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4 Department of Business Oversight
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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.: 963-2490
COMMISSIONER OF BUSINESS)
12 OVERSIGHT,) ACCUSATION
13)
Complainant,)
14)
vs.)
15)
16 VELOCITY ESCROW, INC., MUTASEM AL)
SAAD, and HALI SAAD,)
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 Velocity Escrow, Inc. ("Velocity") is an escrow agent licensed by the
24 Commissioner of Business Oversight ("Commissioner" or "Complainant") pursuant to the Escrow
25 Law of the State of California (Fin. Code § 17000 et seq.). Velocity has its principal place of
26 business located at 17744 Skypark Circle, Suite 250, Irvine, California 92614.

27 Respondent Mutasem Al Saad ("M. Saad") is, and was at all times relevant herein, the
28 president and fifty percent (50%) shareholder of Velocity.

1 Respondent Hali Saad ("H. Saad") is, and was at all times relevant herein, the vice-president,
2 manager, and fifty percent (50%) shareholder of Velocity.

3 II

4 On or about April 4, 2012, the Commissioner, by and through staff, commenced a regulatory
5 examination of the books and records of Velocity. The regulatory examination on Velocity was
6 commenced after a review of the annual report submitted by Velocity for the fiscal year end
7 November 30, 2011 disclosed a \$70,000 shortage in escrow number 1573-HS in violation of
8 California Code of Regulations, title 10, section 1738.1. Prior to commencement of the regulatory
9 examination, a request was made that Velocity explain the shortage in escrow number 1573-HS. M.
10 Saad, on behalf of Velocity, responded on March 21, 2012 that the shortage was the “result of a bad
11 check received. . . . The issue was handled . . . and a wire for \$320,000.00 was received on
12 January 25, 2012 (sic) to cover the overdraft . . .” Velocity and M. Saad violated Financial Code
13 section 17703(b) in providing the above-described explanation regarding the shortage in escrow
14 number 1573-HS in that the explanation was untrue. A review into escrow number 1573-HS
15 disclosed that the alleged “bad check” in the amount of \$3,451,218 had never been deposited into
16 escrow, but held by Velocity as instructed by the buyer’s attorney. Velocity, on or about September
17 12, 2011, disbursed the sum of \$320,000 when only \$250,000 was on deposit, thereby causing the
18 \$70,000 shortage.

19 Other violations discovered during the regulatory examination are described as follows:

20 1. Escrow Number 1573-HS – canceled:

21 (a) On or about September 9, 2011, Respondents violated Financial Code section
22 17414(a)(2) by preparing, or causing to be prepared, receipt number 1470 and posting it to the ledger
23 representing that the sum of \$3,451,218 had been deposited into escrow when in fact no such monies
24 were deposited into the trust account and the buyer’s agent had instructed Respondents to hold the
25 check until further instruction.

26 (b) On or about September 13, 2011, Respondents disbursed, or caused to be disbursed,
27 the sum of \$320,000 for brokers fees when escrow only had \$250,000 on deposit thereby causing a
28 shortage in the amount of \$70,000 in violation of California Code of Regulations, title 10, section

1 1738.1. The shortage remained until on or about January 24, 2012 when the broker’s agent returned
2 the \$320,000 to Velocity.

3 (c) Respondents’ payment of broker’s fees as described in paragraph 1.b. above also
4 violated Financial Code section 17420, which prohibits the payment of any fee, commission or other
5 compensation that is contingent upon the performance of any act, condition, or instruction prior to
6 close of escrow.

7 2. Escrow Number 1521-MR – canceled:

8 (a) Commencing on or about January 19, 2011 and continuing through at least April 12,
9 2012, Respondents violated Financial Code section 17411 by depositing non-escrow monies totaling
10 \$810,715 into the escrow trust account in that there was no legitimate escrow transaction occurring
11 in escrow number 1521-MR. Or in the alternative, Respondents repeatedly violated Financial Code
12 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2 by
13 disbursing the \$810,715 out of escrow and/or to escrow numbers 1608-HS and 1925-DB without
14 written instructions signed by all the alleged parties to the transaction.

15 (b) On or about May 17, 2011, Respondents violated Financial Code sections 17404 and
16 17414(a)(2) by preparing, or causing to be prepared, a wire verification for wire number 339 in the
17 amount of \$20,000 and posting it to the ledger as having occurred on May 17, 2011 when the funds
18 were debited from the trust account on or about April 18, 2011.

19 (c) On or about January 7, 2012, Respondents violated Financial Code sections 17404
20 and 17414(a)(2) by preparing, or causing to be prepared, receipt number 1756 and posting it to the
21 ledger representing that the sum of \$199,965 had been deposited into escrow number 1521-MR
22 when in fact no such monies were deposited. There had been a deposit in the amount of \$199,965
23 on or about November 25, 2011 in escrow number 1925-DB for which receipt number 1625 dated
24 December 3, 2011 was issued for escrow number 1925-DB. Respondents did not cancel receipt
25 number 1756 until on or about January 30, 2012; some twenty-three (23) days later.

26 (d) On or about January 17, 2012, Respondents made three transfers to escrow number
27 1925-DB when there were insufficient funds on deposit for this escrow, thereby resulting in a
28 shortage in the amount of \$192,510 in violation of California Code of Regulations, title 10, section

1 1738.1. The shortage was reduced to \$152,510 on or about March 13, 2012 when two deposits
2 totaling \$40,000 were made. The shortage was further reduced to \$20,754 on or about March 29,
3 2012 through three deposits totaling \$131,756. The remaining shortage of \$20,754 was not
4 corrected until on or about April 12, 2012. The three transfers made to escrow number 1925-DB
5 also violated California Code of Regulations, title 10, section 1740.4(a) in that Respondents
6 transferred the funds by canceling the receipts for this escrow and re-issuing the same receipts for
7 escrow 1925-DB when transfers between escrows are required to be accomplished by the actual
8 issuance of a check.

9 (e) On or about January 25, 2012, Respondents violated Financial Code sections 17404
10 and 17414(a)(2) by preparing, or causing to be prepared, receipt numbers 1814, 1815, 1816, 1817,
11 1818, and 1819 and posting them to the ledger representing that funds totaling \$47,490 had been
12 deposited into escrow on January 25, 2012 when in fact those funds had been deposited on or about
13 January 4, 2012.

14 (f) On or about March 2, 2012, Respondents violated Financial Code sections 17404 and
15 17414(a)(2) by preparing, or causing to be prepared, receipt number 1957 and posting it to the ledger
16 representing that the amount of \$20,754 had been deposited into escrow on March 2, 2012 when in
17 fact those funds were not deposited until on or about April 12, 2012.

18 3. Escrow Number 1608-HS – canceled:

19 (a) On or about July 26, 2011, Respondents violated Financial Code sections 17404 and
20 17414(a)(2) by preparing, or causing to be prepared, receipt number 1425 and posting it to the ledger
21 representing that the sum of \$15,000 had been deposited into escrow when the receipt was written
22 for escrow number 1925-DB. Respondents did not adjust receipt number 1425 until on or about
23 January 17, 2012; some one-hundred and seventy-five (175) days later.

24 4. Escrow Number 1925-DB – canceled:

25 (a) Commencing on or about July 26, 2011 and continuing through at least December 3,
26 2011, Respondents violated Financial Code section 17411 by depositing non-escrow monies totaling
27 \$214,965 into the escrow trust account in that there was no legitimate escrow transaction occurring
28 in escrow number 1925-DB. Or in the alternative, Respondents repeatedly violated Financial Code

1 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2 by
2 disbursing the \$214,965 along with the \$432,137.83 transferred over from escrow number 1521-MR
3 out of escrow and/or to escrow number 1521-MR without written instructions signed by all the
4 alleged parties to the transaction.

5 (b) On or about November 12, 2011, Respondents violated Financial Code sections
6 17404 and 17414(a)(2) by preparing, or causing to be prepared, receipt number 1558 and posting it
7 to the ledger representing that the sum of \$5,000 had been deposited into escrow when in fact no
8 such monies were deposited. Respondents did not cancel receipt number 1558 until on or about
9 November 29, 2011; some seventeen (17) days later.

10 (c) On or about November 19, 2011, Respondents violated Financial Code sections
11 17404 and 17414(a)(2) by preparing, or causing to be prepared, receipt number 1578 and posting it
12 to the ledger representing that the sum of \$606,795 had been deposited into escrow when in fact no
13 such monies were deposited. Respondents did not cancel receipt number 1578 until on or about
14 November 29, 2011; some ten (10) days later.

15 III

16 On or about November 8, 2013, the Commissioner, by and through staff, commenced a
17 special examination of Velocity to review certain escrow files involving the sale of two gas stations;
18 the “Anza Station” and the “Imperial Station”. The special examination disclosed that Velocity and
19 H. Saad, who was the escrow officer in each of the escrow files, repeatedly violated the Escrow Law
20 while processing double escrows as described in more detail below.

21 1. Velocity Escrow #2846-HS – Anza Station:

22 (a) On or about December 6, 2012, Velocity and H. Saad violated Financial Code section
23 17414(a)(1) and Code of Regulations, title 10, sections 1738 and 1738.2 by causing escrow to close
24 in that the lender instructions specifically required escrow to notify lender prior to close of escrow if
25 the purchase price was other than what was stated; \$3,052,000. Velocity and H. Saad did not notify
26 the lender at any time that the purchase price was actually \$1,729,500 and the sale was in fact being
27 handled in another escrow; 3080-HS, that Velocity and H. Saad were processing at the same time.
28

1 The lender ended up making a loan for \$2,000,000 to the buyer, which was \$270,500 more than
2 what the buyer actually paid for the Anza Station.

3 (b) Velocity and H. Saad were able to close escrow without complying with the lender
4 instructions by engaging in the following activities in violation of Financial Code Section
5 17414(a)(2):

6 (i) In or about late November 2012, Velocity and H. Saad prepared an estimated closing
7 statement and submitted same to the lender that misrepresented that the purchase price was
8 \$3,052,000 instead of the actual price of \$1,729,500 and that an escrow deposit of “\$2,100,000 Split
9 \$979,212.32 E#2844-HS” had been made when no deposit was ever made into escrow;

10 (ii) On or about December 6, 2012, Velocity and H. Saad prepared a final closing
11 statement and submitted same to the lender that again misrepresented that the purchase price was
12 \$3,052,000 instead of the actual price of \$1,729,500 and that an escrow deposit of “\$2,100,000 Split
13 \$979,212.32 E#2844-HS” had been made when no deposit was ever made into escrow.

14 (iii) The final closing statement also represented that numerous disbursements had been
15 made from escrow, which was untrue as all the disbursements for the purchase of the Anza Station
16 transaction were made from escrow number 3080-HS. Notwithstanding from which escrow the
17 disbursements were made, the final closing statement misrepresented the following disbursements:

- 18 a. Title charges of \$9,665.30 instead of actual title charges of \$8,007.70;
- 19 b. Payment to First Corporate Solutions in the amount of \$3,000 when the actual
20 charges were \$488, and were paid outside escrow;
- 21 c. Tax lien payment in the amount of \$1,455.31 when there were no supporting
22 documents regarding such a tax lien, and according to H. Saad when questioned, was paid outside
23 escrow;
- 24 d. Payment to John L in the amount of \$20,000 when no such payment was
25 made from escrow;
- 26 e. Payment to Peter R. in the amount of \$100,000 when no such payment was
27 made from escrow;
- 28 f. Payment to Gino P. in the amount of \$100,000 when no such payment was

1 made from escrow; and

2 g. Payment to RMN in the amount of \$40,000 when no such payment was made
3 from escrow.

4 (iv) There was no final closing statement found in the escrow file. However, the final
5 closing statement printed from the computer system disclosed a “Deposit to Pietro Trust Account
6 \$2,1000,00 (sic)”, with \$1,120,787.68 credited to escrow number 2846-HS.

7 (v) On or about December 4, 2013, Velocity and H. Saad violated Financial Code section
8 17703(b) by falsely representing to the Commissioner’s examiner that they had sent the lender a
9 copy of a July 25, 2012 letter from Gino P., an attorney representing the buyer, that stated that the
10 parties had agreed that the deposit for the transaction would be held in his attorney trust account and
11 not with escrow.

12 2. Velocity Escrow #2844-HS – Imperial Station:

13 (a) On or about December 6, 2012, Velocity and H. Saad violated Financial Code section
14 17414(a)(1) and Code of Regulations, title 10, sections 1738 and 1738.2 by causing escrow to close
15 in that the lender instructions specifically required escrow to notify lender prior to close of escrow if
16 the purchase price was other than what was stated; \$3,364,000. Velocity and H. Saad did not notify
17 the lender at any time that the price was actually \$1,774,500 and the sale was in fact being handled
18 in another escrow; 3077-HS, that Velocity and H. Saad were processing at the same time. The
19 lender ended up making a loan for \$2,537,000 to the buyer, which was \$762,500 more than what the
20 buyer actually paid for the Imperial Station.

21 (b) Velocity and H. Saad were able to close escrow without complying with the lender
22 instructions by engaging in the following activities in violation of Financial Code Section
23 17414(a)(2):

24 (i) On or about July 25, 2012, Velocity and H. Saad prepared, or caused to be prepared, a
25 receipt that falsely represented that the sum of \$2,100,000 had been deposited into escrow when no
26 such funds had been deposited, and thereafter, in or about November 2012 sent, or caused to be sent,
27 such false receipt to the lender along with a copy of a cashier’s check made payable to Velocity
28 Escrow in the amount \$2,100,000. The receipt was not numbered as required by California Code of

1 Regulations, title 10, section 1741.1(a). H. Saad, by not numbering the receipt, did not have to
2 account for it in the books and records required to be maintained under the Escrow Law.

3 (ii) In or about early December 2012, Velocity and H. Saad prepared an estimated closing
4 statement and submitted same to the lender that misrepresented that the purchase price was
5 \$3,364,000 instead of the actual price of \$1,774,500, and a deposit of \$979,212.32 under
6 Adjustments for Items Unpaid by Seller when the deposit funds to be later transferred from escrow
7 number 2846-HS did not exist.

8 (iii) On or about December 6, 2012, Velocity and H. Saad prepared a final closing
9 statement and submitted same to the lender that again misrepresented that the purchase price was
10 \$3,364,000 instead of the actual price of \$1,774,500, and a deposit of \$979,212.32 under
11 Adjustments for Items Unpaid by Seller when the deposit funds to be later transferred from escrow
12 number 2846-HS did not exist.

13 (iv) The final closing statement also represented that numerous disbursements had been
14 made from escrow, which was untrue as all the disbursements for the purchase of the Imperial
15 Station transaction were made from escrow number 3077-HS. Notwithstanding from which escrow
16 the disbursements were made, the final closing statement submitted to the lender misrepresented the
17 following disbursements:

- 18 a. Title charges of \$10,869 instead of actual title charges of \$7,112.92;
- 19 b. Payment to First Corporate Solutions in the amount of \$2,500 when the actual
20 charges were \$448.63, and were paid outside escrow;
- 21 c. Consulting fees to RMN in the amount of \$40,000 when RMN was paid the
22 sum of \$92,000 from escrow number 3077-HS; and
- 23 d. Payment to Peitro Associates in the amount of \$150,000 when Peitro
24 Associates was paid the sum of \$25,000 from escrow number 3077-HS.

25 (v) The final closing statement submitted to the lender also failed to disclose that the
26 buyer received \$249,564.08 back from Velocity through escrow number 3077-HS.
27
28

1 (vi) There was no final closing statement found in the escrow file. However, the final
2 closing statement printed from the computer system disclosed under Adjustments For Items Unpaid
3 By Seller a \$979,212.32 “Deposit to Gino Pietro Trust Account”.

4 (c) Velocity and H. Saad caused escrow number 3077-HS to close short in violation of
5 California Code of Regulations, title 10, section 1738.1. The last disbursement from escrow was
6 made on or about January 29, 2013. At that time, escrow was overdrawn by \$27,322.59, which
7 overdraft was allowed to continue until on or about March 14, 2013 when further funds were finally
8 deposited into escrow to cover the overdraft.

9 IV

10 Financial Code section 17608 provides in pertinent part:

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

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

16 Financial Code section 17423 provides in pertinent part:

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

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

24 V

25 Complainant finds that, by reason of the foregoing, Respondents Velcoity Escrow, Inc.,
26 Mutasem Al Saad, and Hali Saad have violated or caused the violations of Financial Code sections
27 17404, 17411, 17414(a)(1), 17414(a)(2), 17420 and 17703(b) and California Code of Regulations,
28 title 10, sections 1738, 1738.1, 1738.2, and 1740.4(a) and it is in the best interests of the public to
revoke the escrow agent license of Respondent Velocity Escrow, Inc. and to bar Respondents

1 Mutasem Al Saad and Hali Saad from any position of employment, management or control of any
2 escrow agent.

3 WHEREFORE, IT IS PRAYED that the escrow agent license of Respondent Velocity
4 Escrow, Inc. be revoked and Respondents Mutasem Al Saad and Hali Saad be barred from any
5 position of employment, management or control of any escrow agent.

6 Dated: October 21, 2014
7 Los Angeles, CA

JAN LYNN OWEN
Commissioner of Business Oversight

8 By _____
9 Judy L. Hartley
10 Senior Corporations Counsel
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