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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. PRECISIONONE ESCROW, INC., YESENIA ESPINOZA, and JOSE ESPINOZA, Respondents.	Case No.: 963-2182 FIRST AMENDED ACCUSATION

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

I

Respondent Precisionone Escrow, Inc. ("Precision") is an escrow agent licensed by the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Precision has its principal place of business at 78-115 Calle Estado, Suite 203, La Quinta, California 92253.

Respondent Jose Espinoza ("J. Espinoza") was at all times relevant herein the president and co-owner of Precision.

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Respondent Yesenia Espinoza ("Y. Espinoza") was at all times relevant herein the secretary and co-owner of Precision.

II

On or about February 13, 2009, the Commissioner, by and through his staff, commenced a regulatory examination of the books and records of Precision. The most recent trust account reconciliation available for review at the commencement of the regulatory examination was for December 31, 2008, as Precision had not yet prepared its January 2009 trust account reconciliation. The regulatory examination revealed at this point that Respondents, commencing on or about February 11, 2008 and continuing through at least December 31, 2008, had made at least fifty-six (56) unauthorized disbursements of trust funds via wire transfer to its general account totaling $74,945.00, which trust funds were used to pay operating expenses, in violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursements also caused a continuous trust account shortage to exist in violation of California Code of Regulations, title 10, section 1738.1 in varying amounts from on or about February 11, 2008 until on or about December 15, 2008 when Precision cured the then existing trust account shortage of $31,650.00 with a transfer of funds from the general account. The remaining unauthorized disbursements of $43,295.00 had previously been cured by Precision by foregoing escrow fees it earned later in time. The Espinoza's assured the Commissioner that they would not make any further unauthorized disbursements from the trust account.

On or about April 3, 2009, the Commissioner, by and through his staff, returned to Precision and at that time discovered that from on or about January 5, 2009 through February 10, 2009, Respondents had made three (3) further unauthorized disbursements of trust funds to the general account of Precision totaling $34,800.00 via wire transfer in violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. These unauthorized disbursements had not previously been discovered because the January and February 2009 trust account reconciliations had not been prepared when the regulatory examination had originally commenced. Of the $33,000.00 in unauthorized disbursements of trust funds transferred to the general account in January 2009, Respondents had forwarded the sum of

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$30,000.00 to the personal account of the Espinoza's. These unauthorized disbursements also caused a trust account shortage to exist in the amount of $34,800.00 until on or about April 8, 2009 when Precision cured the shortage after demand was made by the Commissioner.

On or about April 21, 2009, the Commissioner, by and through his staff, requested Respondents to provide the outgoing wire list for the months of March and April 2009 for review. A review of the such outgoing wire lists revealed that Respondents had continued making unauthorized disbursements from the trust account to the general account of Precision in violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursements made by Respondents in March and April 2009 numbered three (3) and totaled $5,300.00. These unauthorized disbursements also caused a further trust account shortage to exist in the amount of $5,300.00 until on or about April 21, 2009 when Precision cured the shortage after demand was made by the Commissioner.

In or about January 2010, Precision was requested to submit trust account reconciliations to the Commissioner for May 2009 through December 31, 2009 in order to determine whether Respondents had continued taking unauthorized disbursements from the trust account. A review of the trust account reconciliations disclosed that on or about July 10, 2009, Respondents had again made an unauthorized disbursement from the trust account to the general account of Precision in violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement made by Respondents on July 10, 2009 was in the amount of $25,000.00. This unauthorized disbursement caused another trust account shortage to exist in the amount of $25,000.00 until on or about September 1, 2009 when Precision cured the shortage.

To summarize the above, the regulatory examination disclosed that Respondents, commencing on or about February 11, 2008 and continuing through at least July 10, 2009, had made at least sixty-three (63) unauthorized disbursements of trust funds to the general account of Precision totaling $140,045.00, which funds were used to pay operating expenses of Precision and other unauthorized uses. The unauthorized disbursements also caused a trust account shortage to exist, which Precision cured during the course of the examination.

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III

The Commissioner also discovered during the regulatory examination that Precision does not have a person stationed at its licensed location that meets the experience requirements of Financial Code section 17200.8.

IV

On or about July 7, 2010, the Commissioner issued the first accusation in this matter. The Accusation along with the Notice of Intention, Statement to Respondent, blank Notice of Defense and government code sections concerning discovery were personally served on Respondents on or about July 9, 2010.

Financial Code section 17423 subsection (c) provides in pertinent part:

> Upon receipt of a notice of intention to issue an order pursuant to this section, the person who is the subject of the proposed order is immediately prohibited from engaging in any escrow processing activities, including disbursing any trust funds in the escrow agent's possession, custody or control, ...

The cover letter served on J. Espinoza and Y. Espinoza notified them that upon receipt of the pleadings they were immediately prohibited from engaging in any escrow processing activities, including disbursing any trust funds on behalf of Precision or any other escrow agent licensee.

On or about March 25, 2011, the Department received correspondence from Precision regarding its annual audit for the period ended August 31, 2010. In the correspondence, J. Espinoza, as president of Precision, indicated that Y. Espinoza was the escrow manager for Precision. This activity would be in violation of Financial Code section 17423, subsection (c). Accordingly, on or about April 25, 2011, the Commissioner, by and through his staff, commenced a special examination of Precision to ascertain if Y. Espinoza was violating the prohibition set forth in Financial Code section 17423.

The special examination disclosed that Y. Espinoza, with the knowledge of Precision and J. Espinoza, continued processing escrows after Y. Espinoza was served with pleadings to bar her from any position of employment, management or control of any escrow agent in violation of Financial Code section 17423(c).

V

California 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.
>
> (c) Any fact or condition now exists which, if it had existed at the time of the original application for such license, reasonably would have warranted the commissioner in refusing originally to issue such license.

California Financial Code section 17423 provides in pertinent part:

> (a) The commissioner may, after appropriate notice and opportunity for hearing, by order, . . . bar from any position of employment, management, or control any escrow agent, or any other person, if the commissioner finds either of the following:
>
> (1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.

VI

Complainant finds that, by reason of the foregoing, Respondents Precisionone Escrow, Inc., Yesenia Espinoza and Jose Espinoza have violated Financial Code sections 17409, 17414(a)(1) and 17423(c) and California Code of Regulations, title 10, sections 1732.2, 1738, 1738.1, and 1738.2 and it is in the best interests of the public to revoke the escrow agent's license of Respondent Precisionone Escrow, Inc. and to bar Respondents Yesenia Espinoza and Jose Espinoza from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that Respondents Yesenia Espinoza and Jose Espinoza be barred from any position of employment, management or control of any escrow agent and the escrow agent's license of Respondent Precisionone Escrow, Inc. be revoked.

Dated: May 18, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Judy L. Hartley
Senior Corporations Counsel

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