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California Corporations Commissioner  
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8 BEFORE THE DEPARTMENT OF CORPORATIONS  
9 OF THE STATE OF CALIFORNIA

11	In the Matter of THE CALIFORNIA	)	File No.: 963-2433
12	CORPORATIONS COMMISSIONER,	)	
13	Complainant,	)	(1) ACCUSATION; and
14	v.	)	(2) ORDER IMPOSING PENALTIES
15	CTC ESCROW, INC.,	)	PURSUANT TO FINANCIAL
16	Respondent.	)	CODE SECTION 17408
17		)	

18  
19 The Complainant is informed and believes, and based upon such information and belief,  
20 alleges and charges Respondent as follows:

21 **I.**

22 Respondent CTC Escrow, Inc. ("CTC Escrow" or, alternatively, "Respondent") is an escrow  
23 agent licensed by the California Corporations Commissioner ("Commissioner" or "Complainant")  
24 pursuant to the Escrow Law of the State of California (Fin. Code, §§ 17000 et seq.) ("Escrow Law").  
25 CTC Escrow has its principal place of business located at 5777 W. Century Blvd., Suite 1225, Los  
26 Angeles, California. Jonathan Spica ("Spica") is CTC Escrow's president and owner.

27 **II.**

28 Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to

1 file an annual audit report containing audited financial statements ("annual audit report") within one  
2 hundred five (105) days after the close of their fiscal year. CTC Escrow's fiscal year-end is  
3 December 31st. Accordingly, CTC Escrow was required to file its annual audit report for the fiscal  
4 year ended December 31, 2009, on or before April 15, 2010.

5 On or about November 9, 2009, the Commissioner notified CTC Escrow in writing that its  
6 audit report was due by April 15, 2010. In his reminder letter, the Commissioner further notified  
7 Respondent of the fact that its failure to file an annual report by April 15th could result in the  
8 imposition of penalties calculated at \$100.00 per day for the first five days the report is overdue and  
9 \$500.00 per day thereafter, in accordance with the provisions of Financial Code section 17408.

10 On April 15, 2010, CTC Escrow failed to submit its annual audit report to the Commissioner.

11 On or about May 19, 2010, the Commissioner issued a written demand for the imposition of  
12 penalties against CTC Escrow concerning the annual audit report that was due on April 15, 2010.  
13 According to the Commissioner's demand letter, if the annual audit report was not received before  
14 May 29, 2010, penalties would begin to accrue against CTC Escrow in accordance with section  
15 17408 of the Financial Code. Respondent has yet to file the annual audit report as required under  
16 Financial Code section 17406. Since the May 29, 2010 filing deadline imposed by the demand letter,  
17 CTC Escrow's annual audit report is two hundred thirty-nine (239) days late, as of the date of the  
18 Accusation and Order. Accordingly, pursuant to Financial Code section 17408, Respondent owes the  
19 Commissioner penalties in the amount of one hundred seventeen thousand five hundred dollars  
20 (\$117,500.00), calculated at one hundred dollars (\$100.00) per day for the first five days the report  
21 was overdue and five hundred dollars (\$500.00) per day thereafter.

22 Under Financial Code section 17207, all licensees are required to pay an annual assessment to  
23 the Commissioner. In accordance with section 17207, CTC Escrow has failed to pay its annual  
24 assessment for the past two (2) years. On or about February 2, 2010, the Commissioner issued an  
25 order revoking Respondent's escrow agent's license for its failure to pay the 2009 annual assessment;  
26 the order was to take effect on February 23, 2010. In accordance with the Administrative Procedure  
27 Act (Govt. Code, §§ 11500 et seq.), a Notice of Defense form was included with the Commissioner's  
28 revocation order. Spica returned the Notice of Defense, requesting a hearing on the Commissioner's

1 February 2, 2010 order. When the Commissioner's special administrator contacted Spica to discuss  
2 his hearing request, Spica claimed that he had in fact paid the annual assessment. The special  
3 administrator requested Spica provide her with proof of his payment, *i.e.*, a cancelled check, which  
4 Spica could not provide. Thereafter, the special administrator and Spica agreed that he would  
5 provide the Commissioner with another payment in exchange for a "non-effectiveness letter" thereby  
6 preventing the revocation order from taking effect. On or about February 23, 2010, upon receipt of  
7 Spica's assessment payment, the Commissioner issued the non-effectiveness letter as promised;  
8 however, Spica's payment was returned by the bank for non-sufficient funds and no additional  
9 payments have been received from the Respondent.

10 Finally, CTC Escrow has failed to file its escrow liability report for the preceding twelve (12)  
11 months which ended December 31, 2009. The escrow liability report was due on or before February  
12 15, 2010, in accordance with section 17348 of the Financial Code. In light of CTC Escrow's failure  
13 to submit its escrow liability report, on or about March 2, 2010, the Commissioner's examiner  
14 attempted to contact the Respondent's representative. The examiner telephoned CTC Escrow's  
15 approved escrow manager, Sheri Hendricks, who told her that she had been laid off by the company  
16 and that to her knowledge Respondent's books and records remained with Spica. Ms. Hendricks also  
17 stated that CTC Escrow had been operating out of Spica's mortgage company's premises.

18 On or about March 15, 2010, the examiner made a visit to the licensed location at 5777 West  
19 Century Blvd., Suite 1225, Los Angeles, California, which is a residential address. The examiner  
20 attempted to make contact with the licensee's representatives by ringing the doorbell; however, no  
21 person answered the door. Thereafter, the examiner telephoned Spica. After the examiner had left  
22 several telephone messages for Spica, he finally returned the examiner's calls, stating that the  
23 company lacked sufficient funds to continue its operations. Concerned that there might be trust  
24 account shortages, the examiner requested Spica immediately fax her a copy of the Respondent's trial  
25 balance. Spica responded that the trial balance was not available as CTC Escrow could no longer  
26 afford to pay Ms. Hendricks, Respondent's approved escrow manager, nor its accountant, nor First  
27 American SMS (Respondent's escrow software provider). Spica further stated that it was his  
28 intention to surrender the Respondent's escrow agent's license. Despite the Commissioner's

1 examiner's request, Respondent has yet to provide the Commissioner with a copy of the requested  
2 trial balance.

3 On the basis of the foregoing, CTC Escrow violated section 17200.8 of the Financial Code, in  
4 that it failed to have an approved manager at its licensed location. Respondent has also failed to  
5 notify the Commissioner of a change in its licensed location in violation of Financial Code section  
6 17213.1 and California Code of Regulations, title 10, section 1730, in that it has removed CTC  
7 Escrow's books and records from the licensed location, and the present location of the Respondent's  
8 books and records remains unknown. Finally, CTC Escrow violated Financial Code section 17404  
9 and California Code of Regulations, title 10, section 1732.2, in that it has failed to maintain its books  
10 and records in accordance with the Escrow Law.

### 11 III.

12 Financial Code section 17200.8, subdivision (a), provides as follows:

13 (a) Within the organization of each escrow agent corporation, either as an  
14 owner, officer, or employee, there shall be one or more persons possessing a  
15 minimum of five years of responsible escrow or joint control experience to be  
16 stationed at the main office of the corporation and one or more persons  
17 possessing a minimum of four years of responsible escrow or joint control  
18 experience stationed at each branch. At least one such qualified person shall  
19 be stationed on duty at each business location licensed by this division during  
20 the time the location is open for business. A person who has satisfied  
21 educational requirements established by the commissioner may substitute  
22 education for up to one year of experience.

23 Financial Code section 17207 provides in pertinent part as follows:

24 (e)(1) Each escrow agent shall pay to the commissioner for the support of this  
25 division for the ensuing year an annual license fee not to exceed two thousand  
26 eight hundred dollars (\$2,800) for each office or location.

27 (2) On or before May 30 in each year, the commissioner shall notify each  
28 escrow agent by mail of the amount of the annual license fee levied against it,  
and that the payment of the invoice is payable by the escrow agent within 30  
days after receipt of notification by the commissioner.

(3) If payment is not made within 30 days, the commissioner may assess  
and collect a penalty, in addition to the annual license fee, of 10 percent of the  
fee for each month or part of a month that the payment is delayed or withheld.

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1 (4) If an escrow agent fails to pay the amount due on or before the June 30  
2 following the day upon which payment is due, the commissioner may by order  
3 summarily suspend or revoke the certificate issued to the company.

4 Financial Code section 17213.1, subdivision (a), provides as follows:

5 (a) An escrow agent's business shall not be removed from the premises or  
6 address shown on the license without the prior approval of the commissioner,  
7 and notice of any intended change shall be transmitted to the commissioner not  
8 less than 30 days prior to the date of the intended change of location;  
9 provided, however, that the commissioner may waive the 30-day notice  
10 requirement when the move is occasioned by fire, emergency, or other  
11 catastrophe. The commissioner's approval shall be granted or denied within  
12 30 days from the date of the commissioner's receipt of the licensee's request  
13 containing such information as the commissioner may require.

14 Financial Code section 17348 provides as follows:

15 In order to permit Fidelity Corporation to fulfill its obligation under this  
16 chapter, the commissioner shall furnish a list of all persons licensed under this  
17 division as of December 31 of each year and a copy of an escrow liability  
18 schedule filed with the commissioner. Each member on or before February 15  
19 shall furnish to the commissioner and Fidelity Corporation the schedule of its  
20 escrow liability for each of its licensed locations as of the last day of each  
21 month for the preceding 12 months which ended December 31. A list of  
22 officers, directors, stockholders, trustee, agents, managers, and employees as of  
23 that date shall also be submitted to the Fidelity Corporation, with the schedule.  
24 The schedule shall be in the form and contain such information as the  
25 commissioner may require.

26 Financial Code section 17404 provides as follows:

27 Every person subject to this division shall keep and use in its business, books,  
28 accounts, and records which will properly enable the commissioner to  
determine whether the escrow functions performed by such person comply  
with the provisions of this division and with all rules made by the  
commissioner under this division.

Financial Code section 17406, subdivision (a), provides 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.

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1 Financial Code section 17408, subdivisions (b)-(e), provides as follows:

2 (b) The commissioner may impose, by order, a penalty on any person who  
3 fails, within the time specified in any written demand of the commissioner, (1)  
4 to make and file with the commissioner any report required by law or  
5 requested by the commissioner, or (2) to furnish any material information  
6 required by the commissioner to be included in the report. The amount of the  
7 penalty may not exceed one hundred dollars (\$100) for each day for the first  
8 five days the report or information is overdue, and thereafter may not exceed  
9 five hundred dollars (\$500) for each day the report or information is overdue.

10 (c) If, after an order has been made under subdivision (b), a request for  
11 hearing is filed in writing within 30 days of the date of service of the order by  
12 the person to whom the order was directed, a hearing shall be held in  
13 accordance with the Administrative Procedure Act, Chapter 5 (commencing  
14 with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code,  
15 and the commissioner shall have all the powers granted under that chapter.

16 (d) If the person fails to file a written request for a hearing within 30 days  
17 of the date of service of the order, the order imposing the penalty shall be  
18 deemed a final order of the commissioner, and the penalty shall be paid within  
19 five business days.

20 (e) If a hearing is requested, the penalty shall be paid within five business  
21 days after the effective date of any decision in the case ordering payment to be  
22 made.

23 Financial Code section 17602.5 provides in pertinent part as follows:

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

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.

California Code of Regulations, title 10, section 1730 provides in pertinent part as  
follows:

(a) An escrow agent who is engaged in the business of receiving escrows

1 specified in subdivision (c) of Section 17312 of the Financial Code and is  
2 required to be a member of Escrow Agents' Fidelity Corporation shall have its  
3 business offices located in the State of California and shall maintain its books,  
records and accounts in the State of California . . .

4 (b) An escrow agent shall notify the Commissioner in writing of the  
5 location of its books, records and accounts. Such books, records and accounts  
6 shall be maintained at such location unless the escrow agent notifies the  
7 Commissioner in writing at least 15 days prior to changing the location of such  
books.

8 California Code of Regulations, title 10, section 1732.2 provides in pertinent part as  
9 follows:

10 (a) An escrow agent shall establish and maintain currently the following  
books with reference to its escrow accounts:

11 (1) Escrow ledger containing a separate ledger sheet for each escrow;

12 (2) Escrow liability controlling account;

13 (3) Cash receipt and disbursement journal or a file containing copies of all  
14 receipts and checks and/or check stubs of checks issued by the escrow agent as  
15 a medium of posting to the records referred to in subsections (1) and (2) in  
16 which case adding machine tapes of totals of receipts and checks shall be  
17 retained. The records referred to in subsections (1) and (2) shall be reconciled  
18 at least once each month with the bank statements of the "trust" or "escrow"  
19 account. The records referred to in subsection (1) shall be reconciled at least  
once each week with the escrow liability controlling account referred to in  
subsection (2).

20 **IV.**

21 **PRAYER FOR ORDER REVOKING CTC ESCROW, INC.'S ESCROW AGENT'S LICENSE**

22 **PURSUANT TO FINANCIAL CODE SECTION 17608**

23 The Complainant finds that, by reason of the foregoing, CTC Escrow, Inc. has violated  
24 Financial Code sections 17200.8, 17207, 17213.1, 17404, and California Code of Regulations, title  
25 10, sections 1730 and 1732.2 which constitute grounds for the revocation of its escrow agent's license  
26 pursuant to Financial Code section 17608, subdivision (b).

27 Additionally, the Complainant finds that, by reason of the foregoing, CTC Escrow, Inc. has  
28 violated Financial Code sections 17348 and 17406, which constitute grounds for the revocation of its

1 escrow agent's license under Financial Code section 17602.5.

2 WHEREFORE, IT IS PRAYED that the escrow agent's license of CTC Escrow, Inc. be  
3 revoked pursuant to Financial Code section 17608.

4 V.

5 **ORDER IMPOSING PENALTIES PURSUANT TO FINANCIAL CODE SECTION 17408**

6 The Commissioner finds that CTC Escrow, Inc. failed to file its annual audit report for its  
7 fiscal year ended December 31, 2009, as was required under Financial Code section 17406, which is  
8 ground for the imposition of penalties under Financial Code section 17408.

9 NOW THEREFORE the Commissioner having found that CTC Escrow, Inc. failed to timely  
10 file its annual audit report containing audited financial statements for its fiscal year ended December  
11 31, 2009, as required by Financial Code section 17406, it is hereby ordered, pursuant to Financial  
12 Code section 17408, that CTC Escrow, Inc. pay the Commissioner the sum of one hundred seventeen  
13 thousand five hundred dollars (\$117,500.00), as of the date of this Accusation and Order, and said  
14 penalties shall continue to accrue at the rate of five hundred dollars (\$500.00) per day until the report  
15 is filed.

16 DATED: January 26, 2011  
17 Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

19 By \_\_\_\_\_  
20 Alan S. Weinger  
21 Deputy Commissioner  
22 Enforcement Division  
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11 In the Matter of THE CALIFORNIA )  
CORPORATIONS COMMISSIONER, )

File No.: 963-2433

12 Complainant, )

**ORDER REVOKING ESCROW AGENT'S  
LICENSE**

13 )  
14 v. )

15 CTC ESCROW, INC., )

16 Respondent. )  
17 )  
18 )

19 The California Corporations Commissioner ("Commissioner") issued an Accusation for the  
20 revocation of the escrow agent's license issued to CTC Escrow, Inc. on January 26, 2011  
21 ("Accusation") pursuant to Financial Code section 17608 of the California Escrow Law ("Escrow  
22 Law") (Fin. Code, §§ 17000 et seq.). The Accusation is incorporated herein by reference. The  
23 Commissioner has not received a hearing request from the Respondent, and the time to request a  
24 hearing on the Accusation has now expired.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the escrow agent's license issued to CTC Escrow, Inc. is revoked. This order is effective as of the date hereof.

DATED: March 9, 2011  
Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
ALAN S. WEINGER  
Deputy Commissioner  
Enforcement Division