

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: RODERICK JAMES RIEMAN,)
MICHAEL J. CROOK)
Z TOUCH SYSTEMS, INC.,)
INNOVATIVE FINANCIAL) File No. 0500002
SERVICES, INC.,) File No. 0600051
THEIR OFFICERS, DIRECTORS,)
EMPLOYEES, AFFILIATES, SUCCESSORS,)
AGENTS AND ASSIGNS)

ORDER OF PROHIBITION

TO THE RESPONDENTS: Michael J. Crook
Z Touch Systems, Inc.
6375 South Pecos Road
Suite 121
Las Vegas, Nevada 89120

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

1. The pleadings 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.
2. The Hearing Officer has ruled on all motions and objections timely made and submitted.

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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. The Respondent Z Touch Systems, Inc. is a business entity with a last known address of 6375 South Pecos road, Suite 121, Las Vegas, Nevada 89120.
5. At all times relevant, the Respondent Michael J. Crook was an officer, director, agent or employee of Z Touch Systems, Inc.
6. On or about April 12, 2004, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, offered and sold to WU, an Illinois resident, a Letter of Intent whereby in return for an investment amount of \$30,000.00, WU was promised to receive a return of his original investment plus 112,500 shares of Z Touch Systems, Inc. by October 12, 2005, a time period of 18 months after his original investment.
7. On or about January 22, 2005, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, offered and sold to RA and DA (husband and wife), Illinois residents, a Kiosk Agreement whereby RA and DA paid \$22,500.00 from their IRA account for three units of Z Touch Systems Kiosk from the Respondents at a rate of \$7,500.00 per machine, to be managed and serviced by the Respondents, and in return for said investment, RA and DA were promised to receive 36 monthly interest payments in the amount of \$337.50 with the condition that if each payment is not paid on time, the remaining balance will be subject to interest at an annual rate of 18%, and the Respondents further promised to pay RA and DA the total principal amount at the end of the aforesaid 36 months.
8. On or about August 17, 2005, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors agents and assigns offered and sold to RA and DA (husband and wife), Illinois residents, a Kiosk Agreement whereby RA and DA paid \$30,000.00, consisting of payment from their IRA

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account in the amount of \$29,087.56 plus accrued interest in the amount of \$912.44 from the January 22, 2005, transaction, for four units of Z Touch systems Kiosk from the Respondents at a rate of \$7500.00 per machine, to be managed and serviced by the Respondents, and in return for said investment, RA and DA were promised to received 36 monthly interest payments in the amount of \$436.30 with the condition that if each payment is not paid on time, the remaining balance will be subject to interest at the annual rate of 18% and the Respondents further promised to pay RA and DA the total principal amount at the end of the aforesaid 36 months.

9. WU did not receive any return of his original investment nor 112,500 shares of Z Touch Systems, Inc. by October 12, 2005, a time period of 18 months after his original investment, or at any time thereafter.
10. On or about July 12, 2005, RA and DA received a check from the Respondents in the amount of \$337.50 which represented an interest payment on their aforesaid investments with the Respondents.
11. RA and DA have received no further monthly interest checks or return of any kind on their investments with the Respondents.
12. At all times relevant, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, failed and refused to apprise RA, DA and WU of any risks pertaining to their investments that might prevent the express terms of the aforesaid Kiosk Agreements and Letter of Intent, including the payment of interest and repayment of principal as promised, from being honored and carried out.
13. The Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, entered into the aforesaid August 17, 2005, Kiosk Agreement with RA and DA only two months prior to their default of the repayment of principal due to WU on October 12, 2005, when the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, knew or should have known the specific risks involved in the purchase of the

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aforesaid Kiosk Agreement that could prevent payment of the stated interest payments and principal, but failed to disclose such risks to RA and DA at the time of the August 17, 2005, transaction.

14. 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.
15. 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 disposition of a security or interest in a security of value.
16. 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

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preliminary prospectus, as defined by rules or regulations of the Secretary of State.

17. The above referenced Kiosk Agreements and Letter of Intent are investment contracts and are therefore securities as that term is defined pursuant to Section 2.1 of the Act.
18. Section 5 of the Act provides that all securities except those set forth under Section 2a, or those exempt under Section 3, 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.
19. 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.
20. 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.
21. Section 12.F of the Act (815 ILCS 5/12.F) provides, inter alia, that it shall be a violation of the 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 purchase or seller thereof.
22. Section 12.G of the Act (815 ILCS 5/12.D) provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statements 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.
23. At all times relevant hereto, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, induced Illinois residents to purchase said securities as detailed and documented in the Department's

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pleadings, Exhibits and Testimony without first having registered the securities with the Illinois Secretary of State as is required by the Act. The foregoing actions, representations, and/or omissions permitted the Respondents to obtain money through the fraudulent or deceitful sale of securities by means or an untrue or misleading statement of material fact or an 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 or false. By virtue or the foregoing, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, have violated Sections 12.A, 12.D, 12.F and 12.G of the Act.

24. Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsections D and/or G of the Section 12 of the Act, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling any securities in this State, provided that any person who is the subject or an order of permanent prohibition may petition the Secretary of State for a hearing to present evidence of rehabilitation or change or circumstance justifying the amendment or termination of the order of permanent prohibition.
25. Section 11.E(4) of the Act provides, inter alia, that in addition to any other sanction or remedy contained in subsection E, the Secretary of State may, after finding that any provision of this Act has been violated, impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act, and may issue an order of public censure against the violator.
26. By virtue of the foregoing, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, are subject to a fine of up to \$10,000.00 per violation, costs of investigation, reasonable expenses and order of censure and an order which permanently prohibits the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, from offering or selling securities in the State of Illinois.

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27. The entry of a final written Order of Permanent Prohibition, a fine with joint and several liability thereon, and a public censure, is proper in this Matter, given the conduct of the Respondents as described in the pleadings, Secretary of State Exhibits No. 1-14, and the Testimony.

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 the Respondent's absence. (735 ILCS 5/1-105 and 5/2-1301; Ryan v. Bening, 1978, 22 IL.Dec.873, 66 Ill.App.3d 127, 383 N.E.2d 681; Koenig v. Nardullo, 1968, 99 Ill.App.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 that fails to appear or answer the charges;
2. The actions, representations, and/or omissions of the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, made in connection with the failure to offer or sell any security in accordance with the provisions of the Act are violations of Section 12.A of the Act. The actions, representations and/or omissions of the Respondent Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, made in connection with the failure to file required documents with the Secretary of State are violations of Section 12.D of the Act. The actions, statements, representations, and/or omissions of the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors agents and assigns, that were made in connection with the offer or sale of securities and worked or tended to work a fraud or deceit upon Illinois purchasers is a violations of Section 12.F of the Act. The actions, representations, and/or omissions of the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, which were untrue or misleading of material facts and were made to obtain money from Illinois purchasers are violations of Section 12.G of the Act.

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3. By virtue of the foregoing and because of the Findings of this Order, the pleadings, the Exhibits admitted as Secretary of State Exhibits Nos. 1-14, and the testimony, the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, are subject to the entry of a final written Order that permanently prohibits the Respondents Michael J. Crook, and Z Touch Systems, Inc. and its officers, directors, employees, affiliates, successors, agents and assigns, pursuant to Sections 11.E(2) of the Act from offering or selling securities in the State of Illinois, imposes a fine on each of the Respondents Michael J. Crook and Z Touch Systems, Inc. pursuant to Section 11.E(4) of the Act not to exceed \$10,000.00 for each violation of the Act with joint and several liability thereon, publicly censures the Respondents Michael J. Crook, and Z Touch Systems, Inc., in this Matter, and grants such other relief as may be authorized under the Act.

NOW THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondents, Michael J. Crook, and Z Touch Systems, Inc., and its officers, directors, employees, affiliates, successors, agents and assigns are permanently PROHIBITED from offering or selling securities in the State of Illinois;
2. Respondents, Michael J. Crook, and Z Touch Systems, Inc., jointly and severally, shall pay a FINE in the amount of \$5,000; and
3. Respondents, Michael J. Crook, and Z Touch Systems, Inc., are CENSURED.

ENTERED: This 12th day of *October*, 2006



Jesse White
Secretary of State
State of Illinois

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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
300 West Jefferson Street
Suite 300A
Springfield, Illinois 62702
Telephone: (217) 524-1688