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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.: 963-2089
CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) ACCUSATION
14)
Complainant,)
15)
16 vs.)
17 INTERNATIONAL ESCROW COMPANY and)
ANTHONY HAWORTH,)
18)
19 Respondents.)

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

22 I

23 Respondent International Escrow Company ("International") is, and was at all times relevant,
24 an escrow agent licensed by the California Corporations Commissioner ("Commissioner" or
25 "Complainant") pursuant to the Escrow Law of the State of California (California Financial Code
26 Section 17000 et seq.). International has its principal place of business located at 144 South Beverly
27 Drive, Suite 100, Beverly Hills, California 90212.
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1 Respondent Anthony Haworth ("Haworth") is, and was at all times relevant herein, the sole
2 shareholder and president of International.

3 International Mortgage Company, Inc. ("IMC") is, and was at all times relevant, an affiliate
4 of International, and wholly owned by Haworth.

5 II

6 On or about October 4, 2006, the Commissioner commenced a regulatory examination of the
7 books and records of International. The regulatory examination disclosed that International (i) had
8 commingled trust funds in violation of Financial Code section 17409 or otherwise made
9 unauthorized disbursements of trust funds in violation of Financial Codes section 17414(a)(1); (ii)
10 had a trust account shortage in violation of California Code of Regulations, title 10, section 1738.1;
11 and (iii) had failed to maintain and/or provide books and records to the Commissioner in violation of
12 Financial Code section 17404 and California Code of Regulations, title 10, sections 1732.2, 1732.3,
13 and 1737.3.

14 III

15 The books and records violations can be described as follows:

16 At the commencement of the regulatory examination, International was requested to provide
17 numerous books and records including trust account reconciliations for October 2005 through
18 September 2006. International was unable to provide the trust account reconciliations except for the
19 top sheets for December 2005 and July 2006, which disclosed numerous adjusting items with no
20 explanation.

21 A further demand was made upon International to provide the trust account reconciliations
22 along with supporting documentation for all adjustments no later than November 13, 2006. As of
23 November 13, 2006, International was unable to provide any further trust account reconciliations
24 other than the top sheet for September 2006 and some documentation regarding adjusting items. The
25 top sheet for the September 2006 trust account reconciliation revealed numerous electronic transfers
26 in and out of the International trust account to other non-trust International accounts and/or IMC
27 bank accounts starting in February 2006 and continuing through September 2006 (See Section III for
28 a discussion of these transfers). Accordingly, on or about November 13, 2006, a twenty-four ("24")

1 hour demand for documents was made to International to include trust reconciliations from October
2 2005 through September 2006 with all adjusting items cleared, bank account statements for all bank
3 accounts involved in the electronic transfers revealed on the September 2006 trust account
4 reconciliation top sheet, supporting documentation for all trust reconciliation adjusting items, and
5 replacement of any trust account shortage.

6 On or about November 14, 2006, International was still unable to provide (i) the trust account
7 reconciliations for October and November 2005 and the reconciliations for December 2005 through
8 September 2006 were not properly reconciled; (ii) all bank statements and reconciliations for the
9 bank accounts involved in the trust account electronic transfers for the relevant periods; and (iii)
10 correction of the trust account shortage noted in the September 2006 trust account reconciliation
11 and/or any shortage possibly caused by the electronic transfers out of the trust account. From
12 December 2006 through June 2007, numerous written requests were made to International to provide
13 the books and records, with no response.

14 On or about August 7, 2007, a further written demand was made upon International to
15 provide trust account reconciliations from October 2006 through July 2007 along with other books
16 and records. International has failed to comply with that further demand.

17 On or about October 16, 2007, a final written demand was made upon International to
18 provide trust account reconciliations from October 2006 through April 2007 along with other books
19 and records. International has failed to comply with this final demand continuing in its violations of
20 Financial Code section 17404 and California Code of Regulations, title 10, sections 1732.2, 1732.3,
21 and 1737.3.

22 Based upon the condition of the books and records as described above, the Commissioner
23 had been unable to determine the exact extent of the shortage in the trust account, if any, although it
24 appears that a possible shortage of \$105,443.12 exists. The Commissioner has made demands upon
25 International to cure the trust account shortage or submit documentation evidencing that no shortage
26 exists, but International has failed to either cure the trust account shortage or evidence that no
27 shortage exists.
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IV

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2 The regulatory examination further revealed that trust funds in the amount of \$663,863.12
3 had been wrongfully transferred from the trust account of International (“trust account”) into the
4 general and/or payroll accounts of International or numerous accounts of IMC in violation of
5 Financial Code section 17409 and/or Financial Code section 17414(a)(1) from February 2006
6 through September 2006.

7 During this time, certain of these trust funds were used for the general operations of
8 International or for the business purposes of ICM. The commingling of trust funds is prohibited
9 because of the serious risk of misuse and loss. The commingling of trust funds by International
10 resulted in a trust account shortage and numerous ongoing debit balances in violation of California
11 Code of Regulations, title 10, section 1738.1. It is unknown whether International has corrected the
12 trust account shortage as International has failed to provide books and records to the Commissioner
13 as described in Section III above.

14 A. Unlawful Transfers:

15 The unlawful transfers discovered during the regulatory examination of International are
16 described as follows:

17 1. On or about February 15, 2006, Respondents transferred, and/or caused to be
18 transferred, the sum of \$88,263.51 from the trust account to an IMC trust account (“IMC Account
19 1”), which was then immediately transferred from IMC Account 1 to another trust account of IMC
20 (“IMC Account 2”). This transfer was in violation of Financial Code section 17414(a)(1), which
21 prohibits the disbursement of trust funds except in accordance with the instructions of the escrow
22 parties. This transfer further caused a \$88,263.51 shortage (debit balance) to exist in the trust
23 account in violation of California Code of Regulations, title 10, section 1738.1. According to the
24 documentation provided by International or otherwise obtained by the Commissioner to date, these
25 trust funds have never been returned to the trust account.

26 2. On or about April 10, 2006, Respondents transferred, and/or caused to be transferred,
27 the sum of \$25,000.00 from the trust account to IMC Account 1. This transfer was in violation of
28 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in

1 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
2 \$25,000.00 to exist in the trust account in violation of California Code of Regulations, title 10,
3 section 1738.1. According to the documentation provided by International or otherwise obtained by
4 the Commissioner to date, at least \$17,179.61 of these trust funds have never been returned to the
5 trust account.

6 3. On or about April 11, 2006, Respondents transferred, and/or caused to be transferred,
7 the sum of \$34,000.00 from the trust account to IMC Account 2. This transfer was in violation of
8 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in
9 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
10 \$34,000.00 to exist in the trust account in violation of California Code of Regulations, title 10,
11 section 1738.1. According to the documentation provided by International or otherwise obtained by
12 the Commissioner to date, these funds were not fully returned to the trust account until on or about
13 November 20, 2006.

14 4. On or about April 18, 2006, Respondents transferred, and/or caused to be transferred,
15 the sum of \$29,000.00 from the trust account to IMC Account 2. This transfer was in violation of
16 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in
17 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
18 \$29,000.00 to exist in the trust account in violation of California Code of Regulations, title 10,
19 section 1738.1. According to the documentation provided by International or otherwise obtained by
20 the Commissioner to date, these funds were not fully returned to the trust account until on or about
21 August 30, 2006.

22 5. On or about April 24, 2006, Respondents transferred, and/or caused to be transferred,
23 the sum of \$25,000.00 from the trust account to IMC Account 2. This transfer was in violation of
24 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in
25 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
26 \$25,000.00 to exist in the trust account in violation of California Code of Regulations, title 10,
27 section 1738.1. According to the documentation provided by International or otherwise obtained by
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1 the Commissioner to date, these funds were not fully returned to the trust account until on or about
2 August 29, 2006.

3 6. On or about May 15, 2006, Respondents transferred, and/or caused to be transferred,
4 the sum of \$247.00 from the trust account to IMC Account 1. This transfer was in violation of
5 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in
6 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
7 \$247.00 to exist in the trust account in violation of California Code of Regulations, title 10, section
8 1738.1. According to the documentation provided by International or otherwise obtained by the
9 Commissioner to date, these funds were not fully returned to the trust account until on or about
10 August 29, 2006.

11 7. On or about June 19, 2006, Respondents transferred, and/or caused to be transferred,
12 the sum of \$200,000.00 from the trust account to a general account of IMC (“IMC Account 3”).
13 This transfer was in violation of Financial Code section 17414(a)(1), which prohibits the
14 disbursement of trust funds except in accordance with the instructions of the escrow parties. This
15 transfer caused a further shortage of \$200,000.00 to exist in the trust account in violation of
16 California Code of Regulations, title 10, section 1738.1. According to the documentation provided
17 by International or otherwise obtained by the Commissioner to date, these funds were not returned to
18 the trust account until on or about June 20, 2006, and were returned from an unknown account of
19 International (“Unknown International Account”).

20 8. On or about June 21, 2006, Respondents transferred, and/or caused to be transferred,
21 the sum of \$200,000.00 from the trust account to IMC Account 3. This transfer was in violation of
22 Financial Code section 17414(a)(1), which prohibits the disbursement of trust funds except in
23 accordance with the instructions of the escrow parties. This transfer caused a further shortage of
24 \$200,000.00 to exist in the trust account in violation of California Code of Regulations, title 10,
25 section 1738.1. According to the documentation provided by International or otherwise obtained by
26 the Commissioner to date, these funds were not fully returned to the trust account until on or about
27 June 27, 2006.

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1 9. On or about June 30, 2006, Respondents transferred, and/or caused to be transferred,
2 the sum of \$50,000.00 from the trust account to a further general account of IMC (“IMC Account
3 4”). This transfer was in violation of Financial Code section 17414(a)(1), which prohibits the
4 disbursement of trust funds except in accordance with the instructions of the escrow parties. This
5 transfer caused a further shortage of \$50,000.00 to exist in the trust account in violation of California
6 Code of Regulations, title 10, section 1738.1. According to the documentation provided by
7 International or otherwise obtained by the Commissioner to date, these funds were not returned to
8 the trust account until on or about August 29, 2006.

9 10. On or about September 1, 2006, Respondents transferred, and/or caused to be
10 transferred, the sum of \$3,000.00 from the trust account to the payroll account of International
11 (“Payroll Account”). This transfer was in violation of Financial Code section 17409, which
12 prohibits commingling of trust funds with non-trust funds. This transfer caused a further shortage of
13 \$3,000.00 to exist in the trust account in violation of California Code of Regulations, title 10, section
14 1738.1. According to the documentation provided by International or otherwise obtained by the
15 Commissioner to date, these funds were not returned to the trust account until on or about November
16 8, 2006.

17 11. On or about September 29, 2006, Respondents transferred, and/or caused to be
18 transferred, the sum of \$4,500.00 from the trust account to the Payroll Account. This transfer was in
19 violation of Financial Code section 17409, which prohibits commingling of trust funds with non-
20 trust funds. This transfer caused a further shortage of \$4,500.00 to exist in the trust account in
21 violation of California Code of Regulations, title 10, section 1738.1. According to the
22 documentation provided by International or otherwise obtained by the Commissioner to date, these
23 funds were not returned to the trust account until on or about November 7, 2006.

24 12. On or about September 29, 2006, Respondents transferred, and/or caused to be
25 transferred, the sum of \$4,852.61 from the trust account to a third trust account at IMC (“IMC
26 Account 5”). This transfer was in violation of Financial Code section 17414(a)(2), which prohibits
27 the disbursement of trust funds except in accordance with the instructions of the escrow parties.
28 This transfer caused a further shortage of \$4,852.61 to exist in the trust account in violation of

1 California Code of Regulations, title 10, section 1738.1. According to the documentation provided
2 by International or otherwise obtained by the Commissioner to date, these funds were not returned to
3 the trust account until on or about November 7, 2006.

4 B. Misuse of Trust Funds:

5 A review of the bank account records of International and IMC for the period of February 1,
6 2006 through September 30, 2006 disclosed that a significant portion of the International trust funds
7 unlawfully transferred to the payroll account of International or accounts of the affiliate, IMC, were
8 used for the general operations of International and/or business purposes of IMC in violation of
9 California Financial Code section 17414(a)(1) as described in more detail below.

10 1. During February 2006, the amount of trust funds on deposit in IMC Account 2 was
11 \$88,263.51 beginning on or about February 15, 2006 and continuing through the end of February
12 2006. The balance in IMC Account 2 was only \$23,728.03 on February 28, 2006 indicating that
13 IMC was using at least \$64,535.48 in trust funds for its business operations in February 2006.

14 2. As of April 1, 2006, the amount of trust funds on deposit in IMC Account 2 was
15 \$88,263.51 until on or about April 10, 2006 when a further \$25,000.00 in trust funds was wrongfully
16 transferred to IMC Account 2. On or about April 11, 18 and 24, 2006, a further \$34,000.00,
17 \$29,000.00 and \$25,00.00 in trust funds, respectively, were wrongfully transferred into IMC
18 Account 2, at which point the amount of trust funds on deposit in IMC Account 2 totaled
19 \$201,263.51. The balance in IMC Account 2 was \$492.26 just prior to the transfer of \$25,000.00 in
20 trust funds made on April 10, 2006 and was \$7,394.45 on April 28, 2006 indicating that IMC was
21 using trust funds of at least \$193,869.06 in April 2006 for its business operations.

22 3. During May 2006, the amount of trust funds on deposit in IMC Account 1 was
23 \$247.00 beginning on or about May 15, 2006 and continuing through the end of May 2006. The
24 balance in IMC Account 1 was negative \$246.57 prior to the May 15, 2006 wrongful transfer of trust
25 funds indicating that IMC was using at least \$246.57 in trust funds for its business operations in May
26 2006.

27 4. During June 2006, the amount of trust funds on deposit in IMC Account 3 was
28 \$400,000.00 beginning on or about June 19, 2006 with a wrongful transfer of \$200,00.00 in trust

1 International disclosed that International had a tangible net worth deficiency of \$4,421.00 and a
2 liquid asset deficiency of \$29,421.00. International has not submitted any more recent financial
3 statements and or other documentation that evidences that International meets the tangible net worth
4 and liquid asset requirements of Financial Code section 17210.

5 VI

6 Pursuant to Financial Code section 17202, International was required to maintain a surety
7 bond in the minimum amount of \$25,000.00. The surety bond of International expired on November
8 18, 2006, and no replacement bond was obtained by International.

9 On or about November 20, 2006, the Commissioner issued an Order to Discontinue Escrow
10 Activities against International pursuant to Financial Code section 17415 for failure to maintain the
11 required surety bond. This Order was served on International on or about November 20, 2006.

12 International has yet to obtain a replacement surety bond in violation of Financial Code
13 section 17202.

14 VII

15 California Financial Code section 17608 provides in pertinent part:

16 The commissioner may, after notice and a reasonable opportunity to
17 be heard, suspend or revoke any license if he finds that:

18 (b) The licensee has violated any provision of this division or any
19 rule made by the commissioner under and within the authority of this
20 division.

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

23 California Financial Code section 17423 provides in pertinent part:

24 (a) The commissioner may, after appropriate notice and opportunity
25 for hearing, by order, . . . bar from any position of employment,
26 management, or control any escrow agent, or any other person, if the
commissioner finds either of the following:

27 (1) That the . . . bar is in the public interest and that the person has
28 committed or caused a violation of this division or rule or order of
the commissioner, which violation was either known or should have

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been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.

VIII

Complainant finds that, by reason of the foregoing, Respondents have violated California Financial Code sections 17202, 17210, 17404, 17409, and 17414(a)(1) and California Code of Regulations, title 10, sections 1732.2, 1732.3, 1737.3 and 1738.1 and it is in the best interests of the public to revoke the escrow agent’s license of Respondent International, and to bar Respondent Haworth from any position of employment, management or control of any escrow agent.

WHEREFORE, IT IS PRAYED that the escrow agent’s license of Respondent International be revoked, and that Respondent Haworth be barred from any position of employment, management or control of any escrow agent.

Dated: November 7, 2007
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel