PRESTON DuFAUCHARD
California Corporations Commissioner
WAYNE STRUMPFER
Deputy Commissioner
ALAN S. WEINGER (CA BAR NO. 86717)
Lead Corporations Counsel
JUDY L. HARTLEY (CA BAR NO. 110628)
Senior Corporations Counsel
Department of Corporations
320 West 4th Street, Ste. 750
Los Angeles, California 90013-2344
Telephone: (213) 576-7604 Fax: (213) 576-7181

Attorneys for Complainant

BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, vs. ASSET ESCROW SERVICES, INC., TESSA M.A. SIMS and RAYNA HILL, Respondents.	OAH No.: L-2207010310 File No.: 963-1934 AMENDED ORDER REVOKING ESCROW AGENT'S LICENSE

Pursuant to the Settlement Agreement entered into between Asset Escrow Services, Inc. ("Asset"), Tessa M.A. Sims ("Sims"), Rayna Hill ("Hill")(collectively "Respondents") and the California Corporations Commissioner ("Commissioner") on April 12, 2007, the escrow agent's licenses of Asset, which include two branch licenses, are hereby revoked effective October 20, 2007.

Pursuant to the terms of the Settlement Agreement, Asset admits the following for purposes of this action and any future proceedings initiated by or brought before the California Corporations Commissioner only:

1. Asset is an escrow agent licensed by the Commissioner pursuant to the Escrow Law of the State of California (California Financial Code Section 17000 et seq.). Asset has its principal

State of California – Department of Corporations

place of business located at 707 Escondido Avenue, Suite 206, Vista, California 92084. Asset also has two branch locations situated at 2725 Jefferson Street, Suite 12, Carlsbad, California 92008 and 41593 Winchester Road, Suite 202, Temecula, California 92590.

2. Sims is, and was at all times relevant herein, the president and sole shareholder of Asset.

3. Hill is, and was at all times relevant herein, the administrative assistant for Asset at its Vista location.

4. On May 12, 2006, the Commissioner commenced a regulatory examination of the books and records of Asset. The regulatory examination revealed among other violations, that trust funds in the amount of $278,707.17 had been wrongfully transferred from the trust account of Asset into the general account of Asset in violation of California Financial Code section 17409. At least $248,707.17 of the Asset trust funds wrongfully transferred to the Asset general account ("general account") were allowed to remain in the general account for anywhere from 1 to 54 days. During this time, certain of these trust funds were used for the general operations of Asset, and at least $60,000.00 of these trust funds were transferred to the personal account of Sims during the time period in which she was purchasing the commercial building where the main office of Asset is located. The commingling of trust funds is prohibited because of the serious risk of misuse and loss. The commingling of trust funds by Asset resulted in a trust account shortage and numerous ongoing debit balances in violation of California Code of Regulations, title 10, section 1738.1. Asset has corrected the trust account shortage caused by the unlawful transfers of trust funds.

5. The unlawful transfers discovered during the regulatory examination of Asset are described as follows:

A. On January 19, 2006, Respondents issued, and/or caused to be issued, wire number 934 to transfer earned escrow fees from the Carlsbad trust account to the general account. The amount transferred from the Carlsbad trust fund to the general account was $41,784.78, when earned escrow fees only totaled $1,784.78. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Carlsbad trust account or any other Asset trust fund until February 21,

State of California – Department of Corporations

2006, causing a $40,000.00 shortage (debit balance) in the Carlsbad trust account from January 19, 2006 until February 21, 2006.

B. On January 31, 2006, Respondents issued, and/or caused to be issued, wire number 952 to transfer earned escrow fees from the Carlsbad trust account to the general account. The amount transferred from the Carlsbad trust fund to the general account was $9,673.38, however these escrow fees had already been paid. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Carlsbad trust account or any other Asset trust fund until February 1, 2006, causing a further shortage of $9,673.38 in the Carlsbad trust account from January 31, 2006 until February 1, 2006.

C. On February 2, 2006, Respondents issued, and/or caused to be issued, wire number 582 to transfer earned escrow fees from the Temecula trust account to the general account. The amount transferred from the Temecula trust fund to the general account was $2,995.00, however these earned escrow fees had already been paid. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Temecula trust account or any other Asset trust fund until March 29, 2006, causing a shortage of $2,995.00 in the Temecula trust account from February 2, 2006 until March 29, 2006.

D. On February 21, 2006, Respondents issued, and/or caused to be issued, wire number 989 transferring $2,277.00 from the Carlsbad trust account to the general account. There were no earned escrow fees involved with this transfer. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Carlsbad trust account or any other Asset trust fund until March 28, 2006, causing a shortage of $2,277.00 in the Carlsbad trust account from February 21, 2006 until March 28, 2006.

E. On February 28, 2006, Respondents issued, and/or caused to be issued, wire number 1009 transferring $6,040.00 from the Carlsbad trust account to the general account. There were no earned escrow fees involved with this transfer. This transfer was in violation of California

State of California – Department of Corporations

Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Carlsbad trust account or any other Asset trust fund until March 10, 2006, causing a further shortage of $6,040.00 in the Carlsbad trust account from February 28, 2006 until March 10, 2006.

F. On March 15, 2006, Respondents issued, and/or caused to be issued, wire number 1147 to transfer earned escrow fees from the Vista trust account to the general account. The amount transferred from the Vista trust fund to the general account was $37,721.79, when earned escrow fees only totaled $3,721.79. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Vista trust account or any other Asset trust fund until March 21, 2006, causing a shortage of $34,000.00 in the Vista trust account from March 15, 2006 until March 21, 2006.

G. On March 15, 2006, Respondents issued, and/or caused to be issued, wire number 1029 to transfer earned escrow fees from the Carlsbad trust account to the general account. The amount transferred from the Carlsbad trust fund to the general account was $44,410.00, when earned escrow fees only totaled $4,410.00. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Carlsbad trust account or any other Asset trust fund until March 22, 2006, causing a further shortage of $40,000.00 in the Carlsbad trust account from March 15, 2006 until March 22, 2006.

H. On March 15, 2006, Respondents issued, and/or caused to be issued, wire number 653 to transfer earned escrow fees from the Temecula trust account to the general account. The amount transferred from the Temecula trust fund to the general account was $33,710.00, when earned escrow fees only totaled $3,710.00. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Temecula trust account or any other Asset trust fund until March 21, 2006, causing a further shortage of $30,000.00 in the Temecula trust account from March 15, 2006 until March 21, 2006.

State of California – Department of Corporations

I. On March 20, 2006, Respondents, in what appears to be an attempt to return the trust funds wrongfully transferred via wire number 653 described in paragraph H above, transferred $33,710.00 from the general account to the Vista trust account. However, the unlawful transfer of trust funds had occurred between the Temecula trust account and the general account. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The general funds were returned to the general account from the Vista trust account on March 21, 2006 at the same time the unlawful transfer of trust funds from the Temecula trust account to the general account was corrected. See paragraph H above.

J. On March 21, 2006, Respondents transferred, and/or caused to be transferred, $3,721.79 in earned escrow fees from the Vista trust account to the general account, however, these earned escrow fees had already been paid. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Vista trust account or any other Asset trust fund until April 24, 2006, causing a further shortage of $3,721.79 in the Vista trust account from March 21, 2006 until April 24, 2006.

K. On April 14, 2006, Respondents issued, and/or caused to be issued, wire number 1199 to transfer earned escrow fees from the Vista trust account to the general account. The amount transferred from the Vista trust fund to the general account was $82,100.00, when earned escrow fees only totaled $2,100.00. This transfer was in violation of California Financial Code section 17409, which prohibits commingling of trust funds with non-trust funds. The trust funds were not returned to the Vista trust account or any other Asset trust fund until May 26, 2006, causing a shortage of $80,000.00 in the Vista trust account from April 14, 2006 until May 26, 2006.

6. A review of the bank account records of Asset Escrow for the period of January 1, 2006 through May 31, 2006 disclosed that a significant portion of the Asset trust funds unlawfully transferred to the general account were used for the general operations of Asset and the personal use of Sims in violation of California Financial Code section 17414(a)(1) as follows:

State of California – Department of Corporations

A. During January 2006, the amount of trust funds on deposit in the general account was $40,000.00 beginning on January 19, 2006 and increased to $49,673.38 on January 31, 2006. The balance in the general account was a negative $30,135.72 just prior to the transfer of $40,000.00 in trust funds and a negative $15,593.89 just prior to the transfer of a further $9,673.38 in trust funds. The balance in the general account was only $6,879.58 on January 31, 2006 when trust funds on deposit in the general account totaled $49,673.38 indicating that Asset was using at least $42,793.80 in trust funds for general operations in January 2006.

B. During February 2006, the amount of trust funds on deposit in the general account fluctuated from $49,673.38 on February 1, 2006, when the general account balance was only $10,159.63 and ended with $11,312.00 on February 28, 2006, when the general account balance was $12,282.20. On February 15, 2006, the balance in the general account fell to a negative $21,115.23 when $42,995.00 in trust funds were on deposit in the general account indicating that Asset used at least $21,879.77 in trust funds for general operations in February 2006.

C. As of March 1, 2006, the amount of trust funds on deposit in the general account was $11,312.00 until March 10, 2006 when $6,040.00 was returned to the Carlsbad trust account. The amount of trust funds on deposit in the general account increased to $109,272.00 on March 15, 2006 when a further $104,000.00 was wrongfully transferred into the general account. The balance in the general account was only $16,677.89 after the transfer of the $104,000.00 in trust funds indicating that Asset was using trust funds of at least $92,594.11 for general and other operations in March 2006.

Additionally, on March 8, 2006 and March 15, 2006, the sum of $26,000.00 and $34,000.00, respectively, were transferred from the general account to the personal account of Sims. Thereafter, on March 15, 2006, the sum of $68,148.45 was transferred from Sims personal account to an escrow for deposit on behalf of Sims for her purchase of the office building where Asset was located indicating that trust funds were at least temporarily used to help Sims purchase the office building.

Respondents contend however that with respect to the March 8, 2006 and March 15, 2006, transfers of $26,000.00 and $34,000.00, respectively, from the general account to Sims'

State of California – Department of Corporations

personal account, Sims had transferred funds from her personal account in the amount of the $120,000.00 into the general account during the months of January and February 2006 to be used in the purchase of the Vista office building, and believed that the transfer of $60,000.00 from the general account to the personal account of Sims during the month of March 2006 was against these personal funds.

D. As of April 1, 2006, the amount of trust funds on deposit in the general account was $3,721.79 until April 14, 2006 when a further $80,000.00 in trust funds was wrongfully transferred to the general account. The balance in the general account was negative $370.93 after the April 14, 2006 transfer of trust funds indicating that Asset was using trust funds of at least $83,721.79 for general operations in April 2006.

E. The sum of $80,000.00 in trust funds remained on deposit in the general account until May 26, 2006. During May 2006, the general account balance fell to $12,238.29 indicating that Asset used as much as $67,761.71 in trust funds for general operations during May 2006.

7. The regulatory examination also disclosed that Asset had failed to maintain books and records in violation of California Financial Code section 17404 and California Code of Regulations, title 10, sections 1732.2 and 1732.3 in that Asset had no trust account reconciliation for the period ended April 30, 2006 and no general account ledger for January through April 2006. Asset did not provide the trust account reconciliations until June 21, 2006. As of September 28, 2006, Asset was still unable to provide the April 2006 general ledger. The bank statements for the general account disclosed that it continued to be overdrawn in May, June, July and August 2006.

8. The most current balance sheet available as of the start of the regulatory examination was for March 31, 2006 and disclosed a liquid asset deficiency of $136,230.24 and a tangible net worth deficiency of $44,764.24. A draft of the balance sheet for April 30, 2006 provided on September 28, 2006 discloses a liquid asset deficiency of $284,315.40 and a tangible net worth deficiency of $198,115.49. California Financial Code section 17210 requires all escrow agent licensees to maintain liquid assets of at least $25,000.00 in excess of current liabilities and a tangible net worth of at least $50,000.00.

State of California – Department of Corporations

This Amended Order Revoking Escrow Agent's License supercedes the Order Revoking Escrow Agent's License issued on August 16, 2007.

Dated: August 17, 2007
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

By_____
Alan S. Weinger
Lead Corporations Counsel

State of California – Department of Corporations