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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. PROVIDENCE ESCROW, INC., Respondent.	File No.: 963-1699 AMENDED ACCUSATION IN SUPPORT OF: 1) ORDER SUSPENDING ESCROW AGENT'S LICENSE PURSUANT TO FINANCIAL CODE SECTION 17608 2) ORDER IMPOSING PENALTIES PURSUANT TO FINANCIAL CODE SECTION 17408

The Complainant is informed and believes and based upon such information and belief, alleges and charges as follows:

I

Providence Escrow, Inc. ("Respondent" or "Providence") is an escrow agent first licensed on September 29, 1993 by the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Respondent's principal place of business is located at 3450 Wilshire Boulevard, Suite 310, Los Angeles, California, 90010.

II

Pursuant to Financial Code section 17406, every licensee under the Escrow Law is required

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to file an annual report containing audited financial statements ("annual audit report") within 105 days after the close of its fiscal year. Respondent's fiscal year end is September 30.

On or about August 10, 2010, the Commissioner notified Respondent in writing that its annual audit report for the year ending September 30, 2010 was due on January 18, 2011, as required by Financial Code section 17406. Respondent was notified in the letter that failure to file its annual audit report could result in assessment of penalties, a special examination, and/or administrative action.

On January 25, 2011, a 10-day demand letter was sent to Respondent via certified mail informing that failure to file the annual audit report could result in assessment of penalties, a special examination, and/or administrative action. The report was not submitted within the 10-day demand period, and penalties pursuant to Financial Code section 17408 started to accrue thereafter.

Respondent did not file its annual audit report until July 8, 2011, which was 171 days overdue. Pursuant to the filing requirement set forth in Financial Code section 17408, a penalty of $50.00 shall be assessed for each of the first five days that Respondent's annual audit report was overdue and a penalty of $250.00 for each day thereafter, totaling $37,750.00.

Moreover, the annual audit report filed on July 8, 2011 disclosed that Respondent is deficient in meeting the net worth requirements of Financial Code section 17210. Section 17210 requires California escrow agents licensed after January 1, 1986 to maintain at all times a tangible net worth of least $50,000.00, including liquid assets of at least $25,000.00 in excess of current liabilities.

Respondent's certified public accountant expressed a going-concern issue in the annual financial statement for fiscal year ending September 30, 2010. The most current balance sheet for fiscal year ending September 30, 2010 disclosed that Respondent had a liquid asset deficiency of $34,355.00 and a tangible net worth deficiency of $53,617.00.

On July 11, 2011, the Commissioner sent a letter to Respondent via certified mail demanding proof of correction of the going-concern and net worth deficiency issues no later than August 11, 2011. To date, Respondent has not provided the Commissioner satisfactory evidence that the going-concern and net worth deficiency issues have been remedied.

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III

On or about August 15, 2011, the Commissioner notified Respondent in writing that its annual audit report for the year ending September 30, 2011 was due on January 17, 2012, as required by Financial Code section 17406. Respondent was notified in the letter that failure to file its annual audit report could result in assessment of penalties, a special examination, and/or administrative action. Respondent failed to timely file its 2011 annual audit report.

On January 24, 2012, a 10-Day Demand Letter was sent to Respondent via certified mail informing that failure to file the annual audit report could result in assessment of penalties, a special examination, and/or administrative action. The report was not submitted within the 10-day demand period, and penalties pursuant to Financial Code section 17408 started to accrue thereafter.

To date, Respondent has not filed its 2011 annual audit report as required by Financial Code section 17406. Pursuant to the filing requirement set forth in Financial Code section 17408, a penalty of $50 per day shall be assessed for each of the first five days that Respondent's 2011 annual audit report was overdue and a penalty of $250 for each day thereafter shall continue to accrue until the report is received. Penalties accrued to date for the 19 days the 2011 annual audit report is late amount to $3,750.00.

IV

Financial Code Section 17408, subdivisions (b) through (e), provide as follows:

> (b) The commissioner may impose, by order, a penalty on any person who fails, within the time specified in any written demand of the commissioner, (1) to make and file with the commissioner any report required by law or requested by the commissioner.. . . The amount of the penalty shall be one hundred dollars ($100) for each day for the first five days the report or information is overdue and, thereafter, five hundred dollars ($500) for each day the report or information is overdue.
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> (c) If, after an order has been made under subdivision (b), a request for hearing is filed in writing within 30 days of the date of service of the order by the person to whom the order was directed, a hearing shall be held in accordance with the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all the powers granted under that chapter.
>
> (d) If the person fails to file a written request for a hearing within 30 days of the date of service of the order, the order imposing the penalty shall be

> deemed a final order of the commissioner, and the penalty shall be paid within five business days.
>
> (e) If a hearing is requested, the penalty shall be paid within five business days after the effective date of any decision in the case ordering payment to be paid.

Financial Code section 17602.5 provides in pertinent part as follows:

> If any licensed escrow agent fails to make any reports required by law or by the commissioner within ten (10) days from the date designated for the making of the reports, or within any extension of time granted by the commissioner, . . . such failure shall constitute grounds for the suspension or revocation of the license held by such escrow agent.

Financial Code section 17608 provides in pertinent part:

> The commissioner may, after notice and a reasonable opportunity to be heard, suspend or revoke any license if he finds that:
>
> . . . (b) The licensee has violated any provision of this division or any rule made by the commissioner under and within the authority of this division.

V

Complainant finds that, by reason of the foregoing, Respondent Providence Escrow, Inc. has failed to comply with Financial Code sections 17406, 17602.5 and 17210, and it is in the best interests of the public to suspend the escrow agent's license of Respondent pursuant to Financial Code section 17608.

WHEREFORE, IT IS PRAYED that Respondent's escrow agent's license be suspended until such time as Respondent files its annual audit report for the fiscal year end September 30, 2011 and provides satisfactory evidence that the going-concern and net worth deficiency issues have been remedied in compliance with Financial Code section 17210, or for a period of one month, whichever period is greater.

IT IS HEREBY ORDERED that Respondent pay penalties pursuant to Financial Code section 17408 as follows:

(1) The amount of $37,750.00 for the 173 days that the 2010 annual audit report was late;

(2) The amount of $3,750.00 for the 19 days the 2011 annual audit report is late; and,

(3) Additional penalties of $250.00 per day accruing hereafter for each day that the 2011 annual audit report remains unfiled in violation of Financial Code section 17406.

Dated: February 22, 2012
Los Angeles, CA

JAN LYNN OWEN
California Corporations Commissioner

By_____
ALAN S. WEINGER
Deputy Commissioner

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