

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

10
11 In the Matter of the Accusation of THE) File No.: 963-1201
CALIFORNIA CORPORATIONS)
12 COMMISSIONER,) ORDER REVOKING ESCROW AGENT’S
13) LICENSE
Complainant,)
14)
15 vs.)
16 APPLE ESCROW, MARY ANN PALMER,)
AND VERONICA AMAYA,)
17)
18 Respondents.)

19 The California Corporations Commissioner (“Commissioner”) finds that:

20 1. Respondent Apple Escrow ("Apple Escrow") is an escrow agent licensed by the
21 California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow
22 Law of the State of California (California Financial Code Section 17000 et seq.). Apple Escrow had
23 its principal place of business at 13585 Whittier Boulevard, Suite 103, Whittier, California 90605.

24 2. On March 10, 2010, the Commissioner received information that a check written
25 against the trust account of Apple Escrow had been returned non-sufficient funds. Based upon such
26 information, the Commissioner, by and through his staff, commenced a special examination of the
27 books and records of Apple Escrow on March 11, 2010.

28 3. The special examination revealed among other violations, that Apple Escrow had a

1 trust account shortage of at least \$47,707.32 in violation of California Code of Regulations, title 10,
2 section 1738.1. The special examination further revealed that the shortage was the result of at least
3 sixteen (16) disbursements from the trust account of Apple Escrow to its general account in the form
4 of unauthorized fees or other unauthorized disbursements. These disbursements, which commenced
5 in or about April 2008 and continued through at least March 9, 2010, were in violation of Financial
6 Code sections 17409, 17414(a)(1), 17420 and/or 17421 and California Code of Regulations, title 10,
7 sections 1738 and 1738.2. The Commissioner made several demands on Apple Escrow to cure the
8 trust account shortage described herein. However, Apple Escrow has failed to cure the shortage and
9 continues in its failure to cure the shortage. Further investigation disclosed that Apple Escrow had
10 also misappropriated \$19,613.79 in dormant escrow trust funds between October 27, 2008 and
11 December 31, 2008. As of May 3, 2010, the special examination had yet to be completed.

12 4. Unauthorized Fees:

13 The unauthorized fees discovered during the special examination of Apple Escrow are
14 described as follows:

15 a. On June 15 and June 16, 2009, in escrow number 08-9529-va, Apple Escrow
16 disbursed \$10,000.00 in unauthorized escrow fees to Apple Escrow by way of trust check numbers
17 13138 and 13139 in the respective amounts of \$7,000.00 and \$3,000.00 in violation of Financial
18 Code section 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.
19 Additionally, Apple Escrow had taken escrow fees totaling \$15,000.00 prior to close of escrow in
20 violation of Financial Code sections 17414(a)(1), 17420 and 17421. The unauthorized
21 disbursements described herein caused a debit balance to exist in this escrow in the amount of
22 \$10,000.00 in violation of California Code of Regulations, title 10, section 1738.1, and also caused a
23 trust account shortage in the same amount.

24 b. On December 5, 2008, in escrow number 08-9578-va, Apple Escrow disbursed
25 \$1,000.00 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number
26 12856 in violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
27 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein
28 caused a debit balance to exist in this escrow in the amount of \$1,000.00 in violation of California

1 Code of Regulations, title 10, section 1738.1, and also caused a trust account shortage in the same
2 amount when escrow later canceled on or about March 9, 2009 and the buyer's deposit was refunded
3 in full.

4 c. The Commissioner has been unable to determine the cause of the debit balance of
5 \$7,629.00 in escrow number 08-9595-va and the corresponding trust account shortage as Apple
6 Escrow failed to provide the Commissioner with the escrow file in violation of Financial Code
7 section 17404.

8 d. On August 17, 2009, in escrow number 09-9666-va, Apple Escrow disbursed
9 \$1,865.00 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number
10 13256 in violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
11 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein
12 caused a debit balance to exist in this escrow in the amount of \$1,865.00 in violation of California
13 Code of Regulations, title 10, section 1738.1, and further caused a trust account shortage in the same
14 amount when escrow later canceled on or about January 10, 2010 and the buyer's deposit was
15 refunded in full.

16 e. On September 17, 2009, in escrow number 09-9674-va, Apple Escrow disbursed
17 \$2,061.00 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number
18 13277 in violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
19 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein
20 caused a debit balance to exist in this escrow in the amount of \$1,391.00 in violation of California
21 Code of Regulations, title 10, section 1738.1, and also caused a trust account shortage in the same
22 amount when escrow later canceled on or about December 3, 2009 and a refund check was issued to
23 the buyer in the amount of the deposit less a \$750.00 cancellation fee, which fee remains in dispute.

24 f. On October 8, 2009, in escrow number 09-9681-va, Apple Escrow disbursed
25 \$1,5051.00 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check
26 number 13295 in violation of Financial Code section 17414(a)(1), 17420 and 17421 and California
27 Code of Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described
28 herein caused a debit balance to exist in this escrow in the amount of \$1,255.00 in violation of

1 California Code of Regulations, title 10, section 1738.1, and also caused a trust account shortage in
2 the same amount when escrow later canceled on or about December 3, 2009 and a refund check was
3 issued to the buyer in the amount of the deposit less a \$250.00 cancellation fee.

4 g. On December 21, 2009, in escrow number 09-9700-va, Apple Escrow disbursed
5 \$3,200.00 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number
6 13334 in violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
7 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein
8 caused a debit balance to exist in this escrow in the amount of \$3,200.00 in violation of California
9 Code of Regulations, title 10, section 1738.1, and also caused a trust account shortage in the same
10 amount as no funds were ever deposited into this escrow.

11 h. On March 3, 2010, in escrow number 10-9715-va, Apple Escrow disbursed \$1,236.20
12 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number 13425 in
13 violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
14 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein
15 caused a debit balance to exist in this escrow in the amount of \$236.20 in violation of California
16 Code of Regulations, title 10, section 1738.1, and also caused a trust account shortage in the same
17 amount as only \$1,000.00 in funds had been deposited into this escrow. On or about March 12,
18 2010, after the special examination commenced, Apple Escrow deposited the sum of \$236.20 into
19 this escrow from its general account to cover the debit balance. However, as escrow number 10-
20 9715-va never closed prior to the Commissioner having taken possession of Apple Escrow as further
21 described below, a debit balance of \$1,000.00 and corresponding trust account shortage currently
22 exists in this escrow as Apple Escrow will not earn the escrow fees represented by the additional
23 \$1,000.00 taken back on March 3, 2010.

24 i. On March 3, 2010, in escrow number 10-9716-va, Apple Escrow disbursed \$2,557.50
25 in unauthorized and unearned escrow fees to Apple Escrow by way of trust check number 13426 in
26 violation of Financial Code section 17414(a)(1), 17420 and 17421 and California Code of
27 Regulations, title 10, sections 1738 and 1738.2. The unauthorized disbursement described herein did
28 not cause a debit balance to the escrow as sufficient funds existed to cover the unauthorized

1 disbursement. Additionally, a trust account shortage did not ensue as a result of the unauthorized
2 disbursement as escrow closed and the escrow fee previously taken became earned.

3 5. Unlawful Transfers:

4 The unlawful transfers discovered during the special examination of Apple Escrow are
5 described as follows:

6 a. On October 27, 2009, Apple Escrow made an unauthorized disbursement of trust
7 funds to the Apple Escrow general account in the amount of \$6,200.00 via wire number 4758 in
8 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title
9 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
10 Apple Escrow causing a shortage in the amount of \$6,200.00 to exist in the trust account.

11 b. On October 28, 2009, Apple Escrow made an unauthorized disbursement of trust
12 funds to the Apple Escrow general account in the amount of \$2,500.00 via wire number 5205 in
13 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title
14 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
15 Apple Escrow causing a shortage in the amount of \$2,500.00 to exist in the trust account.

16 c. On October 31, 2009, Apple Escrow made an unauthorized disbursement of trust
17 funds to the Apple Escrow general account in the amount of \$1,850.00 via wire number 14669 in
18 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title
19 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
20 Apple Escrow causing a shortage in the amount of \$1,850.00 to exist in the trust account.

21 d. On December 29, 2009, Apple Escrow made an unauthorized disbursement of trust
22 funds to the Apple Escrow general account in the amount of \$6,300.00 via wire number 7448 in
23 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title
24 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
25 Apple Escrow causing a shortage in the amount of \$6,300.00 to exist in the trust account.

26 e. On January 12, 2010, Apple Escrow made an unauthorized disbursement of trust
27 funds to the Apple Escrow general account in the amount of \$1,300.00 via wire number 3806 in
28 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title

1 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
2 Apple Escrow causing a shortage in the amount of \$1,300.00 to exist in the trust account.

3 f. On February 16, 2010, Apple Escrow made an unauthorized disbursement of trust
4 funds to the Apple Escrow general account in the amount of \$1,500.00 via wire number 9550 in
5 violation of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title
6 10, sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of
7 Apple Escrow causing a shortage in the amount of \$1,500.00 to exist in the trust account.

8 g. On March 9, 2010, Apple Escrow made an unauthorized disbursement of trust funds
9 to the Apple Escrow general account in the amount of \$1,100.00 via wire number 5093 in violation
10 of Financial Code sections 17409 and 17414(a)(1) and California Code of Regulations, title 10,
11 sections 1738 and 1738.2. The trust funds were used to pay the general operating expenses of Apple
12 Escrow causing a shortage in the amount of \$1,100.00 to exist in the trust account.

13 6. Over-disbursements:

14 a. On June 4, 2009, in escrow number 09-9637-va, Apple Escrow over-disbursed loan
15 proceeds by \$381.12 causing a debit balance to exist in the escrow in violation of California Code of
16 Regulations, title 10, section 1738.1, and further caused a trust account shortage in the same amount.

17 7. Misappropriation of Dormant Trust Funds:

18 a. Commencing on October 27, 2008 and continuing through at least December 31,
19 2008, Apple Escrow misappropriated at least \$19,613.79 in dormant trust funds by canceling twenty-
20 five original outstanding trust checks and re-issuing the checks to Apple Escrow.

21 8. The Commissioner also discovered during the special examination that Apple Escrow
22 had failed to perform monthly bank reconciliations on the trust account since May 31, 2008 in
23 violation of Financial Code section 17404 and California Code of Regulations, title 10, section
24 1732.2. On March 11, 2010, the Commissioner demanded that Apple Escrow provide a trust
25 account bank reconciliation for the period ended February 28, 2010, however, Apple Escrow has
26 failed to provide the bank reconciliation. A trust account reconciliation for the period ended
27 February 28, 2010 prepared by the Commissioner based upon Apple Escrow's month-end reports
28 and trust bank statements disclosed a negative adjusted balance of \$67,385.36 in the trust account.

1 However, the Commissioner has been unable to review specific documents relating to the adjusting
2 items, and is therefore unable to ascertain the exact amount of the trust account shortage.

3 9. Apple Escrow' unlawful actions described above caused the Commissioner, on April
4 20, 2010, to issue a Demand For and Order Taking Possession of the Business and Property of Apple
5 Escrow pursuant to Financial Code section 17621 and an Order Appointing Peter A. Davidson as
6 Conservator pursuant to Financial Code section 17630. The orders were necessary in order to offer
7 any possible protection to the escrow customers of Apple Escrow.

8 10. The above-described violations constitute grounds under Financial Code section
9 17608 to revoke the escrow agent's license.

10 11. On May 3, 2010, the Commissioner issued a Notice of Intention to Issue Order
11 Revoking Escrow Agent's License and to Issue an Order Pursuant to California Financial Code
12 Section 17423 (Bar From Employment, Management or Control of Any Escrow Agent), Accusation
13 and accompanying documents against Apple Escrow, Mary Ann Palmer and Veronica Amaya based
14 upon the above. Apple Escrow was served on May 3, 2010. The Department has received no
15 request for a hearing from Apple Escrow and the time to request a hearing has expired.

16 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that escrow agent's
17 license of Apple Escrow is revoked effective upon the termination of the conservatorship, or
18 receivership, if a receiver is later appointed.

19 Dated: June 3, 2010
20 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

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22 By _____
23 Alan S. Weinger
24 Deputy Commissioner
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