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

11 In the Matter of:	) ESCROW LICENSE NO.: 963-2313
12 THE COMMISSIONER OF BUSINESS	)
13 OVERSIGHT,	) ACCUSATION TO (1) REVOKE THE ESCROW
14 Complainant,	) LICENSE OF PACIFIC SANDS ESCROW, INC.
15 v.	) and (2) BAR MICHAEL RICHARD STEVEN
16 PACIFIC SANDS ESCROW, INC., and	) HIGH FROM ANY POSITION OF
17 MICHAEL RICHARD STEVEN HIGH,	) EMPLOYMENT, MANAGEMENT, OR
18 Respondents.	) CONTROL IN ESCROW

19 The Commissioner of Business Oversight (Commissioner) is informed and believes, and  
20 based upon such information and belief, alleges and charges Respondents as follows:

21 **I.**

22 **Jurisdiction**

23 1. The Commissioner has jurisdiction over the licensing and regulation of persons and  
24 entities engaged in the business of receiving escrows for deposit or delivery under the Escrow Law  
25 (Fin. Code,<sup>1</sup> § 17000 et seq.). The Commissioner is authorized to administer and enforce the  
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28 <sup>1</sup> Unless otherwise indicated, all further statutory references are to the Financial Code.

1 Escrow Law and the rules and regulations promulgated in title 10 of the California Code of  
2 Regulations (CCR).<sup>2</sup>

3 2. The Commissioner brings this action to revoke the escrow agent’s license of Pacific  
4 Sands Escrow, Inc., under section 17608 and to bar Michael Richard Steven High from any position  
5 of employment, management, or control of any escrow agent under section 17423.

6 **II.**

7 **Statement of Facts**

8 3. Pacific Sands Escrow, Inc. (Pacific Sands), a California corporation, is an escrow  
9 agent licensed by the Commissioner under license number 963-2313 with its principal place of  
10 business at 4471 Riverside Drive, Chino, California 91710.

11 4. Michael Richard Steven High (High) is the president, escrow manager, and an  
12 escrow officer of Pacific Sands.

13 5. High is an authorized signer on Pacific Sands’ general and trust accounts held at  
14 Citizens Business Bank.

15 6. On May 8, 2017, the Commissioner began an examination of Pacific Sands’  
16 business.

17 7. Based on the examination, the Commissioner found multiple violations of the  
18 Escrow Law involving unsound and deceptive escrow practices. As described in more detail below,  
19 Pacific Sands and High disbursed commissions to real-estate agents immediately after receiving  
20 buyers’ deposits and collected escrow fees before the close of escrow. When the escrows closed or  
21 were canceled, the trust accounts had insufficient funds to cover all required disbursements. In  
22 response, Pacific Sands and High issued receipts falsely indicating that the escrows had received  
23 deposits and then disbursed funds against the false deposits, causing shortages in the trust accounts.  
24 Several of the disbursements were not authorized by the parties to the escrow. Adjustment items  
25 that reflected the shortages on bank reconciliations remained uncorrected for months. When the  
26 real-estate agents later earned commissions from other escrows, Pacific Sands and High transferred  
27 portions of the commissions to the escrows with shortages. In total, Pacific Sands and High issued  
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<sup>2</sup> Unless otherwise indicated, all further references to the California Code of Regulations are to title 10.

1 false receipts for \$18,000.00, disbursed \$14,300.00 without authorization, and caused trust-account  
2 shortages of nearly \$20,000.00. Additionally, Pacific Sands and High misrepresented the  
3 company's financial condition on financial statements submitted to the Commissioner, to conceal  
4 Pacific Sands' failure to maintain the minimum tangible net worth and liquid assets required under  
5 law. Pacific Sands also failed to file a report required by the Commissioner. The violations are  
6 described in more detail below.

### 7 **Escrow Transaction Violations**

#### 8 Escrow number 3095-MH

9 8. Escrow number 3095-MH was opened on February 28, 2017 and closed on or about  
10 June 12, 2017.

11 9. Before being employed as escrow agent, Pacific Sands did not provide a written  
12 disclosure to all parties that the seller's agent was High's father, Steven High, in violation of CCR  
13 section 1740.1.

14 10. Pacific Sands also failed to provide a written disclosure that High had acted as a  
15 salesperson for the escrow transaction, in violation of CCR section 1740.1.

16 11. On March 3, 2017, Pacific Sands, through High, collected \$5,890.00 in escrow fees  
17 before the close of escrow in violation of section 17420.

18 12. On April 27, 2017, Pacific Sands, through High, disbursed a \$3,200.00 commission  
19 to High. That same day, the seller's agent had authorized Pacific Sands to disburse a portion of his  
20 commission to High for providing real-estate services. The disbursement, however, was made  
21 before the close of escrow in violation of sections 17420 and 17421, which permit only authorized  
22 early disbursements "other than for a fee, commission or compensation."

#### 23 Escrow number 3066-MH

24 13. Escrow number 3066-MH was opened on December 21, 2016 and closed on or about  
25 March 30, 2017.

26 14. Before being employed as escrow agent, Pacific Sands failed to provide a written  
27 disclosure to all parties that High had acted as a salesperson for the escrow transaction, in violation  
28 of CCR section 1740.1.

1           15.     On January 13, 2017, Pacific Sands, through High, collected \$3,426.00 in escrow  
2 fees before the close of escrow in violation of section 17420.

3           16.     On February 22 and March 24, 27, and 29, 2017, Pacific Sands, through High,  
4 disbursed commissions totaling \$16,000.00 before the close of escrow in violation of sections  
5 17420 and 17421. Although the parties authorized early disbursement of escrow fees, sections  
6 17420 and 17421 permit only authorized early disbursements “other than for a fee, commission or  
7 compensation.”

8           17.     Pacific Sands, through High, caused a \$200.00 shortage in the trust account to exist  
9 from April 14 to May 17, 2017, by failing to disburse funds in accordance with escrow instructions  
10 in violation of section 17414, subdivision (a)(1), and CCR sections 1738 and 1738.1. Pacific Sands  
11 was authorized to pay a \$34,900.00 commission to the seller’s agent. But Pacific Sands made  
12 disbursements totaling \$35,100.00, causing a \$200.00 shortage in the trust account.

13 Escrow number 2978-MH

14           18.     Escrow number 2978-MH was opened on July 20, 2016 and canceled on October 27,  
15 2016. The escrow file did not contain escrow instructions.

16           19.     On July 20, 2016, a third party made a \$5,000.00 deposit into the escrow on behalf  
17 of the buyer. No instruction for the third-party deposit was prepared or signed.

18           20.     That same day, Pacific Sands, through High, disbursed a \$4,000.00 commission to  
19 the seller’s agent without authorization before the close of escrow in violation of sections 17414,  
20 subdivision (a)(1), and 17420 and CCR section 1738.

21           21.     On August 20, 2016, Pacific Sands, through High, disbursed a \$1,000.00  
22 commission to the seller’s agent without authorization before the close of escrow in violation of  
23 sections 17414, subdivision (a)(1), and 17420 and CCR section 1738.

24           22.     On October 27, 2016, the parties agreed to cancel the escrow. Their signed  
25 cancellation instructions required Pacific Sands to disburse the \$5,000.00 deposit to the buyer.

26           23.     On October 28, 2016, Pacific Sands, through High, issued receipt number 2581 for a  
27 \$5,000.00 deposit into the escrow from the seller’s agent although no corresponding deposit into the  
28 bank account was made. Pacific Sands and High did so because the escrow had insufficient funds to

1 cover the required disbursement to the buyer. The false receipt was a misstatement in escrow books  
2 in violation of section 17414, subdivision (a)(2).

3 24. On October 28, 2016, the same day it issued receipt number 2581, Pacific Sands  
4 disbursed \$5,000.00 to the buyer, causing a \$5,000.00 shortage in the trust account in violation of  
5 CCR section 1738.1. The shortage was not cured until five months later, on April 4, 2017.

6 25. On April 4, 2017, Pacific Sands, through High, transferred \$5,000.00 from escrow  
7 number 3066-MH according to instructions there from the seller and seller's agent. After issuing  
8 receipt number 2680 for that deposit, Pacific Sands voided receipt number 2581.

9 Escrow number 3010-MH

10 26. Escrow number 3010-MH was opened on August 23, 2016 and closed on or about  
11 September 27, 2016.

12 27. On August 24, 2016, the buyer made a \$6,000.00 deposit into the escrow.

13 28. That same day, Pacific Sands, through High, disbursed commissions totaling  
14 \$6,000.00 to the seller's agent before the close of escrow in violation of sections 17420 and 17421.  
15 According to the final settlement statement, Pacific Sands was authorized to disburse only  
16 \$4,000.00 in commissions to the seller's agent. Thus, Pacific Sands and High made an unauthorized  
17 disbursement of \$2,000.00 in violation of section 17414, subdivision (a)(1), and CCR section 1738.

18 29. On September 24, 2016, Pacific Sands, through High, collected \$1,951.00 in escrow  
19 fees before the close of escrow in violation of sections 17420.

20 30. On October 4, 2016, Pacific Sands, through High, issued receipt number 2557 for a  
21 \$1,900.00 deposit into the escrow from the seller's agent although no corresponding deposit into the  
22 bank account was made. Pacific Sands and High did so because the escrow had insufficient funds to  
23 cover the required disbursement to the buyer. The false receipt was a misstatement in escrow books  
24 in violation of section 17414, subdivision (a)(2).

25 31. On October 4, 2016, the same day it issued receipt number 2557, Pacific Sands  
26 disbursed funds to the buyer and third-party vendors, causing a \$1,400.00 shortage in the trust  
27 account in violation of CCR section 1738.1. The shortage was not cured until six months later, on  
28 April 4, 2017.

1           32.     On April 4, 2017, Pacific Sands, through High, transferred \$2,000.00 from escrow  
2 number 3066-MH according to instructions there from the seller and seller’s agent. After issuing  
3 receipt number 2681 for that deposit, Pacific Sands voided receipt number 2557.

4           33.     That same day, Pacific Sands, through High, disbursed the \$600.00 remaining in the  
5 escrow file. One of the disbursements was a \$500.00 check to a third-party vendor. About five  
6 months later, however, on September 11, 2017, Pacific Sands stopped payment on the check and  
7 concurrently issued two checks to High totaling \$500.00 without authorization in violation of  
8 section 17414, subdivision (a)(1), and CCR section 1738.

9     Escrow number 3012-MH

10          34.     Escrow number 3012-MH was opened on August 26, 2016 and canceled on  
11 September 8, 2016. The escrow file did not contain escrow instructions.

12          35.     On August 26, 2016, the buyer made a \$5,000.00 deposit into the escrow. That same  
13 day, Pacific Sands, through High, disbursed a \$5,000.00 commission to the buyer’s agent without  
14 authorization from the seller before the close of escrow in violation of sections 17414, subdivision  
15 (a)(1), and 17420 and CCR section 1738. Only the buyer authorized the disbursement; the seller did  
16 not sign the instruction.

17          36.     On September 8, 2016, the parties agreed to cancel the escrow. Their signed  
18 cancellation instructions required Pacific Sands to return the buyer’s deposit.

19          37.     On October 7, 2016, Pacific Sands, through High, issued receipt number 2566 for a  
20 \$5,000.00 deposit into the escrow from the buyer’s agent although no corresponding deposit into  
21 the bank account was made. Pacific Sands and High did so because the escrow had insufficient  
22 funds to cover the required disbursement to the buyer. The false receipt was a misstatement in  
23 escrow books in violation of section 17414, subdivision (a)(2).

24          38.     On October 7, 2016, the same day that it issued receipt number 2566, Pacific Sands  
25 disbursed funds to the buyer, causing a \$5,000.00 shortage in the trust account in violation of CCR  
26 section 1738.1. The shortage was not cured until six months later, on April 4, 2017.

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1           39.     On April 4, 2017, Pacific Sands, through High, transferred \$5,000.00 from escrow  
2 number 3066-MH according to instructions there from the seller and seller’s agent. After issuing  
3 receipt number 2679 for that deposit, Pacific Sands voided receipt number 2566.

4 Escrow number 3116-MH

5           40.     Escrow number 3116-MH was opened on May 10, 2017, but the escrow file did not  
6 contain a purchase agreement signed by the seller or escrow instructions, including instructions  
7 related to cancellation.

8           41.     On May 10, 2017, Pacific Sands, through High, issued receipt number 2697 for a  
9 \$5,000.00 deposit from the buyer although no corresponding deposit into the bank account was  
10 made. Pacific Sands did so in expectation that the buyer would make the deposit. But the buyer  
11 never did so. The false receipt was a misstatement in escrow books in violation of section 17414,  
12 subdivision (a)(2).

13           42.     On May 10, 2017, the same day it issued receipt number 2697, Pacific Sands,  
14 through High, disbursed a \$5,000.00 commission to the seller’s agent without authorization before  
15 the close of escrow in violation of sections 17414, subdivision (a)(1), and 17420 and CCR section  
16 1738.

17           43.     Pacific Sands’ disbursement of the commission caused a \$5,000.00 shortage in the  
18 trust account in violation of CCR section 1738.1.

19           44.     Pacific Sands did not attempt to cure the shortage until the Commissioner’s  
20 examiner asked it to do so two months later, on July 12, 2017, when it deposited a \$5,000.00 check  
21 from the seller’s agent, issued receipt number 2728 for that deposit, and voided receipt number  
22 2697. On July 14, 2017, however, the check was returned for insufficient funds.

23           45.     Although Pacific Sands’ bank reconciliations noted this adjustment item beginning  
24 on July 31, 2017, Pacific Sands failed to correct the shortage until March 7, 2018, when it  
25 transferred \$5,000.00 from its general account after the Commissioner’s examiner instructed it to  
26 replace the funds. Thus, Pacific Sands failed to timely reconcile its escrow books in violation of  
27 CCR section 1732.2, subdivision (a).

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1 Escrow number 3034-MH

2 46. Escrow number 3034-MH was opened on November 21, 2016 and closed on or  
3 about November 23, 2016.

4 47. On March 31, 2017, Pacific Sands, through High, issued receipt number 2678 for a  
5 \$150.00 deposit into the escrow from Pacific Sands although no corresponding deposit into the  
6 bank account was made. Pacific Sands did so because the escrow had insufficient funds to cover a  
7 required \$130.00 disbursement to a third-party vendor. The false receipt was a misstatement in  
8 escrow books in violation of section 17414, subdivision (a)(2).

9 48. On April 4, 2017, Pacific Sands disbursed \$130.00 to the third-party vendor, causing  
10 a \$130.00 shortage in the trust account in violation of CCR section 1738.1. The shortage was not  
11 cured until May 17, 2017, when Pacific Sands transferred \$130.00 from its general account.

12 49. On May 17, 2017, after transferring \$130.00 from its general account and issuing  
13 receipt number 2699 for that deposit, Pacific Sands voided receipt number 2678.

14 Escrow number 3046-MH

15 50. Escrow number 3046-MH was opened on October 12, 2016 and closed on or about  
16 November 29, 2016.

17 51. On December 2, 2016, Pacific Sands, through High, issued receipt number 2618 for  
18 a \$1,391.01 deposit into the escrow from Pacific Sands although no corresponding deposit into the  
19 bank account was made. Pacific Sands did so because the escrow had insufficient funds to cover all  
20 required disbursements. The false receipt was a misstatement in escrow books in violation of  
21 section 17414, subdivision (a)(2).

22 52. On December 2, 2016, the same day it issued receipt number 2618, Pacific Sands  
23 disbursed all funds from the escrow, causing a \$1,391.01 shortage in the trust account in violation  
24 of CCR section 1738.1. The shortage was not cured until January 6, 2017.

25 53. The escrow received deposits totaling \$1,400.00 on December 30, 2016, and January  
26 6, 2017. On January 6, 2017, after issuing receipts for the deposits, Pacific Sands voided receipt  
27 number 2618.

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1 Escrow number 2901-MH

2 54. Escrow number 2901-MH closed on or about June 1, 2016.

3 55. On May 12, 2016, Pacific Sands, through High, collected \$2,826.00 in escrow fees  
4 before the close of escrow in violation of section 17420.

5 Escrow number 2985-MH

6 56. Escrow number 2985-MH closed on or about December 2, 2016. The real-estate  
7 transaction was a short sale, and any excess funds due to the seller were required to be remitted to  
8 the lender in accordance with the short-sale agreement.

9 57. On December 5, 2016, Pacific Sands, through High, disbursed \$250.00 to High  
10 without authorization in violation of section 17414, subdivision (a)(1), and CCR section 1738.  
11 According to the final settlement statement, Pacific Sands was authorized to disburse a \$250.00  
12 notary fee from the buyer's proceeds only. Instead, Pacific Sands disbursed \$500.00 to High.

13 58. On February 14, 2017, Pacific Sands received a \$1,171.13 deposit for the seller from  
14 the title company as a refund for previously paid property taxes. That same day, instead of  
15 disbursing the funds to the lender, Pacific Sands, through High, disbursed \$1,100.00 to High  
16 without authorization in violation of section 17414, subdivision (a)(1), and CCR section 1738.

17 59. On April 5, 2017, Pacific Sands, through High, disbursed an additional \$100.00 to  
18 High without authorization in violation of section 17414, subdivision (a)(1), and CCR section 1738.

19 60. Pacific Sands' disbursement of \$1,200.00 on December 5, 2016; February 14, 2017,  
20 and April 5, 2017, after receiving \$1,171.13 caused a \$28.87 shortage in the trust account to exist in  
21 violation of CCR section 1738.1.

22 61. Pacific Sands did not attempt to cure the shortage until the Commissioner's  
23 examiner asked it to do so three months later, on July 7, 2017, when Pacific Sands deposited several  
24 checks, among them check number 1158 for \$1,100.00 and check number 1159 for \$350.00, both  
25 drawn from High's personal bank account. A few days later, however, check number 1158 was  
26 returned for insufficient funds. Although check number 1159, which cleared, replaced \$350.00 in  
27 the escrow file, the funds left the file again on July 14, 2017, when Pacific Sands disbursed \$350.00  
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1 to High with check number 14334 without authorization in violation of section 17414, subdivision  
2 (a)(1), and CCR section 1738.

3 62. The shortage was not cured until March 7, 2018, when Pacific Sands deposited  
4 money orders and transferred funds from its general account after the Commissioner’s examiner  
5 instructed it to replace the funds.

6 Escrow number 3145-MH

7 63. Escrow number 3145-MH was a refinance escrow and had no funds to make  
8 disbursements. On September 27, 2017, however, Pacific Sands transferred \$1,045.00 from the trust  
9 account to its general account, causing a \$1,045.00 shortage in the trust account in violation of CCR  
10 section 1738.1. The shortage was not cured until five months later, on March 7, 2018, when Pacific  
11 Sands transferred \$1,045.00 from its general account after the Commissioner’s examiner instructed  
12 it to replace the funds.

13 Escrow number 3153-MH

14 64. Escrow number 3153-MH was a refinance escrow. On December 5, 2017, after  
15 making all disbursements, the escrow had a negative balance of \$195.01. Thus, Pacific Sands  
16 caused a \$195.01 shortage in the trust account in violation of CCR section 1738.1. The shortage  
17 was not cured until four months later, on March 7, 2018, when Pacific Sands transferred \$195.01  
18 from its general account after the Commissioner’s examiner instructed it to replace the funds.

19 **Failure to Maintain Books and Records**

20 65. On or about September 18, 2017, Pacific Sands, through High, issued check number  
21 14416 for \$250.00 and check number 14444 for \$2,250.00 to High from the trust bank account. The  
22 checks were handwritten and did not have escrow file numbers or issue dates. Although Pacific  
23 Sands’ bank reconciliations noted adjustment items for these checks beginning in September 2017,  
24 Pacific Sands failed to correct them until four months later, on January 31, 2018. Thus, Pacific  
25 Sands failed to timely reconcile its escrow books in violation of CCR section 1732.2, subdivision  
26 (a).

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**Failure to Maintain Tangible Net Worth and Liquid Assets**

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2 66. Licensed escrow agents must “maintain at all times” a tangible net worth of at least  
3 \$50,000.00 and liquid assets of at least \$25,000.00 in excess of current liabilities. (§ 17210, subd.  
4 (a).)

5 67. As of April 30, 2017, Pacific Sands had a tangible-net-worth deficiency of  
6 \$44,105.55 and a liquid-asset deficiency of \$19,105.55 in violation of section 17210.

7 68. As of October 31, 2017, Pacific Sands had a tangible-net-worth deficiency of  
8 \$14,964.42 in violation of section 17210.

9 69. As of November 30, 2017, Pacific Sands had a tangible-net-worth deficiency of  
10 \$14,860.52 in violation of section 17210.

11 70. As of January 31, 2018, Pacific Sands had a tangible-net-worth deficiency of  
12 \$28,004.08 and a liquid-asset deficiency of \$3,004.08 in violation of section 17210.

**Misrepresenting the Company’s Financial Condition**

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14 71. On December 30, 2016, Pacific Sands deposited \$49,000.00 into its general account  
15 to meet the tangible-net-worth and liquid-asset requirements of section 17210 at its fiscal year end,  
16 only to withdraw the same amount a few days later, on January 4, 2017. Pacific Sands did so to  
17 misrepresent its financial condition on financial statements required to be submitted in its annual  
18 audit report. Thus, Pacific Sands made a written misstatement in its escrow books in violation of  
19 section 17414, subdivision (a)(2).

20 72. On October 31, 2017, in response to the Commissioner’s request to provide proof of  
21 correction of the financial deficiencies, Pacific Sands stated that it had corrected the deficiencies  
22 with deposits of \$33,000.00 and \$35,000.00 into its general account on October 23 and 31, 2017,  
23 respectively.

24 73. Pacific Sands failed to mention that it withdrew \$33,000.00 from the general account  
25 on October 24, 2017. Pacific Sands ignored the Commissioner’s follow-up request to provide  
26 October 31, 2017 financial statements no later than November 15, 2017. Pacific Sands did not  
27 provide financial statements until March 2018. The financial statements provided in March 2018  
28 showed that Pacific Sands withdrew \$32,000.00 from the general account on March 1, 2018, and

1 that as of March 31, 2018, the cash balance in the general account was only \$3,624.18. Thus,  
2 Pacific Sands made written misstatements and omissions of material facts in its escrow books in  
3 violation of section 17414, subdivision (a)(2).

4 **Failure to File Required Report**

5 74. The Commissioner was notified by the California Department of Justice that High  
6 had been arrested on June 18 and 19, 2018 for offenses that are defined in Financial Code section  
7 17414.1 as providing grounds to suspend, censure, or bar a person from any position of  
8 employment, management, or control of an escrow agent under Financial Code section 17423.

9 75. On July 16, 2018, the Commissioner sent a letter to Pacific Sands and High by  
10 certified mail, requesting that he respond no later than 10 days after the date of the letter with an  
11 explanation of the events that led to the arrests. The Commissioner also requested that within 10  
12 days after the disposition of the case, High submit a copy of the court documents showing the  
13 outcome. An electronic copy of the letter was concurrently sent to Pacific Sands’ designated email  
14 address.

15 76. To date, the Commissioner has not received a response from Pacific Sands or High.

16 77. Thus, Pacific Sands failed to file a report required by the Commissioner in violation  
17 of section 17602.5. Under section 17602.5, such failure constitutes grounds for suspension or  
18 revocation of Pacific Sands’ license.

19 **III.**

20 **Commissioner’s Authority to Bar and Revoke**

21 78. Section 17423, subdivision (a), provides that the Commissioner may “censure or  
22 suspend for a period not exceeding 12 months, or bar from any position of employment,  
23 management, or control any escrow agent, or any other person,” if the Commissioner finds either of  
24 the following:

- 25 (1) That the censure, suspension, or bar is in the public interest and that  
26 the person has committed or caused a violation of this division or rule  
27 or order of the commissioner, which violation was either known or  
28 should have been known by the person committing or causing it or has  
caused material damage to the escrow agent or to the public.

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(2) That the person has been convicted of or pleaded nolo contendere to any crime, or has been held liable in any civil action by final judgment, or any administrative judgment by any public agency, if that crime or civil or administrative judgment involved any offense specified in subdivision (b) of Section 17414.1, or any other offense reasonably related to the qualifications, functions, or duties of a person engaged in the business in accordance with the provisions of this division.

79. Section 17602.5 provides: “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.”

80. Section 17608, subdivision (b), provides that the Commissioner may suspend or revoke an escrow agent’s license if the “licensee has violated any provision of [the Escrow Law] or any rule made by the commissioner under and within the authority of [the Escrow Law].”

**IV.**

**Applicable Law**

81. Section 17210 provides in relevant part: “(a) An escrow agent licensed on or after January 1, 1986, shall maintain at all times a tangible net worth of fifty thousand dollars (\$50,000), including liquid assets of at least twenty-five thousand dollars (\$25,000) in excess of current liabilities.”

82. Section 17414 provides in relevant part:

(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.

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83. Section 17420 provides:

Except for the normal compensation of his own employees, it shall be a violation of this division for any person subject to this division to pay over to any other person any commission, fee, or other consideration as compensation for referring, soliciting, handling, or servicing escrow customers or accounts.

It shall also be a violation for any person to enter into any arrangement, either of his own making or of a subsidiary nature, or through any other person having a dual capacity, or through any person having a direct or indirect interest in the escrow, or other device permitting any fee, commission, or compensation which is contingent upon the performance of any act, condition, or instruction set forth in an escrow to be drawn or paid, either in whole or in part, or in kind or its equivalent, prior to the actual closing and completion of the escrow.

84. Section 17421 provides: “Notwithstanding the provisions of Section 17420, a disbursement, other than for a fee, commission or compensation may be advanced or paid out prior to the close of an escrow if the written instructions of all parties to the transaction so provide.”

85. CCR section 1732.2 provides in relevant part:

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

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

(2) Escrow liability controlling account;

(3) Cash receipt and disbursement journal or a file containing copies of all receipts and checks and/or check stubs of checks issued by the escrow agent as a medium of posting to the records referred to in subsections (1) and (2) in which case adding machine tapes of totals of receipts and checks shall be retained. The records referred to in subsections (1) and (2) shall be reconciled at least once each month with the bank statements of the “trust” or “escrow” 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).

86. CCR section 1738 provides in relevant part:

(a) All money deposited in such “trust” or “escrow” account shall be withdrawn, paid out, or transferred to other accounts only in accordance with the written escrow instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction or pursuant to order of a court of competent jurisdiction.

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1 87. CCR section 1738.1 provides: “An escrow agent shall not withdraw, pay out, or  
2 transfer monies from any particular escrow account in excess of the amount to the credit of such  
3 account at the time of such withdrawal, payment, or transfer.”

4 88. CCR section 1740.1 provides in relevant part:

5 An escrow agent shall act without partiality to any of the parties to an  
6 escrow transaction. If an escrow agent or a person or company related  
7 to or affiliated with the escrow agent is a principal to the escrow  
8 transaction or is acting or has acted as broker or salesman in relation to  
9 the escrow transaction, the escrow agent shall advise in writing all  
parties to the escrow transaction of such relationship or affiliation before  
being employed as escrow agent in connection with such transaction.  
Such advice shall be on the face of the escrow instructions in not less  
than eight (8) point bold type.

10 **V.**

11 **Prayer**

12 For the foregoing reasons, the Commissioner finds that Pacific Sands Escrow, Inc., violated  
13 Financial Code sections 17210; 17414, subdivision (a)(1) and (a)(2); 17420; 17421; and 17602.5 and  
14 California Code of Regulations, title 10, sections 1732.2, subdivision (a); 1738; 1738.1; and 1740.1  
15 and that such violations provide grounds for revoking its escrow agent’s license. The Commissioner  
16 further finds that Michael Richard Steven High violated Financial Code sections 17414, subdivision  
17 (a)(1) and (a)(2); 17420; and 17421 and that such violations provide grounds for barring High from  
18 any position of employment, management, or control of any escrow agent.

19 WHEREFORE, IT IS PRAYED that:

20 Under Financial Code section 17608, the escrow agent’s license of Pacific Sands Escrow,  
21 Inc., be revoked.

22 Under Financial Code section 17423, Michael Richard Steven High be barred from any  
23 position of employment, management, or control of any escrow agent.

24 Dated: April 30, 2019  
25 Los Angeles, California

JAN LYNN OWEN  
Commissioner of Business Oversight

26  
27 By: \_\_\_\_\_  
28 SAMUEL J. PARK  
Counsel  
Enforcement Division