1	MARY ANN SMITH		
2	Deputy Commissioner SEAN ROONEY		
3	Assistant Chief Counsel		
4	UCHE L. ENENWALI (State Bar No. 235832) Senior Counsel		
5	Department of Business Oversight 320 West 4 th Street, Suite 750		
6	Los Angeles, California 90013-2344		
7	Telephone: (213) 576-7586 Facsimile: (213) 576-7181		
8			
9	Attorneys for Complainant		
10	BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT		
11	OF THE STATE OF CALIFORNIA		
12	In the Matter of:	ESCROW LICENSE NO.: 9630277	
13	THE COMMISSIONER OF BUSINESS	ACCUSATION TO REVOKE ESCROW	
14	OVERSIGHT,	LICENSE	
15	Complainant, v.))	
16			
17	SOUTH BAY ESCROW CO.,		
18	Respondent.		
19			
20			
21	The Complainant is informed and believes and based upon such information and belief,		
22	alleges and charges the Respondent as follows:		
23	I.		
24	<u>Introduction</u>		
25	1. The Commissioner of Business Oversight (Commissioner) seeks to revoke the escrow		
26	agent's license of South Bay Escrow, Co. (South Bay Escrow) pursuant to Financial Code section		
27	17608 for violations of the Escrow Law.		
28	///		
		1	
	ACCUS	SATION	

- 2. South Bay Escrow is an escrow agent licensed by the Commissioner pursuant to the Escrow Law of the State of California (Financial Code section 17000 et seq.) South Bay Escrow's principal place of business was formerly located at 317 Rosecrans Avenue, Manhattan Beach, California, 90266. On or about October 14, 2016, South Bay Escrow notified the Commissioner that its address has changed to 24236 Walnut Street, Torrance, California 90501.
- 3. At all relevant times, Terri L. Teague (Teague) is, or was, the president of South Bay Escrow.
 - 4. The Commissioner licenses and regulates the activities of escrow companies.

II.

South Bay Escrow's Failure to File its Annual Audit Report

- 5. Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to file an annual audit report containing audited financial statements (annual audit report) within 105 days after the close of their fiscal year.
- 6. On July 21, 2016, the Commissioner commenced an administrative action against South Bay Escrow for failing to file its annual audit report by issuing an Accusation and Order Imposing Penalties Pursuant to Financial Code Section 17408; and a Notice of Intention to Issue Order Suspending Escrow Agent's License (collectively, Pleadings).
- 7. The Pleadings were served on South Bay Escrow's president, Teague, on July 26, 2016, by personal delivery at Teague's residence. The Commissioner did not receive a request for a hearing from South Bay Escrow, and on September 2, 2016, the Commissioner issued an Order suspending South Bay Escrow's license for failing to file its annual audit report in violation of Financial Code section 17408.

III.

South Bay Escrow's Failure to Submit a Closing Audit Report to the Commissioner

8. On September 6, 2016, South Bay Escrow submitted a written notice of its intention to surrender its escrow agent license, along with its license to the Commissioner. Pursuant to Financial Code section 17600, a licensee wishing to surrender its license must first submit a closing

audit prepared by a Certified Public Accountant (CPA) before the Commissioner may accept the surrender.

- 9. On September 30, 2016, the Commissioner sent a letter to South Bay Escrow by certified mail, informing it that in accordance with Financial Code section 17600, it must first submit a closing audit prepared by a CPA within 105 days from the date of its application or September 30, 2016 before the surrender may be accepted. South Bay Escrow did not respond to the Commissioner's September 30, 2016 letter or file a closing audit as required by law.
- 10. On December 30, 2016 the Commissioner issued a written demand (Demand Letter) requesting that South Bay Escrow respond to the September 30, 2016 letter within ten days from the date of the Demand Letter. Further, the Demand Letter notified South Bay Escrow that if it failed to respond to the Demand Letter or file its closing audit report within the ten- day deadline, the Commissioner could revoke South Bay Escrow's license. To date, the Commissioner has not received South Bay Escrow's closing audit report.

IV.

Applicable Law

- 11. Financial Code section 17406, subdivision (a) provides:
 - i. 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 each the calendar or fiscal year, as applicable. At that time, each licensee shall also file additional relevant information as the commissioner may require.
- 12. Financial Code section 17600 provides as follows:
 - (a) An escrow agent's license remains in effect until surrendered, revoked, or suspended.
 - (b) A licensee that ceases to engage in the business regulated by this division and desires to no longer be licensed shall notify the commissioner in writing and, at that time, tender the license and all other indicia of licensure to the commissioner. Within 105 days of the written notice to the commissioner, the licensee shall submit to the commissioner, at its own expense, a closing audit report as of the date the license is tendered to the commissioner for surrender, or for

another period as the commissioner may specify, to be performed by an independent certified public accountant. The closing audit shall include, but not be limited to, information required by the commissioner, a bank reconciliation of the trust account, and a verified statement from the certified public accountant confirming lawful disbursement of funds. A license is not surrendered until the commissioner has reviewed and accepted the closing audit report, a determination has been made by the commissioner that acceptance of the surrender is in the public interest, and tender of the license is accepted in writing by the commissioner.

- 13. Financial Code section 17602.5 provides as follows:
 - i. 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.
- 14. 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.

V.

Conclusion

The Commissioner finds that:

- a) South Bay Escrow violated Financial Code section 17406 by failing to submit its annual audit report to the Commissioner within 105 days after the close of its fiscal year.
- b) South Bay Escrow violated Financial Code section 17600 by failing to submit a closing audit report as of the date it tendered its license to the Commissioner for surrender.
- c) South Bay Escrow violated Financial Code section 17602.5 by failing to make reports required by law or by the Commissioner within ten days from the day designated for the making of the reports, or within any extension of time granted by the Commissioner.

1	The Commissioner further finds that South Bay Escrow's violations of Financial Cod		
2	sections 17406; 17600; and 17602.5 constitute grounds for the revocation of its escrow agent'		
3	license.		
4	WHEREFORE, IT IS PRAYED THAT:		
5	The escrow agent's license of South Bay Escrow, Co. be revoked.		
6			
7	Dated: May 4, 2017	JAN LYNN OWEN	
8	Los Angeles, California	Commissioner of Business Oversight	
9			
10		By UCHE L. ENENWALI	
11		UCHE L. ENENWALI Senior Counsel	
12		Enforcement Division	
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			