

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 4<sup>th</sup> 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 Accusation THE ) Case No.: 963-2525  
CALIFORNIA CORPORATIONS )  
12 COMMISSIONER, ) ACCUSATION  
13 )  
Complainant, )  
14 )  
15 vs. )  
16 CF ESCROW, INC. and CHRISTIAN )  
FREEMAN, )  
17 )  
18 Respondents. )

19 The Complainant is informed and believes, and based upon such information and belief,  
20 alleges and charges Respondents as follows:

21 I

22 Respondent CF Escrow, Inc. ("CF Escrow") is an escrow agent licensed by the California  
23 Corporations Commissioner ("Commissioner" or "Complainant") pursuant to the Escrow Law of the  
24 State of California (California Financial Code Section 17000 et seq.). CF Escrow has its principal  
25 place of business at 778 Jamacha Road, El Cajon, California 92019.

26 Respondent Christian Freeman ("Freeman") was at all times relevant herein the president and  
27 sole shareholder of CF Escrow.  
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## II

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2 On or about September 3, 2009, the Commissioner, by and through his staff, commenced a  
3 regulatory examination of the books and records of CF Escrow. The September 3, 2009 regulatory  
4 examination revealed that CF Escrow, by and through Freeman, had been taking early escrow fees in  
5 violation of Financial Code sections 17414(a)(1), 17420 and 17421. The early escrow fees  
6 commenced on or about September 2, 2008 and continued through at least August 13, 2009 and  
7 totaled \$12,941.00. At least one such early escrow fee disbursement caused a debit balance in the  
8 amount of \$2,010.00 in violation of California Code of Regulations, title 10, section 1738.1 when  
9 the escrow canceled and the deposit was returned in full to the buyer.

10 On or about October 26, 2009, the results of the September 3, 2009 regulatory examination  
11 were discussed with Freeman and Freeman was informed to cease taking early escrow fees as it was  
12 a violation of the Escrow Law.

## III

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14 On or about March 26, 2010, the Department received CF Escrow's October 31, 2009  
15 audited financial statements. Note E of the audited financials stated: "[t]he company did not  
16 discontinue taking escrow fees from escrows prior to the close of escrow as highlighted in a  
17 regulatory examination by the California Department of Corporations."

18 Based on the above, on or about March 29, 2010, the Commissioner commenced a special  
19 regulatory examination of the books and records of CF Escrow. The special examination disclosed  
20 that CF Escrow, by and through Freeman, had continued taking early escrow fees notwithstanding  
21 the admonishment from the Department. The special examination specifically disclosed that  
22 Respondents had taken early escrow fees totaling \$92,843.00 in forty-seven (47) escrow between  
23 October 21, 2009 and March 15, 2010. A spreadsheet detailing the 47 escrows described herein is  
24 attached and incorporated herein as Exhibit A.

25 Seven of the escrows that Respondents took early escrow fees canceled causing a debit  
26 balance in each of the escrows. These seven escrows are described as follows:

27 1. On or about November 10, 2009, in escrow number 1729, Respondents disbursed  
28 \$2,259.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code

1 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
2 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
3 escrow in the amount of \$2,259.00 in violation of California Code of Regulations, title 10, section  
4 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
5 or about January 25, 2010 when it was discovered that this was a duplicate escrow and all the funds  
6 were transferred to another escrow.

7 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
8 caused to be prepared trust receipt number 1387 showing the sum of \$2,259.00 having been  
9 deposited into the trust account from the general account on January 25, 2010 to repay the early  
10 escrow fees taken from escrow number 1729, and then not depositing such funds into the trust  
11 account until April 6, 2011 when demanded by the Commissioner.

12 2. On or about November 10, 2009, in escrow number 1832, Respondents disbursed  
13 \$2,691.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
14 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
15 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
16 escrow in the amount of \$2,691.00 in violation of California Code of Regulations, title 10, section  
17 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
18 or about March 24, 2010 and the deposit was returned to the buyer.

19 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
20 caused to be prepared trust receipt number 1588 showing the sum of \$2,691.00 having been  
21 deposited into the trust account from the general account on March 24, 2010 to repay the early  
22 escrow fees taken from escrow number 1832, but did not deposit the funds into the trust account  
23 until March 25, 2010.

24 3. On or about November 20, 2009, in escrow number 1860, Respondents disbursed  
25 \$2,580.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
26 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
27 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
28 escrow in the amount of \$1,080.00 in violation of California Code of Regulations, title 10, section

1 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
2 or about January 14, 2010 and only \$1,500.00 was authorized by the escrow parties to be paid to CF  
3 Escrow as cancelation fees.

4 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
5 caused to be prepared trust receipt number 1367 showing the sum of \$1,080.00 having been  
6 deposited into the trust account from the general account on January 15, 2010 to repay the early  
7 escrow fees taken from escrow number 1860, and then not depositing such funds into the trust  
8 account until April 6, 2011 when demanded by the Commissioner.

9 4. On or about December 4, 2009, in escrow number 1878, Respondents disbursed  
10 \$2,283.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
11 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
12 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
13 escrow in the amount of \$2,283.00 in violation of California Code of Regulations, title 10, section  
14 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
15 or about January 12, 2010 and the deposit was returned to the buyer.

16 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
17 caused to be prepared trust receipt number 1368 showing the sum of \$2,283.00 having been  
18 deposited into the trust account from the general account on January 15, 2010 to repay the early  
19 escrow fees taken from escrow number 1878, and then not depositing such funds into the trust  
20 account until April 6, 2011 when demanded by the Commissioner.

21 5. On or about November 10, 2009, in escrow number 1905, Respondents disbursed  
22 \$2,305.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
23 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
24 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
25 escrow in the amount of \$2,305.00 in violation of California Code of Regulations, title 10, section  
26 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
27 or about January 14, 2010 and the deposit was returned to the buyer.

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1 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
2 caused to be prepared trust receipt number 1369 showing the sum of \$2,305.00 having been  
3 deposited into the trust account from the general account on January 15, 2010 to repay the early  
4 escrow fees taken from escrow number 1905, and then not depositing such funds into the trust  
5 account until April 6, 2011 when demanded by the Commissioner.

6 6. On or about January 20, 2010, in escrow number 2025, Respondents disbursed  
7 \$1,933.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
8 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
9 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
10 escrow in the amount of \$1,933.00 in violation of California Code of Regulations, title 10, section  
11 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
12 or about January 25, 2010 and the deposit was returned to the buyer.

13 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
14 caused to be prepared trust receipt number 1386 showing the sum of \$1,933.00 having been  
15 deposited into the trust account from the general account on January 25, 2010 to repay the early  
16 escrow fees taken from escrow number 2025, and then not depositing such funds into the trust  
17 account until April 6, 2011 when demanded by the Commissioner.

18 7. On or about December 10, 2009, in escrow number 2062, Respondents disbursed  
19 \$3,015.00 in unauthorized and unearned escrow fees to CF Escrow in violation of Financial Code  
20 section 17414(a)(1), 17420 and 17421 and California Code of Regulations, title 10, sections 1738  
21 and 1738.2. The unauthorized disbursement described herein caused a debit balance to exist in this  
22 escrow in the amount of \$3,015.00 in violation of California Code of Regulations, title 10, section  
23 1738.1, and also caused a trust account shortage in the same amount when escrow later canceled on  
24 or about January 26, 2010 and the deposit was returned to the buyer.

25 Respondents also violated Financial Code sections 17414(a)(2) when they prepared and/or  
26 caused to be prepared trust receipt number 1399 showing the sum of \$3,015.00 having been  
27 deposited into the trust account from the general account on January 28, 2010 to repay the early  
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1 escrow fees taken from escrow number 2062, and then not depositing such funds into the trust  
2 account until April 6, 2011 when demanded by the Commissioner.

3 IV

4 California Financial Code section 17608 provides in pertinent part:

5 The commissioner may, after notice and a reasonable opportunity to  
6 be heard, suspend or revoke any license if he finds that:

7 (b) The licensee has violated any provision of this division or any  
8 rule made by the commissioner under and within the authority of this  
9 division.

10 (c) Any fact or condition now exists which, if it had existed at the  
11 time of the original application for such license, reasonably would have  
12 warranted the commissioner in refusing originally to issue such license.

13 California Financial Code section 17423 provides in pertinent part:

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

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

23 V

24 Complainant finds that, by reason of the foregoing, Respondents CF Escrow, Inc. and  
25 Christian Freeman have violated Financial Code sections 17414(a)(1), 17414(a)(2), 17420 and  
26 17421 and California Code of Regulations, title 10, sections 1738, 1738.1, and 1738.2 and it is in the  
27 best interests of the public to revoke the escrow agent’s license of Respondent CF Escrow, Inc. and  
28 to bar Respondent Christian Freeman from any position of employment, management or control of  
any escrow agent.

WHEREFORE, IT IS PRAYED that Respondent Christian Freeman be barred from any  
position of employment, management or control of any escrow agent and the escrow agent’s license  
of Respondent CF Escrow, Inc. be revoked.

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Dated: April 19, 2011  
Los Angeles, CA

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
Judy L. Hartley  
Senior Corporations Counsel