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10 Attorneys for Complainant

11
12 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
13 OF THE STATE OF CALIFORNIA

14	In the Matter of:)	
15)	ESCROW LICENSE NO.: 9630535
16	THE COMMISSIONER OF FINANCIAL)	
17	PROTECTION AND INNOVATION,)	
18)	
19	Complainant,)	ACCUSATION TO REVOKE ESCROW
20	v.)	AGENT’S LICENSE
21)	(Fin. Code §§ 17608 and 17602.5)
22	CAVALCADE ESCROW CORPORATION,)	
23	Respondent.)	

24 The Complainant is informed and believes, and based upon such information and belief,
25 alleges and charges Respondent Cavalcade Escrow Corporation as follows:

26 I.

27 **Introduction**

28 1. The Commissioner of Financial Protection and Innovation (Commissioner) seeks to

1 revoke the escrow agent’s license issued to Cavalcade Escrow Corporation (Cavalcade Escrow)
2 based upon its violations of the California Escrow Law (Fin. Code, §§ 17000 et seq.) (Escrow Law),
3 as set forth below.

4 II.

5 Factual Background

6 2. At all relevant times herein, Cavalcade Escrow was an escrow agent licensed by the
7 Commissioner under the Escrow Law, with its place of business located at 17480 E. 17th Street,
8 Suite 101, Tustin, California 92780.

9 3. On July 20, 2022, the Department of Financial Protection and Innovation
10 (Department) notified Cavalcade Escrow that its annual audit report for the year ended August 31,
11 2022 (2022 Audit Report), was due December 14, 2022, 105 days after the close of the company’s
12 fiscal year. Cavalcade Escrow was further reminded of the penalties and the possibility of license
13 revocation if it failed to timely file its 2022 Audit Report.

14 4. On August 15, 2022, Cavalcade Escrow informed the Department that it had dissolved
15 the company and closed its business, including, but not limited to, transferring the remaining files to
16 another escrow company, reconciling its trust balance, cancelling its bond, and liquidating its assets.

17 5. Cavalcade Escrow provided the Department with an excel file listing the trust funds
18 remaining in the company’s escheat account, a partial one-page trust bank statement showing the
19 bank balance as of August 12, 2022, a trust account bank reconciliation with an outstanding checklist
20 as of August 12, 2022, and a copy of the electronic filing with the California Secretary of State dated
21 August 12, 2022, dissolving its corporate status. The trust bank reconciliation reflected an adjusted
22 trust balance of \$32,918.13 and outstanding checks in the total amount of \$22,520.80.

23 6. Cavalcade Escrow informed the Department that it was not intending to perform any
24 post-closure audit.

25 7. On August 17, 2022, the Department notified Cavalcade Escrow about the surrender
26 process for escrow licensees including the reports it had to produce and the actions it had to take in
27 order for the Commissioner to make a determination whether to accept Cavalcade Escrow’s license
28 for surrender. The Department also informed Cavalcade Escrow about submitting its closing audit,

1 returning the license and all other indicia of licensure to the Commissioner, and properly reconciling
2 its trust accounts or escheating them to the state.

3 8. Cavalcade Escrow failed to submit its closing audit report, failed to produce the
4 necessary information, and failed to return the license as required by Financial Code section 17600.

5 9. On December 19, 2022, January 13, 2023, and February 3, 2023, the Department
6 notified Cavalcade Escrow that its 2022 Escrow Annual Liability Report was due by February 15,
7 2023. Cavalcade Escrow was reminded that its Escrow Annual Liability Report must be submitted
8 even if no business was conducted during the year, and that failure to file the Escrow Annual
9 Liability Report would be grounds for license revocation and could also result in assessment of
10 penalties.

11 10. Cavalcade Escrow failed to submit its 2022 Escrow Annual Liability Report.

12 11. On February 21, 2023, the Department issued a written demand and reminder to
13 Cavalcade Escrow to submit its 2022 Audit Report, which was now overdue. The Department warned
14 Cavalcade Escrow of the potential penalties and license revocation if it failed to file its 2022 Audit
15 Report within ten days.

16 12. Cavalcade Escrow failed to submit its 2022 Audit Report.

17 13. On February 9, 2023, and February 22, 2023, the Department again followed up with
18 Cavalcade Escrow on the required reports and items needed for the Commissioner to process
19 Cavalcade Escrow’s license surrender request. The Department also reminded Cavalcade Escrow that
20 simply notifying the Department of its business closure and submitting a few items about its trust
21 reconciliation does not meet the requirements for the Commissioner to accept a license surrender
22 request.

23 14. On January 20, 2023, and May 30, 2023, the Department issued a special assessment
24 in the amount of \$1,000.00 for fiscal year 2022-2023, and an annual assessment in the amount of
25 \$2,800.00 for fiscal year 2023-2024. The Department sent the invoices for these assessments to
26 Cavalcade Escrow. Cavalcade Escrow never paid the assessments.

27 15. On July 28, 2023, the Department received a surrender packet from Cavalcade Escrow
28 to initiate the surrender. Cavalcade Escrow never submitted the closing audit report, which was due

1 on November 11, 2023.

2 16. Cavalcade Escrow’s surrender request was never accepted by the Commissioner due
3 to its failure to submit the necessary reports and information and failure to take other necessary
4 actions. As of the date of this Accusation, Cavalcade Escrow has failed to submit its closing audit,
5 failed to comply with the requirements of Financial Code section 17600, failed to submit its 2022
6 Audit Report, failed to submit its 2022 Escrow Annual Liability Report, and failed to pay the special
7 and annual assessments.

8 III.

9 Violations of the Escrow Law

10 17. Pursuant to Financial Code section 17406, all licensees under the Escrow Law are
11 required to file an annual audit report containing audited financial statements within 105 days after
12 the close of their fiscal year. Cavalcade Escrow’s fiscal year-end is August 31.

13 18. On July 20, 2022, Cavalcade Escrow was notified that its 2022 Audit Report was due
14 December 14, 2022. Cavalcade Escrow failed to submit its 2022 Audit Report.

15 19. On February 21, 2023, The Department warned Cavalcade Escrow of the potential
16 penalties and license revocation if it failed to file the Annual Audit Report within ten days.

17 20. As of the date of this Accusation, Cavalcade Escrow has failed to submit its 2022
18 Audit Report, in violation of California Financial Code section 17406.

19 21. Pursuant to Financial Code section 17600, subdivision (a), an escrow agent’s license
20 remains in effect until surrendered, revoked, or suspended.

21 22. On August 15, 2022, Cavalcade Escrow informed the Department that it had dissolved
22 the company and closed its business and requested to surrender its license. Cavalcade Escrow stated
23 that it did not intend to perform any post-closure audit.

24 23. On August 17, 2022, the Department notified Cavalcade Escrow about the surrender
25 process requirements including the reports it had to produce, and the actions it had to take in order for
26 the Commissioner to make a determination whether to accept Cavalcade Escrow’s license for
27 surrender. The Department informed Cavalcade Escrow about submitting its closing audit, returning
28 the license and all other indicia of licensure to the Commissioner and properly reconciling its trust

1 accounts or escheating them to the state.

2 24. On July 28, 2023, Cavalcade Escrow submitted a surrender packet, but it failed to
3 submit the required closing audit report that was due on November 11, 2023.

4 25. On February 9, 2023, and February 22, 2023, the Department reminded Cavalcade
5 Escrow about the required reports and items needed to process Cavalcade Escrow’s license surrender
6 request. The Department also reminded Cavalcade Escrow that simply notifying the Department of
7 its business closure and submitting a few items about its trust reconciliation does not meet the
8 requirements for the Commissioner to accept of its license surrender request.

9 26. As of the date of this Accusation, Cavalcade Escrow has failed to submit the required
10 reports, information and items required by Financial Code section 17600. The Commissioner never
11 accepted Cavalcade Escrow’s surrender request.

12 27. Financial Code section 17348 requires that each licensed escrow agent must file an
13 Annual Escrow Liability Report by February 15 of each year.

14 28. On December 19, 2022, January 13, 2023, and February 3, 2023, the Department
15 notified Cavalcade Escrow that its 2022 Escrow Annual Liability Report was due by February 15,
16 2023.

17 29. As of the date of this Accusation, Cavalcade Escrow has failed to submit its 2022
18 Escrow Annual Liability Report, in violation of California Financial Code section 17348.

19 30. Pursuant to California Financial Code section 17207, subdivision (e)(1), Cavalcade
20 Escrow was required to pay an annual assessment in an amount of \$2,800.00 for fiscal year 2023-
21 2024.

22 31. Pursuant to California Financial Code section 17207, subdivision (h)(1), Cavalcade
23 Escrow was required to pay an additional special assessment in the amount of \$1,000.00 for fiscal
24 year 2022-2023.

25 32. As of the date of this Accusation, Cavalcade Escrow has failed to pay its annual and
26 special assessments, in violation of California Financial Code section 17207.

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IV.

Applicable Law

33. Financial Code section 17602.5 provides as follows:

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.

34. Financial Code section 17608 provides, in pertinent part, as follows:

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.

Prayer for Order Revoking Escrow Agent’s License

The Commissioner finds that, by reason of the foregoing, Cavalcade Escrow Corporation is in violation of Financial Code sections 17406, 17600, 17348, and 17207, which constitutes grounds for the revocation of its escrow agent’s license under sections 17602.5 and 17608 of the Escrow Law.

WHEREFORE, IT IS PRAYED under sections 17602.5 and 17608 of the Escrow Law, that the escrow agent’s license of Cavalcade Escrow Corporation be revoked.

Dated: August 30, 2024
San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By _____
AFSANEH EGHBALDARI
Senior Counsel
Enforcement Division