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California Corporations Commissioner
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8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of THE CALIFORNIA)
11 CORPORATIONS COMMISSIONER,)
12 Complainant,)

File No.: 963-0873

**ORDER TO DISCONTINUE ESCROW
ACTIVITIES PURSUANT TO FINANCIAL
CODE SECTION 17415**

13 v.)
14)

15 DEPENDABLE ESCROW CO.,)
16 Respondent.)
17)

18 TO: DEPENDABLE ESCROW CO.
19 2001 W. Beverly Blvd.
20 Montebello, California 90640

21 CITY NATIONAL BANK
22 One Centerpointe Dr., Ste. 160
La Palma, California 90623

23 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

24 1. Dependable Escrow Co. ("Dependable") has refused to submit its books, papers and
25 affairs to the California Corporations Commissioner ("Commissioner") for inspection in violation of
26 Financial Code section 17405 and California Code of Regulations, title 10, section 1730, as follows:

27 A. On May 15, 2009, the California Department of Corporations ("Department") wrote to
28

1 Dependable's escrow manager, Michelle Reyes ("Ms. Reyes"), requesting access to Dependable's
2 licensed premises in order to inspect its books and records on May 18, 2009, commencing at the hour
3 of 10:00 a.m. Later that same day, Ms. Reyes telephoned the Department, stating that she was
4 unavailable to meet with the Commissioner's examiner during the scheduled date and time. The
5 Department responded to Ms. Reyes, stating that other principals and/or officers employed by
6 Dependable could be made available to meet with the examiner on the designated day. Accordingly,
7 on May 18, 2009, the Commissioner's examiner arrived at Dependable's licensed premises to conduct
8 the scheduled examination; however, the business was closed and the Department was unable to gain
9 access to Dependable's premises.

10 B. Thereafter, on May 18, 2009, the Commissioner demanded in writing that George
11 Reyes, Dependable's president and sole shareholder, provide him with a date and time, within five (5)
12 business days, when the Department could resume its inspection and examination of Dependable's
13 books and records. Dependable was provided one (1) day to respond to the Commissioner's written
14 demand. Dependable failed to respond. Accordingly, Dependable has denied the Commissioner
15 access to its licensed premises in violation of the California Escrow Law ("Escrow Law"), Financial
16 Code sections 17000, et seq.

17 C. Given Dependable's refusal to grant the Commissioner access to its books and records,
18 the Department is presently unable to determine the full extent of any trust account shortages and/or
19 whether Dependable presently meets the tangible net worth and liquid asset requirements set forth
20 within Financial Code section 17210.5.

21 2. Dependable has failed to maintain its books and records in accordance with the
22 Escrow Law as follows:

23 A. In or about April of 2009, the Commissioner discovered that Dependable had stopped
24 reconciling its trust account on a monthly basis, since at least January 31, 2009, in violation of
25 Financial Code section 17404 and title 10, section 1732.2 of the California Code of Regulations.

26 3. Based upon the books and records presently available, Dependable's trust account has
27 a shortage of at least \$45,341.43 in violation of California Code of Regulations, title 10, section
28 1738.1.

1 4. On or about December 31, 2008, Dependable deposited or otherwise disbursed trust
2 account funds totaling at least \$12,052.75 into its general and/or payroll accounts or otherwise for the
3 payment of business operating expenses or other non-trust related expenses in violation of Financial
4 Code sections 17409, 17414, subdivision (a)(1), and California Code of Regulations, title 10, sections
5 1738 and 1738.2. The commingling of trust funds is prohibited because of the serious risk of misuse
6 and loss.

7 5. A sampling of Dependable's escrow files reviewed by the Department disclosed many
8 questionable transactions, which the Commissioner has been unable to fully investigate due to the
9 denial of access to Dependable's books and records. Those questionable transactions include the
10 following:

11 A. Commencing in or about 2005, and continuing thereafter, Dependable failed to
12 disburse trust funds in accordance with the escrow instructions in violation of California Code of
13 Regulations, title 10, section 1738.2.

14 B. Commencing in or about 2005, and continuing thereafter, Dependable made
15 unauthorized disbursements of trust account funds in violation of Financial Code section 17414,
16 subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

17 C. Dependable, in connection with the unauthorized disbursements described above, has
18 falsified escrow records by creating false escrow instructions in violation of Financial Code section
19 17414, subdivision (a)(2) and/or altered escrow instructions in violation of Financial Code section
20 17403.2.

21 6. Finally, pursuant to Financial Code section 17406, all licensees under the Escrow Law
22 are required to file an annual audit report containing audited financial statements ("annual audit
23 report") within one hundred five (105) days after the close of their fiscal year. Dependable's fiscal
24 year-end is December 31st. Accordingly, Dependable Escrow was required to file its annual audit
25 report for the fiscal year ended December 31, 2008 on or before April 15, 2009. To date, Dependable
26 has yet to file its annual audit report with the Commissioner as is required by Financial Code section
27 17406.

28 Based upon the foregoing, Dependable Escrow Co. is conducting its escrow business

1 in such an unsafe and injurious manner as to render further operations hazardous to the public or
2 customers.

3 NOW, BASED UPON THE FOREGING, AND GOOD CAUSE APPEARING
4 THEREFORE, it is hereby ORDERED, under the provisions of Financial Code section 17415, that
5 Dependable Escrow Co. and any person having in his or her possession any escrow or trust funds or
6 general account funds to discontinue immediately the receipt or disbursement of any such funds,
7 documents or other property in its possession, custody or control.

8 This order is to remain in full force and effect until further order of the Commissioner.

9 California Financial Code section 17415 provides as follows:

10 (a) If the commissioner, as a result of any examination or from any report
11 made to him or her, shall find that any person subject to this division is in an
12 insolvent condition, is conducting escrow business in such an unsafe and
13 injurious manner as to render further operations hazardous to the public or to
14 customers, has failed to comply with the provisions of section 17212.1 or
15 17414.1, has permitted its tangible net worth to be lower than the minimum
16 required by law, has failed to maintain its liquid assets in excess of current
17 liabilities as set forth in Section 17210, or has failed to comply with the
18 bonding requirements of Chapter 2 (commencing with Section 17200) of this
19 division, the commissioner may, by an order addressed to and served by
20 registered or certified mail or personal service on such person and on any other
21 person having in his or her possession or control any escrowed funds, trust
22 funds or other property deposited in escrow with said person, direct
23 discontinuance of the disbursement of trust funds by the parties or any of them,
the receipt of trust funds, the delivery or recording of documents received in
escrow, or other business operations. No person having in his or her
possession any of these funds or documents shall be liable for failure to
comply with the order unless he or she has received written notice of the order.
Subject to subdivision (b), the order shall remain in effect until set aside by the
commissioner in whole or in part, the person has been adjudged bankrupt, or
pursuant to Chapter 6 (commencing with Section 17621) of this division the
commissioner has assumed possession of the escrow agent.

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(b) Within 15 days from the date of an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the Government Code. Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after such receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing of service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right for a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

DATED: May 27, 2009
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division