

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)

ROYAL ALLIANCE ASSOCIATES, INC.)

(CRD 23131),)

MARK J. BARATI (CRD 2160553),)

MARCUS M. CARBAJAL (CRD 1935847),)

DIRK C. SALBERG (CRD 2470737))

CASE NO. 0800047

FINAL ORDER
AS TO RESPONDENT MARK J. BARATI

TO THE RESPONDENT:

**MARK BARATI
1161 KASTING LANE
MUNDELEIN, IL 60060**

**MARK BARATI
GRANITE GROUP INTERNATIONAL
981 HWY 98 EAST
SUITE 3253
DESTIN, FLORIDA 32541**

WHEREAS, on December 20, 2011, an administrative hearing was held on the Amended Notice of Hearing the Illinois Securities Department ("Department") filed on the above-captioned matter;

WHEREAS, Respondent Mark J. Barati ("Barati") failed file a responsive pleading to the Amended Notice of Hearing and also failed to appear at the Hearing;

WHEREAS, the Department moved for a finding of default against Respondent pursuant to Sections 130.1104 and 130.1109 of the Rules and Regulations Under the Illinois Securities Law of 1953 for Respondent Barati's failure to file a responsive pleading and failure to appear at the Hearing, and both motions were granted;

WHEREAS, the Department proceeded with its case, introducing evidence and testimony to prove the allegations contained in the Amended Notice of Hearing;

WHEREAS, the record of the above-captioned matter has been reviewed by the Secretary of State or his duly authorized representative;

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State;

WHEREAS, the proposed Findings of Facts and Conclusions of Law and Recommendation of the Hearing officer, James L. Kopecky, in the above-captioned matter have been read and examined; and

WHEREAS, the proposed Findings of Fact are correct and are adopted by the Secretary of State as follows:

1. The Department served Respondent with an Amended Notice of Hearing on or about October 21, 2011.
2. The Respondent failed to answer, appear, or submit a responsive pleading.
3. The Respondent did not appear at the Hearing.
4. Investors are a retired couple from Wisconsin: senior citizens that earned their retirement through decades of hard work building a business that they sold in 1998. Investors both held brokerage accounts for a firm whose offices were located in Illinois.
5. Respondent Mark Jonathan Barati ("BARATI"), CRD #2160553, is an individual with a last known address of 1161 Kasting Lane in Mundelein, Illinois. Barati managed various businesses that operated out of 1300 East Woodfield Road in Schaumburg, Illinois.
6. On May 19, 2007, BARATI visited Investors at their home in Wisconsin to solicit an investment opportunity.
7. BARATI solicited Investors to provide a business loan in the form of a note so that he could close on a business deal.
8. BARATI told Investors that he was starting a vodka business, called Vodka One, and that he had an investor committed to the business but whose funds were temporarily tied up.
9. BARATI stated that the note would be paid in four months, would pay 1% interest per month, and that the loan would be for \$1,200,000.00.
10. BARATI further informed Investors that he would personally guarantee the notes, asserting that he was worth over thirty-million dollars, and provided Investors what were purported to be financial documents of BARATI's various holdings and businesses to support his assertion.
11. Investors informed BARATI that they did not have that kind of money to invest.
12. However, BARATI suggested that Investors amend their brokerage accounts from cash to margin accounts so they could purchase two investment notes at \$600,000.00 each (the "Notes").

13. BARATI added that he would pay for the interest charges that would accrue in the margin accounts during the time of the investment.
14. On May 22, 2007, BARATI caused to be submitted to Investors' brokerage accounts two account forms to amend their brokerage accounts to allow for margin, and two fund wiring authorization forms.
15. On May 22, 2007, \$600,000.00 was wired from each of the two accounts, for a total of \$1,200,000.00, to a banking account under the control of BARATI held at Bank of America.
16. The \$1,200,000.00 total that was wired from Investors' accounts was all borrowed on margin against the holdings in Investors' respective retirement trust accounts.
17. BARATI's banking account at Bank of America into which the money from the margin account was deposited held a little over \$1,200.00 prior to RESPONDENTS wiring of Investors' \$1,200,000.00 into it.
18. Investors' money did not stay in the initial BARATI account long; the money was transferred several times among BARATI's numerous bank accounts, for instance:
 - a. On May 23, 2007, \$950,000.00 was transferred to two other accounts held by BARATI, \$700,000.00 to an account in the name of Decadent Futures where the money was then sent to four other BARATI accounts, including a wire transfer of \$425,000.00 to a checking account controlled by BARATI for his company Yes Vodka wherein BARATI wrote a check for cash in the amount of \$335,650.84;
 - b. On May 23, 2007, BARATI transferred \$210,000.00 of Investors money to an account he controlled under the name of AM Lane, a checking account that was insufficient to cover over \$120,000.00 in checks drawn the day before that BARATI was depositing into a bank account held at Mutual Bank.
 - c. On May 31, 2007, some of what was left of Investors' money in the account that BARATI had initially deposited the \$1,200,000.00 into was used by BARATI to pay personal bills, including over \$10,000.00 paid to a luxury boat dealer in Lake Geneva, Wisconsin; and on June 1, 2007, over \$14,000.00 was paid to Kemper Lakes Golf Course in Kildeer, Illinois.
 - d. Several checks were also drawn for cash for amounts of \$1,000.00 to \$5,000.00.
19. In late June of 2007 BARATI did spend what he had left of Investors' money to pay the first margin bill on their accounts, approximately \$22,000.00, but thereafter BARATI did not pay any of the margin interest.

20. Furthermore, BARATI never paid Investors their principal or 1% interest on the notes when they matured, leaving Investors with over \$1,200,000.00 in losses.
21. BARATI's assertion of his personal worth and the worth of his businesses was not true: the corporate bank accounts he held in his and the businesses' names had very little money in them.
22. In fact, at least one of BARATI's businesses, 928 American Lane, LLC, d/b/a Entourage on American Lane, was in financial distress and was placed in Receivership on December 10, 2007, a few months after BARATI took Investors' money and after the Notes became due. *See* 07 CH 28343.
23. BARATI has since left Illinois and is currently operating out of Florida with his company *Granite Group International* that, purportedly, raises money for businesses and manages projects for businesses.

WHEREAS, the proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. The promissory notes Barati sold to Investors constitute the "Offer" and "Sale" of "Securities" as defined by Sections 2.5(a), 2.5 and 2.1 of the Illinois Securities Law of 1953 (the "Act").
2. Section 12.A of the Act provides it shall be a violation of the provisions of this Act for any person to offer or sell any security except in accordance with the provisions of this Act.
3. Section 12.F of the Act provides that it shall be a violation of the Act for any person to engage in any transaction, practice or course of business in conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
4. Section 12.G of the Act provides that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
5. Section 12.I of the Act provides that it shall be a violation of the provisions of the Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
6. Section 11 E.(2) of the Act provides that if the Secretary of State finds that any person has violated subsection C, D, E, F, G, H, I, J or K of the Act, the Secretary of State may by written order permanently prohibit or suspend the person from offering or selling any securities in the State of Illinois.


7. BARATI's assurance that the two investment notes sold to Investors would be personally guaranteed by him, bolstered by his assertion that he was worth over thirty million dollars, was not true.
8. In fact, based upon a review of his various personal and corporate bank accounts, at the time of the sale of the investment notes, BARATI appeared to be worth, at most, nothing.
9. BARATI knew, at the time he solicited and sold the Notes to Investors, that he would not be able to pay Investors when the Notes matured, and that he was financially unable to personally guarantee the Notes.
10. BARATI's misstatements related to his ability to personally guarantee the Notes constitute violations of 12.F, 12.G. and 12.I of the Act.
11. Furthermore, Investors' money was used to pay for BARATI's golfing and boating bills, as well as other non-investment related uses.
12. BARATI's misstatements related to the use of Investors' money constitute violations of 12.F, 12.G. and 12.I of the Act.

WHEREAS, the proposed Recommendations of the Hearing Officer are adopted by the Secretary of State.

NOW THEREFORE IT IS HEREBY ORDERED: That pursuant to the foregoing Findings of Fact, Conclusions of Law, and the Recommendations of the Hearing Officer, RESPONDENT MARK J. BARATI is:

1. In Default pursuant to Sections 130.1104 and 1105 of the Rules and Regulations Under the Illinois Securities Law of 1953;
2. Permanently prohibited from selling, or offering for sale securities in the State of Illinois; and
3. Fined in the amount of \$20,000.

ENTERED: This 18th day of January, 2012



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 5/1 et seq. (the "Act"). Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, 735 ILCS 5/3-101 et seq. and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. I, Sec. 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:
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