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

10 In the Matter of the Accusation of THE)
CALIFORNIA CORPORATIONS)
11 COMMISSIONER,)
12 Complainant,)
13)
14 v.)
15 DEPENDABLE ESCROW CO.; GEORGE)
REYES, as an individual; MARY REYES, as an)
16 individual; MICHELLE D. REYES, as an)
individual,)
17 Respondents.)
18)
19)

File No.: 963-0873

**ORDER BARRING MARY REYES FROM
ANY POSITION OF EMPLOYMENT OF
ANY ESCROW AGENT**

20 The California Corporations Commissioner finds:

21 A. Respondent Mary Reyes was at all times relevant herein, the
22 senior escrow officer at Dependable Escrow Co. (“Dependable Escrow”), an escrow agent licensed
23 by the California Corporations Commissioner (“Commissioner” or “Complainant”) pursuant to the
24 Escrow Law of the State of California (Fin. Code, § 17000 et seq.) (“Escrow Law”)¹. Dependable
25 Escrow has or had its principal place of business located at 2001 W. Beverly Boulevard, Montebello,
26 California 90604.

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28 ¹ Hereinafter “Code,” unless otherwise indicated.

1 B. On November 6, 2008, the Commissioner, by and through his Corporations
2 Examiner, Deborah Wong (“Wong”), commenced a regulatory examination at Dependable Escrow’s
3 licensed location. Wong examined Dependable Escrow’s most recent (September 2008) trust account
4 reconciliation and found thirteen escrows with debit balances totaling \$134,772.75. Furthermore, her
5 examination disclosed a negative trust account bank balance of \$53.89 as of September 18, 2008.
6 The Commissioner immediately ordered Dependable Escrow to replace the trust account shortage,
7 but Wong discovered other issues, such as unauthorized disbursements of trust funds, which
8 prevented her from completing her regulatory examination.

9 C. Thereafter, on May 8, 2009, Corporations Examiner Yong Hi Kristie Jaynes
10 (“Jaynes”) was assigned as the lead examiner due to the complex nature of Dependable Escrow’s
11 problems. Subsequent to Jaynes’ appointment, the Commissioner’s examination turned from a
12 regulatory exam into a special examination.

13 D. On May 27, 2009, the Commissioner determined that Dependable Escrow was
14 conducting its business in such an unsafe, injurious, and unauthorized manner so as to render further
15 operations hazardous to the public and to its customers, and that as a result thereof, Dependable
16 Escrow was unable to meet the demands of persons beneficially interested in the escrow trust
17 account, such that the Commissioner issued to Dependable Escrow an Order to Discontinue Escrow
18 Activities Pursuant to Financial Code section 17415. The Commissioner specifically found that
19 Dependable Escrow had caused shortages to exist in the trust account in excess of at least \$45,341.43,
20 in violation of Code section 17400 and California Code of Regulations, title 10², section 1738.1, had
21 deposited or otherwise disbursed trust account funds totaling at least \$12,052.75 into its general
22 and/or payroll accounts or otherwise for the payment of business operating expenses or other non-
23 trust related expenses in violation of Code sections 17409, 17414, subdivision (a)(1), and CCR
24 sections 1738 and 1738.2, and had failed to file its annual audit report for its fiscal year ended
25 December 31, 2008, in violation of Code section 17406, amongst other violations.

26 E. In light of the foregoing, on June 8, 2009, the Commissioner issued a Notice and
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28 ² Hereinafter “CCR,” unless otherwise indicated.

1 Summary of Findings Pursuant to Financial Code section 17621 and Demand for and Order Taking
2 Possession of the Trust Funds and Escrow Records of Dependable Escrow Co. Pursuant to Financial
3 Code section 17621. The orders were personally served upon Dependable Escrow on June 9, 2009,
4 and Dependable Escrow failed to appeal the Commissioner's orders within the time required.

5 F. On June 8, 2009, the Commissioner appointed Jaynes as Limited Conservator
6 ("Conservator") over Dependable Escrow's trust account(s), banking, and escrow records pursuant to
7 Code section 17630. The Commissioner personally served Dependable Escrow with the order
8 appointing Jaynes Conservator on June 9, 2009.

9 G. On June 9, 2009, pursuant to her orders, the Commissioner took possession of the
10 trust account(s) and existing escrow records of Dependable Escrow. The Conservator seized
11 approximately two hundred banker's boxes worth of escrow files, banking and accounting records
12 from Dependable Escrow's licensed premises in Montebello, California. The Conservator's
13 cataloging and review of those materials disclosed that many of Dependable Escrow's escrow files
14 had either been destroyed, partially destroyed, and/or were missing or lost. The Commissioner was
15 able to recover portions of the partial escrow files from Dependable Escrow's shredder bin.

16 H. Beginning with her appointment on June 8, 2009, the Conservator commenced the task of
17 reviewing Dependable Escrow's ledgers, trust banking records and escrow files, in an attempt to
18 reconcile the trust account(s), determine any and all trust account shortages and establish the total
19 amount of trust account liabilities. The Conservator's task was complicated by the fact that
20 Dependable Escrow's books and records were unreliable, contained falsified documents, held
21 incomplete and/or partially shredded files, and/or were missing the necessary escrow documents.

22 I. The Conservator identified a preliminary trust account shortage as of February 10, 2010,
23 of at least \$594,946.17. This meant that there were insufficient funds held in the trust account to
24 satisfy all of the outstanding trust account liabilities.

25 J. In order to recover the missing trust funds, the Conservator filed a proof of loss claim with
26 the Escrow Agents' Fidelity Corporation ("EAFC") on behalf of the trust fund claimants. The EAFC
27 is the non-profit mutual benefit corporation that indemnifies member escrow companies (independent
28 escrow agents operating within the State of California) against loss of trust obligations caused by

1 employee embezzlement and/or misappropriation. In support of her proof of loss claim, the EAFC
2 required the Conservator to document each and every instance of misappropriation, theft, or loss
3 utilizing the escrow files, banking records and other documents at her disposal. This process took the
4 Conservator approximately thirteen months to complete.

5 K. On July 28, 2010, the Conservator submitted her proof of loss claim to the EAFC
6 which totaled \$513,485.51. It should be noted that the proof of loss claim was less than the actual
7 trust shortage, as many of the escrow files, containing trust account shortages, had been destroyed or
8 were otherwise missing, such that the Conservator was unable to document those trust losses to the
9 satisfaction of the EAFC, *i.e.*, such losses were not included with the proof of loss claim.

10 L. On December 7, 2010 the Conservator and the EAFC entered into a Settlement
11 Agreement, Release, and Assignment. The EAFC agreed to settle the proof of loss claim which, in
12 the end, enabled the Conservator to pay/cover 81% of Dependable Escrow's trust fund claimants'
13 losses.

14 M. Upon further review and inspection, the Conservator's examination of Dependable
15 Escrow's books and records disclosed that Mary Reyes, Dependable Escrow's senior escrow officer,
16 had knowingly or recklessly disbursed or caused the disbursement of \$2,589.00 in trust funds in or about
17 April 2008 in violation of Code section 17414, subdivision (a)(1) and CCR sections 1738 and 1738.2.

18 N. In at least one instance, a Dependable Escrow trust check, purportedly made payable to a
19 party in the escrow transaction, was cashed at Garfield Liquor Store, a liquor store/check cashing
20 facility located at 2433 W. Whittier Boulevard, Montebello, California 90640, approximately one
21 mile from Dependable Escrow's licensed location. When a copy of the trust check was shown to the
22 escrow principal, the escrow principal stated that he had never received the check, had never
23 endorsed the check, and had never received the trust proceeds by cashing his trust check at the
24 Garfield Liquor Store.

25 O. Mary Reyes' signature appears on the face of the check cashed at the Garfield Liquor
26 Store and she was the escrow officer assigned to handle the escrow from which the trust check was
27 issued.

28 P. Mary Reyes is presently barred from any management or control of any escrow agent for

1 having previously made unauthorized disbursements of trust account funds in violation of Code
2 section 17414, subdivisions (a)(1) and (a)(2) and CCR sections 1738 and 1738.2. Mary Reyes was
3 also previously ordered suspended from any employment, management or control of any escrow
4 agent for a period of thirty days for violations of the Escrow Law.

5 The unauthorized disbursement of trust funds described in paragraph 1., below, also
6 caused a shortage to exist in the trust account in violation of CCR section 1738.1.

7 Violations discovered during the special examination and the Conservator's review of
8 Dependable Escrow concerning Mary Reyes' activities include the following:

9 1. Unauthorized Disbursement of Trust Account Funds – Escrow Number 5701182

10 (a) On or about April 15, 2008, Mary Reyes caused an unauthorized disbursement of trust
11 account funds to be made in the amount of \$2,589.00 in violation of Code section 17414, subdivision
12 (a)(1) and CCR sections 1738 and 1738.2.

13 (b) The unauthorized disbursement of trust funds described above in paragraph 1.(a) caused a
14 shortage of \$2,589.00 in violation of CCR section 1738.1.

15 Q. Making unauthorized disbursements of trust funds and causing trust account shortages
16 constitute grounds under Financial Code section 17423 to bar a person from any position of
17 employment, management, or control of any escrow agent.

18 R. On April 19, 2012, the Commissioner issued a Notice of Intention to Issue Order Pursuant
19 to Financial Code section 17423 (Bar From Employment, Management or Control), Accusation, and
20 accompanying documents against Mary Reyes based upon the above findings, and the Commissioner
21 served Mary Reyes via substitute service with those documents on April 27, 2012. The Complainant
22 has not received a request for hearing from Mary Reyes and the time to request a hearing on the
23 Commissioner's Notice of Intention/Accusation expired on May 22, 2012.

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NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Respondent
Mary Reyes is barred from any position of employment of any escrow agent.

DATED: May 23, 2012
Los Angeles, CA

JAN LYNN OWEN
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner
Enforcement Division