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California Corporations Commissioner
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Deputy Commissioner
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7

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

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11 In the Matter of the Statement of) File No.: 963-2373
Issues/Accusation of THE CALIFORNIA)
12 CORPORATIONS COMMISSIONER,) ORDER BARRING CESAR DAVID
13 Complainant,) ESTRADA FROM ANY POSITION OF
14 vs.) EMPLOYMENT, MANAGEMENT OR
15) CONTROL OF ANY ESCROW AGENT
16 MORRIS ESCROW, INC., CESAR DAVID)
ESTRADA, and BETHSABE E. MORRIS,)
17 Respondents.)
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19 The California Corporations Commissioner finds that:

- 20 1. Respondent Cesar David Estrada ("Estrada") is, and was at all times relevant herein,
21 the president and sole shareholder of Morris Escrow, Inc. ("Morris Escrow"). Morris Escrow was at
22 all times relevant to this matter an escrow agent licensed by the California Corporations
23 Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow Law of the State of
24 California (California Financial Code Section 17000 et seq.). Morris Escrow had its principal place
25 of business located at 1010 N. Central Avenue, Suite 317, Glendale, California 91202.
26 2. Pursuant to Financial Code section 17406, all escrow agent licensees are required to
27 submit their annual audited financial statement to the Commissioner within 105 days of their fiscal
28 year end. The fiscal year end for Morris Escrow is December 31. Accordingly, the annual audited

1 financial statement for Morris Escrow is due to the Commissioner on or before April 15 of each
2 year. Morris Escrow has failed to submit its December 31, 2007 and December 31, 2008 audited
3 financial statements to the Commissioner as required by Financial Code section 17406.

4 3. Pursuant to Financial Code section 17202, all escrow agent licensees are required to
5 maintain a surety bond in the minimum amount of \$25,000.00. The surety bond of Morris Escrow
6 expired on January 23, 2009. On January 23, 2009, the Commissioner issued an Order to
7 Discontinue Escrow Activities to Morris Escrow pursuant to Financial Code section 17415 for
8 failure to maintain the required surety bond.

9 4. On February 6, 2009, Morris Escrow did obtain a replacement surety bond, which the
10 Commissioner did not learn about until July 7, 2009 during the course of a follow-up examination,
11 as Morris Escrow never sent the replacement surety bond to the Commissioner. The replacement
12 surety bond was effective from February 6, 2009 forward. On July 7, 2009, Morris Escrow was
13 requested to contact its bond company to have the coverage of the replacement surety bond extended
14 back to the original lapse date of January 23, 2009.

15 5. During the follow-up examination, it was discovered that Morris Escrow had violated
16 the Order to Discontinue Escrow Activities by continuing to accept new escrow business while the
17 Order was in effect, but specifically during the time period Morris Escrow had yet to replace its
18 surety bond. The Commissioner documented at least two new escrows that were accepted by Morris
19 Escrow during the period after Morris Escrow was served with the Order to Discontinue Escrow
20 Activities and prior to replacing the surety bond. This activity is not only in direct violation of the
21 Order to Discontinue Escrow Activities, but is also a violation of California Financial Code sections
22 17200 and 17600.

23 6. On November 10, 2008, the Commissioner commenced a special examination of the
24 books and records of Morris Escrow after receiving an anonymous tip that Morris Escrow had been
25 improperly reconciling the trust account. During the course of the special examination, Estrada, on
26 January 21, 2009, confessed that he had unlawfully transferred \$98,830.73 in escrow trust funds
27 from the trust account(s) to the general account to pay the operating expenses of Morris Escrow,
28 including employee salaries, for which he had returned \$19,000.00, leaving a trust account shortage

1 of \$79,830.73. Financial Code section 17409 prohibits the commingling of trust funds with general
2 funds and Financial Code section 17414(a)(1) prohibits the disbursement of trust funds except in the
3 accordance with the escrow instructions of the principals.

4 7. The special examination revealed that Morris Escrow, by and through Estrada, had
5 made at least 12 unauthorized disbursements of trust funds totaling \$99,770.73 between November
6 21, 2007 and September 18, 2008 in violation of Financial Code section 17414(a)(1) and California
7 Code of Regulations, title 10, sections 1738 and 1738.2. Only \$24,000.00 of the misappropriated
8 trust funds has been returned. The special examination further revealed that Morris Escrow had
9 never reconciled the trust account since its licensure on January 23, 2007 in violation of Financial
10 Code section 17404 and California Code of Regulations, title 10, section 1732.2 and there existed
11 adjusting items totaling \$44,206.05 of which \$8,552.49 created an additional shortage in the trust
12 account in violation of California Code of Regulations, title 10, section 1738.1.

13 8. The unauthorized disbursements of trust funds, along with certain of the adjusting
14 items, caused a trust account shortage of \$108,323.42. Demand has been made upon Morris Escrow
15 to cure the trust account, but only \$24,000.00 of the trust account shortage has been cured leaving an
16 existing trust account shortage of \$84,323.42 as of December 31, 2008.

17 9. The unauthorized disbursements of trust funds are described as follows:

18 a. On November 21, 2007, Estrada made an unauthorized disbursement of trust funds to
19 himself in the amount of \$200.00 in violation of Financial Code section 17414(a)(1) and California
20 Code of Regulations, title 10, sections 1738 and 1738.2.

21 b. On December 31, 2007, Estrada made an unauthorized disbursement of trust funds to
22 the Morris Escrow general account in the amount of \$9,520.73 in violation of Financial Code section
23 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

24 c. On January 9, 2008, Estrada made an unauthorized disbursement of trust funds to
25 himself in the amount of \$750.00 in violation of Financial Code section 17414(a)(1) and California
26 Code of Regulations, title 10, sections 1738 and 1738.2.

1 d. On January 15, 2008, Estrada made an unauthorized disbursement of trust funds to
2 the Morris Escrow general account in the amount of \$15,000.00 in violation of Financial Code
3 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

4 e. On January 23, 2008, the Human Resources manager of Morris Escrow made an
5 unauthorized disbursement of trust funds to the Morris Escrow general account in the amount of
6 \$1,800.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
7 title 10, sections 1738 and 1738.2.

8 f. On February 27, 2008, Estrada made an unauthorized disbursement of trust funds to
9 the Morris Escrow general account in the amount of \$15,000.00 in violation of Financial Code
10 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

11 g. On June 10, 2008, Estrada made an unauthorized disbursement of trust funds to
12 himself in the amount of \$20,000.00 in violation of Financial Code section 17414(a)(1) and
13 California Code of Regulations, title 10, sections 1738 and 1738.2.

14 h. On June 11, 2008, Estrada made an unauthorized disbursement of trust funds to
15 himself in the amount of \$10,000.00 in violation of Financial Code section 17414(a)(1) and
16 California Code of Regulations, title 10, sections 1738 and 1738.2.

17 i. On July 11, 2008, Estrada made an unauthorized disbursement of trust funds to
18 himself in the amount of \$5,000.00 in violation of Financial Code section 17414(a)(1) and California
19 Code of Regulations, title 10, sections 1738 and 1738.2.

20 j. On August 28, 2008, Estrada made an unauthorized disbursement of trust funds to the
21 Morris Escrow general account in the amount of \$10,000.00 in violation of Financial Code section
22 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

23 k. On September 16, 2008, Estrada made an unauthorized disbursement of trust funds to
24 himself in the amount of \$7,000.00 in violation of Financial Code section 17414(a)(1) and California
25 Code of Regulations, title 10, sections 1738 and 1738.2.

26 l. On September 18, 2008, Estrada made an unauthorized disbursement of trust funds to
27 himself in the amount of \$5,500.00 in violation of Financial Code section 17414(a)(1) and California
28 Code of Regulations, title 10, sections 1738 and 1738.2.

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10. On August 12, 2009, the Commissioner issued a Notice of Intention to Issue (1) Order Denying Change of Ownership Application, (2) Order Revoking Escrow Agent’s License, and (3) Orders Pursuant to California Financial Code Section 17423 (Bar from Employment, Management or Control of Any Escrow Agent), Accusation and accompanying documents against Morris Escrow, Estrada and Bethsabe Morris. Estrada was served with those documents on September 16, 2009. The Department has not received any request for a hearing from Estrada and the time to request a hearing has expired.

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

NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that Cesar David Estrada is barred from any position of employment, management or control of any escrow agent. This order is effective as of the date hereof.

Dated: October 13, 2009
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner