

1 MARY ANN SMITH  
Deputy Commissioner  
2 SEAN M. ROONEY  
Assistant Chief Counsel  
3 JUDY L. HARTLEY (CA BAR NO. 110628)  
Senior Corporations Counsel  
4 Department of Business Oversight  
320 West 4<sup>th</sup> Street, Ste. 750  
5 Los Angeles, California 90013-2344  
Telephone: (213) 576-7604 Fax: (213) 576-7181

6 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
9 OF THE STATE OF CALIFORNIA

10  
11 In the Matter of the Accusation of THE ) File No.: 963-0037  
COMMISSIONER OF BUSINESS )  
12 OVERSIGHT, ) ACCUSATION  
13 )  
Complainant, )  
14 )  
vs. )  
15 )  
16 BUILDERS CONTROL SERVICE CO. and )  
JOSEPH E. COCHRAN, )  
17 )  
Respondents. )  
18 )  
19 )

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

22 I

23 Respondent Builders Control Service Co. ("Builders") is an escrow agent licensed by the  
24 California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow  
25 Law of the State of California (California Financial Code Section 17000 et seq.). Builders has its  
26 principal place of business located at 7447 N. Figueroa Street, Suite 305, Los Angeles, California  
27 90041.  
28

1 Respondent Joseph E. Cochran ("Cochran") is, and was at all times relevant herein, the  
2 president and a director of Builders, and is also the approved manager for Builders.

3 II

4 On or about November 2, 2012, the Commissioner, by and through staff, commenced a  
5 regulatory examination of the books and records of Builders. The regulatory examination disclosed  
6 that on or about January 15, 2010, Builders, by and through Cochran, made four unauthorized  
7 disbursements of trust funds to Builders' payroll account from three escrows totaling \$6,219.53 in  
8 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,  
9 sections 1738 and 1738.2. The unauthorized disbursements represented dormant trust funds that  
10 should have been escheated to the State Controller pursuant to the Unclaimed Property Law, Code of  
11 Civil Procedure, section 1500 et seq. Each of the unauthorized disbursements of trust funds also  
12 caused a shortage to exist in the trust account in violation of California Code of Regulations, title 10,  
13 section 1738.1. Builders has corrected the trust account shortage.

14 A review of the payroll account disclosed that the unauthorized disbursements of trust funds  
15 were used to make payroll, with Cochran personally receiving at least \$4,018.00 of the unauthorized  
16 disbursements on or about January 15, 2010.

17 The \$6,219.53 in unauthorized disbursements discussed above were dormant trust funds that  
18 Respondents had previously disbursed to Builders without authorization in 2008 by canceling five  
19 outstanding trust checks totaling \$6,219.53 and re-issuing the funds to Builders. The outstanding  
20 trust checks that Respondents canceled and re-issued to Builders were dated from June 14, 1999  
21 through December 31, 2004. The Commissioner's staff found the previous unauthorized  
22 disbursements during a regulatory examination commenced on or about February 4, 2009.  
23 Respondents were instructed during the 2009 regulatory examination to replace these monies to the  
24 trust account, which Respondents complied with on or about May 6, 2009. Respondents were  
25 further instructed to escheat the funds to the State Controller as required by the Unclaimed Property  
26 Law.

1 On or about March 12, 2013, Respondents were again instructed to escheat the above  
2 described dormant trust funds to the State Controller, however, Respondents have failed to do so and  
3 continue in their failure to escheat the dormant trust as required by law.

4 III

5 A review of the Department’s files on Builder reveals a history of making unauthorized  
6 disbursements of dormant trust funds to itself. On or about September 5, 2002, the Commissioner  
7 issued an Order to Cease Violations against Builder, which Order became final on October 15, 2002,  
8 for making unauthorized disbursements of dormant trust funds to itself in the amount of totaling  
9 \$17,601.77.

10 IV

11 California Financial Code section 17608 provides in pertinent part:

12 The commissioner may, after notice and a reasonable opportunity to  
13 be heard, suspend or revoke any license if he finds that:

14 (b) The licensee has violated any provision of this division or any  
15 rule made by the commissioner under and within the authority of this  
16 division.

17 California Financial Code section 17423 provides in pertinent part:

18 (a) The commissioner may, after appropriate notice and opportunity  
19 for hearing, by order, . . . bar from any position of employment,  
20 management, or control any escrow agent, or any other person, if the  
21 commissioner finds either of the following:

22 (1) That the . . . bar is in the public interest and that the person has  
23 committed or caused a violation of this division or rule or order of  
24 the commissioner, which violation was either known or should have  
25 been known by the person committing or causing it or has caused material  
26 damage to the escrow agent or to the public.

25 V

26 Complainant finds that, by reason of the foregoing, Respondents Builders Control Service  
27 Co. and Joseph E. Cochran have violated Financial Code section 17414(a)(1) and California Code of  
28 Regulations, title 10, sections 1738, 1738.1, and 1738.2, have violated an order of the  
Commissioner, and it is in the best interests of the public to revoke the escrow agent’s license of

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

Respondent Builders Control Service Co. and to bar Respondent Joseph E. Cochran from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that Respondent Joseph E. Cochran be barred from any position of employment, management or control of any escrow agent and the escrow agent’s license of Respondent Builders Control Service Co. be revoked.

Dated: January 30, 2014  
Los Angeles, CA

JAN LYNN OWEN  
Commissioner of Business Oversight

By \_\_\_\_\_  
Judy L. Hartley  
Senior Corporations Counsel