

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 4<sup>th</sup> Street, Ste. 750  
6 Los Angeles, California 90013-2344  
Telephone: (213) 576-7604 Fax: (213) 576-7181

7 Attorneys for Complainant  
8

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

12 In the Matter of THE CALIFORNIA ) File No.: 963-2090  
CORPORATIONS COMMISSIONER, )  
13 )  
14 Complainant, ) ORDER TO DISCONTINUE ESCROW  
) ACTIVITIES PURSUANT TO CALIFORNIA  
15 vs. ) FINANCIAL CODE SECTION 17415  
16 )  
17 ESCROW DIVERSIFIED, INC., )  
18 Respondent. )  
19 )

20 TO: ESCROW DIVERSIFIED, INC.,  
21 7561 Center Avenue, Building 48  
Huntington Beach, California 92647

22 UNION BANK OF CALIFORNIA  
23 Escrow Industry Group 912  
24 P.O. Box 513840  
25 Los Angeles, California 90051-3840

26 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

- 27 1. Commencing in or about April 2006, and continuing through at least September 2007,  
28 Escrow Diversified, Inc. transferred or otherwise disbursed trust funds totaling at least \$162, 154.12

1 to its general and/or payroll accounts or otherwise for the payment of business operating expenses or  
2 other non-trust related expenses in violation of Financial Code sections 17409 and 17414(a)(1) and  
3 California Code of Regulations, title 10, sections 1738 and 1738.2.

4 2. The unauthorized disbursements described in paragraph 1 above have caused a  
5 shortage of at least \$162,154.12 to exist in the trust account of Escrow Diversified, Inc. in violation  
6 of California Code of Regulations, title 10, section 1738.1.

7 3. Further, Escrow Diversified, Inc. has failed to perform monthly bank reconciliations  
8 on the trust account since December 31, 2006 in violation of Financial Code section 17404 and  
9 California Code of Regulations, title 10, section 1732.2.

10 4. The Commissioner has demanded that Escrow Diversified, Inc. cure the trust account  
11 shortage described in paragraph 2 above, however, Escrow Diversified, Inc. has failed to cure the  
12 shortage and continues in its failure to cure the shortage.

13 Based upon the foregoing, Escrow Diversified, Inc. is conducting escrow business in such an  
14 unsafe and injurious manner as to render further operations hazardous to the public or to customers.

15 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING  
16 THEREFORE, it is hereby ORDERED, under the provisions of Section 17415 of the California  
17 Financial Code, that Escrow Diversified, Inc. and any person having in his or her possession any  
18 escrow funds or trust funds discontinue immediately the receipt or disbursement of any escrow or  
19 joint control money, documents or other property in its possession, custody or control.

20 This order is to remain in full force and effect until further order of the Commissioner.

21 California Financial Code section 17415 provides as follows:

22 (a) If the commissioner, as a result of any examination or from any  
23 report made to him or her, shall find that any person subject to this  
24 division is in an insolvent condition, is conducting escrow business in  
25 such an unsafe or injurious manner as to render further operations  
26 hazardous to the public or to customers, has failed to comply with  
27 the provisions of Section 17212.1 or 17414.1, has permitted its tangible  
28 net worth to be lower than the minimum required by law, has failed to  
maintain its liquid assets in excess of current liabilities as set forth in  
Section 17210, or has failed to comply with the bonding requirements  
of Chapter 2 (commencing with Section 17200) of this division, the  
commissioner may, by an order addressed to and served by registered  
or certified mail or personal service on such person and on any other

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person having in his or her possession or control any escrowed funds, trust funds or other property deposited in escrow with said person, direct discontinuance of the disbursement of trust funds by the parties or any of them, the receipt of trust funds, the delivery or recording of documents received in escrow, or other business operations. No person having in his or her possession any of these funds or documents shall be liable for failure to comply with the order unless he or she has received written notice of the order. Subject to subdivision (b), the order shall remain in effect until set aside by the commissioner in whole or in part, the person has been adjudged bankrupt, or pursuant to Chapter 6 (commencing with Section 17621) of this division the commissioner has assumed possession of the escrow agent.

(b) Within 15 days from the date of an order pursuant to subdivision (a), the person may request a hearing under the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the Government Code. Upon receipt of a request, the matter shall be set for hearing to commence within 30 days after such receipt unless the person subject to this division consents to a later date. If no hearing is requested within 15 days after the mailing of service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right for a hearing. Neither the request for a hearing nor the hearing itself shall stay the order issued by the commissioner under subdivision (a).

Dated: December 5, 2007  
Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
Alan S. Weinger  
Lead Corporations Counsel