PRESTON DuFAUCHARD
California Corporations Commissioner
ALAN S. WEINGER
Deputy Commissioner
KIRK E. WALLACE (SBN 129953)
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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 **NOTICE AND SUMMARY OF FINDINGS PURSUANT TO CALIFORNIA FINANCIAL CODE SECTION 17621**

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

Please take notice that the California Corporations Commissioner finds:

1. Commercial Escrow Services, Inc. (CES) is an escrow company licensed by the California Corporation Commissioner pursuant to the California Escrow Law (Financial Code

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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 Commissioner to determine whether the escrow functions performed by such persons comply with

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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.

8. Financial Code section 17621 provides in pertinent part:

> Whenever it appears to the commissioner that any escrow agent subject to this division:
> ...
> (b) Is conducting escrow business in an unsafe and unauthorized manner;
>
> (c) Has violated its charter or any law of the State of California;
> ...
> the commissioner shall dispatch a written notice and summary of findings, as referred to in Section 17415, to the principal officer of the escrow agent involved or to its manager of record; and such escrow agent shall be afforded a reasonable opportunity to comply or otherwise effect such remedy as the commissioner may deem acceptable. However, should the escrow agent so notified fail to comply within five days of receipt of the notice, or as soon as it appears to the commissioner that no compliance is possible, or in the event prompt delivery of the prescribed written notice is impossible, the commissioner may forthwith take possession of the property and business of such escrow agent and retain possession until such escrow agent resumes business or its affairs be finally liquidated as provided in this chapter. The escrow agent, with the consent of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

9. Based upon the foregoing, the Commissioner finds that Commercial Escrow Services, Inc. has violated Financial Code sections 17603, 17210, 17404, and 17414 and California Code of

Regulations, Title 10, sections 1738, 1738.1, and 1732.2 and is conducting escrow business in such an unsafe and unauthorized manner, that no compliance is possible.

Dated: October 12, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Alan S. Weinger
Deputy Commissioner

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