

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

IN THE MATTER OF: MICHAEL J. MURPHY)
_____))

File No. 0300034

TEMPORARY ORDER OF PROHIBITION

TO THE RESPONDENT: Michael J. Murphy
 17332 South Parker Road
 Homer Glen, Illinois 60441-9738

 c/o Michael Monico
 Monico, Pavich & Spevack
 20 South Clark Street Suite 700
 Chicago, Illinois 60603

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

1. Michael J. Murphy ("Respondent") is an individual whose last known address is 17332 South Parker Road, Homer Glen, Illinois 60441-9738.
2. Between at least 1997 and the present ("the Period") Respondent sold interests in a pooled Blind Trust ("Blind Trust") to more than five Illinois residents ("Investors"), who invested altogether over \$1 million during the Period.
3. Respondent represented himself as the manager of the Blind Trust and induced the Investors to purchase by promising them high returns on their investment, with their principal plus 3% guaranteed. Respondent's managerial fee was to be 1% of the value of the Blind Trust.
4. Respondent pursued relationships with the Investors for the purpose of selling them interests in the Blind Trust. The Blind Trust was never registered with the Secretary of State.
5. Respondent's activities described in paragraphs 2-4 involve the offer and sale of investment contracts and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Act of 1953 (815 ILCS 5/1)(the "Act.")

6. Section 5 of the Act provides, *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, or investment fund shares required to be registered under Section 7 of this Act, shall be registered either by coordination or by qualification, as hereinafter in this Section provided, prior to their offer or sale in this State.
7. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to offer or sell any security except in accordance with the provisions of this Act.
8. Section 12.D of the Act 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 application, report or document required to be filed under the provisions of this Act.
9. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.
10. At all relevant times, Respondent failed to file the proper forms to register as an investment adviser with the Secretary of State.
11. Section 2.11 of the Illinois Securities Law of 1953 (815 ILCS 5/1) as amended (the "Act") provides, *inter alia*, that "Investment adviser" means an person who, for compensation, engages in this State in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability or investing in, purchasing, or selling securities or who holds himself out as providing the foregoing investment advisory services to others for compensation;
12. Section 8.A of the Act provides, *inter alia*, that except as otherwise provided, every investment adviser shall be registered as such with the Secretary of State
13. Section 12.C of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any person to act as an investment adviser unless registered as such, where such registration is required, under the provisions of this Act.
14. By virtue of the foregoing, Respondents violated Sections 12.C and 12.D of the Act.
15. 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, and/or prohibit any person from acting as an investment adviser, without notice and prior hearing if the Secretary of State shall deem it necessary to prevent an imminent

Temporary Order of Prohibition

3

violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act;

16. That based on the above-referenced evidence, the Secretary of State deems it necessary to temporarily prohibit the offer or sale of any all securities issued or issuable by Michael Murphy in or from the state of Illinois or to any Illinois resident; and to prohibit Michael J. Murphy from acting an investment adviser in or from the State of Illinois to prevent an imminent violation of the Act;
17. That the entry of this Temporary Order prohibiting Michael Murphy from offering or selling securities in or from the State of Illinois; and from acting as an investment adviser in or from 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.

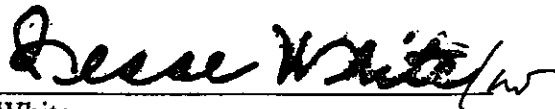
NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Michael Murphy is hereby:

1. PROHIBITED from engaging in the business of rendering investment advice for a fee in or from the State of Illinois until further order of the Secretary of State.
2. PROHIBITED from offering or selling any securities in or from the State of Illinois until further order of the Secretary of State.

NOTICE is hereby given that Respondent may request a hearing on this matter by transmitting such request in writing to Securities Director, Illinois Securities Department, 69 West Washington, Suite 1200, Chicago, Illinois 60602. Such request must be made within thirty (30) days of the date of entry of this Temporary Order of Prohibition. Upon receipt of a request for a hearing, a hearing will be scheduled as soon as reasonably practicable. Request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty (60) days from the date the hearing request is received by the Department.

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

DATED: This 11th day of February, 2003.



Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:

Stephen J. Feldman
Illinois Securities Department
69 West Washington, Suite 1200
Chicago, Illinois 60602
Telephone: (312) 814-8578