

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
4 Department of Corporations
320 West 4th Street, Ste. 750
5 Los Angeles, California 90013-2344
Telephone: (213) 576-7604 Fax: (213) 576-7181
6 Attorneys for Complainant

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

10
11 In the Matter of THE CALIFORNIA) File No. 963-2352
CORPORATIONS COMMISSIONER,)
12)
13 Complainant,) ORDER TO DISCONTINUE ESCROW
) ACTIVITIES PURSUANT TO CALIFORNIA
14 vs.) FINANCIAL CODE SECTION 17415
15)
A.C.T. ESCROW, INC.,)
16)
Respondent.)
17)

18
19 TO: A.C.T. ESCROW, INC.
42231 6th Street W., Suite 205
20 Lancaster, California 93534
21 2155 East Garvey Avenue North, Suite B-10
West Covina, California 91791

22 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

23 1. A.C.T. Escrow, Inc. (“ACT”) is an escrow agent licensed by the California
24 Corporations Commissioner (“Commissioner”) pursuant to the provisions of the Escrow Law of the
25 State of California (Financial Code section 17000 et seq.)(“Escrow Law”). ACT has its principal
26 place of business located at 42231 N. 6th Street W., Suite 205, Lancaster, California 93534. ACT
27 also has a branch office located at 2155 East Garvey Avenue North, Suite B-10, West Covina,
28 California 91791.

1 2. On or about November 16, 2011, the Commissioner received information from the
2 president of ACT that its West Covina escrow manager had admitted embezzling \$92,000.00 in trust
3 funds. Based upon such information, on or about November 17, 2011, the Commissioner, by and
4 through his staff, commenced a special examination of the books and records of ACT.

5 3. The special examination, which has yet to be completed, disclosed that as of
6 November 16, 2011, the main office of ACT had a trust account shortage of at least \$269,504.46.
7 The special examination, with respect to the West Covina branch disclosed that the books and
8 records had not been maintained since in or about February 2011 in violation of Financial Code
9 section 17404 and California Code of Regulations, title 10, section 1732.2. As a result, the
10 Commissioner has been unable to determine the extent of the alleged trust shortage at the West
11 Covina branch to date.

12 4. On or about November 21, 2011, the Commissioner made written demand upon ACT
13 to cure the \$269,504.46 trust account shortage at the main office no later than November 22, 2011.
14 ACT has failed to cure the trust account shortage at the main office except that ACT has stated that it
15 deposited \$25,000.00 into the main office trust account from funds it obtained from its former
16 branch manager and a further \$5,000.00 it obtained from the person the former manager was
17 diverting the embezzled escrow funds through. The Department of Corporations (“Department”) has
18 yet to receive any evidence that such deposits have been made.

19 5. On or about November 16, 2011, the Commissioner made demand upon ACT to
20 immediately open a new trust account at both offices in which all further escrow funds received by
21 ACT would be deposited so that new escrow trust funds could remain separate from the trust funds
22 affected by the shortage. On or about November 18, 2011, ACT opened a new trust account for the
23 West Covina branch. However, as of November 22, 2011, ACT had yet to open the new trust
24 account for Lancaster as previously demanded, so a further demand was made upon ACT. The
25 Department has been informed that the new trust account for the main office was finally opened on
26 or about November 22, 2011. However, the Department has yet to receive written evidence that the
27 new trust accounts have been opened as demanded.

28 Based upon the foregoing, ACT is conducting escrow business in such an unsafe and

1 injurious manner as to render further operations hazardous to the public or to customers.

2 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING
3 THEREFORE, it is hereby ORDERED, under the provisions of Financial Code section 17415, that
4 A.C.T. Escrow, Inc. immediately discontinue acceptance of any new escrow or joint control
5 business, and of money, documents or other property in connection therewith.

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

7 Section 17415 of the Financial Code provides as follows:

8 (a) If the commissioner, as a result of any examination or from any
9 report made to him or her, shall find that any person subject to this
10 division is in an insolvent condition, is conducting escrow business in
11 such an unsafe or injurious manner as to render further operations
12 hazardous to the public or to customers, has failed to comply with
13 the provisions of Section 17212.1 or 17414.1, has permitted its tangible
14 net worth to be lower than the minimum required by law, has failed to
15 maintain its liquid assets in excess of current liabilities as set forth in
16 Section 17210, or has failed to comply with the bonding requirements
17 of Chapter 2 (commencing with Section 17200) of this division, the
18 commissioner may, by an order addressed to and served by registered
19 or certified mail or personal service on such person and on any other
20 person having in his or her possession or control any escrowed funds,
21 trust funds or other property deposited in escrow with said person,
22 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.

23 (b) Within 15 days from the date of an order pursuant to subdivision (a),
24 the person may request a hearing under the Administrative Procedure Act,
25 Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the
26 Government Code. Upon receipt of a request, the matter shall be set for hearing
27 to commence within 30 days after such receipt unless the person subject
28 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).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: November 30, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner