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8 Attorneys for Complainant

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

12 In the Matter of the Accusation of) OAH CASE NO.:
THE CALIFORNIA CORPORATIONS)
13 COMMISSIONER,) FILE NO. 963-1982
)
14) **ACCUSATION**
Complainant,)
15 v.)
)
16 PLATINUM COAST ESCROW, INC.;)
17 NAZIH DANIEL SADEK, as an individual; and)
MIGUEL ANGEL VAZQUEZ, as an individual,)
18)
Respondents.)
19)
20)
21)

22 The Complainant is informed and believes, and based upon such information and belief,
23 alleges and charges the Respondents as follows:

24 **I.**

25 Respondent Platinum Coast Escrow, Inc. ("Platinum Coast") is an escrow agent licensed by
26 the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the
27 Escrow Law of the State of California (California Financial Code section 17000 et seq.). Platinum
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1 Coast has its principal place of business located at 535 Anton Boulevard, Suite 450, Costa Mesa,
2 California 92626.

3 Respondent Nazih Daniel Sadek ("Sadek") is, and was at all times relevant herein, the chief
4 financial officer, director, and sole shareholder of respondent Platinum Coast.

5 Respondent Miguel Angel Vazquez ("Vazquez") was during the time relevant herein an
6 employee of Platinum Coast at its offices in Costa Mesa, California.

7 II.

8 On April 4, 2007, the Commissioner's examiner undertook a routine regulatory examination
9 at Platinum Coast's offices in Costa Mesa, California. During the course of the examination, the
10 Commissioner's examiner discovered three large credit reversals reported in Platinum Coast's April
11 and May 2007 trust account statements. Upon further review and inspection, the examination
12 revealed that Sadek had knowingly or recklessly disbursed or caused the disbursement of \$1,020,000 in
13 trust funds in April and May of 2007 by pledging the trust account assets to secure gambling
14 markers¹ from two Las Vegas, Nevada Casinos in violation of Financial Code section 17414,
15 subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2, as
16 described in more detail below at paragraphs 1-3.

17 Violations discovered during the regulatory examination of Platinum Coast concerning
18 Sadek's activities included the following:

19 1. Unauthorized Disbursement of Trust Account Funds

20 On or about April 25, 2007, Sadek caused an unauthorized disbursement of trust
21 funds to be made to Wynn Las Vegas in the amount of \$500,000.00 in violation of Financial Code
22 section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The
23 amount was debited from the trust account on April 25, 2007 and credited back with a posting date
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26 ¹ A gambling marker is defined as a line of credit extended by a casino or cardroom. (Pokerzone, Poker Dictionary
27 (August 2007) <<http://dictionary.pokerzone.com/Marker>> (as of August 27, 2007). Standard gambling industry
28 procedures with respect to the extension of credit in the form of gambling markers are described in *Nguyen v. State of Nevada* (Nev. 2000) 14 P.3d 515: "In general, patrons apply for casino credit by completing a standard form setting forth the name of the applicant, his or her address, the name of the applicant's bank, and the bank account number. Casino personnel approve the applications pending verification of the basic bank information, including the average balance of the applicant's account." (*Nguyen v. State of Nevada, supra*, 14 P.3d at 516.)

1 of April 26, 2007 and an effective date of April 25, 2007. The marker was signed by Sadek and
2 coded with the trust account information. Platinum Coast maintains a "Positive Pay" feature on its
3 trust account, which enables the escrow manager to decline payment on checks presented for
4 payment to the bank. In this instance, but for the "Positive Pay" feature, the bank would have paid
5 Sadek's gambling marker with Platinum Coast trust account funds.

6 2. Unauthorized Disbursement of Trust Account Funds

7 On or about April 27, 2007, Sadek caused an unauthorized disbursement of trust
8 funds to be made to the Bellagio in the amount of \$20,000.00 in violation of Financial Code section
9 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The amount
10 was debited from the trust account on April 27, 2007 and credited back with a posting date of April
11 30, 2007 and an effective date of April 27, 2007. The marker was signed by Sadek and coded with
12 the trust account information. Platinum Coast maintains a "Positive Pay" feature on its trust account,
13 which enables the escrow manager to decline payment on checks presented for payment to the bank.
14 In this instance, but for the "Positive Pay" feature, the bank would have paid Sadek's gambling
15 marker with Platinum Coast trust account funds.

16 3. Unauthorized Disbursement of Trust Account Funds

17 On or about May 17, 2007, Sadek caused an unauthorized disbursement of trust funds
18 to be made to Wynn Las Vegas in the amount of \$500,000.00 in violation of Financial Code section
19 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2. The amount
20 was debited from the trust account on May 17, 2007 and credited back with a posting date of May
21 18, 2007 and an effective date of May 17, 2007. The marker was signed by Sadek and coded with
22 the trust account information. Platinum Coast maintains a "Positive Pay" feature on its trust account,
23 which enables the escrow manager to decline payment on checks presented for payment to the bank.
24 In this instance, but for the "Positive Pay" feature, the bank would have paid Sadek's gambling
25 marker with Platinum Coast trust account funds.

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III.

On May 15, 2007, during the Commissioner's examiner's routine regulatory examination of Platinum Coast it became apparent that Vazquez, Platinum Coast's escrow accountant, had knowingly or recklessly disbursed or caused the disbursement of \$25,247.11 in trust funds over a period of approximately four months in violation of Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

The Commissioner also learned that Platinum Coast's management had failed to properly notify the Department of Vazquez's hiring on June 5, 2005 in violation of California Code of Regulations, title 10, section 1726.

Each of the unauthorized disbursements of trust funds described in paragraphs 4-12 below also caused a shortage to exist in the trust account in violation of California Code of Regulations, title 10, section 1738.1. Platinum Coast has cured the trust account shortage created by the unauthorized disbursements that are described in more detail below.

Violations discovered during the regulatory examination of Platinum Coast concerning Vazquez's activities included the following:

4. Unauthorized Disbursement of Trust Account Funds

(a) On or about November 4, 2006, Vazquez caused an unauthorized disbursement of trust funds to be made to himself in the amount of \$3,700.00 in violation of Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) The unauthorized disbursement of trust funds described in paragraph (a) above caused a shortage of \$3,700.00 to exist in the trust account in violation of California Code of Regulations, title 10, section 1738.1.

5. Unauthorized Disbursement of Trust Account Funds

(a) On or about December 4, 2006, Vazquez caused an unauthorized disbursement of trust funds to be made to himself in the amount of \$575.95 in violation of

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1 Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10,
2 sections 1738 and 1738.2.

3 (b) The unauthorized disbursement of trust funds described in paragraph (a)
4 above caused a shortage of \$575.95 to exist in the trust account in violation of California Code of
5 Regulations, title 10, section 1738.1.

6 6. Unauthorized Disbursement of Trust Account Funds

7 (a) On or about December 19, 2006, Vazquez caused an unauthorized
8 disbursement of trust funds to be made to himself in the amount of \$2,902.82 in violation of
9 Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10,
10 sections 1738 and 1738.2.

11 (b) The unauthorized disbursement of trust funds described in paragraph (a)
12 above caused a shortage of \$2,902.82 to exist in the trust account in violation of California Code of
13 Regulations, title 10, section 1738.1.

14 7. Unauthorized Disbursement of Trust Account Funds

15 (a) On or about December 29, 2006, Vazquez caused an unauthorized
16 disbursement of trust funds to be made to himself in the amount of \$2,200.00 in violation of
17 Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10,
18 sections 1738 and 1738.2.

19 (b) The unauthorized disbursement of trust funds described in paragraph (a)
20 above caused a shortage of \$2,200.00 to exist in the trust account in violation of California Code of
21 Regulations, title 10, section 1738.1.

22 8. Unauthorized Disbursement of Trust Account Funds

23 (a) On or about January 25, 2007, Vazquez caused an unauthorized disbursement
24 of trust funds to be made to himself in the amount of \$2,265.90 in violation of Financial Code
25 section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and
26 1738.2.

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1 (b) The unauthorized disbursement of trust funds described in paragraph (a)
2 above caused a shortage of \$2,265.90 to exist in the trust account in violation of California Code of
3 Regulations, title 10, section 1738.1.

4 9. Unauthorized Disbursement of Trust Account Funds

5 (a) On or about February 2, 2007, Vazquez caused an unauthorized disbursement
6 of trust funds to be made to himself in the amount of \$2,912.44 in violation of Financial Code
7 section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and
8 1738.2.

9 (b) The unauthorized disbursement of trust funds described in paragraph (a) above
10 caused a shortage of \$2,912.44 to exist in the trust account in violation of California Code of
11 Regulations, title 10, section 1738.1.

12 10. Unauthorized Disbursement of Trust Account Funds

13 (a) On or about February 16, 2007, Vazquez caused an unauthorized
14 disbursement of trust funds to be made to himself in the amount of \$2,175.00 in violation of
15 Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10,
16 sections 1738 and 1738.2.

17 (b) The unauthorized disbursement of trust funds described in paragraph (a)
18 above caused a shortage of \$2,175.00 to exist in the trust account in violation of California Code of
19 Regulations, title 10, section 1738.1.

20 11. Unauthorized Disbursement of Trust Account Funds

21 (a) On or about February 23, 2007, Vazquez caused an unauthorized
22 disbursement of trust funds to be made to himself in the amount of \$2,752.00 in violation of
23 Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10,
24 sections 1738 and 1738.2.

25 (b) The unauthorized disbursement of trust funds described in paragraph (a)
26 above caused a shortage of \$2,752.00 to exist in the trust account in violation of California Code of
27 Regulations, title 10, section 1738.1.

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12. Unauthorized Disbursement of Trust Account Funds

(a) On or about March 8, 2007, Vazquez caused an unauthorized disbursement of trust funds to be made to himself in the amount of \$5,763.00 in violation of Financial Code section 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

(b) The unauthorized disbursement of trust funds described in paragraph (a) above caused a shortage of \$5,763.00 to exist in the trust account in violation of California Code of Regulations, title 10, section 1738.1.

IV.

In addition to the violations cited above, the Commissioner's regulatory examination of Platinum Coast revealed other serious violations of the California Escrow Law, which Platinum Coast has subsequently rectified as described in more detail below at paragraphs 13-16.

13. Failure to Properly Reconcile the Trust Account

During the course of the routine regulatory examination it was revealed that Platinum Coast's trust reconciliation for March of 2007 contained many old, partially identified, uncorrected adjustments in violation of California Code of Regulations, title 10, section 1732.2, subdivision (a). A more detailed review of the March 2007 trust reconciliation disclosed adjustment inconsistencies, which rendered the reconciliation unreliable. After the Commissioner's examiner reported these discrepancies to Platinum Coast's management, Platinum Coast corrected its books and records issues to the satisfaction of the Commissioner.

14. Record Accounting System Failure

On or about May 14, 2007, it was discovered that Platinum Coast's record accounting system had "crashed" on April 21, 2007 causing the loss of posted check and receipt information for the period April 21, 2007 through May 8, 2007. Platinum Coast personnel eventually recovered the lost posted check and receipt data. When asked to provide a written explanation to the Commissioner as to what had occurred to cause the accounting system to fail, Platinum Coast's IT manager opined that a power failure caused the corruption of data within Platinum Coast's primary database for its Streamline ("SMS") application. Platinum Coast has

1 assured the Commissioner that it has taken the necessary steps to prevent the loss of data from
2 occurring again in the future.

3 15. Cancellation of Surety Bond

4 On May 25, 2007, the Commissioner's examiner received notification that
5 Platinum Coast's insurer had cancelled its surety bond in violation of Financial Code section 17202.
6 Although Platinum Coast had timely paid its annual surety bond premium on October 13, 2006, it
7 had failed, however, to timely provide requested financial information to the bonding company
8 thereby causing the cancellation of its surety bond effective May 25, 2007. Accordingly, on May 29,
9 2007, the Department issued an Order to Platinum Coast to Discontinue Escrow Activities Pursuant
10 to Section 17415 of the California Financial Code ("Order"). The Order was personally served on
11 Platinum Coast's escrow manager on May 30, 2007. On May 31, 2007, Platinum Coast obtained a
12 new surety bond policy with a different bonding company with a May 30, 2007 effective date. The
13 policy was then amended by rider to become effective as of May 25, 2007. In light of the foregoing,
14 on May 31, 2007 the Department set aside its Order against Platinum Coast.

15 16. Failure to Meet Liquidity and Tangible Net Worth Requirements

16 A review of Platinum Coast's financial data revealed that the company
17 did not meet its liquidity and tangible net worth requirements as of March 31, 2007 in violation of
18 Financial Code section 17210. The Commissioner's examiner discovered a liquidity deficiency of
19 \$143,923.11 and a tangible net worth deficiency of \$37,565.74. On June 11, 2007, Platinum Coast
20 submitted to the Department evidence that it had cured both its liquidity and tangible net worth
21 deficiencies as of May 31, 2007.

22 **V.**

23 California Financial Code section 17202 provides in pertinent part:

24 At the time of filing an application for an escrow agent's license, the applicant
25 shall deposit with the commissioner a bond satisfactory to the commissioner
26 in the amount of at least twenty-five thousand dollars (\$25,000). Thereafter, a
licensee shall maintain a bond satisfactory to the commissioner . . .

27 California Financial Code section 17210 provides in pertinent part:

28 An escrow agent licensed on or after January 1, 1986, shall maintain at all
times a tangible net worth of fifty thousand dollars (\$50,000), including liquid

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assets of at least twenty-five thousand dollars (\$25,000) in excess of current liabilities.

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

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

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

California Code of Regulations, title 10, section 1726 provides in pertinent part:

[T]he escrow agent shall notify the Commissioner, on the form . . . furnished by the Commissioner, the names of any officer, director, trustee, employee or other person directly or indirectly compensated by the escrow agent before allowing the person in the regular discharge of his/her duties to have access to moneys or negotiable securities belonging to or in the possession of the escrow agent, or to draw checks upon the escrow agent or the trust funds of the escrow agent.

California Code of Regulations, title 10, section 1732.2 provides in pertinent part:

An escrow agent shall establish and maintain currently the following books with reference to its escrow accounts:

- (1) Escrow ledger containing a separate ledger sheet for each escrow;
- (2) Escrow liability controlling account;

. . . The records referred to in subsections (1) and (2) shall be reconciled at least once each month with the bank statements of the "trust" or "escrow" account. The records referred to in subsection (1) shall be reconciled at least once each week with the escrow liability controlling account referred to in subsection (2).

California Code of Regulations, title 10, section 1738 provides in pertinent part:

All money deposited in such "trust" or "escrow" account shall be withdrawn, paid out, or transferred to other accounts only in accordance with the written escrow instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction or pursuant to order of a court of competent jurisdiction.

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California Code of Regulations, title 10, section 1738.1 provides in pertinent part:

An escrow agent shall not withdraw, pay out, or transfer monies from any particular escrow account in excess of the amount to the credit of such account at the time of such withdrawal, payment, or transfer.

California Code of Regulations, title 10, section 1738.2 provides:

An escrow agent shall use documents or other property deposited in escrow only in accordance with the written instructions of the principals to the escrow transaction or the escrow instructions transmitted electronically over the Internet executed by the principals to the escrow transaction, or if not otherwise directed by the written or electronically executed instructions, in accordance with sound escrow practice, or pursuant to order of a court of competent jurisdiction.

VI.

California Financial Code section 17423 provides in pertinent part:

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

(1) That the . . . bar is in the public interest and that the person has committed or caused a violation of this division or rule or order of the commissioner, which violation was either known or should have been known by the person committing or causing it or has caused material damage to the escrow agent or to the public.

(b) Within 15 days from the date of a notice of intention to issue 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 or service of such notice and none is ordered by the commissioner, the failure to request a hearing shall constitute a waiver of the right to a hearing.

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.

VII.

Complainant finds that, by reason of the foregoing, Respondent Nazih Daniel Sadek has violated section 17414, subdivision (a)(1) of the Financial Code and sections 1738 and 1738.2 of title 10 of the California Code of Regulations and it is in the best interest of the public to bar Respondent Nazih Daniel Sadek from any position of employment, management or control of any escrow agent pursuant to section 17423, subdivision (a)(1) of the Financial Code.

Complainant also finds that, by reason of the foregoing, Respondent Miguel Angel Vazquez has violated section 17414, subdivision (a)(1) of the Financial Code and sections 1738, 1738.1, and 1738.2 of title 10 of the California Code of Regulations and it is in the best interest of the public to bar Respondent Miguel Angel Vazquez from any position of employment, management or control of any escrow agent pursuant to section 17423, subdivision (a)(1) of the Financial Code.

Complainant further finds that, by reason of the foregoing, Respondent Platinum Coast Escrow, Inc. has violated sections 17202 and 17210 of the Financial Code and sections 1726 and 1732.2, subdivision (a), of title 10 of the California Code of Regulations. Furthermore, by and through the actions of Nazih Daniel Sadek and Miguel Angel Vazquez, Platinum Coast Escrow, Inc. has violated section 17414, subdivision (a)(1) of the Financial Code and sections 1738, 1738.1, and 1738.2 of title 10 of the California Code of Regulations. It is in the best interest of the public to revoke Platinum Coast Escrow, Inc.'s license, in light of the foregoing violations of the Escrow Law.

WHEREFORE, IT IS PRAYED that Respondents Nazih Daniel Sadek and Miguel Angel Vazquez be barred from any position of employment, management or control of any escrow agent, and that the Commissioner revoke Respondent Platinum Coast Escrow, Inc.'s license.

Dated: October 1, 2007

Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
BLAINE A. NOBLETT
Corporations Counsel
Enforcement Division