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SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF CONTRA COSTA

THE PEOPLE OF THE STATE OF CALIFORNIA, BY AND THROUGH THE CALIFORNIA CORPORATIONS COMMISSIONER, Petitioner, vs. COMMERCIAL ESCROW SERVICES, INC., Respondent.	Case No. N11-1854 ORDER APPOINTING LIMITED RECEIVER TO LIQUIDATE AND WIND UP TRUST ACCOUNT AFFAIRS Assigned To: Dept 17 Complex The Honorable Barry P. Goode Date: February 10, 2012 Time: 9:00 Dept: 17 No Trial Date Action filed: November 30, 2011

The hearing on the Application for appointment of a limited receiver brought by petitioner, the California Corporations Commissioner came on for hearing on February 10, 2012 in Department 17, before the Honorable Judge Barry P. Goode Presiding. Kirk Wallace appeared for petitioner, the California Corporations Commissioner. Glen R. Olson appeared for Respondent Commercial Escrow Services, Inc., which has filed a notice of non-opposition subject to certain conditions to the appointment of the receiver.

FOR GOOD CAUSE APPEARING IT IS HEREBY ORDERED THAT:

The application for order appointing a limited receiver to liquidate and wind up trust account affairs of respondent Commercial Escrow Service. Inc, ("CES") is hereby granted as follows:

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Peter A. Davidson is appointed as the receiver over the escrow trust funds of CES, including, but not limited to, the trust funds currently in the possession of Peter A. Davidson in his capacity as Conservator, any indemnity funds paid or to be paid by Escrow Agents' Fidelity Corporation, any surety bond claims or funds, any insurance proceeds which may provide coverage for the shortage in any escrow accounts of CES, the CES bank accounts at Bank of the West which contained the following escrow funds at the time the accounts were seized by the Commissioner including 1) Trust Account Number 1 which had a balance of $5,343,956.73, and was designated for EAFC escrows; 2) Trust Account Number 2 which contained funds totaling $729.90, which was designated for Non-EAFC escrows; 3) Savings Account Number 1 with a balance of $26,394.33 which was designated for EAFC escrows; 4) a savings account with $40,000.00 which was designated for Non-EAFC escrows; and 5) an account designated for incoming EFT accounts with a zero balance, as well as the CD in the amount of $50,000 deposited at the Union Bank as described above, and all bank and escrow records of CES (the "trust property"), whether directly or indirectly, owned beneficially or otherwise by, or in the possession, custody or control of CES, or to which CES has any right of possession, custody or control, irrespective of whomsoever holds such trust property, in order to obtain an adequate accounting of CES's trust property and trust liabilities; secure a marshaling of such property; and to forthwith begin winding up and liquidating the trust property affairs of CES in accord with the provisions of the California Escrow Law, and that this order further provides that:

(1) The receiver prior to entry upon the duties described herein, take an oath to faithfully perform the duties of a receiver and to observe all of the instructions of this Court;

(2) The receiver is authorized, empowered and directed:

(a) To review, observe, discover and make notes regarding all the trust property of, or in the possession of CES, wherever situated, including all trust accounts of CES in financial depositary institutions, and of any other trust property in which CES has an interest regardless by whom it may be held on an ongoing basis pursuant to this Court's order;

(b) To undertake an independent review into the financial condition of the trust property and escrow transactions of CES and render a report to the Court, with a copy to CES within 90 days reflecting the existence and value of all trust property subject to the review, observation and/or

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discovery by the receiver and of the extent of the trust liabilities, both those claimed by others to exist and those which the receiver believes to be the legal trust obligations of CES, and any further information the receiver believes may assist in an equitable disposition of this matter, and to include in its report the receiver's opinion regarding the ability of CES to meet its trust obligations, and his recommendation regarding the best method of distributing the trust property to the owners thereof;

(c) To retain and employ such attorney(s) to assist, advise and represent the receiver in the performance of his duties and responsibilities as the Court may approve upon written application of the receiver;

(d) To retain and employ LoBuglio & Sigman, CPA's, his accountants, and such other persons, clerical and professional, to perform such tasks as may be necessary to aid the receiver in the performance of his duties and responsibilities;

(e) To be the sole signator on all trust bank accounts of CES;

(f) To bring such proceedings as are necessary to enforce the provisions hereof, including the issuance of subpoenas to compel testimony or production of documents;

(g) To bring such actions as are necessary to modify the provisions hereof;

(h) To make such payments and disbursements from the trust property so taken into custody, control, and possession of the receiver or otherwise received by him, as may be necessary and advisable in discharging his duties as receiver;

(i) To preserve trust property;

(j) To institute, prosecute, defend, compromise, intervene and become a party either in his own name or in the name of CES to such suits, actions, or proceedings as may be necessary for the protection, maintenance, recoupment or preservation of the trust property of CES and its escrow parties, with prior court approval. The receiver will defend with the courts approval, or otherwise respond to actions in which claimants assert competing claims as to escrow proceeds which were still in CES trust accounts at the time the conservator took control of them and in which no impropriety or wrongdoing by CES is alleged. However, the receiver shall have no duty or obligation to defend CES or its officers, directors or employees from any of the civil actions currently pending or which may be filed against them in the future, which seek damages based on

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claims that CES released escrow funds improperly, including contrary to escrow instructions prior to the conservator taking possession of the trust accounts of CES, as these claims do not seek recovery of trust property currently in the CES escrow trust accounts, over which the limited receiver has been appointed;

(k) To divert, take possession of and secure all mail of CES, in order to screen such mail for mail relating to the trust property, returning non-trust property mail to CES, and to effect a change in the rights to use any and all post office boxes and other mail collection facilities used by CES. Non-trust property mail to be returned to CES shall be directed to the home address of Antoinette Hardstone.

B. The receiver is hereby vested with, and is authorized, directed, and empowered to exercise, all of the powers of CES's officers and directors or persons who exercise similar powers and perform similar duties, with respect to the trust property, whose authority is hereby suspended; and CES's officers, agents, employees, representatives, directors, successors in interest, attorneys in fact and all persons acting in the concert or participating with them, are hereby divested of, restrained and barred from exercising any of the powers herein vested in this receiver.

C. Any local, state or federal law enforcement and regulatory agency having jurisdiction over matters relating to CES's business shall be entitled to review, without exception, all reports of the receiver and all books, records, and files on CES in the possession of the receiver at any time during normal business hours, and to make any abstract or copies of said documents as it desires.

D. CES and its respective officers, directors, agents, servants, employees, successors, assigns, affiliates, and other persons or entities under their control and all persons or entities in active concert or participation with them, and each of them, shall turn over to the receiver all records, documentation, charts and/or descriptive material, which relate, directly or indirectly, to the trust property of CES or otherwise belonging to its escrow parties, now held by CES or any of them. However, the receiver shall make available to CES, within(20) business days of receipt of a written request, copies of CES escrow files for inspection and copying at the expense of CES. The receiver will maintain control over CES escrow files for as long as required to fulfill the terms of the receivership and to comply with state regulations requiring retention of escrow documents and,

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thereafter, CES may request return of the files.

E. This Court will retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered herein or to entertain any suitable application or motion by Petitioner and/or receiver for additional relief or modification of any order made herein within the jurisdiction of this Court.

F. During the pendency of this receivership, except by leave of court, all parties to escrows held by CES and any other persons seeking relief of any kind, in law or in equity, from CES relating to the trust property, and all others acting on behalf of any such escrow parties or other persons including sheriffs, marshals, servants, agents and employees are restrained from:

(1) commencing, prosecuting, continuing or enforcing any suit or proceeding;

(2) executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any property owned or in the possession of CES or its affiliates, or the receiver appointed herein, where ever situated;

(3) taking, retaining, retaking or attempting to retake possession of any trust property;

(4) withholding or diverting any trust property obligation;

(5) doing any act or other thing whatsoever to interfere with the possession of or management by the receiver herein and of the trust property, controlled by or in the possession of CES or to in any way interfere with said receiver or to interfere in any manner during the pendency of this proceeding with the exclusive jurisdiction of this Court over the CES trust property.

G. At such time as the financial condition of the trust property has been ascertained by the receiver, and at such time as the trust property has been marshaled and all trust liabilities have been determined, the receiver shall file an application with the Court for disposition of such trust property. The application shall propose in detail the winding up and the distribution of trust funds. If necessary, the receiver shall be authorized to propose and carry out a partial distribution, retaining such funds pending final distribution as are necessary to finance any pertinent litigation or the remaining operation of the receivership.

H. The receiver shall be paid an hourly rate of $475.00 for his services and shall be

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entitled to reimbursement for usual and customary expenses, including out-of-pocket expenditures on behalf of the receivership estate, which shall be paid from surety bond proceeds, if any, and then if insufficient, from the trust funds, and that the State of California shall have no liability whatsoever for any costs, fees and/or out-of-pocket expenses that may result from such receivership. The receiver and any professional hired by him shall make application to this Court on a monthly basis for payment of reasonable fees and expenses incurred by the receiver or such professional, and shall be entitled to payment of said fees and expenses on account as hereinafter provided, including payment of all reasonable fees and expenses incurred by the receiver in his capacity as conservator or any professional rendering services during the conservatorship from the date of appointment as conservator through to the date of appointment as receiver, and shall be entitled to payment of said conservator fees and expenses on account as hereinafter provided. Copies of such applications to the Court shall be promptly served on all attorneys of record for parties in this action, who shall have ten (10) calendar days following the filing and service of such application to file any objections thereto with the Court, and serve any such objections by facsimile and mail on the receiver. If no objections are filed with the Court and served within the ten (10) calendar day period, the receiver shall thereupon draw funds from the receivership estate sufficient to pay one-hundred percent (100%) of out-of-pocket expenses and seventy-five percent (75%) of such fees, including all professional fees, and other expenses such as in office copying and facsimile charges, without further order of the Court. To the extent the fees and costs requested relate to the Conservator's or his professional's fees and expenses, one-hundred percent (100%) of said fees and expenses shall be paid. If any objections are filed, the receiver may draw funds from the receivership estate sufficient to pay any amounts as to which there are no objections, and the Court will conduct a hearing on any objections upon motion of the receiver or the objecting party. At such hearing, the compensation of the receiver or other professional making application, as well as allowable disbursements and expenses, will be determined by the Court, and the receiver will be directed to draw funds from the receivership estate to pay one-hundred percent (100%) and seventy-five percent (75%), respectively, of the amounts so determined by the Court. Notwithstanding such interim monthly payments of fees and expenses, all fees and expenses shall be submitted to the Court for its approval by a properly

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noticed request for fees, stipulation of all parties or the receiver's Final Account and Report. Upon approval of the fees and expenses of the receiver or other professional, any hold back amounts still due and owing to the receiver or other professional shall be paid from the receivership estate.

I. ~~For an order that~~ The receiver shall not be required to file a bond with the Court in this matter.

IT IS SO ORDERED.

DATED: 02/10/2012

BARRY GOODE

BARRY P. GOODE
JUDGE OF THE SUPERIOR COURT

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