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8

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

12 In the Matter of the Accusation of THE) File Nos.: 963-2090
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ORDER BARRING TINA M. COATES FROM
14) ANY POSITION OF EMPLOYMENT,
Complainant,) MANAGEMENT OR CONTROL OF ANY
15) ESCROW AGENT
16 vs.)
17 ESCROW DIVERSIFIED, INC. and TINA M.)
COATES,)
18)
19 Respondents.)

20
21 The California Corporations Commissioner (“Commissioner”) finds that:

- 22 1. Respondent Escrow Diversified, Inc. ("Diversified") is an escrow agent licensed by
23 the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the
24 Escrow Law of the State of California (California Financial Code Section 17000 et seq.).
25 Diversified had its principal place of business located at 7561 Center Avenue Building 48,
26 Huntington Beach, California 92647.
27 2. Respondent Tina M. Coates (“Coates”) was at all times relevant herein, the president
28 and co-owner of Diversified.

1 3. On October 11, 2007, the Commissioner, by and through his staff, commenced a
2 special examination of the books and records of Diversified. The special examination was
3 commenced after the Department of Corporations (“Department”) received information that trust
4 account check(s) issued by Diversified were unable to clear the account. The special examination
5 revealed that Diversified, by and through Coates, had wrongfully transferred trust funds in the
6 amount of \$153,054.12 from the trust account of Diversified into the general account and/or payroll
7 accounts of Diversified between April 2006 and September 2007 in violation of Financial Code
8 sections 17409. The commingling of trust funds is prohibited because of the serious risk of misuse
9 and loss. Thereafter, the wrongfully transferred trust funds were used to pay the operating and/or
10 payroll expenses of Diversified in violation of 17414(a)(1) and California Code of Regulations, title
11 10, sections 1738 and 1738.2.

12 4. The special examination further revealed that Diversified, by and through Coates, had
13 made two further unauthorized disbursements of trust funds from the Diversified trust account
14 totaling \$8,100.00 for the personal benefit of Coates in violation of Financial Code section
15 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

16 5. The commingling and wrongful disbursements of trust funds by Diversified resulted
17 in a trust account shortage in violation of California Code of Regulations, title 10, section 1738.1.
18 An overpayment in one escrow transaction caused by over receipting funds into escrow caused a
19 shortage of \$1,000.00 resulting in a total trust account shortage of \$162,154.12. Diversified has
20 been unable to cure the trust account shortage to date.

21 6. The commingling and wrongful disbursements of trust funds discovered during the
22 special examination of Diversified are described as follows:

23 a. On April 28, 2006, Coates transferred or caused to be transferred the sum of
24 \$5,000.00 in trust funds from the trust account to the general account of Diversified (“general
25 account”) in violation of Financial Code section 17409. Thereafter, these trust funds were used to
26 pay operating expenses of Diversified in violation of Financial Code section 17414(a)(1) and
27 California Code of Regulations, title 10, sections 1738 and 1738.2.

28 b. On June 15, 2006, Coates transferred or caused to be transferred the sum of

1 \$5,800.00 in trust funds from the trust account to the payroll account of Diversified (“payroll
2 account”) in violation of Financial Code section 17409. Thereafter, these trust funds were used for
3 payroll expenses of Diversified in violation of Financial Code section 17414(a)(1) and California
4 Code of Regulations, title 10, sections 1738 and 1738.2.

5 c. On July 26, 2006, Coates transferred or caused to be transferred the sum of
6 \$12,675.00 in trust funds from the trust account to the general account of Diversified (“general
7 account”) in violation of Financial Code section 17409. Thereafter, these trust funds were used to
8 pay operating expenses of Diversified in violation of Financial Code section 17414(a)(1) and
9 California Code of Regulations, title 10, sections 1738 and 1738.2.

10 d. On July 28, 2006, Coates disbursed or caused to be disbursed the sum of
11 \$2,100.00 in trust funds by way of trust check number 995 to pay against her American Express
12 account in violation of Financial Code section 17414(a)(1) and California Code of Regulations, title
13 10, sections 1738 and 1738.2.

14 e. On August 7, 2006, Coates disbursed or caused to be disbursed the sum of
15 \$6,000.00 in trust funds by way of trust check number 997 to Nationwide Escrow, a company she
16 had purchased, in violation of Financial Code section 17414(a)(1) and California Code of
17 Regulations, title 10, sections 1738 and 1738.2.

18 f. On August 16, 2006, Coates transferred or caused to be transferred the sum of
19 \$3,750.00 in trust funds from the trust account to the general account in violation of Financial Code
20 section 17409. Thereafter, these trust funds were used to pay operating expenses of Diversified in
21 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
22 sections 1738 and 1738.2.

23 g. On September 1, 2006, Coates transferred or caused to be transferred the sum
24 of \$8,750.00 in trust funds from the trust account to the general account in violation of Financial
25 Code section 17409. Thereafter, these trust funds were used to pay operating expenses of
26 Diversified in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
27 title 10, sections 1738 and 1738.2.

28 h. On September 21, 2006, Coates transferred or caused to be transferred the

1 sum of \$10,285.00 in trust funds from the trust account to the general account in violation of
2 Financial Code section 17409. Thereafter, these trust funds were used to pay operating expenses of
3 Diversified in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
4 title 10, sections 1738 and 1738.2.

5 i. On September 28, 2006, Coates transferred or caused to be transferred the
6 sum of \$7,500.00 in trust funds from the trust account to the payroll account in violation of Financial
7 Code section 17409. Thereafter, these trust funds were used for payroll expenses of Diversified in
8 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
9 sections 1738 and 1738.2.

10 j. On October 2, 2006, Coates transferred or caused to be transferred the sum of
11 \$14,270.00 in trust funds from the trust account to the general account in violation of Financial Code
12 section 17409. Thereafter, these trust funds were used to pay operating expenses of Diversified in
13 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
14 sections 1738 and 1738.2.

15 k. On November 1, 2006, Coates transferred or caused to be transferred the sum
16 of \$10,765.00 in trust funds from the trust account to the general account in violation of Financial
17 Code section 17409. Thereafter, these trust funds were used to pay operating expenses of
18 Diversified in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
19 title 10, sections 1738 and 1738.2.

20 l. On December 20, 2006, Coates transferred or caused to be transferred the sum
21 of \$13,125.00 in trust funds from the trust account to the general account in violation of Financial
22 Code section 17409. Thereafter, these trust funds were used to pay operating expenses of
23 Diversified in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
24 title 10, sections 1738 and 1738.2.

25 m. On January 11, 2007, Coates transferred or caused to be transferred the sum of
26 \$5,680.00 in trust funds from the trust account to the general account in violation of Financial Code
27 section 17409. Thereafter, these trust funds were used to pay operating expenses of Diversified in
28 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,

1 sections 1738 and 1738.2.

2 n. On January 18, 2007, Coates transferred or caused to be transferred the sum of
3 \$9,875.00 in trust funds from the trust account to the general account in violation of Financial Code
4 section 17409. Thereafter, these trust funds were used to pay operating expenses of Diversified in
5 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
6 sections 1738 and 1738.2.

7 o. On March 19, 2007, Coates transferred or caused to be transferred the sum of
8 \$12,025.00 in trust funds from the trust account to the general and payroll accounts in violation of
9 Financial Code section 17409. Thereafter, these trust funds were used to pay operating and payroll
10 expenses of Diversified in violation of Financial Code section 17414(a)(1) and California Code of
11 Regulations, title 10, sections 1738 and 1738.2.

12 p. On May 15, 2007, Coates transferred or caused to be transferred the sum of
13 \$10,750.00 in trust funds from the trust account to the general account in violation of Financial Code
14 section 17409. Thereafter, these trust funds were used to pay operating expenses of Diversified in
15 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
16 sections 1738 and 1738.2.

17 q. On June 1, 2007, Coates transferred or caused to be transferred the sum of
18 \$6,986.60 in trust funds from the trust account to the payroll account in violation of Financial Code
19 section 17409. Thereafter, these trust funds were used for payroll expenses of Diversified in
20 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
21 sections 1738 and 1738.2.

22 r. On August 21, 2007, Coates transferred or caused to be transferred the sum of
23 \$7,352.52 in trust funds from the trust account to the payroll account in violation of Financial Code
24 section 17409. Thereafter, these trust funds were used for payroll expenses of Diversified in
25 violation of Financial Code section 17414(a)(1) and California Code of Regulations, title 10,
26 sections 1738 and 1738.2.

27 s. On September 17, 2007, Coates transferred or caused to be transferred the
28 sum of \$7,352.52 in trust funds from the trust account to the general account in violation of

1 Financial Code section 17409. Thereafter, these trust funds were used to pay operating expenses of
2 Diversified in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
3 title 10, sections 1738 and 1738.2.

4 7. Diversified’s failure to cure the trust account shortage, caused the Commissioner, on
5 December 5, 2007, to issue a Demand For and Order Taking Possession of the Trust Account(s) and
6 Escrow Records of Escrow Diversified pursuant to Financial Code section 17621 and an Order
7 Appointing Peter Davidson as Conservator pursuant to Financial Code section 17630. The orders
8 were necessary in order to offer any possible protection to the escrow customers of Diversified.

9 8. The above-described violations constitute grounds under Financial Code section
10 17423 to bar a person from any position of employment, management or control of any escrow
11 agent.

12 9. On January 2, 2008, the Commissioner issued a Notice of Intention to Issue Order
13 Revoking Escrow Agent’s License and to Issue Order Pursuant to California Financial Code Section
14 17423 (Bar From Employment, Management or Control of Any Escrow Agent), Accusation and
15 accompanying documents against Diversified and Coates based upon the above, and Coates was
16 personally served with those documents on February 7, 2008. The Department has received no
17 request for a hearing or any other response from Coates and the time to request a hearing has
18 expired.

19 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Respondent
20 Tina M. Coates is barred from any position of employment, management or control of any escrow
21 agent.

22 Dated: February 25, 2008
23 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

24 By _____
25 Alan S. Weinger
26 Lead Corporations Counsel
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