

Escrow/Trust Accounting Policy

Purpose

This document establishes the written procedures and controls for Escrow/Trust Accounting and safeguarding of client funds at Landstar Title Agency, Inc.

Escrow Trust Accounts

Landstar Title Agency, Inc. employees who are authorized to having banking access are responsible for following these standards when processing real estate settlement transactions:

- Three-way reconciliation (escrow trial balance/book balance/reconciled bank balance) is processed daily for all our escrow accounts using TrackerPro's Recon Plus module. Any Recon Plus exceptions are addressed and reconciled daily to complete the three-way reconciliations.
- The trial balance report is reviewed daily to identify any shortages that need to be funded. Shortages are funded immediately from operating.
- Closing Funds are deposited daily into our clearance trust accounts. The following day the appropriate transfers are made to the escrow/recording/premium/tax accounts.
- The following business day, after the close of the month, the final three- way bank reconciliations and bank statements are completed and then given to Kenneth Warner to review and sign.
- During the review process, all open exceptions such as outstanding deposits over 1 day old and outstanding checks for taxes/recordings over 60 days old are resolved. If the exception remains open, the reason is documented and made part of the reconciliation.
- Escrow and recording file balances over 60 days are brought to the attention of Management.
- Dormant file balances and outstanding checks are reviewed monthly and follow-up is performed. However if the balances cannot be returned to the appropriate party, the funds are escheated to the Office of the State Comptroller by March 15th of the following year.
- The escrow accounts are reconciled by the C.F.O. who does not have escrow signatory privileges.
- ACH blocks, positive pay, and international wire blocks have been implemented on all our escrow accounts.
- Checks are disbursed by the Financial Manager. The checks are reviewed and signed by John Burke or Kenneth Warner.
- Dual parties are required to send outgoing wires.
- Wire-authorization, on-line bank privileges, and escrow account access are removed at the time of termination by the management via the bank and our IT company.
- Landstar Title Agency, Inc. must maintain appropriate written procedures and controls for escrow trust accounts allowing for electronic verification of reconciliation.
- Only those employees approved to authorize bank transactions may do so.
- Accounts must be properly identified as "escrow" or "trust" accounts.
- Escrow funds and other funds must be separately maintained.
- Unless directed by the beneficial owner, escrow trust accounts must be maintained in federally insured financial institutions.
- A list of accounts is maintained identifying the name and purpose of each account. The list is updated as accounts are opened and closed.

Background Checks and Credit Reports

Background checks are performed at the time of hire and at least once every 3 years, going back 5 years for all employees who have access to customer funds. Credit reports must also be obtained at least once every 3 years for all employees who have access to customer funds.

When required by state law or contractual obligations, Landstar Title Agency, Inc. will possess the required amount of fidelity bond coverage and/or surety bond coverage from a carrier that is acceptable to the underwriter in an amount not less than the amount required by state law or agreed to in the company’s underwriting agreements.

Landstar Title Agency, Inc. also ensures that closing protection letter coverage, where mandated by statute, will be issued in connection with the disbursement or that a statutory indemnity fund will be established to cover fidelity losses not otherwise covered by the protections afforded by the underwriter.

Violation of Policy

Failure to adhere to all requirements stipulated in this policy and all related documents may result in disciplinary actions, up to and including

- Immediate removal of any applicable hardware/software/access to the Landstar Title Agency, Inc. computer network or business systems
- Formally reporting the incident to Landstar Title Agency, Inc. senior management
- Termination of employment
- Any other action deemed necessary by Landstar Title Agency, Inc. senior management

Review

Landstar Title Agency, Inc. has voluntarily adopted this policy for its sole and exclusive use. This policy and all related documents will be reviewed annually or as needed based on prevailing business conditions.

Approved

Kenneth Warner, Esq., Vice President and Senior Counsel

Revision History

| Version Number | Revised Date | Effective Date | Approved By | Brief Change Summary |
|----------------|--------------|----------------|-------------|----------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |