

1 PRESTON DuFAUCHARD
 California Corporations Commissioner
 2 ALAN S. WEINGER
 Deputy Commissioner
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 4 DEPARTMENT OF CORPORATIONS
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8 BEFORE THE DEPARTMENT OF CORPORATIONS
 9 OF THE STATE OF CALIFORNIA

11	In the Matter of THE CALIFORNIA)	File No.: 963-2525
12	CORPORATIONS COMMISSIONER,)	
13	Complainant,)	NOTICE AND SUMMARY OF FINDINGS
14	vs.)	PURSUANT TO CALIFORNIA
15	PIRON ESCROW, INC. formerly known as CF)	FINANCIAL CODE SECTION 17621
16	ESCROW, INC.,)	
17	Respondent.)	

19 TO: PIRON ESCROW, INC.
 20 778 Jamacha Road
 21 El Cajon, California 92019
 22 CITY NATIONAL BANK
 23 555 South Flower, 21st Floor
 Los Angeles, California 90071

24 Please take notice that the California Corporations Commissioner finds:

25 1. On or about May 31, 2011, the Commissioner received information from Tammy
 26 Piron (“Piron”), the new owner of Piron Escrow, Inc formerly known as CF Escrow, Inc. (“Piron
 27 Escrow”) that the former owner, Christian Freeman (“Freeman”) had sent her an email confessing
 28 that he had embezzled \$435,000.00 from the escrow trust account over the last two years. Based

1 upon such information, the Commissioner, by and through his staff, commenced a special
2 examination of the books and records of Piron Escrow on or about June 1, 2011.

3 2. The special examination, which was completed on or about July 19, 2011, disclosed
4 that commencing in or about December 11, 2009 and continuing through at least April 22, 2011,
5 Freeman had diverted escrow trust deposits into the company’s general and payroll bank accounts
6 and/or his personal bank account(s) and/or made unauthorized disbursements of escrow trust funds
7 to the company payroll account or himself totaling \$437,935.52 in violation of Financial Code
8 sections 17409 and 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections
9 1738 and 1738.2.

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

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

19 5. Based upon the findings of the special examination, on or about July 25, 2011, the
20 Commissioner made written demand to Piron Escrow to open a new trust account (“trust account #
21 3”) in which all further escrow funds received by Piron Escrow would be deposited, so that new
22 escrow trust funds could remain separate from the trust funds affected by the shortage. Piron
23 Escrow was specifically instructed that no trust funds received by Piron Escrow on or after July 25,
24 2011 could be deposited into trust account # 2, which would necessarily include the transfer of funds
25 from trust account # 3 to trust account # 2.

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

1 7. On or about August 23, 2011, the Commissioner learned that Piron Escrow had
2 started transferring trust funds from trust account # 3 to trust account # 2 in direct contravention of
3 the Commissioner’s July 25, 2011 letter. A demand was made to Piron Escrow to immediately
4 submit an accounting of the transfers between the two trust accounts since August 23, 2011. On
5 August 26, 2011, Piron Escrow responded by stating that funds are being transferred from trust
6 account # 3 to clear checks being presented to trust account # 2.

7 8. The actions of Piron Escrow in transferring funds from trust account # 3 to cover
8 checks being presented to trust account # 2 has caused a shortage to exist in trust account # 3. The
9 exact amount of the shortage is unknown at this time as Piron Escrow has ignored the demands of
10 the Commissioner to submit an accounting of the funds transferred between the two accounts since
11 such transfers began on or about August 23, 2011.

12 9. On or about August 29, 2011, the Commissioner made written demand upon Piron
13 Escrow to cure the shortage in trust account # 3 that it caused by transferring funds to trust account #
14 2 no later than August 31, 2011. Piron Escrow has failed to cure the shortage and continues in its
15 failure to cure the shortage.

16 10. On or about August 30, 2011, the Commissioner received information that funds in
17 the amount of \$30,359.07 that were supposed to be wired into trust account # 3 on August 26, 2011,
18 were wired into trust account # 2, thereby causing a further shortage of \$30,359.07 to exist in trust
19 account # 3. At this time, the Commissioner lacks information to determine if there are sufficient
20 funds in trust account # 2 to restore the \$30,359.07 deposit to trust account # 3.

21 11. Financial Code section 17621 provides in pertinent part:

22 Whenever it appears to the Commissioner that any escrow agent subject
23 to this division:

24 ...

25 (b) Is conducting escrow business in an unsafe and unauthorized manner;

26 (c) Has violated its charter or any law of the State of California;

27 ...

28 the commissioner shall dispatch a written notice and summary of findings,
as referred to in Section 17415, to the principal officer of the escrow agent
involved or to its manager of record; and such escrow agent shall be afforded
a reasonable opportunity to comply or otherwise effect such remedy as the
commissioner may deem acceptable. However, should the escrow agent so

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notified fail to comply within five days of receipt of the notice, or as soon as it appears to the commissioner that no compliance is possible, or in the event prompt delivery of the prescribed written notice is impossible, the commissioner may forthwith take possession of the property and business of such escrow agent and retain possession until such escrow agent resumes business or its affairs be finally liquidated as provided in this chapter. The escrow agent, with the consent of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

12. Based upon the foregoing, the Commissioner finds that Piron Escrow has violated Financial Code sections 17406 and 17414 and California Code of Regulations, title 10, sections 1738, 1738.1 and 1738.2, and is conducting escrow business in such an unsafe and unauthorized manner, that no compliance is possible.

Dated: September 2, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Alan S. Weinger
Deputy Commissioner