

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

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| IN THE MATTER OF: MICHAEL J. RILEY |) | |
| |) | Case No. 0700376 |
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| |) | |

ORDER OF PROHIBITION

TO RESPONDENT:

Michael J. Riley
3-a General Sheridan Ct.
Apple River, Illinois 61001

C/O The Mortgage Specialists
1550 Spring Road #310
Oak Brook, IL 60523

C/O Roscara Capital, Inc.
1550 Spring Road
Oak Brook, IL 60523

C/O Trust One Mortgage f/k/a The Mortgage Specialists
430 W. Erie St. Suite # 205
Chicago, Illinois 60610

WHEREAS, the above-captioned matter came to be heard on February 28, 2008, pursuant to the Notice of Hearing dated December 7, 2007, filed by Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") 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 Fact, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Esq., in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct in part and incorrect in part and are hereby adopted as modified as the Findings of Fact of the Secretary of State:

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1. The Department served Respondent with a Notice of Hearing on or about December 13, 2007.
2. The Respondent failed to answer, prepare or submit a responsive pleading.
3. The Respondent did not appear at the Hearing.
4. That Michael J. Riley, ("Respondent") is an individual whose last known address is 3-a General Sheridan Ct., Apple River, Illinois 61001.
5. That The Mortgage Specialists ("Mortgage Specialists") is a business entity with the last known address of 1550 Spring Road, #310, Oak Brook, Illinois 60523.
6. That Trust One Mortgage f/k/a The Mortgage Specialists ("Trust One") is a business entity with the last known address of 430 W. Erie St., Suite #205, Chicago, Illinois 60610.
7. That in or around March 2004, Respondent met with Janis M. Tassone at the office of The Mortgage Specialists. At the meeting Respondent represented to Ms. Tassone that he was the President of The Mortgage Specialists. Respondent also told Ms. Tassone that he was in the business of buying and rehabilitating homes for people in financial distress, and that Ms. Tassone could make a profit by providing Respondent with a loan of \$50,000 to purchase a property located in Diamond Lake, Illinois. The loan was to be secured by a promissory note.
8. That on or around March 30, 2004, Respondent traveled to Janis M. Tassone's home and collected a \$50,000 check from Ms. Tassone. Respondent told Ms. Tassone to make the check payable to Roscara Capital, Inc. ("Roscara"), stating that he was also the president of Roscara.
9. That in exchange of the \$50,000 check, Respondent secured the loan with a promissory note, which was signed by Respondent and Janis M. Tassone on March 30, 2004.
10. That the promissory note states that Respondent (and Roscara *below*) promised to pay the principal of the loan plus interest to Janis M. Tassone by the "maturity date" of August 1, 2004. Respondent was to pay interest to Ms. Tassone on a monthly basis at a yearly rate of 20% beginning April 1, 2004. Respondent was to make those payments every month until he had paid all of the principal and interest and any other charges that he owed under the note. The monthly payments were to be applied to interest before principal, and if he still owed amounts after the "maturity date", he would make monthly payments to Ms. Tassone in the amount of \$833.00.
11. That Janis M. Tassone has not received the principal Respondent promised to pay on the note, nor has Ms. Tassone received any of the promised interest payments

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Respondent was to begin paying on April 1, 2004, nor was she advised of any risk to repayment of principal or payment of interest. In addition, Respondent has persistently failed and refused to show Janis M. Tassone the property located in Diamond Lake, Illinois, despite numerous requests made by Ms. Tassone to see it.

WHEREAS, the Secretary of State makes the additional Findings of Fact based on Exhibits D1, E1, and testimony admitted at the Hearing:

12. That Roscara Capital, Inc. ("Roscara") is a business entity with the last known address of 1550 Spring Road, Oak Brook, Illinois 60523.
13. That Exhibit E1 was a true and accurate copy of a check Janis M. Tassone issued payable to Roscara on March 29, 2004, in the amount of \$50,000.00. Janis M. Tassone testified that this was the check she provided to Respondent and that he was to use it for the remodeling or purchase of a home in Diamond Lake, Illinois. Exhibit E1 also contained a copy of the deposit slip showing Respondent's deposit of her funds.

WHEREAS, the proposed Conclusions of Law made by the Hearing Officer are correct in part and incorrect in part and are hereby adopted as modified as the Conclusions of Law of the Secretary of State:

1. That the Department properly served the Notice of Hearing on Respondent.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter hereof pursuant to the Act.
4. Because of Respondent's failure to file a timely Answer, Special Appearance or other responsive pleading in accordance with Section 13.114:
 - (a) The allegations contained in the Notice of Hearing are deemed admitted;
 - (b) Respondent waived his right to a Hearing;
 - (c) Respondent is subject to an Order of Default.
5. Because the Respondent failed to appear at the time and place set for hearing, in accordance with Section 13.1109, they:
 - (a) Waived his right to present evidence, argue, object or cross-examine witnesses; or,
 - (b) Otherwise participate in the Hearing.

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6. That the activities set forth in the above Proposed Findings of Fact constitute the offer and sale of a note, and therefore a security as those terms are defined at Sec. 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 (815 ILCS 5) (the "Act").
7. That Section 5 of the Act states, *inter alia*, that all securities except those set forth under Section 2a of this Act, or those exempt under Section 3 of this Act, or those offered or sold in transactions exempt under Section 4 of this Act, or face amount certificate contracts required to be registered under Section 6 of this Act, shall be registered as hereinafter in this section provided, prior to their offer or sale in this State.
8. That Respondent failed to file with the Secretary of State an application for registration of the security described above as required by the Act and that as a result the security was not registered pursuant to Section 5 of the Act prior to its offer and sale in the State of Illinois.
9. That 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.
10. That Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any person to fail to file with the Secretary of State any application, report or document required to be filed 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.
11. That Section 12.F of the Act provides that it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
12. That Section 12.G of the Act provides that it shall be a violation of the provisions of this 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.
13. That by virtue of the foregoing Proposed Findings of Fact, Respondent violated Sections 12.A, D, F, and G of the Act.
14. That Section 11.E(2) of the Act provides, *inter alia*, if the Secretary of State shall find that any person has violated sub-section A, D, F, or G of Section 12 of this Act, the Secretary of State may by written order permanently prohibit or suspend the person from offering or selling any securities, any mineral investment contract, or any mineral deferred delivery contract in this state, provided that any person who is the

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subject of an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the order or permanent prohibition.

15. That by virtue of the foregoing violations of sub-sections 12.A, D, F, and G, Respondent is subject to an order of permanent prohibition from offering or selling any securities in the this state pursuant to Section 11.F(2) of the Act.
16. That Section 11.E(4) of the Act provides, *inter alia*, that in addition to any other sanction or remedy contained in this subsection E, the Secretary of State, after finding that any provision of this Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000, for each violation of this Act, may issue an order of public censure against the violator, and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.
17. That by virtue of the foregoing, Respondent is subject to a fine, censure and costs of investigation pursuant to Section 11.E(4) of the Act.

WHEREAS, the Hearing Officer recommended that:

1. An Order of Default be entered against Respondent, Michael J. Riley.
2. Respondent Michael J. Riley be fined in the amount of \$20,000.00.
3. Respondent Michael J. Riley pay costs in the amount of \$1,500.00.

WHEREAS, the Hearing Officer found the Respondent in default and based upon the evidence presented at the Hearing recommended that the Secretary of State PROHIBIT Respondent Michael J. Riley from offering or selling securities in the state of Illinois; and the Department accepts the recommendation of the Hearing Officer.

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WHEREAS, the Secretary of State in addition has determined based upon the Findings of Fact and Conclusions of Law that an Order shall be entered permanently PROHIBITING Respondent Michael J. Riley from offering or selling securities in the State of Illinois.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Respondent Michael J. Riley and his issues, partners, officers and directors, agents, employees, affiliates, successors and assigns, is **PROHIBITED** from selling or offering for sale securities in the State of Illinois.
2. Respondent Michael J. Riley is **FINED** in the amount of \$20,000.00.
3. Respondent Michael J. Riley shall pay **COSTS** in the amount of \$1,500.00.

ENTERED: This 30th day of April 2008.


JESSE WHITE
Secretary of State
State of Illinois

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. 1 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.

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