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8

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,) ORDER REVOKING ESCROW AGENT’S
14) LICENSE
Complainant,)
15)
16 vs.)
INTERNATIONAL ESCROW COMPANY and)
17 ANTHONY HAWORTH,)
18)
19 Respondents.)

20 The California Corporations Commissioner finds:

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

26 2. Respondent Anthony Haworth ("Haworth") is, and was at all times relevant, the sole
27 shareholder and president of International.
28

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

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

11 5. The books and records violations can be described as follows:

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

17 b. A further demand was made upon International to provide the trust account
18 reconciliations along with supporting documentation for all adjustments no later than November 13,
19 2006. As of November 13, 2006, International was unable to provide any further trust account
20 reconciliations other than the top sheet for September 2006 and some documentation regarding
21 adjusting items. The top sheet for the September 2006 trust account reconciliation revealed
22 numerous electronic transfers in and out of the International trust account to other non-trust
23 International accounts and/or IMC bank accounts starting in February 2006 and continuing through
24 September 2006 (See Section III for a discussion of these transfers). Accordingly, on November 13,
25 2006, a twenty-four (“24”) hour demand for documents was made to International to include trust
26 reconciliations from October 2005 through September 2006 with all adjusting items cleared, bank
27 account statements for all bank accounts involved in the electronic transfers revealed on the
28 September 2006 trust account reconciliation top sheet, supporting documentation for all trust

1 reconciliation adjusting items, and replacement of any trust account shortage.

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

10 d. On August 7, 2007, a further written demand was made upon International to provide
11 trust account reconciliations from October 2006 through July 2007 along with other books and
12 records. International has failed to comply with that further demand.

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

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

24 6. The regulatory examination further revealed that trust funds in the amount of
25 \$663,863.12 had been wrongfully transferred from the trust account of International (“trust
26 account”) into the general and/or payroll accounts of International or numerous accounts of IMC in
27 violation of Financial Code section 17409 and/or Financial Code section 17414(a)(1) from February
28 2006 through September 2006.

1 7. During the time described in paragraph 6 above, certain of these trust funds were used
2 for the general operations of International or for the business purposes of ICM. The commingling of
3 trust funds is prohibited because of the serious risk of misuse and loss. The commingling of trust
4 funds by International resulted in a trust account shortage and numerous ongoing debit balances in
5 violation of California Code of Regulations, title 10, section 1738.1. It is unknown whether
6 International has corrected the trust account shortage as International has failed to provide books and
7 records to the Commissioner as described in above.

8 8. The unlawful transfers discovered during the regulatory examination of International
9 are described as follows:

10 a. On February 15, 2006, Respondents transferred, and/or caused to be transferred, the
11 sum of \$88,263.51 from the trust account to an IMC trust account (“IMC Account 1”), which was
12 then immediately transferred from IMC Account 1 to another trust account of IMC (“IMC Account
13 2”). 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 further caused a \$88,263.51 shortage (debit balance) to exist in the trust account in violation
16 of 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 trust funds have never
18 been returned to the trust account.

19 b. On April 10, 2006, Respondents transferred, and/or caused to be transferred, the sum
20 of \$25,000.00 from the trust account to IMC Account 1. This transfer was in violation of Financial
21 Code section 17414(a)(1), which prohibits the disbursement of trust funds except in accordance with
22 the instructions of the escrow parties. This transfer caused a further shortage of \$25,000.00 to exist
23 in the trust account in violation of California Code of Regulations, title 10, section 1738.1.
24 According to the documentation provided by International or otherwise obtained by the
25 Commissioner to date, at least \$17,179.61 of these trust funds have never been returned to the trust
26 account.

27 c. On April 11, 2006, Respondents transferred, and/or caused to be transferred, the sum
28 of \$34,000.00 from the trust account to IMC Account 2. This transfer was in violation of Financial

1 Code section 17414(a)(1), which prohibits the disbursement of trust funds except in accordance with
2 the instructions of the escrow parties. This transfer caused a further shortage of \$34,000.00 to exist
3 in the trust account in violation of California Code of Regulations, title 10, section 1738.1.

4 According to the documentation provided by International or otherwise obtained by the
5 Commissioner to date, these funds were not fully returned to the trust account until November 20,
6 2006.

7 d. On April 18, 2006, Respondents transferred, and/or caused to be transferred, the sum
8 of \$29,000.00 from the trust account to IMC Account 2. This transfer was in violation of Financial
9 Code section 17414(a)(1), which prohibits the disbursement of trust funds except in accordance with
10 the instructions of the escrow parties. This transfer caused a further shortage of \$29,000.00 to exist
11 in the trust account in violation of California Code of Regulations, title 10, section 1738.1.

12 According to the documentation provided by International or otherwise obtained by the
13 Commissioner to date, these funds were not fully returned to the trust account until August 30, 2006.

14 e. On April 24, 2006, Respondents transferred, and/or caused to be transferred, the sum
15 of \$25,000.00 from the trust account to IMC Account 2. This transfer was in violation of Financial
16 Code section 17414(a)(1), which prohibits the disbursement of trust funds except in accordance with
17 the instructions of the escrow parties. This transfer caused a further shortage of \$25,000.00 to exist
18 in the trust account in violation of California Code of Regulations, title 10, section 1738.1.

19 According to the documentation provided by International or otherwise obtained by the
20 Commissioner to date, these funds were not fully returned to the trust account until August 29, 2006.

21 f. On May 15, 2006, Respondents transferred, and/or caused to be transferred, the sum
22 of \$247.00 from the trust account to IMC Account 1. This transfer was in violation of Financial
23 Code section 17414(a)(1), which prohibits the disbursement of trust funds except in accordance with
24 the instructions of the escrow parties. This transfer caused a further shortage of \$247.00 to exist in
25 the trust account in violation of California Code of Regulations, title 10, section 1738.1. According
26 to the documentation provided by International or otherwise obtained by the Commissioner to date,
27 these funds were not fully returned to the trust account until August 29, 2006.
28

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

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

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

25 j. On September 1, 2006, Respondents transferred, and/or caused to be transferred, the
26 sum of \$3,000.00 from the trust account to the payroll account of International (“Payroll Account”).
27 This transfer was in violation of Financial Code section 17409, which prohibits commingling of trust
28 funds with non-trust funds. This transfer caused a further shortage of \$3,000.00 to exist in the trust

1 account in violation of California Code of Regulations, title 10, section 1738.1. According to the
2 documentation provided by International or otherwise obtained by the Commissioner to date, these
3 funds were not returned to the trust account until November 8, 2006.

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

11 l. On September 29, 2006, Respondents transferred, and/or caused to be transferred, the
12 sum of \$4,852.61 from the trust account to a third trust account at IMC (“IMC Account 5”). This
13 transfer was in violation of Financial Code section 17414(a)(2), which prohibits the disbursement of
14 trust funds except in accordance with the instructions of the escrow parties. This transfer caused a
15 further shortage of \$4,852.61 to exist in the trust account in violation of California Code of
16 Regulations, title 10, section 1738.1. According to the documentation provided by International or
17 otherwise obtained by the Commissioner to date, these funds were not returned to the trust account
18 until November 7, 2006.

19 9. A review of the bank account records of International and IMC for the period of
20 February 1, 2006 through September 30, 2006 disclosed that a significant portion of the International
21 trust funds unlawfully transferred to the payroll account of International or accounts of the affiliate,
22 IMC, were used for the general operations of International and/or business purposes of IMC in
23 violation of California Financial Code section 17414(a)(1) as follows:

24 a. During February 2006, the amount of trust funds on deposit in IMC Account 2 was
25 \$88,263.51 beginning on February 15, 2006 and continuing through the end of February 2006. The
26 balance in IMC Account 2 was only \$23,728.03 on February 28, 2006 indicating that IMC was using
27 at least \$64,535.48 in trust funds for its business operations in February 2006.
28

1 b. As of April 1, 2006, the amount of trust funds on deposit in IMC Account 2 was
2 \$88,263.51 until April 10, 2006 when a further \$25,000.00 in trust funds was wrongfully transferred
3 to IMC Account 2. On April 11, 18 and 24, 2006, a further \$34,000.00, \$29,000.00 and \$25,00.00 in
4 trust funds, respectively, were wrongfully transferred into IMC Account 2, at which point the
5 amount of trust funds on deposit in IMC Account 2 totaled \$201,263.51. The balance in IMC
6 Account 2 was \$492.26 just prior to the transfer of \$25,000.00 in trust funds made on April 10, 2006
7 and was \$7,394.45 on April 28, 2006 indicating that IMC was using trust funds of at least
8 \$193,869.06 in April 2006 for its business operations.

9 c. During May 2006, the amount of trust funds on deposit in IMC Account 1 was
10 \$247.00 beginning on May 15, 2006 and continuing through the end of May 2006. The balance in
11 IMC Account 1 was negative \$246.57 prior to the May 15, 2006 wrongful transfer of trust funds
12 indicating that IMC was using at least \$246.57 in trust funds for its business operations in May 2006.

13 d. During June 2006, the amount of trust funds on deposit in IMC Account 3 was
14 \$400,000.00 beginning on June 19, 2006 with a wrongful transfer of \$200,00.00 in trust funds and
15 reaching \$400,000.00 with a further wrongful transfer of \$200,000.00 in trust funds on June 21,
16 2006. On June 21, 2006, the balance in IMC Account 3 was \$166,227.90 indicating that IMC was
17 using at least \$233,772.10 in trust funds for its business operations as of June 21, 2006. Between
18 June 23 and June 27, 2006, trust funds in the amount of \$200,000.00 were transferred from IMC
19 Account 3 back to the trust account leaving \$200,000.00 in trust funds on deposit in IMC Account 3.
20 On June 30, 2006, the balance in IMC Account 3 was \$27,571.32 indicating that IMC was still using
21 at least \$172,428.68 in trust funds for its business operations as of June 30, 2006.

22 e. During June 2006, the amount of trust funds on deposit in IMC Account 4 was
23 \$50,000.00 beginning on June 30, 2006 with a wrongful transfer of \$50,000.00 in trust funds into the
24 account. On June 29, 2006, the balance in IMC Account 4 was negative \$7,159.00 and was
25 \$38,341.00 on June 30, 2006 indicating that IMC was using at least \$11,659.00 in trust funds for its
26 business operations in June 2006.

27 f. During September 2006, the amount of trust funds on deposit in the Payroll Account
28 was \$3,000.00 beginning on September 1, 2006 with a wrongful transfer of \$3,000.00 in trust funds

1 and reached \$7,500.00 with a further wrongful transfer of \$4,500.00 in trust funds on September 29,
2 2006. On September 30, the balance in the Payroll Account was \$344.02 indicating that
3 International was using at least \$7,155.98 in trust funds for its general operations in September 2006.

4 g. During September 2006, the amount of trust funds on deposit in IMC Account 5 was
5 \$4,852.61 beginning on September 29, 2006 with a wrongful transfer of \$4,852.61 in trust funds.
6 The balance in IMC Account 5 was negative \$12,686.87 on October 3, 2006 indicating that IMC
7 was using at least \$4,852.61 in trust funds for its business operations in October 2006.

8 10. Pursuant to Financial Code section 17210, International is required to maintain a
9 tangible net worth of \$50,000.00 and liquid assets of \$25,000.00 at all times. During the regulatory
10 examination, International was requested to provide the Commissioner with a balance sheet for the
11 period ended September 30, 2006. The balance sheet provided by International disclosed that
12 International had a tangible net worth deficiency of \$4,421.00 and a liquid asset deficiency of
13 \$29,421.00. International has not submitted any more recent financial statements and or other
14 documentation that evidences that International meets the tangible net worth and liquid asset
15 requirements of Financial Code section 17210.

16 11. Pursuant to Financial Code section 17202, International was required to maintain a
17 surety bond in the minimum amount of \$25,000.00. The surety bond of International expired on
18 November 18, 2006, and no replacement bond was obtained by International. On November 20,
19 2006, the Commissioner issued an Order to Discontinue Escrow Activities against International
20 pursuant to Financial Code section 17415 for failure to maintain the required surety bond. This
21 Order was served on International on November 20, 2006. International has yet to obtain a
22 replacement surety bond in violation of Financial Code section 17202.

23 12. Commingling trust funds or otherwise making unauthorized disbursements of trust
24 funds; causing a trust account shortage; failure to maintain and/or provide books and records; failure
25 to maintain the required tangible net worth and liquid asset; and failure to maintain a surety bond are
26 grounds under Financial Code section 17608 for the revocation of an escrow agent's license.

27 13. On November 7, 2007, the Commissioner issued a Notice of Intention to Issue Order
28 Revoking Escrow Agent's License, Accusation and accompanying documents against International

1 based upon the above. International was served with those documents on November 7, 2007 via
2 certified, return-receipt mail at its licensed location on file with the California Department of
3 Corporations. The Department has received no request for a hearing from International and the time
4 to request a hearing has expired.

5 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the escrow
6 agent's license of International Escrow Company be revoked.

7 Dated: December 12, 2007
8 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

9 By _____
10 Alan S. Weinger
11 Lead Corporations Counsel
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