

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: MORTGAGE SPECIALIST INC.>RILEY,) Case No. 0700376
MICHAEL J., PRESIDENT)
)

TEMPORARY ORDER OF PROHIBITION

TO RESPONDENT:

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

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

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

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. That Michael J. Riley, ("Respondent") is an individual whose last known address is 3-a General Sheridan Ct., Apple River, Illinois 61001.
2. That The Mortgage Specialists ("Mortgage Specialists") is a business entity with the last known address of 1550 Spring Road, #310, Oak Brook, Illinois 60523.
3. 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.
4. That in or around March 2004, Respondent met with Illinois Investor at the office of Mortgage Specialists. At the meeting Respondent represented to Illinois Investor that he was the President of Mortgage Specialists. Respondent also told Illinois Investor that he was in the business of buying and rehabilitating homes for people in financial

distress, and that Illinois Investor 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.

5. That on or around March 30, 2004, Respondent traveled to Illinois Investor's home and collected a \$50,000 check from Illinois Investor. Respondent told Illinois Investor to make the check payable to Roscara Capital, Inc. ("Roscara"), stating that he was also the president of Roscara.
6. That in exchange of the \$50,000 check, Respondent secured the loan with a promissory note, which was signed by Respondent and Illinois Investor on March 30, 2004.
7. That the promissory note states that Respondent promised to pay the principal of the loan plus interest to Illinois Investor by the "maturity date" of August 1, 2004. Respondent was to pay interest to Illinois Investor 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 Illinois Investor in the amount of \$833.00.

Failure to Register

8. That the activities set forth in paragraphs 4 through 6 above 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").
9. 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.
10. 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.
11. 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.
12. 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.

Fraud or Deceit/Misrepresentations or Omissions

13. That Illinois Investor has not received the principal Respondent promised to pay on the note, nor has Illinois Investor received any of the promised interest payments 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 Illinois Investor the property located in Diamond Lake, Illinois, despite numerous requests made by Illinois Investor to see it.
14. 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.
15. 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.
16. That by virtue of the foregoing, Respondent has violated Sections 12.A, D, F, and G of the Act.
17. That the aforementioned findings are based upon credible evidence.
18. That Section 11.F (2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.
19. That the entry of this Temporary Order prohibiting Respondent Michael J. Riley from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Michael J. Riley, his/their managers, officers and directors, agents, employees, affiliates, representatives, successors and assigns are **PROHIBITED** from offering or selling securities in or from this State until the further Order of the Secretary of State.

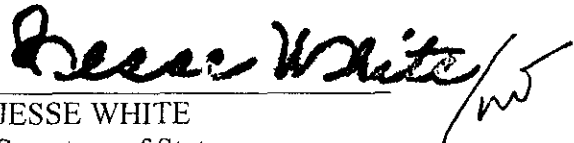
Temporary Order of Prohibition

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NOTICE is hereby given that Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 23rd day of October 2007.

A handwritten signature in black ink that reads "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

Jay A. Biondo
Enforcement Attorney
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
312-793-3378