

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 WAYNE STRUMPFER
Deputy Commissioner
3 ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
4 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
5 Department of Corporations
320 West 4th Street, Ste. 750
6 Los Angeles, California 90013-2344
Telephone: (213) 576-7604 Fax: (213) 576-7181
7

8 Attorneys for Complainant

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

11
12 In the Matter of the Accusation of THE) OAH No.: L-2006120468
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) File No.: 963-2186
14)
Complainant,) SETTLEMENT AGREEMENT
15)
vs.) TRIAL DATE: May 10 & 11, 2007
16)
17 TRACYOURSALES.NET ESCROW) ASSIGNED TO:
INCORPORATED and LINDA J. DANCY,)
18)
Respondents.)
19

20 This Settlement Agreement is entered into between Tracyoursales.net Escrow, Incorporated
21 (“Trac Escrow”) and Linda J. Dancy (“Dancy”), on the one hand, and the California Corporations
22 Commissioner (“Commissioner”), on the other hand, and is made with respect to the following facts:

23 **RECITALS**

24 A. Trac Escrow is a corporation in good standing, duly formed and existing pursuant to
25 the laws of the State of California, and authorized to conduct business in the State of California.

26 B. Trac is an escrow agent licensed by the Commissioner pursuant to the Escrow Law of
27 the State of California (California Financial Code § 17000 et seq.). Trac has its principal place of
28 business located at 762 W. Town and Country Road, Orange, California 92868.

1 C. Dancy is, and was at all times relevant to the Accusation described in paragraph D
2 below (“Accusation”), the president, secretary, treasurer, sole director and shareholder of Trac
3 Escrow.

4 D. On September 1, 2006, Trac Escrow and Dancy were served by the Commissioner
5 with a Notice of Intention to Issue Order to Revoke Escrow Agent’s License and To Issue an Order
6 Pursuant to Section 17423 (Bar from Employment, Management or Control of an Escrow Agent),
7 Accusation and accompanying documents dated August 14, 2006. Trac Escrow and Dancy have
8 filed a Notice of Defense with the Commissioner on the above-referenced matter. A two-day
9 hearing has been scheduled for May 10 and 11, 2007.

10 E. It is the intention and desire of the parties to resolve this matter without the necessity
11 of a hearing and/or other litigation.

12 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set
13 forth herein, the parties agree as follows:

14 **TERMS AND CONDITIONS**

15 1. This Settlement Agreement is entered into for the purpose of judicial economy and
16 expediency, and to avoid the expense of a hearing, and possible further court proceedings.

17 2. Trac Escrow and Dancy admit the allegations contained in the Accusation. The
18 admissions of Trac Escrow and Dancy are solely for the limited purposes of these proceedings and
19 any future proceeding(s) that may be initiated by or brought before the Commissioner against Trac
20 Escrow and/or Dancy and no other purpose. It is the intent and understanding between the parties
21 that this Settlement Agreement, and particularly the admissions of Trac Escrow and Dancy, shall not
22 be binding or admissible against Trac Escrow and/or Dancy in any action(s) brought against Trac
23 Escrow and/or Dancy by third parties.

24 3. Trac Escrow hereby agrees to the issuance by the Commissioner of an order revoking
25 Trac Escrow’s escrow agent’s license. The revocation shall become effective sixty (60) days from
26 the date of execution of this Settlement Agreement to allow Trac Escrow to complete and/or transfer
27 any pending escrows, and properly close out the trust account(s). A copy of the revocation order is
28 attached and incorporated as Exhibit A.

1 4. Trac Escrow acknowledges its right to an administrative hearing under Financial
2 Code section 17608 in connection with the revocation and hereby waives that right to a hearing, and
3 to any reconsideration, appeal, or other rights which may be afforded pursuant to the Escrow Law,
4 the California Administrative Procedure Act, the California Code of Civil Procedure, or any other
5 provision of law in connection with this matter herein.

6 5. Dancy hereby agrees to the issuance by the Commissioner of an order barring Dancy
7 from any position of employment, management or control of any escrow agent. The Order shall be
8 effective sixty (60) days from the date of execution of this Settlement Agreement. Dancy
9 understands that she remains under a prohibition with respect to processing escrows and signing on
10 the trust account(s) during this 60-day period. A copy of the bar order is attached and incorporated
11 as Exhibit B.

12 6. Dancy acknowledges her right to an administrative hearing under Financial Code
13 section 17423 in connection with the bar and hereby waives that right to a hearing, and to any
14 reconsideration, appeal, or other rights which may be afforded pursuant to the Escrow Law, the
15 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
16 provision of law in connection with this matter herein.

17 7. This Settlement Agreement shall in no way constitute a waiver of Dancy's right to
18 petition for reinstatement or seek a reduction of penalty pursuant to California Government Code
19 Section 11522 after one year from the date of this Settlement Agreement. Dancy, however,
20 acknowledges that she bears the burden of establishing rehabilitation and fitness to be employed by,
21 or to manage or control an escrow agent in any petition for reinstatement or penalty reduction she
22 may file with the Commissioner, and that the Commissioner, by this Settlement Agreement, in no
23 way assures reinstatement or a penalty reduction after one year or at any time in the future.

24 8. The Commissioner shall cause this Settlement Agreement to be filed with the Office
25 of Administrative Hearings immediately upon its execution.

26 9. The parties hereby acknowledge and agree that this Settlement Agreement is intended
27 to constitute a full, final and complete resolution of this matter. The parties further acknowledge and
28 agree that nothing contained in this Settlement Agreement shall operate to limit the Commissioner's

1 ability to assist any other agency, (county, state or federal) with any prosecution, administrative,
2 civil or criminal, brought by any such agency against Trac Escrow and Dancy or any other person
3 based upon any of the activities alleged in this matter or otherwise.

4 10. Each of the parties represents, warrants, and agrees that it has received independent
5 advice from its attorney(s) and/or representatives with respect to the advisability of executing this
6 Settlement Agreement.

7 11. Each of the parties represents, warrants, and agrees that in executing this Settlement
8 Agreement it has relied solely on the statements set forth herein and the advice of its own counsel
9 and/or representative. Each of the parties further represents, warrants, and agrees that in executing
10 this Settlement Agreement it has placed no reliance on any statement, representation, or promise of
11 any other party, or any other person or entity not expressly set forth herein, or upon the failure of any
12 party or any other person or entity to make any statement, representation or disclosure of anything
13 whatsoever. The parties have included this clause: (1) to preclude any claim that any party was in
14 any way fraudulently induced to execute this Settlement Agreement; and (2) to preclude the
15 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this
16 Settlement Agreement.

17 12. This Settlement Agreement is the final written expression and the complete and
18 exclusive statement of all the agreements, conditions, promises, representations, and covenants
19 between the parties with respect to the subject matter hereof, and supercedes all prior or
20 contemporaneous agreements, negotiations, representations, understandings, and discussions
21 between and among the parties, their respective representatives, and any other person or entity, with
22 respect to the subject matter covered hereby.

23 13. In that the parties have had the opportunity to draft, review and edit the language of
24 this Settlement Agreement, no presumption for or against any party arising out of drafting all or any
25 part of this Settlement Agreement will be applied in any action relating to, connected, to, or
26 involving this Settlement Agreement. Accordingly, the parties waive the benefit of California Civil
27 Code section 1654 and any successor or amended statute, providing that in cases of uncertainty,
28 language of a contract should be interpreted most strongly against the party who caused the

1 uncertainty to exist.

2 14. This Settlement Agreement may be executed in one or more counterparts, each of
3 which shall be an original but all of which, together, shall be deemed to constitute a single
4 document.

5 15. Each signator hereto covenants that he/she possesses all necessary capacity and
6 authority to sign and enter into this Settlement Agreement.

7 Dated: _____

PRESTON DuFAUCHARD
California Corporations Commissioner

8
9 By _____

ALAN S. WEINGR
Lead Corporations Counsel

10
11
12 Dated: 5/9/07

TRACYOURSALES.NET ESCROW INCORPORATED

13 By _____

LINDA J. DANCY, President

14
15 Dated: 5/9/07

16 By _____

LINDA J. DANCY, an individual

17
18 APPROVED AS TO FORM:

19 ULWELLING SIDDIQUI LLP

20 By _____
21 JAMES K. ULWELLING, ESQ. Attorney for
22 TRACYOURSALES.NET ESCROW INCORPORATED
and LINDA J. DANCY

23
24 PRESTON DuFAUCHARD
California Corporations Commissioner

25
26 By _____

JUDY L. HARTLEY
Senior Corporations Counsel

State of California - Department of Corporations

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6 authority to sign and enter into this Settlement Agreement.

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PRESTON DuFAUCHARD
California Corporations Commissioner

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10 ALAN S. WEINGER
11 Lead Corporations Counsel

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13 By _____
14 LINDA J. DANCY, President

15 Dated: _____

16 By _____
17 LINDA J. DANCY, an individual

18 APPROVED AS TO FORM:

19 ULWELLING SIDDIQUI LLP

20 By _____
21 JAMES K. ULWELLING, ESQ. Attorney for
22 TRACYOURSALES.NET ESCROW INCORPORATED
23 and LINDA J. DANCY

24 PRESTON DuFAUCHARD
25 California Corporations Commissioner

26 By _____
27 JULY L. HARTLEY
28 Senior Corporations Counsel

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9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA
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12 In the Matter of the Accusation of THE) File No.: 963-2186
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ORDER REVOKING ESCROW AGENT’S
14) LICENSE
Complainant,)
15)
16 vs.)
17 TRACYOURSALES.NET ESCROW)
INCORPORATED and LINDA J. DANCY,)
18)
19 Respondents.)

20 Pursuant to the Settlement Agreement entered into between Tracyoursales.net Escrow
21 Incorporated (“Trac Escrow”), Linda J. Dancy (“L. Dancy”) and the California Corporations
22 Commissioner (“Commissioner”) on May , 2007, the escrow agent’s license issued by the
23 Commissioner to Trac Escrow is hereby revoked effective July , 2007.

24 Pursuant to the terms of the Settlement Agreement, Trac Escrow stipulates to the following
25 facts as alleged in the Accusation for purposes of this action and any future proceedings initiated by
26 or brought before the California Corporations Commissioner only:

27 1. Trac Escrow is an escrow agent licensed by the Commissioner pursuant to the Escrow
28 Law of the State of California (California Financial Code Section 17000 et seq.). Trac Escrow has

EXHIBIT A

1 its principal place of business located at 762 W. Town and Country Road, Orange, California 92868.
2 L. Dancy is and was the president, secretary, treasurer, sole director and shareholder of Trac Escrow.

3 2. On August 1, 2005, the Commissioner received information that Trac Escrow was not
4 properly balancing files at close of escrow, was operating other businesses out of the escrow
5 premises, and that John Dancy ("J. Dancy"), the husband of L. Dancy, was managing Trac Escrow
6 under the assumed name of Jim Riedmuller. J. Dancy had been convicted of wire fraud on April 23,
7 2003. Pursuant to California Financial Code section 17414.1, J. Dancy is automatically prohibited
8 from serving in any capacity as an officer, director, stockholder, trustee, agent, or employee of an
9 escrow agent, or in any position involving any duties with an escrow agent, in this state. Further, the
10 real estate license of J. Dancy had been revoked by the California Department of Real Estate on
11 December 17, 2004.

12 3. On August 5, 2005, the Commissioner commenced a special examination of Trac
13 Escrow ("special examination"). The special examination revealed that (i) J. Dancy was managing
14 the operations of Trac Escrow, (ii) Trac Escrow has failed to maintain its books and records as
15 required under the Escrow Law, (iii) escrow files were being closed without sufficient funds, and
16 (iv) an affiliated company was sharing office space with Trac Escrow with no safeguards in place
17 regarding the Trac Escrow trust funds and/or escrow books and records as follows:

18 A. J. Dancy:

19 On or about April 23, 2003, J. Dancy was convicted of wire fraud in a case brought by the
20 United States Attorney General. As a result of that conviction, J. Dancy is automatically prohibited
21 under California Financial Code section 17414.1 from serving in any capacity as an officer, director,
22 stockholder, trustee, agent, or employee of an escrow agent or in any position involving any duties
23 with an escrow agent in California for a period of ten years from the date of the conviction.

24 The escrow agent's license application filed with the Commissioner by Trac Escrow on
25 October 15, 2004 pursuant to California Financial Code section 17209, which application resulted in
26 the issuance of the escrow agent's license that is the subject of this action (license number 963-2186,
27 hereinafter "application"), stated that L. Dancy was the only officer, director, and/or shareholder of
28 Trac Escrow. L. Dancy signed the application under penalty of perjury.

1 Pursuant to California Financial Code section 17209, an application for an escrow agent's
2 license is required to contain a completed statement of identity and questionnaire ("SIQ") for all
3 stockholders, directors, officers, trustees, managers and other persons participating in the escrow
4 business (other than usual and customary employees who file under Section 17414.1 and 17419)
5 along with their fingerprints. The application did not contain an SIQ or fingerprints for J. Dancy.

6 Pursuant to California Financial Code sections 17414.1 and 17419, a completed statement of
7 identity and employment application ("SIE") along with fingerprints is required to be submitted for
8 all persons seeking employment with an escrow agent or potential escrow agent, except those
9 required to file an SIQ, within ten days of employment. The application did not contain an SIE for J.
10 Dancy. The issuance of the escrow agent's license by the Commissioner to Trac Escrow was based
11 upon all the information submitted with the application.

12 The special examination revealed that J. Dancy, under the assumed name of Jim Riedmuller,
13 was managing the operations of Trac Escrow in violation of California Financial Code section
14 17414.1. Specifically, Department of Motor Vehicle records revealed that Jim Riedmuller, who
15 introduced himself to the examiner upon his arrival as the director of operations for Trac Escrow
16 (although Trac Escrow later tried to retract this statement), was in fact J. Dancy. The
17 Commissioner's examiner further observed that Trac Escrow personnel repeatedly consulted J.
18 Dancy during the course of the examination whenever Trac Escrow's staff was presented with
19 requests for information and documentation by the Commissioner's examiner regarding the special
20 examination. Additionally, escrow files disclosed communications from customers of Trac Escrow
21 to J. Dancy referring to J. Dancy under the assumed name of Jim Riedmuller as vice-president and/or
22 owner of Trac Escrow. Moreover, L. Dancy, when specifically questioned about Jim Riedmuller by
23 the Commissioner's examiner, never disclosed his true identity.

24 Pursuant to California Financial Code sections 17212.1, 17414.1 and 17419, escrow agents
25 are required to amend their application(s) if there is any change in any of the persons required to be
26 identified in the application(s) and/or if new usual and customary employees have been hired. Trac
27 Escrow has not filed any application amendment with the Commissioner regarding J. Dancy.

28 Trac Escrow and L. Dancy, by allowing J. Dancy to hold a position with Trac Escrow and by

1 further failing to inform the Commissioner of this information, violated California Financial Code
2 sections 17209, 17212.1, 17414.1 and/or 17419. There can be no question that such violations were
3 knowing on the part of Respondents.

4 B. Books and Records:

5 The trust account reconciliations provided by Trac Escrow through June 2005 were incorrect
6 and contained numerous adjustments with no explanations in violation of California Financial Code
7 Section 17404 and California Code of Regulations, title 10, section 1732.2. For instance, one June
8 30, 2005 reconciliation provided by Trac Escrow contained an adjusting item of \$39,247.00 added to
9 the beginning balance with an explanation that the exact source of this amount is undeterminable.
10 Demand was made upon Trac Escrow to provide proper trust account reconciliations by August 10,
11 2005, but Trac Escrow failed to comply with this demand until on or about October 19, 2005.

12 C. Close Shorts:

13 i. Escrow number 05-01-115: On June 30, 2005, Trac Escrow violated California Code
14 of Regulations, title 10, section 1738.2 by closing escrow without having received all the funds
15 required by the escrow instructions. These actions on the part of Trac Escrow caused disbursements
16 from escrow to be delayed until on August 10, 2005 when the remaining \$8,000.00 was received
17 into escrow.

18 ii. Escrow number 05-01-117: On July 14, 2005, Trac Escrow violated California Code
19 of Regulations, title 10, section 1738.2 by closing escrow without having received all the funds
20 required by the escrow instructions. These actions on the part of Trac Escrow caused all
21 disbursements from escrow to be delayed, except seller proceeds, until Trac Escrow covered the
22 \$1,503.97 shortage pursuant to the demand of the Commissioner.

23 D. Affiliates:

24 The special examination further disclosed that Tracyoursales.net (“Tracyoursales”), an
25 affiliate of Trac Escrow, was located on the same premises as Trac Escrow with Tracyoursales
26 personnel having easy access to the books and records of Trac Escrow, including escrow funds.
27 California Financial Code section 17414.1 and California Code of Regulations, title 10, section 1726
28 require escrow agents to notify the Commissioner in writing through specified forms of any person

1 having access to escrow funds. According to the website of Trac Escrow/Tracyoursales, as of
2 November 29, 2005, Tracyoursales had at least sixteen employees of which only three had ever been
3 reported to the Commissioner by Trac Escrow.

4 Further, Tracyoursales, according to the Trac Escrow/Tracyoursales website, operates as an
5 escrow coordination service. This escrow coordination service, with respect to all escrows handled
6 by Trac Escrow, will “acquire all disclosures, verify all signatures by all parties, order all reports,
7 schedule all inspections, and make sure that all affiliates (?) are on Trac” and allow the escrow
8 parties and real estate agents to “see the progress on our website from beginning to end, this includes
9 viewing all documentation . . .” The costs of these escrow coordination services provided to the
10 escrow customers of Trac Escrow are included in the escrow fee charged by Trac Escrow.

11 By virtue of providing these escrow coordination services, not only are the employees of
12 Tracyoursales participating in the business of Trac Escrow, but also with respect to certain of the
13 services (ordering title, etc.) are actually engaged in escrow processing. California Financial Code
14 sections 17209(g) and 17414.1(c)&(d) require an escrow agent to notify the Commissioner in
15 writing of any person participating in the escrow agent’s business and to authorize the Commissioner
16 access to that person(s)’ criminal history. As stated above, the website of Trac
17 Escrow/Tracyoursales, as of November 29, 2005, represented that Tracyoursales had at least sixteen
18 employees of which only three have ever been reported to the Commissioner.

19 E. Lack of Manager:

20 Subsequent to the special examination, the Commissioner learned that Trac Escrow, since at
21 least April 2006 through October 2006, did not have a person stationed at its licensed location that
22 met the experience requirements of Financial Code section 17200.8. Further, the website of Trac
23 Escrow/Tracyoursales, as of August 3, 2006, listed four escrow officers, none of which have been
24 reported to the Commissioner as required by California Financial Code sections 17414.1 and 17419
25 and California Code of Regulations, title 10, section 1726. 2.

26 Dated: May , 2007
27 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

28 By _____
Alan S. Weinger, Lead Corporations Counsel

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California Corporations Commissioner
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12 In the Matter of the Accusation of THE) File No.: 963-2186
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ORDER BARRING LINDA J. DANCY FROM
14) ANY POSITION OF EMPLOYMENT,
Complainant,) MANAGEMENT OR CONTROL OF ANY
15) ESCROW AGENT
16 vs.)
17 TRACYOURSALES.NET ESCROW)
INCORPORATED and LINDA J. DANCY,)
18)
19 Respondents.)

20 Pursuant to the Settlement Agreement entered into between Tracyoursales.net Escrow
21 Incorporated ("Trac Escrow"), Linda J. Dancy ("L. Dancy") and the California Corporations
22 Commissioner ("Commissioner") on May , 2007, L. Dancy is hereby barred from any position of
23 employment, management or control of any escrow agent. This Order shall be effective July , 2007.

24 Pursuant to the terms of the Settlement Agreement, L. Dancy stipulates to the following facts
25 as alleged in the Accusation for purposes of this action and any future proceedings initiated by or
26 brought before the California Corporations Commissioner only:

27 1. Trac Escrow is an escrow agent licensed by the Commissioner pursuant to the Escrow
28 Law of the State of California (California Financial Code Section 17000 et seq.). Trac Escrow has

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1 its principal place of business located at 762 W. Town and Country Road, Orange, California 92868.
2 L. Dancy is and was the president, secretary, treasurer, sole director and shareholder of Trac Escrow.

3 2. On August 1, 2005, the Commissioner received information that Trac Escrow was not
4 properly balancing files at close of escrow, was operating other businesses out of the escrow
5 premises, and that John Dancy ("J. Dancy"), the husband of L. Dancy, was managing Trac Escrow
6 under the assumed name of Jim Riedmuller. J. Dancy had been convicted of wire fraud on April 23,
7 2003. Pursuant to California Financial Code section 17414.1, J. Dancy is automatically prohibited
8 from serving in any capacity as an officer, director, stockholder, trustee, agent, or employee of an
9 escrow agent, or in any position involving any duties with an escrow agent, in this state. Further, the
10 real estate license of J. Dancy had been revoked by the California Department of Real Estate on
11 December 17, 2004.

12 3. On August 5, 2005, the Commissioner commenced a special examination of Trac
13 Escrow ("special examination"). The special examination revealed that (i) J. Dancy was managing
14 the operations of Trac Escrow, (ii) Trac Escrow has failed to maintain its books and records as
15 required under the Escrow Law, (iii) escrow files were being closed without sufficient funds, and
16 (iv) an affiliated company was sharing office space with Trac Escrow with no safeguards in place
17 regarding the Trac Escrow trust funds and/or escrow books and records as follows:

18 A. J. Dancy:

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20 United States Attorney General. As a result of that conviction, J. Dancy is automatically prohibited
21 under California Financial Code section 17414.1 from serving in any capacity as an officer, director,
22 stockholder, trustee, agent, or employee of an escrow agent or in any position involving any duties
23 with an escrow agent in California for a period of ten years from the date of the conviction.

24 The escrow agent's license application filed with the Commissioner by Trac Escrow on
25 October 15, 2004 pursuant to California Financial Code section 17209, which application resulted in
26 the issuance of the escrow agent's license that is the subject of this action (license number 963-2186,
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28 Trac Escrow. L. Dancy signed the application under penalty of perjury.

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3 stockholders, directors, officers, trustees, managers and other persons participating in the escrow
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5 along with their fingerprints. The application did not contain an SIQ or fingerprints for J. Dancy.

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9 required to file an SIQ, within ten days of employment. The application did not contain an SIE for J.
10 Dancy. The issuance of the escrow agent's license by the Commissioner to Trac Escrow was based
11 upon all the information submitted with the application.

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13 was managing the operations of Trac Escrow in violation of California Financial Code section
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15 introduced himself to the examiner upon his arrival as the director of operations for Trac Escrow
16 (although Trac Escrow later tried to retract this statement), was in fact J. Dancy. The
17 Commissioner's examiner further observed that Trac Escrow personnel repeatedly consulted J.
18 Dancy during the course of the examination whenever Trac Escrow's staff was presented with
19 requests for information and documentation by the Commissioner's examiner regarding the special
20 examination. Additionally, escrow files disclosed communications from customers of Trac Escrow
21 to J. Dancy referring to J. Dancy under the assumed name of Jim Riedmuller as vice-president and/or
22 owner of Trac Escrow. Moreover, L. Dancy, when specifically questioned about Jim Riedmuller by
23 the Commissioner's examiner, never disclosed his true identity.

24 Pursuant to California Financial Code sections 17212.1, 17414.1 and 17419, escrow agents
25 are required to amend their application(s) if there is any change in any of the persons required to be
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28 Trac Escrow and L. Dancy, by allowing J. Dancy to hold a position with Trac Escrow and by

1 further failing to inform the Commissioner of this information, violated California Financial Code
2 sections 17209, 17212.1, 17414.1 and/or 17419. There can be no question that such violations were
3 knowing on the part of Respondents.

4 B. Books and Records:

5 The trust account reconciliations provided by Trac Escrow through June 2005 were incorrect
6 and contained numerous adjustments with no explanations in violation of California Financial Code
7 Section 17404 and California Code of Regulations, title 10, section 1732.2. For instance, one June
8 30, 2005 reconciliation provided by Trac Escrow contained an adjusting item of \$39,247.00 added to
9 the beginning balance with an explanation that the exact source of this amount is undeterminable.
10 Demand was made upon Trac Escrow to provide proper trust account reconciliations by August 10,
11 2005, but Trac Escrow failed to comply with this demand until on or about October 19, 2005.

12 C. Close Shorts:

13 i. Escrow number 05-01-115: On June 30, 2005, Trac Escrow violated California Code
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15 required by the escrow instructions. These actions on the part of Trac Escrow caused disbursements
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22 \$1,503.97 shortage pursuant to the demand of the Commissioner.

23 D. Affiliates:

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25 affiliate of Trac Escrow, was located on the same premises as Trac Escrow with Tracysales
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2 November 29, 2005, Tracyoursales had at least sixteen employees of which only three had ever been
3 reported to the Commissioner by Trac Escrow.

4 Further, Tracyoursales, according to the Trac Escrow/Tracyoursales website, operates as an
5 escrow coordination service. This escrow coordination service, with respect to all escrows handled
6 by Trac Escrow, will “acquire all disclosures, verify all signatures by all parties, order all reports,
7 schedule all inspections, and make sure that all affiliates (?) are on Trac” and allow the escrow
8 parties and real estate agents to “see the progress on our website from beginning to end, this includes
9 viewing all documentation . . .” The costs of these escrow coordination services provided to the
10 escrow customers of Trac Escrow are included in the escrow fee charged by Trac Escrow.

11 By virtue of providing these escrow coordination services, not only are the employees of
12 Tracyoursales participating in the business of Trac Escrow, but also with respect to certain of the
13 services (ordering title, etc.) are actually engaged in escrow processing. California Financial Code
14 sections 17209(g) and 17414.1(c)&(d) require an escrow agent to notify the Commissioner in
15 writing of any person participating in the escrow agent’s business and to authorize the Commissioner
16 access to that person(s)’ criminal history. As stated above, the website of Trac
17 Escrow/Tracyoursales, as of November 29, 2005, represented that Tracyoursales had at least sixteen
18 employees of which only three have ever been reported to the Commissioner.

19 E. Lack of Manager:

20 Subsequent to the special examination, the Commissioner learned that Trac Escrow, since at
21 least April 2006 through October 2006, did not have a person stationed at its licensed location that
22 met the experience requirements of Financial Code section 17200.8. Further, the website of Trac
23 Escrow/Tracyoursales, as of August 3, 2006, listed four escrow officers, none of which have been
24 reported to the Commissioner as required by California Financial Code sections 17414.1 and 17419
25 and California Code of Regulations, title 10, section 1726. 2.

26 Dated: May , 2007
27 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

28 By _____
Alan S. Weinger, Lead Corporations Counsel