

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

INSIDER REAL ESTATE, INC., its partners, officers and directors,
agents, employees, affiliates, successors and assigns; SCANLAN
REALTY & INVESTMENTS, LTD., its partners, officers and
directors, agents, employees, affiliates, successors and assigns,
CHRISTOPHER SCANLAN, and ROSALEE MUELLER
individually.

FILE NO 0700061
0700520

ORDER OF PROHIBITION AND FINE

TO THE RESPONDENTS: Insider Real Estate, Inc.
c/o Rosalee Mueller,
2881 Freemont Court
Schaumburg, Illinois 60193

Scanlan Realty & Investments, LTD.
c/o Christopher Scanlan
735 McArdle Drive, Suite A
Crystal Lake, Illinois 60014

Christopher Scanlan
735 McArdle Drive, Suite A
Crystal Lake, Illinois 60014

Christopher Scanlan
c/o Rosalee Mueller
2881 Freemont Court
Schaumburg, Illinois 60193

Rosalee Mueller
2881 Freemont Court
Schaumburg, Illinois 60193

c/o W Randal Baudin, Esq.
2100 Huntington Drive
Suite C, Algonquin
West Dundee, IL 60112

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WHEREAS, the above-captioned matters came to be heard solely on the issue of Sanctions on April 4, 2011, pursuant to the Second Amended Notice in file number 0700061 filed on April 17, 2009, and the Amended Notice of Hearing in file number 0700520 which was filed on January 28, 2008, in the matters under the Illinois Business Opportunities Sales Law of 1995 [815 ILCS 602/5 1 et. seq.] (the "Act"), and Title 14: Commerce Subtitle A: Regulation of Business Chapter I: Secretary of State Part 130 Regulations under Illinois Securities Law of 1953 section 130 1100 (the "Rules"). The Secretary of State or his duly authorized representative having reviewed the proceedings.

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.

Findings of Fact

WHEREAS, the above-captioned matter originally came on to be heard on July 28, 2009, pursuant to the Second Amended Notice in file number 0700061 filed on April 17, 2009, and the Amended Notice of Hearing in file number 0700520 which was filed on January 28, 2008., and the matter heard under the Act, and the Rules. The Respondents present and by and through counsel orally stipulated to the facts alleged in the Notices and the matter was continued for hearing on the imposition of Sanctions. The Secretary of State or his duly authorized representative having reviewed the proceedings.

WHEREAS, the Findings of Fact in the Notices having previously been orally stipulated to by the Respondents on July 28, 2009 and that Stipulation accepted to by the Hearing Officer and the State are hereby adopted as the Findings of Fact of the Secretary of State as follows

- 1 The Department served Respondents with a Second Amended Notice in file number 0700061 filed on April 17, 2009, and an Amended Notice of Hearing in file number 0700520 filed on January 28, 2008. Proof of Service was admitted that Respondents were given the notice per the requirements of the Act and the Rules and Regulations, and that, therefore, the Department had established personal jurisdiction over Respondents.
2. The Respondents appeared with counsel and stipulated to the facts alleged in the Notices. That the sole remaining issue was the application, if any, of sanctions.
3. As of the date hereof, no outstanding petitions, motions, or objections exist as to the File or the proceeding.
- 4 That the allegations in the Second Amended Notice, file number 0700061 filed on April 17, 2009 are hereby adopted as Findings of Fact as follows:

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- a. That Respondent Insider Real Estate ("Insider") is a business entity maintaining its principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- b. That Respondent Insider Real Estate, Inc. ("Insider, Inc.") is an Illinois corporation maintaining its principal offices at 2881 Freemont Ct., Schaumburg, Illinois 60194 and 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- c. That Respondent Scanlan Realty & Investments, LTD ("Scanlan Realty") is a business entity, maintaining its principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- d. That Respondent Rosalee Mueller, an individual ("Mueller"), maintaining her principal office at 2881 Freemont Ct., Schaumburg, Illinois 60194 is the President and Registered Agent of Insider, Inc.
- e. That Respondent Christopher Scanlan ("Scanlan"), a Real Estate Broker licensed in the State of Illinois, an individual, is the CEO and/or principal of Insider and Scanlan Realty, a representative and agent of Insider, Inc., (collectively with Insider, Inc. and Mueller "Respondents"), maintaining his principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- f. That during January 2005, the Respondents placed advertisements (the "Ad") on the radio. Said radio station broadcast within the State of Illinois.
- g. That one Ad touted learning how to make money in real estate and to call the toll free number provided by the broadcast, 1-888 50-INSIDER to attend a free seminar.
- h. That at the same time, Respondents were claiming on their Insider Real Estate website (www.insiderseminars.com): "Foreclosures equal a multi-trillion dollar industry with very few people who really know how to profit from it. Become an INSIDER and learn the secrets others won't tell you. It's simple. listen to my advice and work hard at it, you should have no problems making \$18K to \$25K per deal, on average, 92% of Attendees go out and purchase at least one piece of property."
- i. That at least one Illinois resident responded to the Ad.

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- j. That on or about February 16, 2005, the Respondents held a free Seminar hosted by Respondent Insider at the Oak Brook Premium Hotel, 17 West 350 22nd Street, Oakbrook Terrace, Illinois
- k. That at the Seminar, attendees were offered the opportunity to purchase the "Insider Program" at a cost of \$3500.00. Scanlan told the prospective Purchasers of the Insider Program that Purchasers would be taught all the necessary methods to profit in the foreclosure business. He said he would provide financing on the deals they found, if they could not finance the deal themselves. Prospective Purchasers were also told that Scanlan's mentoring was the key to success that Purchasers would be working on computers, the phone and practicing what was taught. Additionally at least one Illinois resident "Purchaser(s)" were assured that Purchasers could earn the cost of the Insider Program back on the first sale.
- l. That on about February 25, 2005, at least one Illinois resident "Purchaser(s)" purchased the Insider Program held on February 25 and 26, 2005 at the Radison, Schaumburg, 1725 E. Algonquin Rd., Schaumburg, IL 60173. Purchaser(s) paid \$3500.00 in consideration which was deposited into the bank account of Insider Real Estate, Inc
- m. That at the Insider Program, Scanlan told the Purchaser(s) that Purchaser(s) would get Multiple Listing Services (MLS) access, necessary to determine a property's market value
- n. That at the Insider Program, Scanlan told Purchaser(s) that if Purchaser(s) arranged appointments with Scanlan for potential clients facing foreclosure, Purchaser(s) would profit in one of the following ways: by profiting on a short sale, "flipping" the property to one of his real estate investors; or by getting a commission from listing the property on the Scanlan Realty MLS. Scanlan claimed that his established network of real estate investors, agents, attorneys, and accounts would aid in the Purchaser(s)' success.
- o. That Section 5-5.10(a) (6) of Business Opportunity Sales Law of 1995, [815 ILCS 602 et seq.] (the "Act") provides, *inter alia*, that a business opportunity is a contract or agreement, between a seller and purchaser, express or implied, orally or in writing, wherein it is agreed that the seller or a person recommended by the seller shall provide to the purchaser any product, equipment, supplies or services enabling the purchaser to start a business when the purchaser is required to make a payment to the seller or a person recommended by the seller of more than \$500 and the seller represents directly or indirectly, orally or in writing, that the seller or a person recommended by the seller will provide a marketing plan

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- p. That the Insider Program, described in paragraphs k through n. (k.-n.), constitutes a business opportunity as that term is defined in Section 5-5.10 of the Act.
- q. That the activities described in paragraphs g. through l. (g.-l) constitute an offer and a sale as those terms are defined under Section 5-5.20 of the Act
- r. That the activities described in paragraphs k., m., and n. (k , m., and n.) constitute a marketing plan as that term is defined under Section 5-5.15 (6) of the Act
- s. That the activities described in paragraphs m. and n. (m.-n.) constitute the Seller providing or assisting the buyer in finding outlets or accounts for the purchasers services as that term is defined under Section 5-5.15 (2) of the Act
- t. That the activities described in paragraphs m. and n. (m.-n) constitute the Seller providing or assisting the buyer in finding outlets or accounts for the purchasers services as that term is defined under Section 5-5 15 (3) of the Act.
- u. That Section 5-25 of the Act provides, inter alia, that it is unlawful for any person to offer any business opportunity in this State unless the business opportunity is registered under the Act or is exempt under Section 5-10 of the Act.
- v. That at all relevant times, Respondents, failed to register the business opportunity described in paragraph f. (f) as required pursuant to Section 5-25 of the Act.
- w. That Section 5-35(a) of the Act provides it is unlawful for any person to offer or sell any business opportunity required to be registered under this Law unless a written disclosure document as filed under subsection (a) of Section 5-30 of this Law is delivered to each purchaser at least 10 business days prior to the execution by a purchaser of any contract or agreement imposing a binding legal obligation on the purchaser or the payment by a purchaser of any consideration in connection with the offer or sale of the business opportunity.
- x. That the Respondents failed to provide purchasers of the Insider Program, described at paragraph l. (l.), with a disclosure document.

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- y. That Sec. 5-40. Contract or agreement provisions of the Act provides:
- (a) It is unlawful for any person to offer or sell any business opportunity required to be registered unless the business opportunity contract or agreement is in writing and a copy of the contract or agreement is given to the purchaser at the time the purchaser signs the contract or agreement
 - (b) Contracts or agreements shall set forth in at least ten-point type or equivalent size, if handwritten, the following:
 - (1) The terms and conditions of any and all payments due to the seller;
 - (2) The seller's principal business address and the name and address of the seller's agent in this State authorized to receive service of process;
 - (3) The business form of the seller, whether corporate, partnership, or otherwise;
 - (4) The delivery date or, when the contract provides for a periodic delivery of items to the purchaser, the approximate delivery date of the product, equipment, or supplies the seller is to deliver to the purchaser to enable the purchaser to start his or business; and
 - (5) Whether the product, equipment, or supplies are to be delivered to the purchaser's home or business address or are to be placed or caused to be placed by the seller at locations owned or managed by persons other than the purchaser.
- z. That the Respondents failed to provide purchasers of the Insider Program described at paragraphs l. (1) with a written contract.
- aa That Section 5-95(2) of the Act provides, inter alia, it is unlawful for any person, in connection with the offer or sale of any business opportunity in this State, directly or indirectly: To make any untrue statement of a material fact or to omit 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.
- bb. That at the Insider Program, Scanlan told the Purchaser(s) that Purchaser(s) would get Multiple Listing Services (MLS) access, necessary to determine

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a property's market value. The Respondents failed to disclose prior to purchase that Respondents could not and had not put in place MLS access to Purchaser(s) through Scanlan's and/or Scanlan Realty's MLS account.

- cc. That Respondent Scanlan assured Purchasers of the Insider Program that they would be taught all the necessary methods to profit in the foreclosure business, that they would be working on computers, the phone and practicing what was taught through "hands on" example. Purchasers never worked on computers, the phone, nor were they given the promised real time training.

- dd. That Section 5-95(3) of the Act further provides it is unlawful for any person, in connection with the offer or sale of any business opportunity in this State, directly or indirectly: To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

- ee. That Section 5-60(2) of the Act provides, inter alia, that the Secretary of State may require any person to file a statement, under oath, as to all the facts and circumstances concerning a matter to be investigated.

- ff. That on May 18, 2007 and on July 9, 2007, pursuant to the authority granted in Section 5-60 of the Act, the Department sent a letter (the "5-60 Letter") to the Respondents by certified mail, return receipt requested. The 5-60 Letter requested certain information the Department deemed necessary for its use in the enforcement of this Act in offering for sale its Insider program without registration as a business opportunity, within ten (10) business days.

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- gg That the certified mail receipt for the July 9, 2007 letter was returned to the Department signed by addressee's agent on about July 11, 2007.
 - hh. That the Respondents failed and refused to respond to that 5-60 Letter.
 - ii. That of this date, the Respondents continues to fail to respond to that 5-60 Letter.
 - jj That Section 5-60(d) of the Act provides, inter alia, 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 document required to be filed under the provisions of Section 5-60.
 - kk That Section 5-65(1) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may. Issue an order, anything contained in this law to the contrary notwithstanding directing the person to cease and desist from continuing the act or practice.
 - ll. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of Sate may. Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.
 - mm That Section 5-65 (4) provides, inter alia, that in addition to any other sanction or remedy contained in section 5-65, the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
- 5 That the allegations in the Amended Notice of Hearing in file number 0700520 which was filed on January 28, 2008, are hereby adopted as Findings of Fact as follows
- a. That Respondent Insider Real Estate (Insider) is a business entity maintaining its principal office at 735 McArde Drive, Suite A, Crystal Lake, Illinois 60014.

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- b. That Respondent Scanlan Realty & Investments, LTD (Scanlan Realty) is a business entity, maintaining its principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- c. That Respondent Christopher ("Scanlan") is a Real Estate Broker licensed in the State of Illinois, and is the CEO and/or principal of Insider and Scanlan Realty (collectively Respondents), maintaining his principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
- d. That on May 18, 2007 the Department pursuant to section 5-6v of the Act sent to Respondents a letter of inquiry via certified mail; and on July 9, 2007 sent a second time bearing USPS certified mail number 7006 2150 0004 3479 7959 which was signed for by Gail Overstreet on July 11, 2007.
- e. That Respondents never responded to the letters of inquiry referenced at paragraph 4, above, and for this reason the subpoenas referenced at paragraph 7 below were issued.
- f. That Janet Terri ("Ms Terri") is an Administrative Assistant with the Illinois Securities Department (the "Department").
- g. That on September 25, 2007, the Department issued Subpoena Decus Tecums in the matter of File # 0700061 and Janet Terri served the Subpoenas via Certified Mail to Respondents Insider, Scanlan Realty, and Scanlan, and to their Attorney W. Randal Baudin (Baudin).
- h. That attached to each of the Subpoenas was an "Exhibit A" listing the documents or information to be produced
- i. That the Subpoena to Insider had United States Postal Service (USPS) certified mail receipt number 7006 0100 0002 6026 0789; the Subpoena to Scanlan Realty had USPS certified mail receipt number 7005 3110 0002 5671 8071, the Subpoena to Scanlan had USPS certified mail receipt number 7005 3110 0002 5671 8088, the Subpoena to Baudin had USPS certified mail receipt number 7005 3110 0002 5671 8095, and two additional duplicates were sent to Baudin on September 25, 2007 and October 18, 2007 had USPS certified mail receipt numbers 7007 1490 0003 7413 9038 and 7007 1490 0003 7413 9915, respectively
- j. That the Subpoenas for USPS mail tracking numbers 7006 0100 0002 6026 0789, 7005 3110 0002 5671 8071 and 7005 3110 0002 5671 8088 were received and signed for by Gail Overstreet on September 24, 2007. The Subpoenas for USPS mail tracking numbers 7005 3110 0002 5671 8095,

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7007 1490 0003 7413,9038 and 7007 1490 0003 7413 9915 were received and signed for by Ina Turkic on September 26, 2007, October 3, 2007 and October 22, 2007, respectively

- k. That the Subpoenas' due date was September 28, 2007. That an extension of time for seven days was granted.
- l. That on October 4, 2007, the Department received a partial response from Respondents Insider and Scanlan.
- m. That said responses (numbers 5 and 7, and 26) were evasive and did not answer the questions relevant and material to the investigation of the extent of the violations, the individual purchasers of the Business Opportunities sold and the purchase prices paid by each on a transactional basis.
- n. That on October 18, 2007, Samuel F. Freiman sent via USPS First Class Mail a letter to Badin advising him Respondents' response to the requested information in numbers 5, 7, and 26 of Exhibit A attached to the aforementioned Subpoena, was not sufficient.
- o. That as of November 8, 2007, the Department has not received a corrected and sufficient response from Respondents Insider and Scanlan to the information requested in numbers 5, 7, and 26 of Exhibit A attached to the aforementioned Subpoena, and again on July 9, 2007 and again on July 9, 2007.
- p. That as of November 8, 2007, the Department has not received any response from Respondent Scanlan Realty.
- q. That Respondents Insider and Scanlan failure to respond to Requests 5, 7 and 26 of the Subpoena and Respondent Scanlan Realty's failure to respond by the due date has impeded designees of the Secretary of State from conducting an investigation under the Act.
- r. That Section 5-60(d) of the Act states, *inter alia*, that it is a violation of the provisions of this Law for any person to fail to file with the Secretary of State any report, document or statement required to be filed under the provisions of this Section...
- s. That Section 5-65 of the Act provides, *inter alia*, that whenever it appears to the Secretary of State that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, the Secretary of State

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may.. (1.5) Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities, impose any fine for violation of this Law, issue an order of public censure...

- t. That Section 5-65 (4) of the Act provides, inter alia, In addition to any other sanction or remedy contained in this Section, the Secretary of State, after finding that any provision of this Law has been violated, may impose a fine as provided by rule or order against the violator not to exceed \$10,000 per violation, may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
- u That Respondents Insider and Scanlans failure to respond to Requests 5, 7 and 26 of the Subpoena and Respondent Scanlan Realty's failure to respond by the due date constitutes a violation of provisions of this Law under Section 5-65.

CONCLUSIONS OF LAW

1. The Department properly served the Second Amended Notice in file number 0700061 filed on April 17, 2009, and the Amended Notice of Hearing in file number 0700520 which was filed on January 28, 2008 on Respondents.
2. The Notices 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 Section 5-5.10(a)(6) of Business Opportunity Sales Law of 1995, [815 ILCS 602 et seq.] (the "Act") provides, inter alia, that a business opportunity is a contract or agreement, between a seller and purchaser, express or implied, orally or in writing, wherein it is agreed, that the seller or a person recommended by the seller shall provide to the purchaser any product, equipment, supplies or services enabling the purchaser to start a business when the purchaser is required to make a payment to the seller or a person recommended by the seller of more than \$500 and the seller represents directly or indirectly, orally or in writing, that the seller or a person recommended by the seller will provide a marketing plan.
5. That the Respondents have violated Sections 5-25, 5-35(a), 5-40, 5-95(2), 5-95(3) and 5-60(d) of the Act.

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6. That Section 5-65 (1) and (1.5) of the Act provides, *inter alia*, that the Secretary of State, after finding that any provision of the Act has been violated, may prohibit or suspend any person from offering any business opportunity.
7. That Section 5-65 (4) of the Act provides, *inter alia*, that in addition to any other sanction or remedy the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine upon the person in an amount not to exceed \$10,000 for each violation.

WHEREAS, an Order of Prohibition and Fine is in all respects authorized and appropriate in this case under Section 5-65 of the Act.

WHEREAS, by means of the oral stipulation and the oral Recommendation of the Hearing Officer, the Respondents acquiescence thereto the Secretary of State adopts the Hearing Officer's Recommendation based on the Stipulation that a permanent Order be entered against Respondents Prohibiting Respondents from offering or selling any Business Opportunity in or from the State of Illinois.

WHEREAS, by means of the oral Recommendation of the Hearing Officer as to Sanctions, and the Respondents acquiescence thereto the Secretary of State adopts the Hearing Officer's Recommendation as to the imposition of a fine.

NOW THEREFORE IT IS HEREBY ORDERED that, that pursuant to the foregoing Findings of Fact and Conclusions of Law, and the Recommendations of the Hearing Officer, and pursuant to the authority provided under Section 5-65 of the Act:

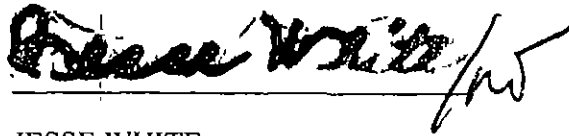
1. That Respondents Insider Real Estate, Insider Real Estate, Inc , and Scanlan Realty & Investments, LTD, its officers, directors, agents, affiliates, employees, successors and assigns and Respondents Christopher Scanlan and Rosalee Mueller individually are Permanently Prohibited from offering or selling Business Opportunities in or from the State of Illinois.
2. Respondents Insider Real Estate, Inc. and Scanlan Realty & Investments, LTD , shall be and are each fined Twenty Thousand dollars (\$20,000 00) for violations of the Act, for a total sum of Forty Thousand Dollars (\$40,000 00).

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3. Respondents Christopher Scanlan and Rosalee Mueller, individually, shall be and are each fined Ten Thousand dollars (\$10,000.00) for violations of the Act, for a total sum of Twenty Thousand Dollars (\$20,000.00).

ENTERED: This 11th day of January, 2012.

A handwritten signature in black ink, appearing to read "Jesse White", with a horizontal line underneath it.

JESSE WHITE

Secretary of State

State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 5-115 of the Illinois Business Opportunities Sales Law of 1995 [815 ILCS 602/5-1 et seq.] 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 this Order, shall be guilty of a Class 3 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 Act (14 Ill. Admin. Code, Ch I, 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.