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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)
OVERSIGHT,)
13 Complainant,) ORDER BARRING MICHAEL RICHARD
14 v.) STEVEN HIGH FROM ANY POSITION OF
PACIFIC SANDS ESCROW, INC., and) EMPLOYMENT, MANAGEMENT, OR
15 MICHAEL RICHARD STEVEN HIGH,) CONTROL OF ANY ESCROW AGENT
16 Respondents.) (FIN. CODE, § 17423)
17)
18)

19 The Commissioner of Business Oversight (Commissioner) finds:

20 1. The Commissioner has jurisdiction over the licensing and regulation of persons and
21 entities engaged in the business of receiving escrows for deposit or delivery under the Escrow Law
22 (Fin. Code,¹ § 17000 et seq.). The Commissioner is authorized to administer and enforce the
23 Escrow Law and the rules and regulations promulgated in title 10 of the California Code of
24 Regulations (CCR).²

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28 ¹ Unless otherwise indicated, all further statutory references are to the Financial Code.

² Unless otherwise indicated, all further references to the California Code of Regulations are to title 10.

ORDER BARRING MICHAEL RICHARD STEVEN HIGH FROM ANY POSITION OF
EMPLOYMENT, MANAGEMENT, OR CONTROL OF ANY ESCROW AGENT

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

4 3. Michael Richard Steven High (High) was, at all relevant times, the president, escrow
5 manager, and an escrow officer of Pacific Sands.

6 4. High was, at all relevant times, an authorized signer on Pacific Sands’ general and
7 trust accounts held at Citizens Business Bank.

8 5. On May 8, 2017, the Commissioner began an examination of Pacific Sands’
9 business.

10 6. Based on the examination, the Commissioner found multiple violations of the
11 Escrow Law involving unsound and deceptive escrow practices. As described in more detail below,
12 Pacific Sands and High disbursed commissions to real-estate agents immediately after receiving
13 buyers’ deposits and collected escrow fees before the close of escrow. When the escrows closed or
14 were canceled, the trust accounts had insufficient funds to cover all required disbursements. In
15 response, Pacific Sands and High issued receipts falsely indicating that the escrows had received
16 deposits and then disbursed funds against the false deposits, causing shortages in the trust accounts.
17 Several of the disbursements were not authorized by the parties to the escrow. Adjustment items
18 that reflected the shortages on bank reconciliations remained uncorrected for months. When the
19 real-estate agents later earned commissions from other escrows, Pacific Sands and High transferred
20 portions of the commissions to the escrows with shortages. In total, Pacific Sands and High issued
21 false receipts for \$18,000.00, disbursed \$14,300.00 without authorization, and caused trust-account
22 shortages of nearly \$20,000.00. Additionally, Pacific Sands and High misrepresented the
23 company’s financial condition on financial statements submitted to the Commissioner, to conceal
24 Pacific Sands’ failure to maintain the minimum tangible net worth and liquid assets required under
25 law. Pacific Sands also failed to file a report required by the Commissioner. The violations are
26 described in more detail below.

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Escrow Transaction Violations

Escrow number 3095-MH

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

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

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

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

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

Escrow number 3066-MH

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

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

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

15. On February 22 and March 24, 27, and 29, 2017, Pacific Sands, through High, disbursed commissions totaling \$16,000.00 before the close of escrow in violation of sections 17420 and 17421. Although the parties authorized early disbursement of escrow fees, sections

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1 17420 and 17421 permit only authorized early disbursements “other than for a fee, commission or
2 compensation.”

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

8 Escrow number 2978-MH

9 17. Escrow number 2978-MH was opened on July 20, 2016 and canceled on October 27,
10 2016. The escrow file did not contain escrow instructions.

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

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

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

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

21 22. On October 28, 2016, Pacific Sands, through High, issued receipt number 2581 for a
22 \$5,000.00 deposit into the escrow from the seller’s agent although no corresponding deposit into the
23 bank account was made. Pacific Sands and High did so because the escrow had insufficient funds to
24 cover the required disbursement to the buyer. The false receipt was a misstatement in escrow books
25 in violation of section 17414, subdivision (a)(2).

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

1 24. 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 2680 for that deposit, Pacific Sands voided receipt number 2581.

4 Escrow number 3010-MH

5 25. Escrow number 3010-MH was opened on August 23, 2016 and closed on or about
6 September 27, 2016.

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

8 27. That same day, Pacific Sands, through High, disbursed commissions totaling
9 \$6,000.00 to the seller’s agent before the close of escrow in violation of sections 17420 and 17421.
10 According to the final settlement statement, Pacific Sands was authorized to disburse only
11 \$4,000.00 in commissions to the seller’s agent. Thus, Pacific Sands and High made an unauthorized
12 disbursement of \$2,000.00 in violation of section 17414, subdivision (a)(1), and CCR section 1738.

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

15 29. On October 4, 2016, Pacific Sands, through High, issued receipt number 2557 for a
16 \$1,900.00 deposit into the escrow from the seller’s agent although no corresponding deposit into the
17 bank account was made. Pacific Sands and High did so because the escrow had insufficient funds to
18 cover the required disbursement to the buyer. The false receipt was a misstatement in escrow books
19 in violation of section 17414, subdivision (a)(2).

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

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

27 32. That same day, Pacific Sands, through High, disbursed the \$600.00 remaining in the
28 escrow file. One of the disbursements was a \$500.00 check to a third-party vendor. About five

1 months later, however, on September 11, 2017, Pacific Sands stopped payment on the check and
2 concurrently issued two checks to High totaling \$500.00 without authorization in violation of
3 section 17414, subdivision (a)(1), and CCR section 1738.

4 Escrow number 3012-MH

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

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

12 35. On September 8, 2016, the parties agreed to cancel the escrow. Their signed
13 cancellation instructions required Pacific Sands to return the buyer's deposit.

14 36. On October 7, 2016, Pacific Sands, through High, issued receipt number 2566 for a
15 \$5,000.00 deposit into the escrow from the buyer's agent although no corresponding deposit into
16 the bank account was made. Pacific Sands and High did so because the escrow had insufficient
17 funds to cover the required disbursement to the buyer. The false receipt was a misstatement in
18 escrow books in violation of section 17414, subdivision (a)(2).

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

22 38. On April 4, 2017, Pacific Sands, through High, transferred \$5,000.00 from escrow
23 number 3066-MH according to instructions there from the seller and seller's agent. After issuing
24 receipt number 2679 for that deposit, Pacific Sands voided receipt number 2566.

25 Escrow number 3116-MH

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

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

6 41. On May 10, 2017, the same day it issued receipt number 2697, Pacific Sands,
7 through High, disbursed a \$5,000.00 commission to the seller’s agent without authorization before
8 the close of escrow in violation of sections 17414, subdivision (a)(1), and 17420 and CCR section
9 1738.

10 42. Pacific Sands’ disbursement of the commission caused a \$5,000.00 shortage in the
11 trust account in violation of CCR section 1738.1.

12 43. Pacific Sands did not attempt to cure the shortage until the Commissioner’s
13 examiner asked it to do so two months later, on July 12, 2017, when it deposited a \$5,000.00 check
14 from the seller’s agent, issued receipt number 2728 for that deposit, and voided receipt number
15 2697. On July 14, 2017, however, the check was returned for insufficient funds.

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

21 Escrow number 3034-MH

22 45. Escrow number 3034-MH was opened on November 21, 2016 and closed on or
23 about November 23, 2016.

24 46. On March 31, 2017, Pacific Sands, through High, issued receipt number 2678 for a
25 \$150.00 deposit into the escrow from Pacific Sands although no corresponding deposit into the
26 bank account was made. Pacific Sands did so because the escrow had insufficient funds to cover a
27 required \$130.00 disbursement to a third-party vendor. The false receipt was a misstatement in
28 escrow books in violation of section 17414, subdivision (a)(2).

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

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

6 Escrow number 3046-MH

7 49. Escrow number 3046-MH was opened on October 12, 2016 and closed on or about
8 November 29, 2016.

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

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

17 52. The escrow received deposits totaling \$1,400.00 on December 30, 2016, and January
18 6, 2017. On January 6, 2017, after issuing receipts for the deposits, Pacific Sands voided receipt
19 number 2618.

20 Escrow number 2901-MH

21 53. Escrow number 2901-MH closed on or about June 1, 2016.

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

24 Escrow number 2985-MH

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

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

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

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

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

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

22 61. The shortage was not cured until March 7, 2018, when Pacific Sands deposited
23 money orders and transferred funds from its general account after the Commissioner's examiner
24 instructed it to replace the funds.

25 Escrow number 3145-MH

26 62. Escrow number 3145-MH was a refinance escrow and had no funds to make
27 disbursements. On September 27, 2017, however, Pacific Sands transferred \$1,045.00 from the trust
28 account to its general account, causing a \$1,045.00 shortage in the trust account in violation of CCR

1 section 1738.1. The shortage was not cured until five months later, on March 7, 2018, when Pacific
2 Sands transferred \$1,045.00 from its general account after the Commissioner’s examiner instructed
3 it to replace the funds.

4 Escrow number 3153-MH

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

10 **Failure to Maintain Books and Records**

11 64. On or about September 18, 2017, Pacific Sands, through High, issued check number
12 14416 for \$250.00 and check number 14444 for \$2,250.00 to High from the trust bank account. The
13 checks were handwritten and did not have escrow file numbers or issue dates. Although Pacific
14 Sands’ bank reconciliations noted adjustment items for these checks beginning in September 2017,
15 Pacific Sands failed to correct them until four months later, on January 31, 2018. Thus, Pacific
16 Sands failed to timely reconcile its escrow books in violation of CCR section 1732.2, subdivision
17 (a).

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

19 65. Licensed escrow agents must “maintain at all times” a tangible net worth of at least
20 \$50,000.00 and liquid assets of at least \$25,000.00 in excess of current liabilities. (§ 17210, subd.
21 (a).)

22 66. As of April 30, 2017, Pacific Sands had a tangible-net-worth deficiency of
23 \$44,105.55 and a liquid-asset deficiency of \$19,105.55 in violation of section 17210.

24 67. As of October 31, 2017, Pacific Sands had a tangible-net-worth deficiency of
25 \$14,964.42 in violation of section 17210.

26 68. As of November 30, 2017, Pacific Sands had a tangible-net-worth deficiency of
27 \$14,860.52 in violation of section 17210.

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1 explanation of the events that led to the arrests. The Commissioner also requested that within 10
2 days after the disposition of the case, High submit a copy of the court documents showing the
3 outcome. An electronic copy of the letter was concurrently sent to Pacific Sands’ designated email
4 address.

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

6 76. Thus, Pacific Sands failed to file a report required by the Commissioner in violation
7 of section 17602.5. Under section 17602.5, such failure constitutes grounds for suspension or
8 revocation of Pacific Sands’ license.

9 77. For the foregoing reasons, the Commissioner found that Pacific Sands Escrow, Inc.,
10 violated Financial Code sections 17210; 17414, subdivision (a)(1) and (a)(2); 17420; 17421; and
11 17602.5 and California Code of Regulations, title 10, sections 1732.2, subdivision (a); 1738;
12 1738.1; and 1740.1 and that such violations provide grounds for revoking its escrow agent’s license.

13 78. The Commissioner further found that Michael Richard Steven High violated
14 Financial Code sections 17414, subdivision (a)(1) and (a)(2); 17420; and 17421 and that such
15 violations provide grounds for barring High from any position of employment, management, or
16 control of any escrow agent.

17 79. On April 30, 2019, the Commissioner issued a Notice of Intention to Issue Order
18 Barring from Any Position of Employment, Management, or Control of Any Escrow Agent;
19 Accusation; and accompanying documents (Bar Action).

20 80. On May 21, 2019, the Bar Action was served on High.

21 81. On May 16, 2019, High requested a hearing on the Bar Action.

22 82. On September 9, 2019, High withdrew his request for a hearing.

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1 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered pursuant to
2 Financial Code section 17423, subdivision (a), that Michael Richard Steven High is barred from
3 any position of employment, management, or control of any escrow agent. This Order is effective
4 immediately.

5 Dated: September 18, 2019
6 Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

7
8 By: _____
9 MARY ANN SMITH
10 Deputy Commissioner
11 Enforcement Division
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