

1 PRESTON DuFAUCHARD  
California Corporations Commissioner  
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Deputy Commissioner  
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8  
9 BEFORE THE DEPARTMENT OF CORPORATIONS  
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the Accusation of THE ) File No.: 963-2417  
12 CALIFORNIA CORPORATIONS )  
13 COMMISSIONER, )  
14 Complainant, ) **ACCUSATION IN SUPPORT OF**  
15 vs. ) **REVOCAION OF ESCROW AGENT’S**  
16 ESCROW NATION, INC., ) **LICENSE**  
17 Respondent. )  
18 )

19  
20 I

21 The California Corporations Commissioner ("Commissioner") is informed and believes and  
22 based upon such information and belief, alleges and charges as follows:

23 Escrow Nation, Inc. (“Respondent”) is an escrow agent licensed by the Commissioner  
24 pursuant to the Escrow Law of the State of California (California Financial Code Section 17000 et.  
25 seq.).

26 II

27 Respondent filed its annual audit report for the period ending on December 31, 2007.  
28 Respondent’s annual audit report was prepared by an independent Certified Public Accountant

1 (“CPA”). A review of Respondent’s annual audit report showed that Respondent, in violation of  
2 California Financial Code section 17210, had a net liquid asset deficiency of \$152,904.00 and a  
3 tangible net worth deficiency of \$292,427.00. In addition, the CPA expressed a going concern  
4 regarding Respondent’s incurred losses and cash position. According to Respondent’s CPA, “Those  
5 conditions raise substantial doubt about the Company’s ability to continue as a going concern.”

6 On or about June 16, 2008, the Commissioner notified Respondent that it had a net liquid  
7 asset deficiency and a tangible net worth deficiency in violation of California Financial Code section  
8 17210. Respondent was required to correct the deficiencies and provide the Commissioner with  
9 proof of correction within 15 days. Respondent was also required to address the going concern issue  
10 raised by its CPA by submitting a plan of action and reassurance that additional capital would be  
11 provided as necessary. In violation of California Financial Code section 17602.5, Respondent did  
12 not correct the deficiencies.

13 On July 11, 2008, Respondent submitted a closing audit and its license for surrender.  
14 Pursuant to California Financial Code section 17600, a license is not surrendered until the  
15 commissioner has reviewed and accepted the closing audit report, a determination has been made by  
16 the commissioner that there is no violation of this law, and tender of the license is accepted in  
17 writing by the commissioner.

18 On June 8, 2009, the Commissioner, by and through his representative, spoke to Respondent  
19 regarding the finalization of its surrender. Respondent was again reminded that in order to surrender  
20 its license, it had to submit proof of correction of the net liquid asset and the tangible net worth  
21 deficiencies. The Commissioner further notified Respondent that, pursuant to California Financial  
22 Code section 17602.5, its failure to correct the deficiencies would result in a revocation of its  
23 license. Respondent claimed that it did not have the funds to correct the net liquid asset and the  
24 tangible net worth deficiencies

25 Respondent did not correct the net liquid asset and the tangible net worth deficiencies as  
26 required by California Financial Code section 17210.

27 Pursuant to California Financial Code section 17202, a license must maintain a bond  
28 satisfactory to the Commissioner. On February 26, 2009, the Commissioner discovered

1 Respondent’s surety bond had canceled. The Commissioner did not receive proof of reinstatement  
2 or replacement of Respondent’s surety bond as required by California Financial Code section 17202.

3 III

4 California Financial Code section 17600 provides:

5 (a) An escrow agent's license remains in effect until surrendered, revoked, or  
6 suspended.

7 (b) A licensee that ceases to engage in the business regulated by this division and  
8 desires to no longer be licensed shall notify the commissioner in writing and, at that  
9 time, tender the license and all other indicia of licensure to the commissioner. Within  
10 105 days of the written notice to the commissioner, the licensee shall submit to the  
11 commissioner, at its own expense, a closing audit report as of the date the license is  
12 tendered to the commissioner for surrender, or for another period as the commissioner  
13 may specify, to be performed by an independent certified public accountant. The  
14 closing audit shall include, but not be limited to, information required by the  
15 commissioner, a bank reconciliation of the trust account, and a verified statement  
16 from a certified public accountant confirming lawful disbursement of funds. A license  
17 is not surrendered until the commissioner has reviewed and accepted the closing audit  
18 report, a determination has been made by the commissioner that there is no violation  
19 of this law, and tender of the license is accepted in writing by the commissioner.

20 California Financial Code section 17602.5 states:

21 If any licensed escrow agent fails to make any reports required by law or by the  
22 commissioner within ten (10) days from the day designated for the making of the  
23 reports, or within any extension of time granted by the commissioner, or fails to  
24 include therein any matter required by law or by the commissioner, such failure shall  
25 constitute grounds for the suspension or revocation of the license held by such escrow  
26 agent.

27 California Financial Code section 17608 provides in pertinent part:

28 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.

IV

The Commissioner finds that, by reason of the foregoing, Escrow Nation, Inc. has violated  
California Financial Code section 17602.5 for failure to provide reports showing that the financial  
requirements of California Financial Code section 17210 and the bond requirements of California

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Financial Code section 17202 have been met. These violations constitute grounds for revocation of Respondent’s escrow agent’s license.

WHEREFORE, IT IS PRAYED that the escrow agent’s license of Escrow Nation, Inc. be revoked.

Dated: July 22, 2009  
San Diego, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
AFSANEH EGHBALDARI  
Corporations Counsel