

1 CLOTHILDE V. HEWLETT
Commissioner
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Deputy Commissioner
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9
10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:

) FILE NO.: 96DBO-141737
)
)

13
14 THE COMMISSIONER OF FINANCIAL
15 PROTECTION AND INNOVATION,

)
) **NOTICE AND SUMMARY OF FINDINGS**
) **PURSUANT TO FINANCIAL CODE**
) **SECTION 17621**
)

16
17 Complainant,

18 v.

19 GROW ESCROW, INC.,

20
21 Respondent.
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23

24 TO: GROW ESCROW INC.
25 8624 Wilshire Blvd., Suite 110
Beverly Hills, CA 90211

26 CITY NATIONAL BANK
27 555 S. Flower Street, 18th Floor
28 Los Angeles, CA 90071

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QUALIA LABS, INC
Agent For Service of Process
Nate Baker
50 Freemont Street., #3600
San Francisco, CA 94105

PLEASE TAKE NOTICE that the Commissioner of Financial Protection and Innovation (Commissioner) finds that:

1. Grow Escrow, Inc. (Grow Escrow) is licensed as an escrow agent under the California Escrow Law (Escrow Law) (Fin. Code, § 17000 et seq.), with license number 96DBO-141737.
2. Grow Escrow’s principal place of business was located at 8624 Wilshire Blvd., Suite 110, Beverly Hills, California 90210.
3. Parham Zar (Zar) is the president and 100% owner of Grow Escrow.
4. Financial Code section 17414 subsection (c) mandates immediate reporting of any abstraction or misappropriation of money, funds or trust obligations to the Commissioner.
5. Financial Code section 17601 authorizes the Commissioner to investigate an escrow agent’s business and examine the books and records of the escrow agent, and of every person who acts or claims to act as a principal or agent of the escrow agent, if the Commissioner suspects a violation of the escrow laws.
6. The DFPI commenced a special examination of Grow Escrow on December 15, 2023, after it had received a complaint of missing funds from Grow Escrow’s trust account.
7. On December 15, 2023, and as part of the special examination, Zar informed the DFPI that Grow Escrow had a new business address. Zar informed the DFPI that Grow Escrow changed its address as of December 10, 2023, and that the new address was located at 11718 W. Pico Blvd., Suite 204, Los Angeles, CA 90064. Grow Escrow did not obtain the Commissioner’s prior approval of its change of business address and failed to timely notify the Commissioner of the new address in violation of Financial Code section 17213.1. The DFPI informed Zar to update the Commissioner of Grow Escrow’s change of address, but, to date, Grow Escrow has failed to do so.
8. On December 15, 2023, the DFPI requested cut-off bank statements and bank

1 signature cards from Grow Escrow.

2 9. On December 18, 2023, Zar informed the DFPI of his intent to close Grow Escrow
 3 and surrender its escrow license. To date, the DFPI has not received a surrender request from Grow
 4 Escrow. Grow Escrow is no longer operating from 8624 Wilshire Blvd., Suite 110, Beverly Hills,
 5 CA 90211, or 11718 W. Pico Blvd., Suite 204, Los Angeles, CA 90064, but its escrow agent license
 6 remains active.

7 10. On December 19, 2023, Zar submitted a Summary of Personnel to the DFPI,
 8 indicating he was the president and sole employee of Grow Escrow. However, the bank signature
 9 cards for the escrow trust account included signatures of two former employees.

10 11. From December 21, 2023 to January 11, 2024, the DFPI requested various items for
 11 the special examination of Grow Escrow, including escrow books and records, trust account bank
 12 reconciliation, financials, and escrow status reports.

13 12. Financial Code section 17405, subdivision (b), requires escrow licensees to provide
 14 books and records to the Commissioner upon request.

15 13. Grow Escrow failed to produce all the requested information.

16 14. On January 11 and March 25, 2024, the DFPI sent follow-up letters to Grow Escrow
 17 and Zar requesting all outstanding financials, reports, and documents, and demanded that Grow
 18 Escrow replenish the trust shortage.

19 15. As of the date of this notice, Grow Escrow has failed to produce all the requested
 20 information, in violation of Financial Code section 17405, subdivision (b), and California Code of
 21 Regulations, title 10, section 1737.3.

22 16. The total amount transferred from Grow Escrow’s escrow trust account was
 23 \$850,000.00. The list of funds transferred out of the Grow Escrow trust account is as follows:

Method of Transfer	Date of Transfer	Amount	Beneficiary Party
Check	3/9/2023	\$250,000.00	Greenway Commercial Holdings Ltd.
Bank Transfer	11/9/2023	\$300,000.00	Grows Escrow – General

			Account ¹
Outgoing wire	11/21/2023	\$100,000.00	Greenway Commercial Holdings Ltd.
Outgoing wire	12/18/2023	\$50,000.00	Greenway Commercial Holdings Ltd.
Outgoing wire	12/26/2023	\$50,000.00	Greenway Commercial Holdings Ltd.
Outgoing wire	1/8/2024	\$50,000.00	Greenway Commercial Holdings Ltd.
Outgoing wire	1/16/2024	\$50,000.00	Greenway Commercial Holdings Ltd.
Total:		\$850,000.00	

17. Grow Escrow’s bank reconciliation revealed an unreconcilable amount debit balance totaling \$250,000.00 as of March 31, 2023. The trial balance as of December 15, 2023, showed the debit balance of \$250,000.00 recorded under an escrow number labeled “Miscellaneous,” and without any associated property address. On March 9, 2023, a \$250,000.00 check was issued to Greenway Commercial Holdings Ltd. and was signed by Zar. However, this check was not listed on the book balance debit check listing report. Additionally, the debit book balance report from March 1, 2023 to March 31, 2023 did not reflect the check. Instead, it showed a miscellaneous entry for \$250,000.00 dated Mach 9, 2023.

18. Greenway Commercial Holdings Ltd. holds a California Department of Real Estate license (License Number 02039258). According to its California Secretary of State Statement of Information filed on March 2, 2022, Zar is listed as the Chief Executive Officer, Secretary, Chief Financial Officer, and Director. Grow Escrow and Zar failed to disclose this affiliation with Greenway Commercial Holdings Ltd in the list of bank accounts and affiliated companies form signed by Zar on December 19, 2023, during the DFPI’s special examination.

19. On or around August 25, 2023, Greenway Commercial Holdings Ltd. attempted to deposit a \$150,000.00 check into Grow Escrow trust account. The check, payable to Grow Escrow

¹ This amount was later transferred from Grow Escrow’s general account into Greenway Commercial Holdings Ltd.

1 and signed by Zar, was deposited on August 28, 2023, but was returned due to insufficient funds on
2 August 30, 2023. The check did not reference a specific escrow number, and Greenway Commercial
3 Holdings Ltd. was not a principal in any escrow transaction handled by Grow Escrow.

4 20. On November 9, 2023, \$300,000.00 was transferred from Grow Escrow's trust
5 account into Grow Escrow's general account in violation of Financial Code sections 17411 and
6 17411.1. That same day, \$300,000.00 was wired from the general account to Greenway Commercial
7 Holdings Ltd.

8 21. Grow Escrow's bank statements revealed additional outgoing wires to Greenway
9 Commercial Holdings Ltd. on the following dates: November 21, 2023 for \$100,000.00; December
10 18, 2023 for \$50,000.00; December 26, 2023 for \$50,000.00; January 8, 2024 for \$50,000.00; and
11 January 16, 2024 for \$50,000.00.

12 22. The transfers and wire-outs described above resulted in a trust account shortage.
13 Grow Escrow has failed to correct the trust shortage, despite DFPI's multiple demands to replenish
14 the funds. As of January 16, 2024, Grow Escrow's trust account showed a shortage of \$850,000.00,
15 in violation of Financial Code section 17414, subdivision (a)(1). Grow Escrow made unauthorized
16 fund transfers, engaged in activity that constitutes theft or fraud in escrow transactions, failed to
17 correct the trust shortage, and conducted escrow business in an unsafe or injurious manner, violating
18 Financial Code sections 17414, subdivision (a)(1), (b), and (c), 17411, 17411.1 and California Code
19 of Regulations, title 10, sections 1738, 1738.1 and 1738.2.

20 23. Additionally, Grow Escrow failed to maintain accurate and reconcilable book balance
21 reports at least once a month as required by California Code of Regulations, title 10, section 1732.2.

22 24. The DFPI received numerous complaints regarding Grow Escrow, as follows:

- 23 (a) On December 24, 2023, the DFPI received a complaint regarding escrow
24 number 23-116-AM. The complainants filed a civil complaint against Grow
25 Escrow in the Superior Court of California, County of Los Angeles (Case No.:
26 24SMCV01088) for Grow Escrow's failure to release \$727,500.00 of
27 withheld tax funds to the Internal Revenue Service. The matter is still
28 pending.

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(b) On April 4, 2024, the DFPI received a complaint regarding escrow number 23-127 AM. The complainant alleged that Grow Escrow mishandled the escrow transaction by failing to provide a completed form for the Franchise Tax Board withholding tax related to the sale of complainant’s property. As a result, the complainant did not receive a credit for the \$15,813.00 withholding. A review of the escrow trial balance, dated March 31, 2023, showed a balance of \$42,000.00 for escrow number 23-127 AM, but this escrow number was not listed on the escrow trial balance dated December 15, 2023.

(c) On April 8, 2024, the DFPI received a complaint stating that Grow Escrow owes the complainant \$26,000.00 related to escrow number 22-55 AM. Based on the escrow trial balance dated December 15, 2023, escrow number 22-55 AM had a balance of \$75,000.00. On December 27, 2023, Grow Escrow wired only \$49,000.00 to the complainant, leaving \$26,000.00 outstanding.

25. Based upon the foregoing, the Commissioner finds that Grow Escrow has:

- (a) knowingly or recklessly made unauthorized transfers and disbursements of trust funds, causing a total trust shortage of \$850,000, in violation of Financial Code section 17414, subdivision (a)(1) and (b) and California Code of Regulations, title 10, sections 1738, 1738.1 and 1738.2;
- (b) knowingly or recklessly engaged in activity that constitutes theft or fraud in escrow transactions in violation of Financial Code section 17414, subdivision (a)(1);
- (c) knowingly caused and transferred funds from the trust account to the general account in violation of Financial Code sections 17411 and 17411.1;
- (d) failed to report a trust account shortage balance immediately to the Commissioner in violation of Financial Code section 17414, subdivision (c);
- (e) failed to maintain its books and records in accordance with the Escrow Law in that it failed to maintain the trust account bank reconciliation in violation of

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California Code of Regulations, title 10, section 1732.2;

- (f) withdrew, paid out, or transferred funds from its trust account to other accounts otherwise than in accordance with escrow instructions of the principals to the escrow transaction or pursuant to order of a court of competent jurisdiction, in violation of California Code of Regulations, title 10, section 1738;
- (g) failed to provide escrow books and records for examination in violation of California Code of Regulations, title 10, section 1732.3; and
- (h) failed to notify the Commissioner of the licensee’s change of business address in violation of Financial Code section 17213.1.

26. The Commissioner also finds that Grow Escrow is conducting escrow business in such an unsafe or injurious manner as to render further operations hazardous to the public or to customers.

27. Financial Code section 17621 provides in pertinent part:

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

- (b) Is conducting escrow business in an unsafe and unauthorized manner;
- (c) Has violated its charter or any law of the State of California . . .
- (d) Refuses to submit its books, papers and affairs to the inspection of any examiner;
- (g) Any officer, director, stockholder, or trustee of such escrow agent, or attorney in fact of such escrow agent has embezzled, sequestered, or willfully diverted the assets or trust funds of such escrow agent;

. . .

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 remedies as the commissioner may deem acceptable. However, should the escrow agent so 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

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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.

28. Pursuant to Financial Code sections 17621 and 17630, it is necessary that a conservator be appointed as specified in the accompanying Order Appointing Edgar Nunez as Conservator Pursuant to Financial Code Section 17630.

Dated: August 6, 2024

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division