

1 Department of Real Estate
2 107 South Broadway, Room 8107
3 Los Angeles, CA 90012
4 (213) 620-4790

FEB 27 1977

DEPARTMENT OF REAL ESTATE
107 SOUTH BROADWAY, ROOM 8107
LOS ANGELES, CALIFORNIA 90012

8 DEPARTMENT OF REAL ESTATE
9 STATE OF CALIFORNIA

10 * * * *

11 TO:

12 MORTON CAPITAL MANAGEMENT,
13 a California corporation;
14 RICHARD S. HULL,
15 individually and as
16 designated officer of
17 Morton Capital Management;
18 and MICHAEL A. GRAYSON,
19 individually and as
20 designated officer of
21 Morton Capital Management.

NO. H-22785 LA

ORDER TO DESIST
AND REFRAIN

19 The Real Estate Commissioner of the State of California has
20 caused an investigation to be made of your activities as a real
21 estate broker, and based upon the findings of that investigation,
22 as set forth below, is of the opinion that, while engaged in
23 activities which require a real estate broker license under the
24 provisions of Section 10131(d) of the Business and Professions
25 Code, (hereinafter "Code"), you violated Sections 10130, 10145 and
26 10231.1 of the Code and that you also violated Sections 2831,
27 2831.1, 2832.1 and 2842.5 of Chapter 6, Title 10, California

1 Administrative Code (hereinafter the "Regulations").

2 I

3 At all times mentioned herein, you, MORTON CAPITAL
4 MANAGEMENT (hereinafter "MORTON CAPITAL") were and now are
5 licensed by the Department of Real Estate of the State of
6 California (hereinafter "Department") as a corporate real estate
7 broker by and through Richard S. Hull (hereinafter "HULL") as the
8 designated officer until his designated officer license expired on
9 March 3, 1986 and, from August 6, 1986 to the present, by MICHAEL
10 A. GRAYSON (hereinafter "GRAYSON") as the designated officer.

11 II

12 At all times herein mentioned, you, HULL, were and now
13 are licensed by the Department as a real estate broker. At all
14 times herein mentioned you were also licensed by the Department as
15 the real estate broker designated officer of MORTON CAPITAL,
16 until said designated officer license expired on March 3, 1986.

17 III

18 At all times herein mentioned, from August 6, 1986 to
19 the present, you GRAYSON, were and now are licensed by the
20 Department as a real estate broker, individually and as designated
21 officer of MORTON CAPITAL.

22 IV

23 All further reference herein to "you" shall include the
24 parties identified in Paragraphs I, II and III above, and shall be
25 deemed to refer also to the officers, directors, employees,
26 agents, and real estate licensees employed by or associated with
27 said parties, who at all times herein mentioned were engaged in

1 the furtherance of the business or operations of said parties and
2 who were acting within the course and scope of their corporate
3 authority and employment.

4
5 V

6 At all times herein mentioned, from November, 1985 to and
7 including June 30, 1986, you engaged in the business of, acted in
8 the capacity of, advertised, or assumed to act as a real estate
9 broker in the State of California within the meaning of Section
10 10131(d) of the Code including the operation of a mortgage loan
11 brokerage business with the public, wherein you solicited lenders
12 and borrowers for loans secured by liens on real property and
13 wherein you arranged, negotiated, processed, consummated and
14 serviced such loans on behalf of others, all for or in expectation
15 of compensation.

16 VI

17 From February 1, 1986 to and including June 30, 1986, in
18 connection with the aforesaid mortgage loan activities, you
19 accepted or received funds in trust (hereinafter "trust funds")
20 from or on behalf of lenders and borrowers and thereafter made
21 disbursements of such funds.

22 VII

23 From February 1, 1986 to and including June 30, 1986,
24 you maintained the following described trust accounts as part of
25 your above-described mortgage loan brokerage business:

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TITLE OF ACCOUNT

BANK

Morton Capital
Management Trust Account
Account No 5359
(hereinafter "Funding Account")

Industrial Bank

Morton Capital
Management Trust Account
Account No 1-772
(hereinafter "Servicing Account")

Security Pacific
National Bank

VIII

From March 3, 1986, the date in which the designated officer license of HULL for MORTON CAPITAL expired, to and including August 6, 1986, the date on which GRAYSON became the designated officer of MORTON CAPITAL, you, MORTON CAPITAL, violated Section 10130 of the Code by conducting activity for which a real estate license is required without being properly licensed by the Department.

IX

You violated Section 10145 of the Code and Regulation 2832.1 by disbursing or allowing the disbursement of funds from the Funding Account without the prior written consent of every principal who then was an owner of funds in said account, wherein the disbursement reduced the balance of funds in the account as of June 10, 1986 to an amount which was approximately \$50,311.42 less than the existing aggregate trust fund liability to all owners of said funds.

X

You violated Section 10145 of the Code and Regulation 2832.1 by disbursing or allowing the disbursement of funds from the Servicing Account without the prior written consent of every

1 principal who then was an owner of funds in said account, wherein
2 the disbursements reduced the balance of funds in the account as
3 of June 30, 1986 to an amount which was approximately \$1,714.86
4 less than the existing aggregate trust fund liability to all
5 owners of said funds.

6 XI

7 From February 1, 1986 to and including June 30, 1986,
8 you violated Regulation 2831 in the following manner:

- 9 A. The trust fund records maintained for the Servicing
10 Account were not accurate in that the ending balance for
11 a month did not match the beginning balance for the
12 succeeding month; and
13 B. You did not maintain records of trust funds which
14 you received but did not place into a trust account.

15 XII

16 From December, 1985 to and including June 30, 1986, you
17 violated Regulation 2831.1 in that the separate records for each
18 beneficiary and transaction were not maintained in a complete and
19 accurate manner.

20 XIII

21 From February 1, 1986 to and including June 30, 1986,
22 you violated Regulation 2832 in that trust funds which you
23 received from lenders and did not place into a neutral escrow
24 depository were not always deposited into the Funding Account by
25 the following business day.

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XIV

During 1986, you violated Section 10231.1 of the Code in that you retained funds belonging to a lender (Edelman) from a loan pay-off longer than 60 days (in order to "roll-over" said loan proceeds into another loan secured by a lien on real property) without a written agreement with said lender.

XV

During 1986, you violated Regulation 2842.5 in that the real estate licensee negotiating a loan which required a mortgage loan Disclosure Statement did not always sign said Disclosure Statement.

NOW, THEREFORE, YOU AND YOUR AGENTS AND EMPLOYEES ARE ORDERED TO DESIST AND REFRAIN from receiving funds in trust unless said activities are performed in compliance with Sections 10145 of the Code and Regulations 2831, 2831.1, 2832, and 2832.1.

YOU, YOUR AGENTS AND EMPLOYEES ARE FURTHER ORDERED TO DESIST AND REFRAIN from negotiating loans secured directly or collaterally by a lien on real property unless said activities are performed in compliance with Section 10231.1 of the Code and Regulation 2842.5.

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YOU AND YOUR AGENTS AND EMPLOYEES ARE FURTHER ORDERED TO
DESIST AND REFRAIN from performing any activities for which a real
estate license is required unless you are properly licensed by the
Department of Real Estate.

DATED: February 13, 1987

JAMES A. EDMONDS, JR.
Real Estate Commissioner

By: *John R. Liberator*
JOHN R. LIBERATOR
Chief Deputy Commissioner

cc: Morton Capital Management
6400 Canoga Avenue 300
Woodland Hills, CA 91367

Michael J. Grayson
16633 Ventura Blvd., #600
Encino, CA 91436

Richard S. Hull
10850 Wilshire Blvd., #800
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FLN:ECD

lbo