

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: TOUCH SCIENTIFIC INC.,)
ITS OFFICERS, DIRECTORS,) File No. 0200597
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS,)
)

ORDER OF PROHIBITION

TO THE RESPONDENT: Touch Scientific, Inc.
3209 Gresham Lake Rd.
Suite 112
Raleigh, NC 27615

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, Jon K. Ellis, in the above-captioned matter have been read and examined;

WHEREAS, the following paragraph of the aforesaid Findings of Facts have been rejected as follows:

1. The Secretary rejects Paragraph No. 16 which states that Respondent, Touch Scientific, Inc., worked a fraud upon Illinois purchasers in that fraud was not alleged in the Notice of Hearing.

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

1. The evidence and exhibits have been offered and received from the Department and a proper record of all proceedings has been made and preserved as required by law.

Order of Prohibition

-2-

2. The Hearing Officer has ruled on all motions and objections timely made and submitted.
3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and subject matter dealt with herein, due and proper notice having been previously given as required by statute in this Matter.
4. As no Answer was filed, Respondent, Touch Scientific, Inc., is therefore deemed to be in default.
5. That at all times relevant hereto, Respondent, Touch Scientific, Inc., is a purported business entity, which maintains a last known business address of 3209 Gresham Lake Road, Suit 112, Raleigh, North Carolina 27615.
6. That on August 5, 2002, the Illinois Securities Department, Office of the secretary of State (hereinafter "Department"), sent Respondent Touch Scientific, Inc. correspondence requiring Respondents to file with the Secretary of State a statement in writing as to the facts and circumstances concerning the subject matter of this case pursuant to Section 11.C of the Act (815 ILCS 5/1 et seq.) requiring a response within 10 days of receipt; this correspondence was sent by Certified Mail and was received by said Respondent on August 9, 2002.
7. That on September 20, 2002, the department re-sent the aforementioned correspondence to Respondent, Touch Scientific, Inc., requiring a response within 10 days of receipt; and that this correspondence was also sent by Certified Mail and was received by said Respondent on September 24, 2002.
8. That on or about September 10, 1999, Respondent, Touch Scientific, Inc., by and through its officers, directors, employees, agents, affiliates, successors, and assigns, offered to at least one Illinois resident, shares of stock in Touch Scientific, Inc., at \$12.00 per share.
9. That on or about October 11, 1999, Respondent, Touch Scientific, Inc., by and through its officers, directors, employees, agents, affiliates, successors, and assigns, sold to at least one Illinois resident 400 shares of Touch Scientific, Inc. stock at \$10.00 a share.

Order of Prohibition

-3-

10. That at all times relevant hereto, Respondent Touch Scientific, Inc., by and through its officers, directors, employees, agents, affiliates, successors, and assigns, failed to file a statement in writing under oath, or otherwise, as to the facts and circumstances concerning the subject matter of this case which the secretary of State believes to be in the public interest to investigate, as required by the correspondence of August 5, 2002, and September 20, 2002.
11. That at all times relevant hereto, Respondent, Touch Scientific, Inc., by and through its officers, directors, employees, agents, affiliates, successors, and assigns, failed to file an Application for Registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.
12. That Section 2.1 of the Act (815 ILCS 5/2.1) defines the term "Security" as any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit sharing agreement, collateral trust certificate, pre-organization certificate or subscription, transferable share, investment contract, investment fund share, face-amount certificate, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral lease, right or royalty, any put, call, straddle, option, or privilege on any security, certificate of deposit or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "Security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. "Security" does not mean a mineral investment contract or a mineral deferred delivery contract; provided, however, the Department shall have authority to regulate these contracts as hereinafter provided.
13. That Section 2.5 of the Act (815 ILCS 5/2.5) defines the term "Sale or Sell" to include the full meaning of that term as applied by or accepted in the courts of this State, and shall include every contract of sale or

Order of Prohibition

-4-

disposition of a security or interest in a security of value.

14. That Section 2.5a of the Act (815 ILCS 5/2a) defines the term "Offer" to include every offer to sell or otherwise dispose of, solicitation of an offer to purchase, a security or interest in a security for value; provided that the term "Offer" shall not include preliminary negotiations or agreements between an issuer and any underwriter or among underwriters who are or are to be in privity of contract with an issuer, or a the circulation or publication of an identifying statement or circular or preliminary prospectus, as defined by rules or regulations of the Secretary of State.
15. That Section 12.A of the Act (815 ILCS 5/12.A) provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any securities except in accordance with the provisions of the Act.
16. That Section 12.D of the Act (815 ILCS 5/12.D) provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document required to be filed under any provision of the Act.
17. That by virtue of the foregoing, Respondent Touch Scientific, Inc., by and through its officers, directors, employees, agents, affiliates, successors, and assigns, has violated Sections 12.A and 12.D of the Act.
18. That Section 11.E(2) of the Act (815 ILCS 5/11.E(2)) provides that if the Secretary of State shall find that any person has violated subsection D of Section 12 of this Act, the Secretary of State may by written order temporarily or 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 subject of an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change of circumstances justifying the amendment or termination of the order of permanent prohibition.
19. The entry of a Final Order of Prohibition is proper in this case, given the conduct of Respondent, Touch

Order of Prohibition

-5-

Scientific, Inc., as described in Secretary of State Exhibits No. 1-18, as well as the fact that Respondent, Touch Scientific, Inc., failed to appear at the hearing and properly answer the charges.

WHEREAS, the following paragraph of the aforesaid Conclusions of Law have been rejected as follows:

1. The Secretary of State rejects Paragraph 2 which states that the action of the Respondent, Touch Scientific, Inc., worked a fraud upon Illinois purchasers, in that fraud was not alleged in the Notice of Hearing.

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

1. After proper notification, the Department may proceed with a hearing in Respondent's absence. (735 ILCS 5/1-105 and 5/2-1301); Ryan v. Bening, 1978, 22 Ill.Dec. 873, 66 Ill.App.3d 127, 383 N.E.2d 681; Koenig v. Nardullo, 1968, 99 Ill.App.2d 480, 241 N.E.2d 567; In Re the Marriage of Garde, 1983, 73 Ill.Dec.816, 118 Ill.App.3d 303, 454 N.E.2d 1065. Significantly, the Notice of Hearing outlines that a default judgment may be entered against a Respondent who fails to appear or answer the charges.
2. That by virtue of the foregoing, Respondent, Touch Scientific, Inc., is subject to an Order of Prohibition in the State of Illinois and/or granting such other relief as may be authorized under this Act.
3. Because of the Findings of this Order, the evidence and exhibits admitted as Secretary of State Exhibits Nos. 1-18, as well as the fact that the Respondent, Touch Scientific, Inc., failed to answer the charges or appear at the hearing, the entry of a written Order of Prohibition pursuant to 815 ILCS 5/11.E(2) which permanently prohibits the offer or sale of securities by Respondent, Touch Scientific, Inc., in the State of Illinois is proper in this Matter.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to the recommendation of the Hearing Officer and the authority granted by Section 11.E of the Act, Touch Scientific, Inc. is hereby

Order of Prohibition

-6-

prohibited from offering or selling securities in the State of Illinois until further order of the Secretary of State.

ENTERED: This *9th* day of *May*, 2003

Jesse White
Jesse White
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of 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 the 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 Illinois Securities Act, [14 Ill. Admin. Code Ch. I, Section 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:

Johan Schripsema
Illinois Securities Department
520 South Second Street, Suite 200
Springfield, Illinois 62701
Telephone: (217) 524-1688