

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Acting Deputy Commissioner
3 JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
4 Department of Corporations
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5 Los Angeles, California 90013-2344
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6 Attorneys for Complainant

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

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11 In the Matter of THE CALIFORNIA) File No.: 963-0288
CORPORATIONS COMMISSIONER,)
12)
13 Complainant,) NOTICE AND SUMMARY OF FINDINGS
14 vs.) PURSUANT TO CALIFORNIA FINANCIAL
15 STAR ESCROW CO., INC.,) CODE SECTION 17621
16 Respondent.)
17)
18)

19 TO: STAR ESCROW CO., INC.
20 3929 Tweedy Boulevard
21 South Gate, California 90280
22 COMERICA BANK
23 2321 Rosecrans Avenue, Suite 5000
24 El Segundo, California 90245-4537

25 Please take notice that the California Corporations Commissioner finds:

- 26 1. On or about December 10, 2007, a regulatory examination of the books and records
27 of Star Escrow Co., Inc. (“Star Escrow”) was commenced by the California Corporations
28 Commissioner (“Commissioner”). The regulatory examination revealed a trust account shortage of
\$60,790.02 in violation of California Code of Regulations, title 10, section 1738.1 based upon the

1 adjusting items noted in Star Escrow’s most recent trust account reconciliation for the period ending
2 November 30, 2007. Certain of the adjusting items dated back to June 2000 and had yet to be
3 corrected in violation of Financial Code section 17404 and California Code of Regulations, title 10,
4 section 1732.2. Numerous written demands were made to Carole Worrell (“Worrell”), president and
5 sole stockholder of Star Escrow, to correct the adjusting items and cure the trust account shortage,
6 however, Star Escrow has failed to correct the adjusting items or cure the trust account shortage to
7 date.

8 2. On or about February 21, 2008, an Order to Discontinue Escrow Activities was issued
9 against Star Escrow for its failure to maintain a surety bond in accordance with the provisions of
10 Financial Code section 17202. Star Escrow was personally served with the Order to Discontinue
11 Escrow Activities on or about February 22, 2008.

12 3. On or about March 20, 2008, the Commissioner’s staff attempted a further on site
13 visit to Star Escrow at its licensed location of 3929 Tweedy Boulevard, South Gate, California, at
14 which time the Commissioner learned that Star Escrow was no longer at the location. Further,
15 attempts to contact Star Escrow in April 2008 revealed that Star Escrow had disconnected its
16 telephone number. The location of the books and records of Star Escrow was unknown.

17 4. In or about August 2008, the Department of Corporations (“Department”) received
18 two letters from Elisa Worrell, vice-president of Star Escrow (“E. Worrell”). The letters were
19 addressed to Irene Smith (“Smith”) and regarded continuing disbursements from the trust account,
20 which Smith was believed to be involved with, and accusations that Smith had taken over control of
21 the Star Escrow trust and general accounts at Comerica Bank. The Commissioner had barred Smith
22 from any position of employment, management or control of any escrow agent back in 1997, which
23 bar order remains in effect.

24 5. The Commissioner determined that it was necessary to commence a special
25 examination of Star Escrow based upon the information described in paragraph 4 above
26 notwithstanding previous failed attempts to examine Star Escrow due to the unknown location of its
27 books and records.

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1 6. On or about August 25, 2008, a special examination of Star Escrow was commenced.
2 The special examination was commenced by contacting Comerica Bank to obtain the trust account
3 documents for the period of July 31, 2007 through July 31, 2008, the cut-off date for the special
4 examination. Thereafter, the Commissioner’s staff attempted to locate Star Escrow’s books and
5 records. These attempts led to Smith’s son, Charles Smith, who was the landlord of Star Escrow.
6 Several communications and meetings with Charles Smith eventually led to a meeting with Charles
7 Smith on September 16, 2008 wherein Charles Smith granted the Commissioner’s examiner access
8 to a backroom on the premises of the building where Star Escrow was located in which
9 approximately 200 boxes of escrow files and banking records of Star Escrow were located. A
10 cursory review of the documents disclosed escrow files and daily banking records ranging from 2001
11 to 2005.

12 7. A review of the banking records provided by Comerica Bank on the Star Escrow trust
13 account disclosed numerous unusual and possible unauthorized disbursements from Star Escrow’s
14 trust account in violation of Financial Code section 17414(a)(1) and California Code of Regulations,
15 title 10, sections 1738 and 1738.2 after the business had closed totaling \$172,543.43. At least
16 \$109,371.83 of these disbursements are linked to Smith, despite that Smith is barred from the
17 independent escrow industry and was not an authorized signer on any Star Escrow account, trust or
18 otherwise.

19 8. The special examination of Star Escrow further revealed that Maria Gomez
20 (“Gomez”), a former employee of Star Escrow, admitted to signing at least one blank Star Escrow
21 trust account check at the behest of Smith, which check was used by Smith to purchase a cashier’s
22 check in the amount of \$100,000.00 made payable to an alleged friend of Smith’s.

23 9. The special examination was further complicated by Star Escrow’s use of trust checks
24 out of numerical sequence. According to E. Worrell, numerous boxes of trust checks were
25 misplaced and that is why the company went from using 130000 series checks back to 120000 series
26 checks in 2008. Per the regulatory examination commenced on December 10, 2007, the next unused
27 trust check was trust check number 137914. Due to the use of misplaced trust checks with numbers
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1 prior to 137914, the Commissioner is unable to determine how many trust checks have been issued,
2 and thus unable to determine what trust checks remain outstanding.

3 10. On or about October 7, 2008, the Commissioner’s staff contacted Comerica Bank to
4 obtain the trust account documents for the period of August 31, 2008 through October 7, 2008, the
5 date of the request. Despite numerous requests, on or about November 17, 2008, Comerica Bank
6 provided only the bank statements sans canceled checks, etc., for the trust account through October
7 24, 2008. The trust account balance as of October 24, 2008 was \$140,211.10.

8 11. A March 30, 2009 written request to Comerica Bank for the balance in the Star
9 Escrow trust account resulted in a response disclosing that the amount of \$139,782.37 remains in the
10 trust account.

11 12. The adjusting items described in paragraph 1 above along with the possibly
12 unauthorized disbursements described in paragraph 7 above are believed to have caused a shortage
13 of at least \$256,390.40 to currently exist in the trust account of Star Escrow in violation of California
14 Code of Regulations, title 10, section 1738.1. The Commissioner is unable to determine the exact
15 amount of the trust account shortage due to the lack of books and records.

16 13. Star Escrow has abandoned its escrow business.

17 14. California Financial Code section 17621 provides in pertinent part:

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

20 ...

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

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

22 ...

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

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of the commissioner, may resume business upon such conditions as the commissioner may prescribe.

15. Based upon the foregoing, the Commissioner finds that Star Escrow has violated Financial Code sections 17404 and 17414(a)(1) and California Code of Regulations, title 10, sections 1732.2, 1738, 1738.1 and 1738.2, and is conducting escrow business in such an unsafe and unauthorized manner, that no compliance is possible.

Dated: April 1, 2009
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
Judy L. Hartley
Senior Corporations Counsel