. Financial Code section 17406, subdivision (a) requires all licensees under the Escrow Law to file an annual audit report containing audited financial statements (Annual Audit Report) within 105 days after the close of the calendar year or the licensee's fiscal year.

29. Respondent's 2024 Annual Audit Report was due on April 15, 2025. Respondent failed to submit this report.

30. On April 22, 2025 and May 7, 2025, the Department sent letters to Respondent reminding Respondent of its obligation to file the 2024 Annual Audit Report. The Department provided Respondent with two extensions to submit the 2024 Annual Audit Report, with the final extension granted through May 19, 2025.

31. Respondent was notified that failure to submit the 2024 Annual Audit Report would result in revocation of its license and assessment of penalties, pursuant to Financial Code sections 17602.5, 17608 and 17408.

32. Respondent failed to submit its 2024 Annual Audit Report, in violation of Financial Code section 17406.

**Failing to Pay Exam Fees**

33. Financial Code section 17405.1 states the cost of every inspection and examination of a licensee or other person subject to this division shall be paid to the Commissioner by the licensee or person examined, and the Commissioner may maintain an action for the recovery of these costs in any court of competent jurisdiction. In determining the cost of an inspection or examination, the Commissioner may use the estimated average hourly cost for all persons performing inspections or

examinations of licensees or other persons subject to this division for the fiscal year.

34. On or about October 18, 2024, the Department sent Respondent invoice number STC-00002733 for the 2020 Examination bill in the amount of \$40,280.00. The payment was due by November 17, 2024.

35. Respondent requested an accounting to substantiate the invoice.

36. The Department met with Respondent on multiple occasions from November 6, 2024 through January 29, 2025, and provided Respondent with a breakdown of the invoice and explained the extensive scope of the 2020 Examination, including, but not limited to, the Department's review of numerous trust accounts, review of files with negative balances, and review of financials and records. Further, the 2020 Examination was significantly delayed due to Respondent's failure to provide books and records, multiple violations noted during the 2020 Examination, and a surrender request that was later withdrawn. Respondent failed to pay the bill.

37. On or about November 18, 2024, December 23, 2024, and February 21, 2025, the Department mailed and/or emailed Respondent unpaid examination billing notices. Respondent was notified that the payment was past due, and that failure to pay the bill would result in revocation of Respondent's license, pursuant to Financial Code section 17608. Respondent failed to pay the bill.

38. On or about December 31, 2024, the Department emailed Respondent a formal demand requesting payment no later than January 17, 2025. Respondent failed to pay the bill.

39. On or about February 20, 2025, Department representatives met with Respondent in person and reminded Respondent of its obligation to pay the outstanding invoice of \$40,280.00. Respondent claimed that they were unable to make any payments based on the low volume of business over the past several years and offered to make a nominal payment. Respondent's offer was rejected.

40. Pursuant to Financial Code section 17203, the Commissioner filed a claim with Respondent's surety bond insurance to recover the unpaid exam bill on or about February 21, 2025. Respondent requested that the Department pause recovery under this claim. This surety bond claim is currently pending.

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41. Despite providing a breakdown of the invoice, explaining the extensive scope of the 2020 Examination, and reminding Respondent of its obligation to pay the bill, Respondent persisted in seeking further accounting of the invoice and asserted baseless and unsubstantiated claims of retaliation and lack of transparency against the Department.

42. Respondent received invoice number STC-00002733 for the 2020 Examination bill in the amount of \$40,280.00 over eight months ago. Respondent has failed to pay this bill, in violation of Financial Code section 17405.1.

#### **Failing to Pay Assessment**

43. Financial Code section 17207 subdivision (h)(1) requires licensees to pay the special assessment.

44. On January 17, 2025, the Department sent Respondent invoice number SES24631 for the assessment for fiscal year 2024-2025 in the amount of \$1,000.00.

45. Respondent failed to pay the special assessment invoice, which was due on March 18, 2025, in violation of Financial Code section 17207.

#### **Books and Records and Insufficient Bond**

46. The 2020 Examination further revealed that Respondent failed to preserve its financial and books and records for at least five years from the close of escrow, in violation of 10 CCR section 1737.3.

47. Respondent charged bank fees to the trust account instead of to the general account, in violation of 10 CCR section 1732.2.

48. Respondent's escrow ledger failed to include principals' name and consideration information, in violation of 10 CCR section 1732.

49. From at least December 1, 2020 to May 3, 2023, Respondent maintained insufficient bond amount, in violation of Financial Code section 17202.

### **III.**

#### **Applicable Law**

50. Financial Code section 17405 provides, in pertinent part, as follows:

(a) The business, accounts and records of every person performing as



an escrow agent, whether required to be licensed under this division or not, are subject to inspection and examination by the commissioner at any time without prior notice. The provisions of this section shall not apply to persons specified in Section 17006.

(b) Any person subject to this division shall, upon request, exhibit and allow inspection and copying of any books and records by the commissioner or his or her authorized representative.

(c) (1) The commissioner shall conduct an examination of each licensed escrow agent as described in subdivision (a) as often as the commissioner deems necessary and appropriate, but not less than once every 48 months.

51. Financial Code section 17405.1 provides, in pertinent part, as follows:

The cost of every inspection and examination of a licensee or other person subject to this division shall be paid to the commissioner by the licensee or person examined, and the commissioner may maintain an action for the recovery of these costs in any court of competent jurisdiction. In determining the cost of an inspection or examination, the commissioner may use the estimated average hourly cost for all persons performing inspections or examinations of licensees or other persons subject to this division for the fiscal year.

52. 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 the calendar year or, if the licensee has an established fiscal year, then for that fiscal year, within 105 days after the close of the calendar or fiscal year, as applicable. At that time, each licensee shall also file additional relevant information as the commissioner may require.

(b) Within 30 days after receipt of a request from the commissioner, a licensee or other person subject to this division shall submit to the commissioner, at the person's own expense, an audit report containing audited financial statements covering the 12 calendar months next preceding the month of receipt of the request, or for another period as the commissioner may require. Unless the public interest shall otherwise require, the commissioner shall exempt a licensee from the provisions of subdivision (a) in whole or in part if the licensee has complied with a request pursuant to this subdivision as of a date within the calendar or fiscal year for which the exemption is granted.

- 1           53.     Financial Code section 17203 provides, in pertinent part, as follows:  
2  
3                 The surety under the bond may pay the full amount of its liability  
4                 thereunder to the commissioner or a conservator appointed by the  
5                 commissioner pursuant to Chapter 6 (commencing with Section 17621)  
6                 in lieu of payment to the state or persons having a cause of action  
7                 against the principal, and upon such payment the surety is completely  
8                 released from further liability under the bond.  
9  
10           54.     Financial Code section 17207 provides, in pertinent part, as follows:  
11                 (h) (1) If costs and expenses associated with the enforcement of this  
12                 division, including overhead, are or will be incurred by the  
13                 commissioner during the year for which the annual license fee is levied,  
14                 and that will or could result in the commissioner’s incurring of costs  
15                 and expenses, including overhead, in excess of the costs and expenses,  
16                 including overhead, budgeted for expenditure for the year in which the  
17                 annual license fee is levied, then the commissioner may levy a special  
18                 assessment on each escrow agent for each office or location in an  
19                 amount estimated to pay for the actual costs and expenses associated  
20                 with the enforcement of this division, including overhead, in an amount  
21                 not to exceed one thousand dollars (\$1,000) for each office or location.  
22                 The commissioner shall notify each escrow agent by mail of the  
23                 amount of the special assessment levied against it, and that payment of  
24                 the special assessment is payable by the escrow agent within 60 days of  
25                 receipt of notification by the commissioner. The funds received from  
26                 the special assessment shall be deposited into the State Corporations  
27                 Fund and shall be used only for the purposes for which the special  
28                 assessment is made.  
              55.     Financial Code section 17409 provides, in pertinent part, as follows:  
                       (a) All moneys deposited in escrow to be delivered upon the close of  
                       the escrow or upon any other contingency shall be deposited and  
                       maintained in a noninterest-bearing demand or checking account in a  
                       bank, a state or federal savings bank, or a state or federal savings  
                       association or in a noninterest-bearing account subject to immediate  
                       withdrawal in an industrial loan company insured by the Federal  
                       Deposit Insurance Corporation and approved to receive those moneys  
                       by the commissioner. Thereafter, these moneys may be deposited in an  
                       interest-bearing account in a bank, a state or federal savings bank, a  
                       state or federal savings association, an industrial loan company  
                       approved to receive those moneys by the commissioner, or a state or  
                       federal credit union, if the depositor is qualified for membership under  
                       the bylaws of that credit union, and the moneys are maintained  
                       separate, distinct, and apart from funds belonging to the escrow agent.  
                       Those funds, when deposited, are to be designated as “trust funds,”

“escrow accounts,” or under some other appropriate name indicating that the funds are not the funds of the escrow agent.

Upon request of the commissioner, a licensee shall furnish to the commissioner an authorization for examination of financial records of any trust funds or escrow accounts, maintained in a financial institution, in accordance with the procedures set forth in Section 7473 of the Government Code.

56. Financial Code section 17414 provides, in pertinent part, as follows:

(a) It is a violation for any person subject to this division or any director, stockholder, trustee, officer, agent, or employee of any such person to do any of the following:

(1) Knowingly or recklessly disburse or cause the disbursement of escrow funds otherwise than in accordance with escrow instructions, or knowingly or recklessly to direct, participate in, or aid or abet in a material way, any activity which constitutes theft or fraud in connection with any escrow transaction.

(2) Knowingly or recklessly make or cause to be made any misstatement or omission to state a material fact, orally or in writing, in escrow books, accounts, files, reports, exhibits, statements, or any other document pertaining to an escrow or escrow affairs.

57. Financial Code section 17601 provides as follows:

If the commissioner has reason to believe that any escrow agent is violating the provisions of this division, the commissioner may investigate the escrow agent’s business and examine the books, accounts, records, and files used in the business of every escrow agent and of every person who acts or claims to act as principal or agent under or without the authority of this division. For the purposes of examination the commissioner and representatives of the commissioner shall have free access to the offices and places of business, books, accounts, records, papers, files, safes, and vaults of all persons examined. The cost of any investigation, inspection, and examination of a licensee under this section shall be paid to the commissioner as provided in Section 17405.1.

58. Financial Code section 17602.5 provides 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 or fails to include therein any matter required by law or by the commissioner, such failure shall constitute grounds for the suspension or revocation of the license held by such escrow agent.

59. Financial Code section 17608 provides, in pertinent part, as follows:

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.

#### **Prayer for Order Revoking Escrow Agent's License**

The Commissioner finds, by reason of the foregoing, that Respondent is in violation of the Escrow Law and regulations, as fully described above, which constitutes grounds for the revocation of its escrow agent's license under sections 17602.5 and 17608 of the Escrow Law.

WHEREFORE, IT IS PRAYED under sections 17602.5 and 17608 of the Escrow Law, that the escrow agent's license of BuildZig Funds Control Corporation be revoked.

DATED: June 30, 2025  
Sacramento, California

KHALIL MOHSENI  
Commissioner of Financial Protection and Innovation

By: \_\_\_\_\_  
AFSANEH EGHBALDARI  
Senior Counsel  
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