

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: PREFERRED PROPERTIES, INCORPORATED)
REIT, ITS OFFICERS,) File No. 0500070
DIRECTORS, EMPLOYEES, AFFILIATES,)
SUCCESSORS, AGENTS AND ASSIGNS,)
AND LANE INVESTMENT GROUP, LLC)
ITS OFFICERS, DIRECTORS, EMPLOYEES)
AFFILIATES, SUCCESSORS, AGENTS)
AND ASSIGNS AND JIMMY D. LANE)
)
)

NOTICE OF HEARING

TO THE RESPONDENT: Preferred Properties, Incorporated REIT
Lane Investment Group, LLC
Jimmy D. Lane
1144 E. Crueger Rd Washington, Illinois

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 West Jefferson St. Suite 300A, Springfield, Illinois 62702, on the 19th day of October, 2005 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against Preferred Properties, Incorporated REIT, Lane Investment Group and Jimmy D. Lane in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

Additionally, please note that your request for a hearing on the two separate Temporary Orders of Prohibition have been consolidated into this one Notice of Hearing.

The grounds for such proposed action are as follows:

Notice of Hearing

-2-

1. Preferred Properties Incorporated REIT ("Preferred Properties") is an Illinois registered corporation with a last known business address of 1144 E. Crueger Rd Washington, Illinois;
2. At all times relevant, Jimmy D. Lane, was the registered agent and principal of Preferred Properties Incorporated REIT;
3. Lane Investment Group, LLC is a purported Illinois Limited Liability Company with a last known business address of 1144 E. Crueger Rd., Washington, Illinois;
4. At all times relevant, Jimmy D. Lane, was the Manager of Lane Investment Group, LLC;
5. At all times relevant, Preferred Properties Incorporated REIT and Jimmy D. Lane through the internet webpage address of www.preferredreit.com offered for sale to investors stocks and bonds in Preferred Properties offering a return on investment of 10%-15%;
6. At all times relevant, Lane Investment Group, LLC and Jimmy D. Lane through the internet webpage address of www.ligllc.com offered for sale to investors securities described as Real Estate Bonds and offering interest rates of 10%-15%;
7. The Lane Investment Group Web site also stated the following regarding the Bonds: "Lane Investment Group, LLC, through an annual SEC filing with the State of Illinois Security Exchange Commission, and our securities attorney, is allowed to offer up to \$1,000,000 in convertible debentures (bonds) for real estate development annually. However, we can only accept 35 new investors per any 12 month calendar year."
8. On July 15, 2005, Lane Investment Group, LLC filed for Chapter 7, Bankruptcy in the United State Bankruptcy Court, for the Central District of Illinois;
9. The Lane Investment Group webpage sited above failed to disclose to investors that Lane Investment Group, LLC had filed for Chapter 7 Bankruptcy;

Notice of Hearing

-3-

10. The Stocks, Bonds and any other security issued or issuable by Preferred Properties were not registered by Preferred Properties with the Illinois Secretary of State. Preferred Properties filed a Form 4G filing for report of securities sales pursuant to Section 4.G of the Illinois Securities Act, 815 ILCS 5/1 et seq. ("the Act") which would allow sales of securities without registration so long as certain conditions are met;
11. The Preferred Properties Form 4G was filed with the Secretary of State on June 15, 2005 and covered sales from January 1, 2005 through January 1, 2006;
12. In this filing, Jimmy D. Lane and Preferred Properties made the following representation: "the Securities have not been or will not be offered or sold by means of general advertising or general solicitation."
13. The Real Estate Bonds and any other security issued or issuable by Lane Investment Group, LLC were not registered by Lane Investment Group, LLC with the Illinois Secretary of State. Lane Investment Group, LLC filed two Form 4G filings for report of securities sales pursuant to Section 4.G of the Illinois Securities Act, 815 ILCS 5/1 et seq. ("the Act") which would allow sales of securities without registration so long as certain conditions are met;
14. The first Lane Investment Group Form 4G was filed with the Secretary of State on July 5, 2002 and covered sales from April 15, 2002 through April 15, 2003 and the second Lane Investment Group Form 4G was filed on June 23, 2003 and covered sales from April 30, 2003 through April 30, 2004;
15. In these Lane Investment Group Form 4G filings, Jimmy D. Lane and Lane Investment Group, LLC made the following representation: "the Securities have not been or will not be offered or sold by means of general advertising or general solicitation."
16. Rule 246 of the Rules and Regulations of the Illinois Securities Department, 14 Admin Code 130.100 et seq., defines "general advertising or general solicitation" as "1.)any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio or any seminar or meeting.. 2.)any indiscriminate contact

Notice of Hearing

-4-

by mail or telephone or similar communicative process, unless otherwise shown by the particular facts."

17. At least three investors have purchased securities from Lane Investment Group, LLC: WRB, a Nebraska resident, purchased 3 Lane Investment Group, LLC Real Estate Bonds for \$10,000 each during the time period of 1999-2000, CC and RC, Illinois residents, purchased 3 Lane Investment Group, LLC Real Estate Bonds for \$10,000 each on August 18, 2002, and HC, a New York resident, purchased two Lane Investment Group, LLC Real Estate Bonds on October 10, 2004 for \$10,000 each;
18. All of these investors purchased their Bonds due to general solicitation and advertising by Lane Investment Group, LLC;
19. The Real Estate Bonds offered and sold by Lane Investment Group, LLC are securities as that term is defined under Section 2.1 of the Act;
20. The Stocks and Bonds offered and sold by Preferred Properties are securities as that term is defined under Section 2.1 of the Act;
21. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2.A of the Act, or 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;
22. 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 securities except in accordance with the provisions of the Act;
23. 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 or application required to be filed under the provision of the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 of the Act;
24. That Section 12.E of the Act provides, inter alia, that it shall be a violation of the Act for any person to make, or cause to be made, in any application, report

Notice of Hearing

-5-

or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to the Act, any statement which was false or misleading with respect to any material fact;

25. That Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of 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;
26. That by virtue of the foregoing, Jimmy D. Lane and Preferred Properties, its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns have violated Sections 12.A, 12.D, and 12.E of the Act;
27. That by virtue of the foregoing, Jimmy D. Lane and Lane Investment Group, LLC, its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns have violated Sections 12.A, 12.D, 12.E and 12.G of the Act;
28. That Section 11.F.(2) of the Act provides, inter alia, that the Secretary of State may temporarily suspend or prohibit the offer or sale of securities by any person if the Secretary of State in his or her opinion, based upon credible evidence, deems it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act;
29. 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, E, or G 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; and
30. 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 as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.

Notice of Hearing

-6-

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 or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

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 Respondents.

Dated this *19th* day of *August*, 2005.



Jesse White
Secretary of State
State of Illinois

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