

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

**IN THE MATTER OF: Matthew Sapaula and
Matthew Sapaula Inc.**, its partners, members, officers,
directors, agents, employees, affiliates, successors,
and assigns.

) **File Number 0900415**
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NOTICE OF HEARING

**TO THE RESPONDENTS: Matthew Sapaula
4705 Lawn Ave.
Western Springs, Illinois 60558**

**Matthew Sapaula Inc.
27 North Wacker
Suite 412
Chicago, Illinois 60606**

**Matthew Sapaula Inc.
c/o Matthew Sapaula, agent
7501 South Lemont Road #325
Woodridge, Illinois 60517**

**Matthew Sapaula Inc.
1016 West Jackson Blvd
Chicago, Illinois 60607**

**To Respondents Attorney: Howard Stein
70 W Madison St Ste 2100
Chicago, Illinois 60602-4253**

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 1st day of August, 2012 at the hour of 10:00 a.m. or as soon as possible thereafter, before Soula Spyropoulos Esq., or such other duly designated Hearing Officer of the Secretary of State.

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Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act prohibiting Respondents Matthew Sapaula and Matthew Sapaula, Inc., its Partners, Members, Officers, Directors, Agents, Employees, Affiliates, Successors, and Assigns, from selling or offering for sale securities in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

BACKGROUND FACTS

1. Matthew Sapaula (“Respondent Sapaula” or collectively with Respondent Matthew Sapaula Inc., “Respondents”) is a natural person. His last known business address is Mail Box # 412 at 27 North Wacker in Chicago, Illinois.
2. Matthew Sapaula Inc., (“Respondent Sapaula Inc.” or collectively with Respondent Matthew Sapaula, “Respondents”) is an Illinois corporation not in good standing. Its last known address is 27 North Wacker, Suite 412, Chicago, Illinois 60606; however that location is a UPS Store and not an office.
3. Respondent Sapaula is the President of Respondent Sapaula Inc. at all relevant times herein. His last known home address is Western Springs, Illinois.
4. On December 18, 2008, the Illinois Secretary of State Securities Department (the “Department”) issued a Consent Order of Prohibition, prohibiting the Respondent Sapaula from offering of selling securities in the State of Illinois; the Respondent Sapaula signed the stipulation and paid a fine to the Department.
5. Respondent Sapaula was an insurance agent registered with the Illinois Department of Insurance until he lost his insurance license in early 2010.
6. As early as 2006 and continuing to present, Respondent Sapaula markets himself on television, radio and the internet as a financial strategist, life “coach” and financial advisor.
7. Respondent Sapaula markets himself and Matthew Sapaula Inc. on radio real estate shows and financial blogs, as well as internet reality shows; including but not limited to: Chicago’s WLS 890AM on the Money Smart show and a real estate show, ABC 7 Chicago Television show with Cheryl Burton, New York and other cities talk television shows and the internet program “The Invested Life”.

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8. Respondents represented to investors that he is an investment advisor; stating that for a fee, he will show them investment alternatives and manage their investments.
9. Respondent Sapaula offered investment alternatives to Illinois investors including, but not limited to, annuities, insurance product, and investment contracts; showing the investors documents of different investment possibilities.
10. Respondent Sapaula offered several different investment contracts ranging from securitization of investment real estate property to rehabbing of investment real estate property.
11. Respondent Sapaula showed investors documents for the investments offered to Illinois investors that were prepared by other people; Respondent Sapaula redacted the names of the person(s) who actually created the documents for the investor.
12. Respondent Sapaula failed to disclose to investors that he was not licensed as an insurance agent.
13. Respondent Sapaula failed to disclose to investors that he was not licensed as an investment advisor or a registered representative; and was **prohibited** by the Illinois Secretary of State Securities Department in 2008.
14. Respondent Sapaula failed to disclose to investors that he received a commission for putting the investor into investments as well as the fee he received up front from the investor.
15. Respondent Sapaula misrepresented the traditional investments that he offered investors and materially misrepresented the potential earnings of the investment.
16. Respondent steered investors toward non-traditional, uninsured, risky, unregistered real estate investments contracts.
17. Respondent Sapaula downplayed the risk involved in the real estate investment contracts.
18. Respondent Sapaula manipulated the success of the unregistered real estate investments contracts and tooted unrealistic returns.
19. Respondent Sapaula steered the some of the investors to liquidate their IRA's and put them in a self directed IRA.

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20. Respondent Sapaula failed to disclose to investors that he received a commission for the “self-directed IRA custodian” that he told investors to put their money with as well as an ongoing percentage of the money held in the account.
21. Respondent Sapaula manipulated investors to pull their money out of traditional IRA accounts, including but not limited to stock market accounts and invest an unregistered real estate investment contract.
22. Respondent Sapaula pooled investor money into real estate investment contracts, using IRA funds and other investor funds that had been traditional stock market accounts.
23. That the activities set forth in paragraphs above constitute the offer and sale of investment contracts, and therefore a security, as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*

COUNT I

**815 ILCS 5/12.F violation: Respondents engaged
in practices in connection with the sale of securities
that worked a fraud or deceit
on the purchaser thereof**

- 1-23. Paragraphs 1-23 are re-alleged and incorporated by reference.
24. Respondent falsified documents, used his connection with the radio and television to persuade the investors to believe that he was an investment advisor, insurance agent, and/or sales broker.
25. Respondents failed to disclose to investors their lack of registration with either the Illinois Secretary of State Securities Department or the Illinois Department of Insurance.
26. Respondent’s falsification of documents and failure to disclose the lack of registration of the Respondent to the investors, led investors to believe that the Respondents were creditable.
27. Respondent made material misstatements regarding the investments in order to steer investors to his real estate investment contracts.
28. Section 12.F of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to “engage in any transaction, practice, or course of business in connection

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with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.”

29. By virtue of the foregoing, Respondents violated Sections 12.F of the Act.

COUNT II

815 ILCS 5/12.I violation: Respondent employed a scheme to defraud in connection with the sale of securities

- 1-23. Paragraphs 1-23 are re-alleged and incorporated by reference.
24. Respondents falsified documents to lead the investors to believe that he was an investment advisor, insurance agent, and/or sales broker.
25. Respondents failed to disclose to investors their lack of registration with either the Illinois Secretary of State Securities Department or the Illinois Department of Insurance.
26. The falsification of documents and failure to disclose the lack of registration of the Respondent to the investors, led investors to believe that the Respondents were creditable.
27. Section 12.I of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states 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.”
28. By virtue of the foregoing, Respondents violated Sections 12.I of the Act.

COUNT III

815 ILCS 5/12.G violation: Respondents obtained Complainants' money by making untrue statement of material fact and omission to state a material fact

- 1-23. Paragraphs 1-23 are re-alleged and incorporated by reference.
24. Respondents falsified documents to lead the investors to believe that he was an investment advisor, insurance agent, and/or sales broker.
25. Respondents failed to disclose to investors their lack of registration with either the Illinois Secretary of State Securities Department or the Illinois Department of Insurance.

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26. The falsification of documents and failure to disclose the lack of registration of the Respondent to the investors, led investors to believe that the Respondents were creditable.
27. Section 12.G of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions 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 light of the circumstances under which they were made, not misleading.”
28. By virtue of the foregoing, Respondents violated Sections 12.G of the Act.

COUNT IV

815 ILCS 5/12.A and D violations: Respondents are Selling Unregistered Securities.

- 1-23. Paragraphs 1-23 are re-alleged and incorporated by reference.
24. Respondent offered an unregistered real estate investment contract.
25. Section 12.A of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the “Act”) states that 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.”
26. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois.
27. Section 12.D of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to “fail to file with the Secretary of State any application, report or document under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
28. Respondents failed to file an application for registration of the above-referenced securities with the Secretary of State and as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.

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COUNT V

**815 ILCS 5/12.A and 12.D violation: Respondent violated a
Prior Order of Prohibition**

1-23. Paragraphs 1-23 are re-alleged and incorporated by reference.

2. Respondent Sapaula violated the 2008 Order of Prohibition

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A link of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice. <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 12th day of June 2012.



JESSE WHITE
Secretary of State
State of Illinois

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Hearing Officer:
Soula Spyropoulos
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Lincolnwood, Illinois 60712
(773) 282-3400