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9 Attorneys for Complainant

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

12	In the Matter of:	)	ESCROW LICENSE NO.: 9630277
13	THE COMMISSIONER OF BUSINESS	)	
14	OVERSIGHT,	)	<b>(1) ACCUSATION; and</b>
15	Complainant,	)	<b>(2) ORDER IMPOSING PENALTIES</b>
16	v.	)	<b>PURSUANT TO FINANCIAL</b>
17	SOUTH BAY ESCROW CO.,	)	<b>CODE SECTION 17408</b>
18	Respondent.	)	
19		)	

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21 The Complainant, the Commissioner of The Department of Business Oversight  
22 (“Commissioner”), is informed and believes and based upon such information and belief, alleges and  
23 charges as follows:

24 1. Respondent South Bay Escrow Co. ("South Bay Escrow") is an escrow agent licensed  
25 by the Commissioner pursuant to the Escrow Law of the State of California (Financial Code section  
26 17000 et seq.)<sup>1</sup> ("Escrow Law"). South Bay Escrow has its principal place of business located at  
27 317 Rosecrans Avenue, Manhattan Beach, California, 90266.

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<sup>1</sup> All subsequent statutory references are to the Financial Code unless otherwise noted.

1           2.       At all relevant times, Terri League is, or was, the president of South Bay Escrow.

2           3.       The Commissioner licenses and regulates the activities of escrow agents. Pursuant to  
3 section 17406, all licensees under the Escrow Law are required to file an annual audit report  
4 containing audited financial statements ("annual audit report") within one hundred five (105) days  
5 after the close of their fiscal year. South Bay Escrow was required to file its annual audit report for  
6 the fiscal year ended December 31, 2015, on or before April 15, 2016.

7           4.       Further, under section 17404, a licensee must keep and use in its business, books,  
8 accounts, and records which will properly enable the commissioner to determine whether the escrow  
9 functions the licensee performs comply with the provisions of the Escrow Law.

10          5.       On or about December 2, 2015, the Commissioner sent a letter to South Bay Escrow  
11 informing South Bay Escrow that its annual audit report would be due April 15, 2016 — 105 days  
12 after the close of its fiscal year end pursuant to section 17408. The Commissioner's December 2,  
13 2015, letter also informed South Bay Escrow that failure to file the annual audit report by the due  
14 date could result in the suspension or revocation of its license; and the imposition of penalties  
15 calculated at \$100.00 per day for the first five days the report is overdue and \$500.00 per day  
16 thereafter pursuant to sections 17408 and 17602.5.

17          6.       South Bay Escrow failed to file the annual audit report by the due date. On April 27,  
18 2016, the Commissioner issued a written demand ("Demand Letter") requesting that South Bay  
19 Escrow respond to the December 2, 2015, letter within 10 days from the date of the Demand Letter.  
20 Further, the Demand Letter reiterated that if South Bay Escrow failed to file its annual audit report  
21 within the 10- day deadline, the Commissioner could suspend or revoke South Bay Escrow's license,  
22 or impose penalties against South Bay Escrow calculated at \$100.00 per day for the first 5 days the  
23 report is overdue and \$500.00 per day thereafter pursuant to the Financial Code.

24          7.       On June 8, 2016, the Commissioner's staff telephoned South Bay Escrow's  
25 representative to follow up on the Demand Letter. During that conversation, South Bay Escrow's  
26 representative told the Commissioner's staff that South Bay Escrow had all the information  
27 necessary to file the annual audit report but could not locate its accountant; and that it was  
28 considering changing its accountant. To date, South Bay Escrow has not filed its annual audit report

1 in violation of section 17408. Accordingly, South Bay Escrow is subject to penalties of \$28,500.00  
2 for failing to file its December 2015 annual report.

3 8. On June 28, 2016, counsel with the Enforcement Division of the Department of  
4 Business Oversight (“Department”) attempted to contact South Bay Escrow’s president, Terri  
5 League (“League”), by telephone at telephone number (310) 545-7171 to discuss South Bay  
6 Escrow’s delinquent annual audit report. Counsel was prompted by a recorded message to leave a  
7 message on the voice recording system. Counsel left a message requesting that League or someone  
8 from South Bay Escrow return counsel’s phone call. To date, counsel has not received a call back  
9 from League, and the Department has heard nothing further from South Bay Escrow regarding its  
10 delinquent annual audit report.

11 9. On or about June 28, 2016, counsel sent a letter to South Bay Escrow addressed to  
12 League, informing South Bay Escrow that the Commissioner will commence an administrative  
13 action and seek appropriate remedies for South Bay Escrow Co.’s failure to file the audit report.  
14 Counsel’s June 28, 2016, letter requested that South Bay Escrow respond to the letter by July 8,  
15 2016. Counsel is yet to receive South Bay Escrow’s response.

16 10. Approximately sixty-one days have elapsed from the 10-day filing deadline specified  
17 in the Demand Letter to the date of this Accusation and Order — and South Bay Escrow is  
18 continuing to violate section 17406 by failing to file its audited report to the Commissioner.  
19 Pursuant to section 17408, South Bay Escrow is subject to penalties in the amount of \$28,500.00,  
20 calculated at one \$100.00 per day for the first five days the report was overdue and \$500.00 dollars  
21 per day thereafter.

22 11. Additionally, South Bay Escrow has violated section 17404 by failing to maintain  
23 books and records which will properly enable the Commissioner to determine whether South Bay  
24 Escrow’s activities comply with the provisions of the Escrow Law.

25 12. Section 17406, subdivision (a), provides as follows:

26 (a) Each licensee shall submit to the commissioner, at the licensee's  
27 own expense, an audit report containing audited financial statements  
28 covering the calendar year or, if the licensee has an established fiscal year,  
then for that fiscal year, within 105 days after the close of the calendar or

1 fiscal year, as applicable. At that time, each licensee shall also file  
2 additional relevant information as the commissioner may require.

- 3  
4 13. Section 17404 provides as follows:

5 Every person subject to this division shall keep and use in its business,  
6 books, accounts, and records which will properly enable the commissioner  
7 to determine whether the escrow functions performed by such person  
8 comply with the provisions of this division and with all rules made by the  
9 commissioner under this division.

10  
11 **AUTHORITY TO IMPOSE PENALTIES AND/OR SUSPEND SOUTH BAY ESCROW'S**  
12 **LICENSE**

- 13 14. Section 17408, subdivisions (b)-(e), provides as follows:

14 (b) The commissioner may impose, by order, a penalty on any person  
15 who fails, within the time specified in any written demand of the  
16 commissioner, (1) to make and file with the commissioner any report  
17 required by law or requested by the commissioner, or (2) to furnish any  
18 material information required by the commissioner to be included in the  
19 report. The amount of the penalty may not exceed one hundred dollars  
20 (\$100) for each day for the first five days the report or information is  
21 overdue, and thereafter may not exceed five hundred dollars (\$500) for  
22 each day the report or information is overdue.

23 (c) If, after an order has been made under subdivision (b), a request for  
24 hearing is filed in writing within 30 days of the date of service of the order  
25 by the person to whom the order was directed, a hearing shall be held in  
26 accordance with the Administrative Procedure Act, Chapter 5  
27 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the  
28 Government Code, and the commissioner shall have all the powers  
granted under that chapter.

(d) If the person fails to file a written request for a hearing within 30  
days of the date of service of the order, the order imposing the penalty  
shall be deemed a final order of the commissioner, and the penalty shall be  
paid within five business days.

(e) If a hearing is requested, the penalty shall be paid within five  
business days after the effective date of any decision in the case ordering  
payment to be made.

- 29 15. Section 17602.5 provides in pertinent part 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 date designated for the  
making of the reports, or within any extension of time granted by the



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NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING, it is hereby ORDERED pursuant to section 17408, that South Bay Escrow Co., pay the Commissioner the sum of \$28,500. 00 as of the date of this Accusation and Order, and said penalties shall continue to accrue at the rate of \$500.00 per day until the report is filed.

Dated: July 21, 2016  
Los Angeles, California

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
UCHE L. ENENWALI  
Senior Counsel  
Enforcement Division