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6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
9 OF THE STATE OF CALIFORNIA

10
11 In the Matter of the Accusation of THE) File No.: 963-1992
12 COMMISSIONER OF BUSINESS)
OVERSIGHT,) ACCUSATION
13)
Complainant,)
14)
vs.)
15)
16 ESCROW PALACE, INC.,)
Respondent.)
17)
18)
19)

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

22 I

23 Respondent Escrow Palace, Inc. ("Escrow Palace") is an escrow agent licensed by the
24 Commissioner of Business Oversight ("Commissioner" or "Complainant") pursuant to the Escrow
25 Law of the State of California (Financial Code §17000 et seq.). Escrow Palace has its principal
26 place of business located at 17514 Ventura Boulevard, Suite 102, Encino, California 91316.

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28 ///

ACCUSATION

II

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2 Under Financial Code section 17210, all licensees are required to continually maintain liquid
3 assets and tangible net worth of at least \$25,000.00 and \$50,000.00, respectively. Escrow Palace has
4 failed to maintain the required liquid assets and/or tangible net worth since on or about August 31,
5 2012.

6 On or about December 18, 2012, Escrow Palace submitted its annual audit report for the
7 fiscal year end August 31, 2012 (“2011-2012 audit report”) to the Department of Business Oversight
8 (“Department”). The 2011-2012 audit report disclosed a liquid asset deficiency of \$50,088.00 and a
9 tangible net worth deficiency \$12,210.00.

10 On or about January 15, 2013, the Department made written demand on Escrow Palace to
11 provide proof of correction of the deficiencies within 30 days from the date of the letter. Escrow
12 Palace responded on or about January 28, 2013, by and through its president Golnaz Ghazanfary
13 (“Ghazanfary”), that it was working to resolve the deficiencies by continuing to deposit fee income
14 into the company without taking compensation, but gave no time frame for compliance.

15 On or about February 7, 2013, the Department sent a further letter to Escrow Palace
16 questioning the balance sheet receivable “Advance to Officer” in the amount of \$47,326.00 given
17 Escrow Palace’s representation that it was working to resolve the deficiencies by depositing fee
18 income into the company without taking compensation. The February 7, 2013 letter also notified
19 Escrow Palace that it would be required to submit monthly financial statements to the Department
20 for a period of 3 months beginning on February 15, 2013 for the month ended January 31, 2013. On
21 or about February 22, 2013, by way of a letter dated February 14, 2013, Escrow Palace represented
22 to the Department that it planned to cure the deficiencies by June 2013 and enclosed its financial
23 statement for January 31, 2013. Escrow Palace never submitted the financial statements for
24 February and March 2013 as requested.

25 On or about December 17, 2013, Escrow Palace submitted its annual audit report for the
26 fiscal year end August 31, 2013 (“2012-2013 audit report”) to the Department. The 2012-2013 audit
27 report disclosed that Escrow Palace continued to have a liquid asset deficiency in the amount
28 \$24,416.00. Additionally, note 3 to the 2012-2013 audit report disclosed that subsequent to the date

1 of the report, Escrow Palace had advanced the sum of \$11,403.00 to its sole shareholder; further
2 increasing the liquid asset deficiency.

3 On or about July 3, 2014, the Department made written demand on Escrow Palace to provide
4 proof of correction of the deficiency within 30 days from the date of the letter and to send a copy of
5 its most recent financial statement. Escrow Palace responded on or about July 24, 2014, indicating
6 that it had made 2 deposits to its money market account totaling \$40,000.00 back in October 2013.
7 Escrow Palace also enclosed its August 31, 2013 audited financial statement, which it represented
8 was its most recent financial statement despite that the financial statement was more than 10 months
9 old. Escrow Palace also enclosed the bank account statement for the money market account for the
10 October 2013 along with the general ledger for the money market account for the period of
11 September 2013 through June 2014. The money market account had a balance of \$50,085.29 as of
12 October 31, 2013, but was down to only \$118.40 as June 30, 2014 indicating that Escrow Palace's
13 correction of the liquid asset deficiency was short lived.

14 On or about November 18, 2014, Escrow Palace was requested to submit a copy of its most
15 recent financial statement to the Department, which should have been October 2014. Despite
16 repeated requests, Escrow Palace was unable to provide the October 2014 financial statement to the
17 Department until on or about December 10, 2014. During this time period, Escrow Palace admitted
18 that it was not preparing monthly financial statements as required by California Code of Regulations,
19 title 10, section 1732.3.

20 A review of the October 2014 financial statement disclosed a liquid asset deficiency of
21 \$39,290.00 and a tangible net worth deficiency of \$30,994.00. On or about December 11, 2014, the
22 Department made written demand on Escrow Palace to provide proof of correction of the
23 deficiencies within 10 days of the date of the letter. On or about December 19, 2014, Ghazanfary
24 responded that she had no further means of infusing capital into Escrow Palace to correct the
25 deficiencies, but may be able to liquidate some assets if given an additional 90 to 120 days.

26 On or about December 23, 2014, the Department received a copy of the financial statements
27 for Escrow Palace for November 2014, which disclosed that the liquid asset and tangible net worth
28 deficiencies had been reduced to \$12,763.00 and \$1,217.00, respectively. However, the November

1 2014 financial statement along with the audited financial statements for the fiscal year end August
2 31, 2014 (“2013-2014 audit report”) received by the Department on or about December 17, 2014,
3 revealed that advances from the company to Ghazanfary had continued despite repeated assurances
4 by Ghazanfary that she would continue to deposit fee income into the company without taking
5 compensation. The 2013-2014 audit report disclosed an “Advance to Stockholder” in the amount of
6 \$149,452.00. The advance amount in the 2011-2012 audit report was \$47,326.00. Such advances
7 grew from \$47,326.00 in August 2012 to \$170,144.00 in November 2104.

8 III

9 Financial Code section 17608 provides in pertinent part:

10 The commissioner may, after notice and a reasonable opportunity to
11 be heard, suspend or revoke any license if he finds that:

12 (b) The licensee has violated any provision of this division or any
13 rule made by the commissioner under and within the authority of this
14 division.

14 IV

15 Complainant finds that, by reason of the foregoing, Respondent Escrow Palace, Inc. has
16 repeatedly violated Financial Code section 17210 and California Code of Regulations, title 10,
17 section 1732.3, and it is in the best interests of the public to revoke the escrow agent’s license of
18 Respondent Escrow Palace, Inc.

19 WHEREFORE, IT IS PRAYED that the escrow agent’s license of Respondent Escrow
20 Palace, Inc. be revoked.

21 Dated: January 14, 2014
22 Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

23 By _____
24 Judy L. Hartley
25 Senior Corporations Counsel
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