

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
4 Department of Corporations
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6 Attorneys for Complainant

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

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11 In the Matter of the Accusation of THE) File No.: 963-2099
CALIFORNIA CORPORATIONS)
12 COMMISSIONER,) ACCUSATION
13)
Complainant,)
14)
15 vs.)
16 LGM ESCROW SERVICES, INC. ,)
17 Respondent.)
18 _____)

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

21 I

22 LGM Escrow Services, Inc. (“Respondent” or “LGM”) is an escrow agent licensed by the
23 California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow
24 Law of the State of California (California Financial Code Section 17000 et seq.).

25 II

26 Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to
27 file an annual audit report containing audited financial statements (“audit report”) within one
28 hundred and five (105) days after the close of their fiscal year. Respondent’s fiscal year end is

1 December 31. Accordingly, Respondent was required to file its audit report on or before April 15,
2 2009.

3 On or about November 17, 2008, Complainant notified Respondent in writing that its audit
4 report was due April 15, 2009. Respondent failed to file the audit report by April 15, 2009.

5 On or about January 15, 2009, Respondent sent a letter to the Commissioner notifying the
6 Commissioner that it would cease doing business as of January 19, 2009 and that it was surrendering
7 its escrow agent’s license. On or about February 17, 2009, a letter was sent to Respondent
8 explaining that license surrender could not be accepted until a closing audit was received from
9 Respondent evidencing that all trust funds had been properly disbursed and that no outstanding
10 violations of the Escrow Law existed. Respondent was further advised to maintain its reporting,
11 surety bond and other licensing requirements until such time as the closing audit was submitted and
12 the surrender accepted in writing by the Commissioner.

13 Respondent has yet to file the audit report as required by Financial Code section 17406.

14 III

15 Pursuant to Financial Code section 17202, Respondent was required to maintain a surety
16 bond in the minimum amount of \$25,000.00. The surety bond of Respondent expired on March 28,
17 2009, and no replacement bond has been obtained by Respondent in violation of Financial Code
18 section 17202.

19 IV

20 On or about April 28, 2009, Respondent submitted its closing audit to the Commissioner in
21 regards to its surrender application. A review of the closing audit disclosed questionable escrow
22 balances and further documentation was requested from Respondent pursuant to Financial Code
23 section 17405. Respondent has yet to comply with the Commissioner’s demand for records in
24 connection with the closing audit review in violation of Financial Code section 17405.

25 V

26 On or about June 2, 2009, the Commissioner sent a letter to Respondent demanding copies of
27 certain escrow files be submitted in connection with a complaint received by the Department of
28 Corporations against Respondent. Respondent has yet to respond or otherwise comply with the

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Commissioner’s demand for records in connection with the complaint in further violation of
Financial Code section 17405.

VI

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.

VII

Complainant finds that, by reason of the foregoing, Respondent has violated Financial Code
sections 17202, 17504 and 17406, which constitutes grounds for the revocation of its escrow agent’s
license.

WHEREFORE, IT IS PRAYED that the Respondent's escrow agent’s license be revoked.

Dated: July 7, 2010
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel