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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) File No.: 963-0873
11 CORPORATIONS COMMISSIONER,)
12 Complainant,) **NOTICE AND SUMMARY OF FINDINGS**
13) **PURSUANT TO FINANCIAL CODE**
14 v.) **SECTION 17621**
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 PLEASE TAKE NOTICE that the California Corporations Commissioner finds that:

- 24 1. On or about November 6, 2008, the California Corporations Commissioner
25 ("Commissioner") commenced a special examination of the books and records of Dependable Escrow
26 Co. ("Dependable"). The special examination revealed the following:

27 ///

1 a. In connection with the special examination, Dependable has refused to submit its
2 books, papers and affairs to the Commissioner for inspection in violation of Financial Code section
3 17405 and California Code of Regulations, title 10, section 1730 as follows:

4 i. On or about May 15, 2009, the California Department of Corporations ("Department")
5 wrote to Dependable's escrow manager, Michelle Reyes ("Ms. Reyes"), requesting access to
6 Dependable's licensed premises in order to inspect its books and records on May 18, 2009,
7 commencing at the hour of 10:00 a.m. Later that same day, Ms. Reyes telephoned the Department,
8 stating that she was unavailable to meet with the Commissioner's examiner during the scheduled date
9 and time. The Department responded to Ms. Reyes, stating that other principals and/or officers
10 employed by Dependable could be made available to meet with the examiner on the designated day.
11 Accordingly, on May 18, 2009, the Commissioner's examiner arrived at Dependable's licensed
12 premises to conduct the scheduled examination; however, the business was closed and the
13 Department was unable to gain access to the needed books and records held at Dependable's business
14 premises.

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

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

26 b. Dependable has failed to maintain its books and records in accordance with the
27 Escrow Law as follows:

28 i. In or about April of 2009, the Commissioner discovered that Dependable had stopped

1 reconciling its trust account on a monthly basis, since at least January 31, 2009, in violation of
2 Financial Code section 17404 and title 10, section 1732.2 of the California Code of Regulations.

3 c. Based upon the books and records presently available, Dependable's trust account has
4 a shortage of at least \$45,341.43 in violation of California Code of Regulations, title 10, section
5 1738.1.

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

12 e. A sampling of Dependable's escrow files reviewed by the Department disclosed many
13 questionable transactions, which the Department has been unable to fully investigate due to the denial
14 of access to Dependable's books and records. Those questionable transactions include the following:

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

18 ii. Dependable, in connection with the unauthorized disbursements described above, has
19 falsified escrow records by creating false escrow instructions in violation of Financial Code section
20 17414, subdivision (a)(2) and/or altered escrow instructions in violation of Financial Code section
21 17403.2.

22 2. Furthermore, the Commissioner finds that Dependable, pursuant to Financial Code
23 section 17406, has failed to file its annual audit report for its fiscal year ended December 31, 2008.
24 Pursuant to Financial Code section 17406, all licensees under the Escrow Law are required to file an
25 annual audit report containing audited financial statements within one hundred five (105) days after
26 the close of their fiscal year. Dependable's fiscal year-end is December 31st. Accordingly,
27 Dependable Escrow was required to file its annual audit report for the fiscal year ended December 31,
28 2008 on or before April 15, 2009. To date, Dependable has yet to file its annual audit report with the

1 Commissioner as is required by Financial Code section 17406.

2 3. The Commissioner has demanded that Dependable cure the defects described above;
3 however, Dependable remains in violation of the above-cited provisions of the Escrow Law.

4 4. California Financial Code section 17621 provides in pertinent part:

5 Whenever it appears to the Commissioner that any escrow agent subject to this
6 division:

7 ...
(b) Is conducting escrow business in an unsafe and unauthorized manner;

8 (c) Has violated its charter or any law of the State of California;

9 (d) Refuses to submit its books, papers and affairs to the inspection of any
10 examiner;

11 ...
12 the commissioner shall dispatch a written notice and summary of findings, as
13 referred to in Section 17415, to the principal officer of the escrow agent
14 involved or to its manager of record; and such escrow agent shall be afforded a
15 reasonable opportunity to comply or otherwise effect such remedies as the
16 commissioner may deem acceptable. However, should the escrow agent so
17 notified fail to comply within five days of receipt of the notice, or as soon as it
18 appears to the commissioner that no compliance is possible, or in the event
19 prompt delivery of the prescribed written notice is impossible, the
20 commissioner may forthwith take possession of the property and business of
21 such escrow agent and retain possession until such escrow agent resumes
22 business or its affairs be finally liquidated as provided in this chapter. The
23 escrow agent, with the consent of the commissioner, may resume business
24 upon such conditions as the commissioner may prescribe.

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5. Based upon the foregoing, the Commissioner finds that Dependable Escrow Co. has violated Financial Code sections 17403.2, 17404, 17405, 17406, 17409, 17414 and California Code of Regulations, title 10, sections 1730, 1732.2, 1738, 1738.1, and 1738.2.

DATED: June 8, 2009
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Deputy Commissioner
Enforcement Division