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8 BEFORE THE DEPARTMENT OF CORPORATIONS
9 OF THE STATE OF CALIFORNIA

10 In the Matter of THE CALIFORNIA)
CORPORATIONS COMMISSIONER,)

File No.: 963-1760

11 Complainant,)

**NOTICE AND SUMMARY OF FINDINGS
PURSUANT TO FINANCIAL CODE
SECTION 17621**

12 v.)
13)

14 MID-CITIES ESCROW,)

15 Respondent.)
16)
17)
18)

19 TO: MID-CITIES ESCROW
10890 Paramount Blvd.
20 Downey, California 90241

21 CITIZENS BUSINESS BANK
22 1010 E. Colorado Blvd.
23 Pasadena, California 91106

24 PLEASE TAKE NOTICE that the California Corporations Commissioner finds that:

25 1. The California Department of Corporations (“Department”) commenced a special
26 examination of Mid-Cities Escrow (“Mid-Cities” or “Respondent”) on March 24, 2010. The
27 Department’s examiner found, among other things, the following:

28 a. On May 6, 2009, Mid-Cities transferred funds in the amount of \$25,000.00 from the

1 trust account which resulted in a trust account shortage in violation of section 17414, subdivision
2 (a)(1) of the Financial Code and California Code of Regulations, title 10, sections 1738, 1738.1, and
3 1738.2.

4 i. From May 6, 2010 to January 17, 2011, the Commissioner made numerous demands
5 on Mid-Cities to correct the \$25,000.00 shortage in the trust account, but to date Respondent has
6 failed to comply with these demands and remains in violation of the above-cited provisions of the
7 California Escrow Law (Fin. Code §17000 et seq.) (“Escrow Law”).

8 ii. The most recent trust account reconciliation of February 28, 2011 shows a trust
9 account shortage of \$44,712.57.

10 b. Mid-Cities failed to maintain its books and records in accordance with the Escrow
11 Law as follows:

12 i. Mid-Cities failed to properly post withdrawals from an interest bearing account to the
13 escrow ledger in violation of California Code of Regulations, title 10, section 1737.

14 ii. Mid-Cities failed to properly and accurately post receipts and checks in violation of
15 California Code of Regulations, title 10, section 1732.1.

16 c. Mid-Cities failed to meet the liquidity and tangible net worth requirements mandated
17 by section 17210 of the Financial Code wherein all licensees are required to maintain, at all times,
18 liquid assets in the amount of at least \$25,000.00 and a tangible net worth of at least \$50,000.00. The
19 annual audit report for the year ended September 30, 2010 disclosed that Mid-Cities had a liquid asset
20 deficiency in the amount of \$97,008.00 and a tangible net worth deficiency of \$57,825.00, in
21 violation of Financial Code section 17210.

22 d. Mid-Cities has failed repeatedly to respond to the Commissioner’s demands to correct
23 the above violations.

24 Financial Code section 17621 provides, in pertinent part:

25 Whenever it appears to the commissioner that any escrow agent subject to this
26 division:

27 (a) Is in an insolvent condition;

28 (b) Is conducting escrow business in an unsafe or unauthorized manner;

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

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

(e) Neglects or refuses to observe any order of the commissioner made pursuant to the provisions of this division, within the time specified therein, unless the enforcement of such order is restrained in a proceeding brought by the escrow agent;

(h) Has permitted its tangible net worth to be lower than the minimum required by law;

. . . 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 remedies 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.

Based upon the foregoing, the Commissioner finds that Mid-Cities Escrow has violated Financial Code sections 17210, 17404, 17414, subdivision (a)(1), and California Code of Regulations, title 10, sections 1732.1, 1737, 1738, 1738.1, and 1738.2.

Pursuant to Financial Code sections 17621 and 17630, it is also necessary that a conservator be appointed over Mid-Cities Escrow as specified in the accompanying Order Appointing Peter A. Davidson As Conservator Pursuant to Financial Code Section 17630.

DATED: February 2, 2012
Los Angeles, CA

JAN LYNN OWEN
California Corporations Commissioner

By _____
ALAN S. WEINGER
Deputy Commissioner
Enforcement Division