

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

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

NOTICE OF HEARING

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

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 25th day of January, 2008, at the hour of 10:00 a.m., or as soon as possible thereafter, before James L. Kopecky, Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered which would prohibit Michael J. Riley ("Respondent") from engaging in the business of selling or offering for sale securities in the State of Illinois, and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That Michael J. Riley, ("Respondent") is an individual whose last known address is 3-a General Sheridan Ct., Apple River, Illinois 61001.

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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 The Mortgage Specialists. At the meeting Respondent represented to Illinois Investor that he was the President of The 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 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 subject of an order of permanent prohibition may petition the Secretary of State for a

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hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the order or permanent prohibition.

18. 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.
19. 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.
20. 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.


You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 7th day of December 2007.


JESSE WHITE
Secretary of State
State of Illinois

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