

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: LESLIE SCHALLER,)
HER EMPLOYEES, AGENTS,) File Number 0500083
AFFILIATES, SUCCESSORS)
AND ASSIGNS)

Final Order

TO THE RESPONDENT: Leslie Schaller
531 Pebblebrook Ln
Shiloh, Illinois 62221

1407 Bristlecone Dr.
O'Fallon, Illinois 62269

WHEREAS, the record of the above-captioned matter 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;

WHEREAS, the proposed Findings of Facts and Conclusions of Law and Recommendation of the Hearing officer, John K. Ellis, in the above-captioned matter have been read and examined; and

WHEREAS, the proposed Findings of Fact are correct and are adopted by the Secretary of State as follows:

1. The Pleading and Exhibits have been offered and received from the Department and a proper record of all proceedings has been made and preserved as required by law;
2. The Hearing Officer has ruled on all motions and objections timely made and submitted;

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3. The Hearing Officer and the Secretary of State Securities Department have jurisdiction over the parties herein and the subject matter dealt with herein, due and proper notice having been previously given as required by statute in these matters;
4. As no Answer was filed, the Respondent is therefore deemed to be in default;
5. That the Respondent, Leslie Schaller is an Illinois resident with a last known address of 531 Pebblebrook, Shiloh, Illinois 62221;
6. That from on or about June 2001 through November 2005 Leslie Schaller offered and sold, to approximately 23 investors promissory notes issued by Leslie Schaller offering a 200% interest rate and raising approximately \$125,000;
7. That the above-referenced promissory notes are securities as that term is defined pursuant to Section 2.1 of the Illinois Securities Law [815 ILCS 5/1 et seq.] (the "Act");
8. Section 2.5 of the Act defines the term "Sale or Sell" to include the full meaning of that term as applied by or accepted in the courts of this State, and shall include every contract of sale or disposition of a security or interest in a security of value;
9. Section 2.5a of the Act defines the term "Offer" to include every offer to sell or otherwise dispose of, or solicitation of an offer to purchase, a security or interest in a security for value; provided that term "Offer" shall not include preliminary negotiations or agreements between an issuer and any underwriter or among underwriters who are or are to be in privity of contract with an issuer, or the circulation or publication of an identifying statement or circular or preliminary prospectus, as defined by rules or regulations of the Secretary of State;

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10. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2a, or those exempt under Section 3, 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;
11. That at all times relevant hereto, the promissory notes issued by Leslie Schaller to Illinois residents were not registered with the Secretary of State pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois;
12. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell any securities except in accordance with the provisions of the Act;
13. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document required to be filed under any provision of the Act;
14. That at all times relevant hereto, the Respondent, Leslie Schaller, failed to file an application for registration of the above referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
15. That by virtue of the foregoing, the Respondent, Leslie Schaller, has violated Sections 12.A and 12.D of the Act;
16. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
17. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine

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as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act; and

18. That by virtue of the foregoing, the Respondent, Leslie Schaller, is subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

WHEREAS, the proposed Conclusions of Law are correct and are adopted by the Secretary of State as follows:

1. After proper notification, the Department may proceed with a hearing in the Respondent's absence. (735 ILCS 5/1-105 and 5/2-1301; Ryan v. Bening, 1978, 22 Ill. Dec. 873, 66 Ill. App. 3rd 127, 383 N.E.2nd 681; Koenig v. Nardullo, 1968, 99 Ill. App. 2nd 480, 241 N.E. 2ns 567; In Re the Marriage of Garde, 1983, 73 Ill. Dec. 816, 118 Ill. App. 3rd 303, 454 N.E. 2nd 1065. Significantly, the Notice of Hearing outlines that a default judgment may be entered against a Respondent who fails to appear or answer the charges;
2. The actions, representations, and/or omissions of the Respondent made in connection with the failure to offer or sell any security in accordance with the provisions of the Act are violations of Section 12.A of the Act. The actions, representations, and/or omissions of the Respondents made in connection with a failure to file required documents with the Secretary of State are a violation of Section 12.D of the Act;
3. That by virtue of the foregoing the Respondent is subject to an Order of Permanent Prohibition in the State of Illinois, a public censure and a fine of up to \$10,000 per violation and or granting such other relief as may be authorized under the Act; and
4. Because of the Findings of this Order, the pleadings, the oral testimony, and exhibits, as well as the fact that the Respondent failed to answer the Notice of Hearing or appear at the Hearing, the entry of a written Order of

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Prohibition pursuant to Section 11.E(2) of the Act, which permanently prohibits the offer or sale of securities by the Respondent in the State of Illinois and the imposition against each named Respondent of a \$20,000 fine pursuant to 815 ILCS 5/11E(4) based upon two separate violations of the Act by the Respondent, is proper in this matter.

WHEREAS, the proposed Recommendation of the Hearing Officer is adopted by the Secretary of State;

NOW THEREFORE IT IS HEREBY ORDERED: That pursuant to the foregoing Findings of Fact, Conclusions of Law, and the Recommendation of the Hearing Officer:

1. The Respondent is permanently prohibited from offering or selling securities in the State of Illinois.
2. The Respondent is fined \$20,000; and
3. The Respondent is publicly Censured.

ENTERED: This 18th day of October, 2006



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953, as amended, 815 ILCS 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 4 felony.

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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.

Attorney for the Secretary of State:

David Finnigan

Illinois Securities Department

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