PRESTON DuFAUCHARD
California Corporations Commissioner
ALAN S. WEINGER
Deputy Commissioner
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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. COMMERCIAL ESCROW SERVICES, INC. Respondent.	File No.: 963-5075 **ORDER TO DISCONTINUE ESCROW ACTIVITIES PURSUANT TO FINANCIAL CODE SECTION 17415**

TO: COMMERCIAL ESCROW SERVICES, INC.
3478 Buskirk Avenue, Suite 242
Pleasant Hill, California 94523

BANK OF THE WEST
300 South Grand, 5th Floor
Los Angeles, California 90071

UNION BANK OF CALIFORNIA
1980 Saturn Street
Monterey Park, California 90755

THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

1. Commercial Escrow Services, Inc. (CES) is an escrow company licensed by the

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California Corporation Commissioner pursuant to the California Escrow Law (Financial Code sections 17000 et sec), that is located at 3478 Buskirk Avenue, Suite 242, Pleasant Hill, California. Its president is Antoinette (Toni) Hardstone.

2. In or about August of 2011, it came to the attention of the California Department of Corporations (DOC) that according to CES' annual reports filed with the DOC, that CES had an escrow trust account shortage of $195,750.00. A special examination of CES was commenced by the DOC that verified the shortage. The DOC wrote a letter on August 4, 2011 to CES demanding they correct the debit balance within 24 hours. Despite repeated requests by the DOC, CES failed to remedy the $195,750.00 shortage.

3. On or about October 3, 2011, CES president Hardstone sent an email to the DOC claiming she would be making a deposit into the trust account on Friday October 7, 2011, which would correct the entire $195,750.00 shortage. The DOC requested from Hardstone that she send by email written verification with supporting documentation of the deposit into the trust account on October 7, 2011. On the afternoon of October 7, 2011, Hardstone emailed the DOC stating that she had not made the deposit into the trust account as promised.

4. During the special examination by the DOC it was also discovered that CES had failed to keep escrow funds that are covered by Escrow Agent's Fidelity Corporation (EAFC) in separate trust accounts as required by Financial Code section 17409(b) and to maintain separate ledgers as required by California Code of Regulations, title 10, section 1732. 2 and as a result had commingled millions of dollars of funds from non-EAFC covered escrow transactions in the account designated for EAFC escrows only.

5. The special examination by the DOC showed a liquid asset deficiency of $17,425.85 in violation of Financial Code section 17210, that requires escrow agents to maintain liquid assets of at least $25,000 in excess of all current liabilities. The DOC wrote a letter to CES on August 23, 2011 giving CES 30 days to correct this shortage. CES has failed to provide evidence to the DOC that they have corrected this liquid asset deficiency.

6. The special examination conducted by the DOC also established that CES failed to keep and use in its business, books, accounts, and records in a manner which properly enabled the

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commissioner to determine whether the escrow functions performed by such persons comply with the provisions of the Escrow Law and related regulations as required by Financial Code Section 17404. This included a practice at CES of providing customers with escrow numbers to issue or assign themselves resulting in over 400 ledgers for such escrow numbers being missing or unassigned.

7. A review of CES' records for escrow transactions on which complaints against CES had been made showed that the written disbursement instructions were not properly maintained, were conflicting or were clearly violated and that CES was in violation of Financial Code section 17414 (a). The 6 complaints against CES were all for improper and unauthorized disbursement of funds and all claimed the complainant was promised some sort of loan or financing from a third party company in exchange for the money they had placed in escrow with CES. The complaints all claimed that the escrow funds were improperly released by CES to the third party company and no financing or loan was provided.

Based upon the foregoing, CES is conducting escrow business in such an unsafe and injurious manner as to render further operations hazardous to the public or to customers.

NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING THEREFORE, it is hereby ORDERED, under the provisions of section 17415 of the Financial Code, that Commercial Escrow Services, Inc. and any person having in his or her possession any escrow funds or trust funds immediately discontinue the receipt or disbursement of any escrow or joint control money, documents or other property in its possession, custody or control.

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

Section 17415 of the Financial Code provides as follows:

> (a) If the commissioner, as a result of any examination or from any report made to him or her, shall find that any person subject to this division is in an insolvent condition, is conducting escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers, has failed to comply with the provisions of Section 17212.1 or 17414.1, has permitted its tangible net worth to be lower than the minimum required by law, has failed to maintain its liquid assets in excess of current liabilities as set forth in Section 17210, or has failed to comply with the bonding requirements

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of Chapter 2 (commencing with Section 17200) of this division, the commissioner may, by an order addressed to and served by registered or certified mail or by personal service on such person and on any other person having in his or her possession or control any escrowed funds, trust funds or other property deposited in escrow with said person, direct 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 is the subject of an order for relief in bankruptcy, or pursuant to Chapter 6 (commencing with Section 17621) of this division the commissioner has assumed possession of the escrow agent.

(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 or service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

This order is effective as of the date hereof.

Dated: October 12, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Alan S. Weinger
Deputy Commissioner