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9 BEFORE THE DEPARTMENT OF CORPORATIONS  
10 OF THE STATE OF CALIFORNIA  
11

12 In the Matter of the Accusation of THE ) Case No.: 963-1967  
CALIFORNIA CORPORATIONS )  
13 COMMISSIONER, ) ACCUSATION  
14 )  
Complainant, )  
15 )  
16 vs. )  
17 DII ESCROW CORP., )  
18 Respondent. )  
19 \_\_\_\_\_ )

20 The Complainant is informed and believes, and based upon such information and belief,  
21 alleges and charges Respondent as follows:

22 I

23 Respondent DII Escrow Corp. ("DII") is an escrow agent licensed by the California  
24 Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow Law of the  
25 State of California (California Financial Code Section 17000 et seq.). DII has its principal place of  
26 business located at 1050 Lake Drive, Ste. 120, West Covina, California 91790.  
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## II

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2 On or about May 20, 2003, the Commissioner commenced a special examination of the  
3 books and records of DII. The special examination revealed that trust funds in the amount of  
4 \$514,224.25 had been deposited into the trust accounts of affiliates of DII instead of the DII trust  
5 account in violation of California Financial Code § 17409 and California Code of Regulations, title  
6 10, § 1737(a). Thereafter, certain of these trust funds were used for the operations of Dynamic  
7 Realty Corporation. The commingling of trust funds is prohibited because of the serious risk of  
8 misuse and loss. DII has corrected the trust account shortage caused by the unlawful deposits of  
9 trust funds.

10 The unlawful deposits discovered during the special examination of DII are described as  
11 follows:

12 1. DII escrow number 1785

13 On or about February 26, 2003, wire deposit receipt number 119 was issued in the  
14 amount of \$53,477.20, however, the funds were deposited into the trust account of Dynamic Realty  
15 Corporation (“Dynamic Realty”), an affiliate of DII, in violation of California Financial Code §  
16 17409 and California Code of Regulations, title 10, § 1737(a). The trust funds were not transferred  
17 to the trust account of DII until May 28, 2003, after the special examination had begun, causing a  
18 shortage of \$53,477.20 in the trust account from February 26, 2003 until May 28, 2003.

19 2. DII escrow number 1914

20 On or about March 5, 2003, wire deposit receipt number 136 was issued in the  
21 amount of \$195,915.29, however, the funds were deposited into the trust account of Dynamic Realty  
22 in violation of California Financial Code § 17409 and California Code of Regulations, title 10, §  
23 1737(a). The trust funds were not transferred to the trust account of DII until May 28, 2003, after  
24 the special examination had begun, causing a further shortage of \$195,915.29 in the trust account  
25 from March 5, 2003 until May 28, 2003.

26 3. DII escrow number 1878

27 On or about March 10, 2003, wire deposit receipt number 146 was issued in the  
28 amount of \$208,069.89, however, the funds were deposited into the trust account of Dynamic

1 Investment, Inc. (Dynamic Investment”), an affiliate of DII, in violation of California Financial  
2 Code § 17409 and California Code of Regulations, title 10, § 1737(a). The trust funds were not  
3 transferred to the trust account of DII until May 28, 2003, after the special examination had begun,  
4 causing a further shortage of \$208,069.89 in the trust account from March 10, 2003 until May 28,  
5 2003.

6 4. DII escrow number 1965

7 On or about April 1, 2003, wire deposit receipt number 212 was issued in the amount  
8 of \$4,411.44, however, the funds were deposited into the trust account of Dynamic Realty in  
9 violation of California Financial Code § 17409 and California Code of Regulations, title 10, §  
10 1737(a). The trust funds were not transferred to the trust account of DII until May 12, 2003 causing  
11 a further shortage of \$4,411.44 in the trust account from April 1, 2003 until May 12, 2003.

12 5. DII escrow number 1929

13 On or about April 10, 2003, wire deposit receipt number 239 was issued in the  
14 amount of \$7,871.16, however, the funds were deposited into the trust account of Dynamic Realty in  
15 violation of California Financial Code § 17409 and California Code of Regulations, title 10, §  
16 1737(a). The trust funds were not transferred to the trust account of DII until May 27, 2003, after  
17 the special examination had begun, causing a further shortage of \$7,871.16 in the trust account from  
18 April 10, 2003 until May 27, 2003.

19 6. DII escrow number 2004

20 On or about April 10, 2003, wire deposit receipt number 249 was issued in the  
21 amount of \$15,093.86, however, the funds were deposited into the trust account of Dynamic Realty  
22 in violation of California Financial Code § 17409 and California Code of Regulations, title 10, §  
23 1737(a). The trust funds were not transferred to the trust account of DII until May 12, 2003 causing  
24 a further shortage of \$15,093.86 in the trust account from April 10, 2003 until May 12, 2003.

25 7. DII escrow number 1855

26 On or about April 18, 2003, wire deposit receipt number 260 was issued in the  
27 amount of \$29,385.41, however, the funds were deposited into the trust account of Dynamic Realty  
28 in violation of California Financial Code § 17409 and California Code of Regulations, title 10, §

1 1737(a). The trust funds were not transferred to the trust account of DII until May 12, 2003 causing  
2 a further shortage of \$29,385.41 in the trust account from April 18, 2003 until May 12, 2003.

3 A further wire deposit of \$78,192.01 for escrow number 2060 was receipted in on April 28,  
4 2003, although written as \$81,551.07, but the funds were not actually received by DII until May 5,  
5 2003 causing a further shortage of trust funds in the amount of \$79,231.11 from April 28, 2003 until  
6 May 5, 2003.

7 III

8 A review of the bank account records of Dynamic Realty and Dynamic Investments for the  
9 period of February 1, 2003 through May 31, 2003 disclosed that the DII trust funds unlawfully  
10 deposited into the bank account of Dynamic Realty had been used for the operations of Dynamic  
11 Realty in violation of California Financial Code §17414(a)(1).

12 IV

13 California Financial Code section 17409 provides in pertinent part:

14 All moneys deposited into escrow to be delivered upon the close of the  
15 escrow or upon any other contingency, shall be deposited and maintained  
16 in a noninterest-bearing demand or checking account in a bank . . .  
17 All such funds, when deposited, are to be designated as “trust funds,”  
18 “escrow accounts,” or some other appropriate name indicating that the  
19 funds are not the funds of the escrow agent. . . .

20 California Financial Code section 17414, subsection (a)(1) provides:

21 (a) It is a violation for any person subject to this division or  
22 any director, stockholder, trustee, officer, agent, or employee of  
23 any such person to do any of the following:

24 (1) Knowingly or recklessly disburse or cause the disbursement of  
25 escrow funds otherwise than in accordance with escrow instructions,  
26 or knowingly or recklessly to direct, participate in, or aid or abet in a  
27 material way, any activity which constitutes theft or fraud in  
28 connection with any escrow transaction.

California Code of Regulations, title 10, section § 1737(a) provides:

(a) All money received by an escrow agent as part of an escrow  
transaction shall on or before the close of the next full working day  
after such receipt be deposited in a bank, a savings bank, or a savings  
and loan association in an account designated “trust” or “escrow” account.  
No funds other than received as part of an escrow transaction shall be

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deposited in such account or otherwise commingled with escrow money.

V

California Financial Code section 17608 provides in pertinent part:

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.

(c) Any fact or condition exists which, if it had existed at the time of the original application for such license, reasonably would have warranted the commissioner in refusing originally to issue such license.

VII

The Complainant finds that, by reason of the foregoing, DII has violated Sections 17409 and 17414(a)(1) of the California Financial Code and Section 1737(a) of Title 10 of the California Code of Regulations and it is in the best interests of the public to revoke DII's escrow agent's license.

WHEREFORE, IT IS PRAYED that the escrow agent's license of DII be revoked.

Dated: September 9, 2003  
Los Angeles, CA

DEMETRIOS A. BOUTRIS  
California Corporations Commissioner

By \_\_\_\_\_  
Judy L. Hartley  
Senior Corporations Counsel