

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

IN THE MATTER OF: **BASS FINANCIAL SERVICES, LTD**) FILE NO. 0600171
and MITCHELL BASS)

FINAL ORDER OF PROHIBITION

TO RESPONDENTS: BASS FINANCIAL SERVICES, LTD
 2575 Victor Avenue
 Suite 447
 Glenview, Illinois 60025

 MITCHELL BASS
 2575 Victor Avenue
 Suite 447
 Glenview, Illinois 60025

WHEREAS, a Temporary Order of Prohibition was issued by the Secretary of State on March 27, 2008 which prohibited Bass Financial Services, Ltd and Mitchell H. Bass ("Respondents") from offering or selling securities in or from the State of Illinois until further order of the Secretary of State or his duly authorized representative;

WHEREAS, pursuant to section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of the Temporary Order shall constitute an admission of any acts alleged therein and constitute a sufficient basis to make the Temporary Order final;

WHEREAS, the Respondents have failed to request a hearing on the matters contained in the Temporary Order within thirty (30) calendar days of the entry of said Temporary Order and the Respondents are hereby deemed to have admitted the facts alleged in the Temporary Order;

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the Temporary Order as the Secretary of State's Findings of Fact as follows:

Final Order of Prohibition

-2-

BACKGROUND FACTS

1. Respondent, Mitchell Bass, (hereinafter "Bass" or collectively with (Bass Financial Services "Respondents") has a last known address 2575 Victor Avenue, Suite 447, Glenview, Illinois 60025.
2. Respondent, Bass Financial Services (hereinafter "Bass Financial" or collectively with Mitchell Bass "Respondents") has a last known address of 2575 Victor Avenue, Suite 447, Glenview, Illinois 60025.
3. At all times relevant to this Order of Prohibition, Respondent Bass was a control person of Respondent Bass Financial.

BACKGROUND FACTS COMMON TO ALL COUNTS

4. Investor A (hereinafter "Complainant") is an Illinois resident.
5. Complainant did not have any pre-existing relationship with Respondents before the above referenced investments.
6. On or around January 2004, Respondent Bass solicited Complainant to invest through Respondent Bass Financial.
7. Respondent Bass promised Complainant a 16% return on her investment in mortgages to prevent families from losing their homes through foreclosure.
8. On or about December 19, 2003, Complainant gave to Respondent Bass a check in the amount of \$1,000.00, to be invested in a mortgage fund for property owned by John R. Pineda, located at 5219 South Blackstone, Chicago, Illinois 60615. These funds were deposited in the account of Respondent Mitchell Bass.
9. On or about January 12, 2004, Complainant gave to Respondent Bass an additional check in the amount of \$20,000.00, to be invested in a mortgage fund for property owned by John R. Pineda, located at 5219 South Blackstone, Chicago, Illinois 60615. These funds were deposited in the account of Respondent Mitchell Bass.
10. On or about February 5, 2004, Complainant gave to Respondent Bass a third check in the amount of \$5000.00, to be invested in a mortgage fund for property owned by Richard Krutch, located at 6228 North Keystone Avenue, Chicago, Illinois 60646. These funds were deposited in the account of Respondent Mitchell Bass.
11. Respondent Bass gave to Complainant "Second Mortgage" documents for both properties.

Final Order of Prohibition

-3-

12. Neither John R. Pineda nor Richard Krutch received the aforementioned funds provided to Respondent Bass by Complainant.
13. To date, despite demands, the Respondents have failed to fulfill the terms, pursuant to the Agreement.
14. To date, despite having repeatedly requested a refund from Respondents, Complainant has not received a refund of the monies she invested.
15. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").

COUNT I

**815 ILCS 5/12.A and D violations: Respondents sold
unregistered securities.**

- 1-15. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 15 above as paragraphs 1 through 15 of this Count I.
16. Section 12.A of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the "Act") states that 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."
17. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 shall be registered either by coordination or by qualification prior to their offer or sale in the State of Illinois.
18. Section 12.D of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, ("the Act") provides, *inter alia*, that it shall be a violation of the Act 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 the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
19. Respondents failed to file with the Secretary of State an application for registration of the securities 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 in the State of Illinois.
20. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT II

815 ILCS 5/12.F: Respondents engaged in practices in connection with the sale of securities that worked a fraud or deceit on the purchaser thereof.

- 1-15. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 15 of Count I as paragraphs 1 through 15 of this Count II.
16. Section 12.F of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (“the Act”) 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 conjunction with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
17. Paragraphs 1 through 16 allege facts that show conduct by the Respondents that violate Section 12.F of the Act. In particular: Respondent Bass failed to invest the Complainant’s funds into a mortgage fund but instead converted the funds for his own personal use and benefit.
18. By virtue of the foregoing, Respondents violated Sections 12.F of the Act.

COUNT III-OBTAINING MONEY BY UNTRUE STATEMENTS AND MISLEADING FACTS

815 ILCS 5/12.G--Respondents obtained Complainants’ money by making untrue statement of material fact and omission to state a material fact

- 1-15. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 15 of Count I as paragraphs 1 through 15 of this Count III.
16. Section 12.G of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the 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 light of the circumstances under which they were made, not misleading.”
17. The facts alleged in paragraphs 1 through 16 above, allege facts showing conduct by the Respondents that violated Section 12.G of the Act. In particular: 1) Respondents misled Complainant into believing a second mortgage had been recorded on Complainant’s behalf for the investment of Complainant’s fund in the property owned by John R. Pineda; 2) Respondents misled Complainant into

Final Order of Prohibition

-5-

believing John R. Pineda and Richard Krutch had received the aforementioned funds provided to Respondent Bass by Complainant; and 3) Respondent Bass converted Complainant's funds for his own personal use and benefit.

18. By virtue of the foregoing, Respondents violated Sections 12.G of the Act.

**COUNT IV-EMPLOYMENT OF A DEVICE
OR SCHEME TO DEFRAUD**

**815 ILCS 5/12.H and 12.I--Respondent issued false statements
to investors regarding the purported investment in furtherance
of scheme to defraud**

- 1-15. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 15 of Count I as paragraphs 1 through 15 of this Count IV.
16. Section 12.H of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the "Act") states that it shall be a violation of the provisions of this Act for any person to "sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue."
17. Section 12.I of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, states that it shall be a violation of the provisions of the Act for any person to "employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
18. The facts alleged in paragraphs 1 through 17 above, allege facts showing conduct by the Respondents that violate Section 12.H and 12.I of the Act. In particular: 1) Respondents tendered to Complainant a copies of a "Second Mortgage" document which were purported signed by borrower Richard Krutch; 2) Respondents tendered to Complainant a "Second Mortgage" document with a forged signature of borrower Richard Krutch; 3) Respondents intentionally misled Complainant into believing "Second Mortgage" document had been signed by borrowers; 4) intentionally misled Complainant into believing second mortgage had been recorded on Complainant's behalf for the investment of Complainant's fund in the property owned by John R. Pineda; 5) Respondents intentionally misled Complainant into believing John R. Pineda and Richard Krutch had received the aforementioned funds provided to Respondent Bass by Complainant and 6) Respondent Bass converted Complainant's funds for his own personal use and benefit.
19. By virtue of the foregoing, Respondents violated Sections 12.H and 12.I of the Act.

Final Order of Prohibition

-6-

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondents **Bass Financial Services, Ltd** and **Mitchell H. Bass** are PROHIBITED from offering or selling securities in or from this State until the further Order of the Secretary of State.

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the ACT. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 felony for each offense.

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 Act (14 Ill. Admin. Code, Ch. 1 Sec. 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.

Dated: This __22nd__ day of May 2009



JESSE WHITE
Secretary of State
State of Illinois

Felicia H. Simmons-Stovall
Enforcement Attorney
Office of the Secretary of State
Illinois Securities Department
69 W. Washington, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-9638