

1 MARY ANN SMITH  
Deputy Commissioner  
2 SEAN M. ROONEY  
Assistant Chief Counsel  
3 ELHAHM MACKANI (CA BAR NO. 255950)  
Corporations Counsel  
4 Department of Business Oversight  
320 West 4<sup>th</sup> Street, Ste. 750  
5 Los Angeles, California 90013-2344  
Telephone: (213) 576-7518 Fax: (213) 576-7181

6 Attorneys for Complainant  
7  
8

9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
10 OF THE STATE OF CALIFORNIA  
11

12 In the Matter of THE COMMISSIONER OF ) File No.: 963-2226  
BUSINESS OVERSIGHT, )  
13 )  
14 Complainant, ) STATEMENT OF FACTS IN SUPPORT OF  
ORDER TO DISCONTINUE VIOLATIONS  
15 vs. ) PURSUANT TO CALIFORNIA FINANCIAL  
CODE SECTION 17602  
16 RIDGEGATE ESCROW, INC., )  
17 Respondent. )  
18 )  
19 )  
20 )

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

23 1. RIDGEGATE ESCROW, INC., ("RIDGEGATE") is an escrow agent holding a valid  
24 and unrevoked license issued by the Commissioner of Business Oversight ("Commissioner")  
25 pursuant to the Escrow Law (Section 17000 et seq. of the Financial Code) and has its principal place  
26 of business located at 24025 Park Sorrento, Suite 110B, Calabasas, California 91302.  
27  
28

1           2.       On or about August 5, 2013, RIDGEGATE filed an escrow license application with  
2 the Commissioner for a new branch located at 17327 Ventura Blvd. #200A, Encino, California  
3 91302 (“unlicensed branch”).

4           3.       In February 2014, the Commissioner, by and through staff, during review of the  
5 branch license application, specifically a trust bank reconciliation submitted by RIDGEGATE, was  
6 alerted that the unlicensed branch may have already been operating.

7           4.       On or about February 10, 2014, a special examination of the branch was commenced.  
8 The special examination disclosed that the branch contained employees and escrow files and  
9 appeared to be operating. It was determined, after collecting and reviewing evidence, that the office  
10 had opened on or about July 1, 2013 and that approximately 265 escrows had been processed at the  
11 unlicensed location since its inception in violation of Financial Code section 17213.5.

12           3.       On or about February 26, 2014, Department staff returned to RIDGEGATE’s  
13 unlicensed branch location and determined that the branch had been closed.

14           4.       California Financial Code section 17213.5 provides in pertinent part:

15 Licensees of this division shall be entitled to establish additional  
16 business office locations by compliance with all of the following:

17           (a) Filing with the commissioner notice of the intended address, or  
18 addresses.

19           (b) Payment of the fees prescribed in Section 17207.

20           (c) Filing with the commissioner any additional bonds for the  
21 purposes set forth in Sections 17202 and 17203. In addition to the  
22 amount required by Section 17202, the amounts for additional office  
23 locations shall be five thousand dollars (\$5,000) for each additional  
24 location. The aggregate amounts of all bonds given by a licensee under  
25 this section shall be for the purpose of complying with the conditions  
26 of Sections 17202 and 17203 regardless of the office location at which  
27 any act violating those conditions takes place, and upon payment of  
28 the aggregate amount, the surety is completely released from further  
liability under the bond or bonds. An escrow agent licensed prior to  
January 1, 1996, shall comply with the requirements of this  
subdivision at the time of the next renewal of its bond.

          (d) Filing with the commissioner financial statements prepared in  
accordance with generally accepted accounting principles. If the  
licensee's fiscal year end is more than six months before the date of  
filing the application, the commissioner may require current financial  
statements which shall not be more than 60 days old. The interim  
financial statements may be unaudited.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

(e) Filing with the commissioner the names and addresses of the licensee's owners and employees to be stationed at the new location, showing that the operation of the additional office, or offices, will be under the complete management and control of the parent licensee.

(f) Filing with the commissioner statements offsetting and meeting each of the conditions set forth in Section 17209.3.

With respect to all applications for authorization to establish additional locations, the commissioner shall promptly commence his or her investigation and review of the application.

The commissioner shall within 30 days from the receipt by the commissioner of a separate and complete application, license the designated premises as a branch of the parent licensee, unless the commissioner finds (1) that the applicant has failed to comply with all of the requirements of this section, (2) that the applicant then fails to meet any of the standards applicable for the issuance of a license pursuant to Section 17209.3, or (3) that a hearing shall be held to determine whether the application should be granted or denied.

5. By reason of the foregoing, RIDGEGATE has violated California Financial Code section 17213.5.

6. California Financial Code section 17602 provides:

If it appears to the commissioner that any licensed escrow agent has violated its articles of incorporation, or any law or rule binding upon it, the commissioner shall, by written order addressed to the agent direct the discontinuance of such violation. The order shall be effective immediately, but shall not become final except in accordance with the provisions of Section 17604.

7. Financial Code section 17604 provides:

No order issued pursuant to Section 17602 or 17603 may become final except after notice to any licensed escrow agent affected thereby of the intention of the commissioner to make such order final and of the reasons therefore and that upon receipt of a request the matter will be set down for hearing to commence within 15 business days after such receipt unless the licensed agent affected consents to a later date. If no hearing is requested within 30 days after the mailing of such notice and none is ordered by the commissioner, the order may become final without hearing and the licensed escrow agent shall immediately discontinue the practices named in the order. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act , Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all the powers granted thereunder. If upon the hearing, it appears to the commissioner that the licensed agent is

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

conducting business in an unsafe and injurious manner or is violating its articles of incorporation or any law binding upon it, the commissioner shall make the order of discontinuance final and the licensed escrow agent shall immediately discontinue the practices named in the order.

WHEREFORE, good cause showing, the Commissioner of Business Oversight is issuing an Order to Discontinue Violations and notifying RIDGEGATE of her intention to make the order final.

Dated: April 24, 2014  
Los Angeles, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division