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California Corporations Commissioner
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Deputy Commissioner
3 JUDY L. HARTLEY (CA BAR NO. 110628)
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4 Department of Corporations
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6 Attorneys for Complainant

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

10
11 In the Matter of the Statement of) File No.: 963-2373
Issues/Accusation of THE CALIFORNIA)
12 CORPORATIONS COMMISSIONER,) ORDER DENYING APPLICATION FOR
13) CHANGE OF OWNERSHIP
Complainant,)
14)
vs.)
15)
16 MORRIS ESCROW, INC., CESAR DAVID)
ESTRADA, and BETHSABE E. MORRIS,)
17)
18 Respondents.)

19 The California Corporations Commissioner finds that:

- 20 1. Respondent Morris Escrow, Inc. ("Morris Escrow") is an escrow agent licensed by
21 the California Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the
22 Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Morris
23 Escrow has its principal place of business located at 1010 N. Central Avenue, Suite 317, Glendale,
24 California 91202.
- 25 2. Respondent Cesar David Estrada ("Estrada") is, and was at all times relevant herein,
26 the president and sole shareholder of Morris Escrow.
- 27 3. On October 30, 2007, Respondent Morris Escrow filed an application for change of
28 ownership with the Commissioner (the "application"). The application identified Bethsabe E.

1 Morris (“Morris”) as the proposed new president, secretary, treasurer, sole shareholder and director
2 of Morris Escrow. Morris had never previously been employed in the independent escrow industry.

3 4. The application included a Statement of Identity and Questionnaire (“SIQ”) for
4 Morris. The SIQ at Question #5 specifically asked: “Have you ever been convicted of or pleaded
5 nolo contendere to a misdemeanor or felony other than traffic violations?” Morris answered “no”.
6 Morris signed the application and SIQ under penalty of perjury that all of the information submitted
7 in the application was true and correct.

8 5. The Commissioner, while reviewing the application discovered that Morris, on
9 December 20, 1990, had been convicted of misdemeanor theft under Penal Code section 484(a).
10 Theft is a crime involving moral turpitude, which is substantially related to the qualification,
11 functions and duties of a person engaged in the escrow business, and is also an offense identified in
12 subdivision (b) of Financial Code section 17414.1. Moreover, it is a violation of Financial Code
13 section 17702 to make any untrue statement of material fact in any application filed with the
14 Commissioner or omit any material fact required to be stated in any such application.

15 6. On April 8, 2008, Morris was asked to explain the conviction and why she had not
16 disclosed it on her SIQ. In response, Morris stated “[I]n a stationery store near the 134 freeway
17 while shopping, I placed something in my pocket, which I do not recall at this time, worth
18 approximately \$7.00. I forgot to pay. I had difficulty making myself understood and I was taken to
19 jail. While inside the jail on a tv monitor, I was asked some questions over the tv and was told that if
20 I pled guilty, the matter would be finished. I did not have an interpreter, did not have an attorney,
21 did not go to Court and did not really understand what was going on. . . .”

22 7. The Commissioner was unable to obtain the criminal complaint filed against Morris
23 in the above-described matter, as the majority of the records in the case have been purged. However,
24 the available court records disclose that Morris made further misrepresentations to the Commissioner
25 in her explanation regarding the conviction in that Morris did make court appearances and was
26 represented by counsel when she entered into her plea agreement. Morris never offered an
27 explanation as to why she did not disclose the conviction on her SIQ as requested.
28

1 8. Further, a letter to Morris Escrow regarding the application dated April 23, 2008
2 requesting a financial statement dated within 60 days of the date of the application and written
3 confirmation from Escrow Agent’s Fidelity Corporation (“EAFC”) that each shareholder, director,
4 officer and employee of Morris Escrow had filed a completed application for certification with
5 EAFC has gone unanswered.

6 9. Pursuant to Financial Code section 17406, all escrow agent licensees are required to
7 submit their annual audited financial statement to the Commissioner within 105 days of their fiscal
8 year end. The fiscal year end for Morris Escrow is December 31. Accordingly, the annual audited
9 financial statement for Morris Escrow is due to the Commissioner on or before April 15 of each
10 year. Morris Escrow has failed to submit its December 31, 2007 and December 31, 2008 audited
11 financial statements to the Commissioner as required by Financial Code section 17406.

12 10. Pursuant to Financial Code section 17202, all escrow agent licensees are required to
13 maintain a surety bond in the minimum amount of \$25,000.00. The surety bond of Morris Escrow
14 expired on January 23, 2009. On January 23, 2009, the Commissioner issued an Order to
15 Discontinue Escrow Activities to Morris Escrow pursuant to Financial Code section 17415 for
16 failure to maintain the required surety bond.

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

23 12. During the follow-up examination, it was discovered that Morris Escrow had violated
24 the Order to Discontinue Escrow Activities by continuing to accept new escrow business while the
25 Order was in effect, but specifically during the time period Morris Escrow had yet to replace its
26 surety bond. The Commissioner documented at least two new escrows that were accepted by Morris
27 Escrow during the period after Morris Escrow was served with the Order to Discontinue Escrow
28 Activities and prior to replacing the surety bond. This activity is not only in direct violation of the

1 Order to Discontinue Escrow Activities, but is also a violation of California Financial Code sections
2 17200 and 17600.

3 13. Previously, on November 10, 2008, the Commissioner commenced a special
4 examination of the books and records of Morris Escrow after receiving an anonymous tip that Morris
5 Escrow had been improperly reconciling the trust account. During the course of the special
6 examination, Estrada, on January 21, 2009, confessed that he had unlawfully transferred \$98,830.73
7 in escrow trust funds from the trust account(s) to the general account to pay the operating expenses
8 of Morris Escrow, including employee salaries, for which he had returned \$19,000.00, leaving a trust
9 account shortage of \$79,830.73. Financial Code section 17409 prohibits the commingling of trust
10 funds with general funds and Financial Code section 17414(a)(1) prohibits the disbursement of trust
11 funds except in the accordance with the escrow instructions of the principals.

12 14. The special examination revealed that Morris Escrow, by and through Estrada, had
13 made at least 12 unauthorized disbursements of trust funds totaling \$99,770.73 between November
14 21, 2007 and September 18, 2008 in violation of Financial Code section 17414(a)(1) and California
15 Code of Regulations, title 10, sections 1738 and 1738.2. Only \$24,000.00 of the misappropriated
16 trust funds has been returned. The special examination further revealed that Morris Escrow had
17 never reconciled the trust account since its licensure on January 23, 2007 in violation of Financial
18 Code section 17404 and California Code of Regulations, title 10, section 1732.2 and there existed
19 adjusting items totaling \$44,206.05 of which \$8,552.49 created an additional shortage in the trust
20 account in violation of California Code of Regulations, title 10, section 1738.1.

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

25 16. The unauthorized disbursements of trust funds are described as follows:

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

1 b. On December 31, 2007, Estrada made an unauthorized disbursement of trust funds to
2 the Morris Escrow general account in the amount of \$9,520.73 in violation of Financial Code section
3 17414(a)(1) and California Code of Regulations, title 10, sections 1738 and 1738.2.

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

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

10 e. On January 23, 2008, the Human Resources manager of Morris Escrow made an
11 unauthorized disbursement of trust funds to the Morris Escrow general account in the amount of
12 \$1,800.00 in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
13 title 10, sections 1738 and 1738.2.

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

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

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

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

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

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

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

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

14 18. The above-described violations constitute grounds under Financial Code section
15 17209.3 to deny license application(s) under the Escrow Law.

16 NOW GOOD CAUSE APPEARING THEREFORE, it is hereby ordered that the application
17 for change of ownership filed with the Commissioner on October 30, 2007 by Morris Escrow, Inc. is
18 hereby denied. This order is effective as of the date hereof.

19 Dated: September 15, 2009
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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