

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

**IN THE MATTER OF: BARRY CHESSICK;
NANCY J. SERTICH KENNEDY; ANNE CHESSICK;
AND LAKELAND SHORES LLC**

File No. C0800567

ORDER OF PROHIBITION

TO THE RESPONDENTS: LAKELAND SHORES LLC
c/o Anne Chessick
3149 Dundee Road, Ste. 180
Northbrook, Illinois 60062

BARRY CHESSICK
3609 Pebble Beach Road
Northbrook, Illinois 60062

ANNE CHESSICK
3149 Dundee Road, Ste 180
Northbrook, Illinois 60062

C/o Robert J. Shelist
Law Offices of Robert J. Shelist, P.C.
1061 W. Monroe Street
Chicago, Illinois 60607

WHEREAS, the above-captioned matter came to be heard over three different days, June 28, 2010, January 7, 2011, and March 22, 2011, pursuant to the Amended Notice of Hearing dated December 1, 2009, filed by Petitioner Secretary of State, and the record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") 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.

Order of Prohibition

- 2 -

WHEREAS, the proposed Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Esq., in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer concerning Respondent Sally Lukasik are correct in part and incorrect in part and are hereby adopted as modified as the Findings of Fact of the Secretary of State:

1. The Department served Respondents with a Notice of Hearing on or about September 15, 2009 and Amended Notice of Hearing on or about December 1, 2009.
2. The Law Offices of Robert J. Shelist, P.C. filed its appearance as attorney of record and responsive pleadings on behalf of Respondents Barry Chessick, Anne Chessick and Lakeland Shores LLC.
3. Respondents Barry Chessick and Anne Chessick appeared in person, and represented by counsel, who also appeared on behalf of Respondent Lakeland Shores LLC (business entity).
4. Lakeland Shores LLC ("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.
5. 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.
6. 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.
7. Nancy J. Sertich Kennedy is a salesperson of Respondent Lakeland at all relevant times herein. Her last known address is 18 W 432 91st Street, Lamont, Illinois 60439.
8. That on March 7, 2006, the Secretary of State entered an order against Respondent B. Chessick temporarily prohibiting Respondent B. Chessick

Order of Prohibition

- 3 -

from offering or selling securities to or from the State of Illinois, pursuant to Section 11.F of the Act, case file C0500332.

9. 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.
10. Investor DG, Investor RG, Investor CS and Investor DM are residents of the State of Illinois.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. 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.

Order of Prohibition

- 4 -

18. On or about November 20, 2006, Respondent A. Chessick and Kennedy opened an account on behalf of Respondent Lakeland at JPMorgan Chase Bank.
19. 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 gave them a check for \$100,000.00, which was deposited into Respondent Lakeland account at JPMorgan Chase Bank.
20. 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.
21. 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.
22. 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.
23. 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.
24. 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.
25. 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.

Order of Prohibition

- 5 -

26. 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.
27. 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.
28. 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.
29. 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.
30. 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.
31. To date, despite demands, the Respondents have failed to pay the investors their principal and interest, pursuant to the terms of the Notes.
32. To date, despite demands, Investors have not received any monies back from their investments, pursuant to the terms of the Notes.
33. Respondent B. Chessick failed to disclose to Investors at the time of each investor's investment, that he intended to, and did, use funds received from Investors to pay back loans from him, and from entities he controlled, including Humongous Fungus.
34. Respondent B. Chessick failed to disclose to Investors at the time of their investment, that Nancy Sertich-Kennedy was stealing funds for her personal use and benefit.
35. Respondent B. Chessick promised to Investors at the time of their investment that the funds would be used to plat the land for the New Buffalo project. Respondent B. Chessick did not use the Investors' funds to plat the land.

Order of Prohibition

- 6 -

36. Respondent B. Chessick misappropriated Investor funds for uses other than platting the land, as he had represented, and for his personal use and benefit.
37. Respondent A. Chessick, by signing checks and agreeing to hold a joint bank account, knowingly or recklessly participated in the fraudulent scheme.

WHEREAS, the Secretary of State finds the proposed Conclusions of Law of the Hearing Officer to be correct in part and incorrect in part and are hereby adopted as modified, based on the law and the record in this matter, and adopts them as the Conclusions of Law of the Secretary of State:

1. The Department properly served the Notice of Hearing on Respondent.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act.
4. That the activities set forth in Proposed Findings of Fact 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.*
5. 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."
6. 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 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.
7. 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.

Order of Prohibition

- 7 -

8. 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.
9. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.
10. The activities of Respondent B. Chessick and Respondent Kennedy at paragraphs 9-30 constitute the activities of a salesperson as defined at Section 2.9 of the Act.
11. 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."
12. 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.
13. The facts alleged in paragraphs 4 through 37, 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.
14. By virtue of the foregoing, Respondents B. Chessick violated Section 12.C of the Act.
15. 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."
16. The facts alleged in paragraphs 4 through 37 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

Order of Prohibition

- 8 -

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.

17. 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."
18. The facts alleged in paragraphs 4 through 37 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.
19. 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."
20. The facts alleged in paragraphs 4 through 37 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.
21. 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.
22. The facts alleged in paragraphs 4 through 37, 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

Order of Prohibition

- 9 -

permanently prohibited Respondent B. Chessick from offering or selling securities to or from the State of Illinois.

23. By virtue of the foregoing, Respondent B. Chessick violated Section 12.D of the Act.

WHEREAS, The Hearing Officer recommends that:

1. An Order be entered prohibiting Respondent Barry Chessick from offering, advising the sale of, and selling securities in the State of Illinois;
2. An Order be entered prohibiting Respondent Anne Chessick from offering, advising the sale of, and selling securities in the State of Illinois;
3. An Order be entered prohibiting Respondent Lakeland Shores, LLC from offering, advising the sale of, and selling securities in the State of Illinois;
4. An Order be entered imposing a fine against Barry Chessick in the amount of \$10,000 for each Count I-V of the Notice of Hearing for a total of \$50,000.

WHEREAS, the Secretary of State accepts the Recommendations of the Hearing Officer and has determined based upon the Findings of Fact and Conclusions of Law that an Order shall be entered permanently PROHIBITING Respondents Barry Chessick, Anne Chessick and Lakeland Shores, LLC from offering or selling securities in the State of Illinois.

NOW THEREFORE, IT SHALL BE AND IS HEREBY ORDERED THAT:

1. Barry Chessick is **PROHIBITED** from offering, advising the sale of, and selling securities in the State of Illinois;
2. Anne Chessick is **PROHIBITED** from offering, advising the sale of, and selling securities in the State of Illinois;
3. Lakeland Shores LLC is **PROHIBITED** from offering, advising the sale of, and selling securities in the State of Illinois;

Order of Prohibition

- 10 -

4. Barry Chessick is **FINED** in the amount of \$10,000 for each Count I-V of the Notice of Hearing for a total of \$50,000.

Dated: This 9th day of September 2011.



JESSE WHITE
Secretary of State
State of Illinois

Felicia H. Simmons-Stovall
Enforcement Attorney
Illinois Securities Department
69 West Washington Street, Suite 1220
Chicago, Illinois 60602
312-793-3378

James L. Kopecky, Esq.
Hearing Officer
203 N. LaSalle St., Suite 1620
Chicago, IL 60601
(312) 380-6552