

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. 963-2525
CORPORATIONS COMMISSIONER,)
12)
13 Complainant,) ORDER TO DISCONTINUE ESCROW
) ACTIVITIES PURSUANT TO CALIFORNIA
14 vs.) FINANCIAL CODE SECTION 17415
15)
16 PIRON ESCROW, INC., formerly known as CF)
ESCROW, INC.,)
17 Respondent.)
18)

19 TO: PIRON ESCROW, INC.
20 778 Jamocha Road
21 El Cajon, California 92019

22 THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

23 1. On or about May 31, 2011, the Commissioner received information from Tammy
24 Piron (“Piron”), the new owner of Piron Escrow, Inc formerly known as CF Escrow, Inc. (“Piron
25 Escrow”) that the former owner, Christian Freeman (“Freeman”) had sent her an email confessing
26 that he had embezzled \$435,000 from the escrow trust account over the last two years. Based upon
27 such information, the Commissioner, by and through his staff, commenced a special examination of
28 the books and records of Piron Escrow on or about June 1, 2011.

1 2. The special examination, which was completed on or about July 19, 2011, disclosed
2 that commencing in or about December 11, 2009 and continuing through at least April 22, 2011,
3 Freeman had diverted escrow trust deposits into the company’s general and payroll bank accounts
4 and/or his personal bank account(s) and/or made unauthorized disbursements of escrow trust funds
5 to the company payroll account or himself totaling \$437,935.52 in violation of Financial Code
6 sections Financial Code section 17409 and 17414(a)(1) and California Code of Regulations, title 10,
7 sections 1738 and 1738.2.

8 3. The unauthorized diversions and disbursements of trust funds described in paragraph
9 2 above have caused a shortage of at least \$435,000.00 to exist in the trust account of Piron Escrow
10 in violation of California Code of Regulations, title 10, section 1738.1 after taking into account a
11 deposit by Freeman of \$2,945.55 and an adjustment of \$.03.

12 4. Previously, on or about May 31, 2011, Piron opened a new trust account (“trust
13 account # 2”) and moved all the trust funds on deposit in the existing trust account (“trust account #
14 1”) to trust account # 2 as it appeared that Freeman continued to have internet access to trust account
15 # 1. The outstanding trust account shortage of \$435,000.00 necessarily followed the funds into trust
16 account # 2.

17 5. Based upon the findings of the special examination, on or about July 25, 2011, the
18 Commissioner made written demand to Piron Escrow to open a new trust account (“trust account #
19 3”) in which all further escrow funds received by Piron Escrow would be deposited so that new
20 escrow trust funds could remain separate from the trust funds affected by the shortage. Piron
21 Escrow was specifically instructed that no trust funds received by Piron Escrow on or after July 25,
22 2011 could be deposited into trust account # 2, which would necessarily include the transfer of funds
23 from trust account # 3 to trust account # 2.

24 6. On or about July 25, 2011, the Commissioner also made written demand upon Piron
25 Escrow to cure the \$435,000.00 trust account shortage no later than August 1, 2011. However, Piron
26 Escrow has failed to cure the shortage and continues in its failure to cure the shortage.

27 7. On or about August 23, 2011, the Commissioner learned that Piron Escrow had
28 started transferring trust funds from trust account # 3 to trust account # 2 in direct contravention of

1 the Commissioner’s July 25, 2011 letter. A demand was made to Piron Escrow to explain and detail
2 what was occurring between the two trust accounts since August 23, 2011. On August 26, 2011,
3 Piron Escrow responded by just stating that funds are being transferred from trust account # 3 to
4 clear checks being presented to trust account # 2.

5 Based upon the foregoing, Piron Escrow is conducting escrow business in such an unsafe and
6 injurious manner as to render further operations hazardous to the public or to customers.

7 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING
8 THEREFORE, it is hereby ORDERED, under the provisions of Financial Code section 17415, that
9 Piron Escrow immediately discontinue acceptance of any new escrow or joint control business, and
10 of money, documents or other property in connection therewith.

11 IT IS FURTHER ORDERED that Piron Escrow is hereby prohibited from depositing any
12 trust funds into trust account # 2 and/or transferring funds from trust account # 3 to trust account # 2.

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

14 Section 17415 of the Financial Code provides as follows:

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

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of the escrow agent.

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

Dated: August 26, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner