

Amended Notice of Hearing

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Said hearing will be held to determine whether an Order shall be entered prohibiting Nancy J. Seritch Kennedy, Barry Chessick, Anne Chessick and Lakeland Shores L.L.C. from offering, advising the sale of, and selling 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.F(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

BACKGROUND FACTS

1. Lakeland Shores L.L.C. ("Respondent Lakeland" or collectively with Respondents A. Chessick, B. Chessick and Kennedy, "Respondents") was an Illinois corporation. Its last known address is 3149 Dundee Road, Suite 180, Northbrook, Illinois 60062.
2. Anne Chessick ("Respondent A. Chessick" or collectively with Respondents Lakeland, B. Chessick and Kennedy, "Respondents") was the sole manager of Respondent Lakeland at all relevant times herein. Her last known address is 3149 Dundee Road, Suite 180, Northbrook, Illinois 60062.
3. Barry Chessick ("Respondent B. Chessick" or collectively with Respondents Lakeland, A. Chessick and Kennedy, "Respondents") is a salesperson of Respondent Lakeland at all relevant times herein. His last known address is 3609 Pebble Beach Road, Northbrook, Illinois 60062.
4. Nancy J. Seritch Kennedy ("Respondent Kennedy" or collectively with Respondents Lakeland, A. Chessick and B. Chessick, "Respondents") is a salesperson of Respondent Lakeland at all relevant times herein. Her last known address is 18 W 432 91st Street, Lamont, Illinois 60439.
5. That on March 7, 2006, the Secretary of State entered an order against Respondent B. Chessick temporarily prohibiting Respondent B. Chessick from offering or selling securities to or from the State of Illinois, pursuant to Section 11.F of the Act, case file C0500332.
6. Between June 2006 and June 2007, Respondent Lakeland issued promissory notes that promised investors 50-75 percent rates of return due within one year of the investment ("Notes" or "Note"). Respondent B. Chessick and Kennedy sold the Notes for the stated purpose of raising \$1.5 million for the development and purchase of a 42-acre parcel located in New Buffalo Township, Michigan.

BACKGROUND FACTS COMMON TO ALL COUNTS

7. Investor DG, Investor RG, Investor CS and Investor DM are residents of the State of Illinois.
8. Prior to Summer 2006, on behalf of Respondent Lakeland, Respondent B. Chessick offered Investor DM a Note, which promised to pay a 75% rate of return, due in one year from the date of the investment.
9. In October 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$30,000 75% Note to Investor DM, with principal and interest due in one year. In exchange, DM gave them a check for \$30,000.00.
10. In October 2006, on behalf of Respondent Lakeland, Respondent B. Chessick offered Investor DG a Note, which promised to pay a 75% rate of return, due in one year from the date of the investment.
11. On or about November 20, 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$100,000.00 75% Note to Investor DG, with principal and interest due in one year. In exchange, DG gave Respondents a check for \$100,000.00, made payable to Respondent Nancy Kennedy.
12. In November 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy offered RG a Note, which promised to pay a 75% rate of return, due in one year from the date of the investment.
13. On or about November 14, 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$20,000.00 75% Note to RG's mother, Investor RS, with principal and interest due in one year. In exchange, RG gave them a check for \$20,000.00, payable to Lakeland Shores, LLC.
14. In late 2006, on behalf of Respondent Lakeland, Respondent B. Chessick offered Investor CS a Note, which promised to pay a 75% rate of return, due in one year from the date of the investment.
15. On or about November 20, 2006, Respondent A. Chessick and Kennedy opened an account on behalf of Respondent Lakeland at JPMorgan Chase Bank.
16. On or about November 21, 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$100,000.00 75% Note to Investor CS, with principal and interest due in one year. In exchange, CS

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gave them a check for \$100,000.00, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.

17. On or about December 22, 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$50,000.00 75% Note to Investor DW, with principal and interest due in one year. In exchange, DW gave them a check for \$50,000.00, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.
18. On or about December 28, 2006, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$50,000.00 75% Note to Investor SD, with principal and interest due in one year. In exchange, SD gave them a check for \$50,000.00, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.
19. On or about January 6, 2007, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$25,000.00 75% Note to Investor JH, with principal and interest due in one year. In exchange, JH gave them a check for \$25,000.00, made payable to Respondent Kennedy, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.
20. On or about January 26, 2007, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a second \$25,000.00 75% Note to Investor JH, with principal and interest due in one year. In exchange, JH gave them a check for \$25,000.00, made payable to Respondent Kennedy, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.
21. In April 2007, on behalf of Respondent Lakeland, Respondent B. Chessick offered Investor DB a Note, which promised to pay a 50% rate of return, due in one year from the date of the investment.
22. On or about May 1, 2007, on behalf of Respondent Lakeland, Respondents B. Chessick and Kennedy sold a \$100,000.00 50% Note to Investor DB, with principal and interest due in one year. In exchange, DB gave them a check for \$100,000.00, made payable to Respondent Kennedy, as instructed by Respondents B. Chessick and Kennedy and deposited into Respondent Lakeland account.
23. On or about May 21, 2007, on behalf of Respondent Lakeland, Respondents B. Chessick sold a \$50,000.00 50% Note to Investor NB, with principal and interest due in one year. In exchange, NB gave Respondent B. Chessick a check for \$50,000.00 to Respondent B. Chessick, deposited into Respondent Lakeland account at JPMorgan Chase Bank.

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24. From on or about November 28, 2006 through June 15, 2007, Respondents transferred approximately \$225,500.00 in 19 transactions from Respondent Lakeland bank account into a personal account of Respondent Kennedy.
25. From on or about December 7, 2006 through July 12, 2007, Respondent Lakeland transferred approximately \$191,217.00 in 9 transactions from Respondent Lakeland bank account into the personal and/or unrelated business accounts of Respondent B. Chessick.
26. Between December 7, 2006 and July 12, 2007, Respondent A. Chessick authorized deposits from Respondent Lakeland's bank account into the personal and/or unrelated business accounts of Respondent B. Chessick.
27. According to Investors, Respondents told them that the investor funds would be used to purchase property or for the platting/plotting of the purchased land and that the property value would increase greatly after it was platted.
28. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the Notes.
29. To date, despite demands, Investors have not received any monies back from their investments, pursuant to the terms of the Notes.
30. That the activities set forth in paragraphs above constitute the offer and sale of Notes, and therefore a security, as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*

COUNT I

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

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 above, as paragraphs 1 through 30 of this Count I.
31. 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."
32. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions

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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.

33. Section 12.D 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 "fail to file with the Secretary of State any application, report or document 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.
34. Respondents failed to file an application for registration of the above-referenced securities with the Secretary of State and as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer and sale in the State of Illinois.
35. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

COUNT II

**815 ILCS 5/12.C violation: Respondents are
unregistered salespersons**

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 of Count I, as paragraphs 1 through 30 of this Count II.
31. The activities of Respondent B. Chessick and Respondent Kennedy at paragraphs 8-23 constitute the activities of a salesperson as defined at Section 2.9 of the Act.
32. Section 12.C 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 "act as a dealer, salesperson, investment adviser, or investment adviser representative, unless registered as such, where such registration is required, under the provisions of this Act."
33. Section 8 of the Act provides, *inter alia*, that except as otherwise provided, every dealer, limited Canadian dealer, salesperson investment adviser, and investment adviser representative shall be registered as such with the Secretary of State.
34. The facts alleged in paragraphs 1 through 33, demonstrate that Respondents B. Chessick and Kennedy violated Section 12.C of the Act. In particular: Respondents B. Chessick and Kennedy failed to file an

application for registration as a salesperson with the Secretary of State, pursuant to Section 8 of the Act prior to the sale of securities to investors.

35. By virtue of the foregoing, Respondents B. Chessick and Kennedy violated Section 12.C of the Act.

COUNT III

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

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 of Count I, as paragraphs 1 through 30 of this Count III.
31. Section 12.F 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 "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."
32. The facts alleged in paragraphs 1 through 31 above allege facts that show conduct by the Respondents that violate Section 12.F of the Act. In particular: Respondents did not invest Complainants' funds for the benefit of Complainants and instead, Respondents converted Complainants' money for Respondents' own personal use and benefit. In particular, Respondents transferred approximately \$191,217.00 to Respondent B. Chessick's personal and/or unrelated business accounts; Respondent transferred approximately \$225,500.00 to Respondent Kennedy's personal and/or unrelated business accounts; and Respondent A. Chessick issued checks totaling \$42,000.00 from the Respondent Lakeland account to Respondent B. Chessick personally and Respondent B. Chessick's unrelated business account.

COUNT IV

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

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 of Count I, as paragraphs 1 through 30 of this Count IV.

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31. 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."
32. The facts alleged in paragraphs 1 through 31 above allege facts that show conduct by the Respondents that violate Section 12.G of the Act. In particular: Respondents represented that the Complainants' funds would be used to purchase property or for the platting/plotting of the purchased land. Instead, Respondents converted Complainants' money for Respondents' own personal use and benefit.

COUNT V

815 ILCS 5/12.I violation: Respondent employed a scheme to defraud in connection with the sale of securities

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 of Count I, as paragraphs 1 through 30 of this Count V.
31. 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."
32. The facts alleged in paragraphs 1 through 31 above allege facts that show conduct by the Respondents that violate Section 12.I of the Act. In particular: Respondents B. Chessick and Kennedy solicited and sold Notes to Complainants purporting that the Complainants' funds would be used to purchase property or for the platting/plotting of the purchased land. Instead, Respondents converted Complainants' money for Respondents' own personal use and benefit.

COUNT VI

815 ILCS 5/12.D violations: Respondent failed to comply with previous order of the Department

- 1-30. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 30 of Count I, as paragraphs 1 through 30 of this Count VI.
31. Section 12.D 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 "fail to file with the Secretary of State any application, report or

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document 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.

32. The facts alleged in paragraphs 1 through 31, demonstrate that Respondent B. Chessick violated Section 12.D of the Act. In particular: Respondent B. Chessick, in the offering and selling of Notes to investors violated the terms of a previous consent order entered on May 14, 2007, against Respondent B. Chessick that permanently prohibited Respondent B. Chessick from offering or selling securities to or from the State of Illinois.
33. By virtue of the foregoing, Respondent B. Chessick violated Section 12.D 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 requested 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 1st day of December 2009.



JESSE WHITE
Secretary of State
State of Illinois

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