

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

\_\_\_\_\_) )  
IN THE MATTER OF: RANDALL SZOSTEK, DBA SAINT ) File No. 1300279  
PROPERTIES ) )  
\_\_\_\_\_)

CONSENT ORDER

TO THE RESPONDENT

Randall Szostek  
c/o Michael P. Tomlinson  
Tomlinson Law Office, P.C.  
8501 W. Higgins Rd., Suite 420  
Chicago, IL 60631

WHEREAS, Randall Szostek on February 13, 2014 executed a certain Stipulation to Entry of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondent has admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondent has consented to the entry of this Consent Order

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondent has acknowledged, while neither admitting nor denying the truth thereof, that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. Marc St. Pierre is an individual with a last known address of 316 Larsdotter Lane, Geneva, Illinois 60134-4632.
2. Randall "Randy" Szostek is an individual with a last known address of 1724 Division Street, St. Charles, Illinois 60174-4605
3. St. Pierre and Szostek were doing business as Saint Properties with a last known mailing address of P.O. Box 63 in Geneva, Illinois.

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4. On or about May 7, 2013, St. Pierre called the Department to inquire whether the Saint Properties securities offering(s) needed to be registered in the State of Illinois. The phone call was followed up by an email to the Department with a sample letter to a potential investor attached.
5. Szostek was identified as St. Pierre's "business associate" in the sample letter.
6. The sample letter was clearly intended to be sent to individuals with whom neither St. Pierre nor Szostek had any prior relationship. It began as follows.

*My name is Marc St. Pierre local Real Estate investor in Geneva, IL. I have a business idea to show you. You may or may not be interested, but please take a few moments to review. It may be what you or colleague [sic] are seeking. It's just an idea to show someone how to grow their money. You will be handsomely compensated upon completion of each deal.*

7. The sample letter made several representations regarding Saint Properties' past performance, future plans, and qualifications.
  - a. "We buy, renovate, and sell residential properties in Fox Valley area [sic]."
  - b. "There is currently a buying frenzy in the real estate market where we are getting multiple offers on our completed homes. We'd like to take advantage of current conditions and do more homes."
  - c. "We buy a residential property, renovate to move-in ready condition, and sell quickly. Usually 90 days or less."
  - d. "We also invest with passion focusing on Senior Affordable Housing [sic]."
  - e. "We both strongly believe that Real Estate investing can be fulfilled in an ethical manner integrating moral and religious principles."
8. The sample letter stated that \$5,000 was the minimum required to invest and directed potential investors to Saint Properties' website, [saintpropertiesonline.com](http://saintpropertiesonline.com).
9. The Department reviewed the website and found that it purported to feature photographs of Saint Properties' properties in Elgin and St. Charles, Illinois, listed with a Baird & Warner real estate broker.
10. The website contained the following representations about Saint Properties' ability to quickly flip single-family home properties for profit:

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*Saint Properties locates undervalued, distressed homes in need of repair. We borrow funds from private investors to purchase and renovate these properties. We are also in full acquisition mode of revenue producing commercial properties, primarily distressed motels built in the 1970s and 1980s. These properties need renovating due to neglect and are available at substantial discounts.*

*We buy homes at substantially below market value because they are in need of repair. We then renovate the property and re-sell quickly for a profit. Our focus is primarily on single family homes under 200k, which represents the largest available buying pool. We purchase properties for 70% or less of the After Repaired Value (ARV), ensuring that the lender is protected with sufficient equity. Single family homes offer cash investors a short investment term (4-6 months) and a full share of the proceeds from each project.*

- 11 Saint Properties also made the following representations on the website about its past performance, future plans, and qualifications in regards to buying and operating motel properties:

*Saint Properties is capitalizing on [ ] bargain priced motels by purchasing at 50% and below market values. We take control of of [sic] the property and increase occupancy levels with aggressive marketing and pricing. Revenues are reinvested into the property restoring it back to its original luster. We now offer a better product at a better price.*

*The key to our success is the marketing of weekly and monthly rates. No longer relying on tourism we focus toward hard working blue collar workers looking for safe, affordable housing.*

12. Both the website and sample letter encouraged potential investors to use their self-directed IRAs to invest and provided contact information.
13. On or about May 8, 2013, the Department suggested that St. Pierre consult a securities attorney about registration of the offering(s).
14. St. Pierre insisted that the offering(s) was exempt from registration as long as Saint Properties used disclaimers, made disclosures for the protection of investors, did not make a public offering, limited the offering to Illinois investors, and limited investors to investing 5% of their annual income or 10% of their net worth.
15. The Department informed St. Pierre that the offering(s) was in fact public, due to the letters and publicly available website, and warned that the offering would not be exempt under such circumstances. Again, it was suggested that he consult a securities attorney.

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16. On or about July 19, 2013, Special Agents for the Department attempted to interview St Pierre and Szostek, but only located Szostek. Szostek told the Special Agents that he and St. Pierre had sent letters to people who had bought property in the area recently, hoping that they would want to invest in the offering(s). He informed the Special Agents that they had no investors, owned no properties, and were operating the business out of their homes.
17. After the interview, Szostek supplied the Special Agents with a sample of the current letter being sent to potential investors, featuring contact information and the Saint Properties website address.
18. Szostek was again identified as St Pierre's "business associate" in the second sample letter.
19. The second sample letter was similar to the first and was also clearly intended to be sent to individuals with whom neither St. Pierre nor Szostek had any prior relationship. It began as follows:

*My name is Marc St. Pierre and I am an active real estate investor in the Fox Valley area I noticed your private money property loan in Kane County Since you are already an active private lender, I would like to share a business idea with you I put together profitable Real Estate deals so that my investor partners can make safe consistent profits and diversify their portfolio by providing short term funds for investment purposes. One popular method is to use a self directed IRA, thereby minimizing tax implications on the profits All funds are channeled thru [sic] and disbursed by a closing attorney*

- 20 The second sample letter also made further representations regarding Saint Properties' past performance, future plans, and qualifications.
  - a. "We are seeing multiple offers on move-in ready homes. We'd like to take advantage of current conditions to do more homes."
  - b. "We know where to look, what to buy, what not to buy, and how to renovate a property to maximize investor dollars."
  - c. "We both strongly believe that Real Estate investing can be fulfilled in an ethical manner integrating moral and religious principles."
21. At the end of the second sample letter, it stated that a securities disclaimer was available upon request. Szostek provided the disclaimer to the Special Agents. It stated the following:

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*This is not an offer to purchase or sell securities. Any person, entity or organization must first be qualified by the company and read all of the offering documents and attest to reading and fully understanding such documents. Saint Properties is not a licensed securities broker-dealer and as such, do not hold themselves to be. The following presentation and all material therein should be construed as informational only and not as an advertisement soliciting for any particular purpose or product. All securities herein discussed have not been registered or approved by any securities regulatory agency in accordance with the securities act of 1933 or any state securities laws [sic].*

22. On or about November 18, 2013, Szostek was asked by a Special Agent to respond to several follow up questions.
23. On or about November 22, 2013, the Department received a reply from St. Pierre in which he made the following representations.
  - a. Saint Properties is a dissolved S Corporation. The only current agreement between St. Pierre and Szostek is a "handshake agreement."
  - b. St Pierre and Szostek sent letters to lenders, but made no claims or promises of returns
  - c. No properties have been bought.
  - d. No properties have been identified for purchase
  - e. There is no performance history
24. At least as of December 17, 2013, Saint Properties had not filed registration documents with the Department and the Saint Properties website with its contact information was still publicly available.
25. The above-mentioned activity constitutes the public offering of securities, as those terms are defined pursuant to Section 2.1 and 2.5a of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.,] (the "Act").
26. Section 5 of the Act provides, *inter alia*, that all securities, unless otherwise provided in Section 2a, 3, 4, 6 or 7 of the Act, shall be registered prior to their offer or sale in the State of Illinois.
27. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the Act

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28. At all times relevant hereto, the securities publicly offered by Randall Szostek, doing business as Saint Properties, were unregistered in the State of Illinois
29. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the Act.
30. At all times relevant hereto, Randall Szostek, doing business as Saint Properties, failed to file any registration applications with the Secretary of State
31. Section 12 F of the Act provides, *inter alia*, that it shall be a violation of the Act 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. At all times relevant hereto, Randall Szostek, doing business as Saint Properties, engaged in practices and a course of business in connection with the sale of a security offering(s) which worked or tended to work a fraud or deceit upon the potential purchasers thereof. Randall Szostek, doing business as Saint Properties, as a course of business, refused to register the security offering(s) in the State of Illinois, despite being given ample opportunity. Furthermore, Randall Szostek, doing business as Saint Properties, participated in the creation of a website and mailing of solicitation letters to potential investors which were designed to deceive investors into believing Saint Properties had a successful performance history
33. Section 12.H of the Act provides, *inter alia*, that it shall be a violation of the Act to sign or circulate any statement, prospectus or other paper or document pertaining to any security, knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
34. At all times relevant hereto, Randall Szostek, doing business as Saint Properties, knew or had reasonable grounds to know that the letters soliciting Illinois investors contained untrue and/or false and misleading material representations.
35. By virtue of the foregoing, the Respondent, Randall Szostek, doing business as Saint Properties, has violated Section 12 A, 12.D, 12.F, and 12.H of the Act.
36. Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit or suspend, by an order effective immediately, 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.

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37. On December 10, 2013, the Secretary of State entered a Temporary Order of Prohibition, whereby the Respondent was prohibited from offering and/or selling securities in or from the State of Illinois until further order of the Secretary of State.
38. On January 14, 2014, the Department received a request for a hearing from the Respondent.
39. On January 29, 2014, the Secretary of State issued a Consent Order to Continue Temporary Order of Prohibition (the "Consent Order of Prohibition"), pursuant to the agreement of the Department and the Respondent to continue in effect the Temporary Order, until the conclusion of the administrative hearing and/or entry of any Final Order in this case
40. Section 11.E(2) of the Act provides, *inter alia*, that if the Secretary of State finds that any person has violated subsection C, D, E, F, G, H, I, J, or K of Section 12 of the Act, the Secretary of State may by written order temporarily or permanently prohibit or suspend the person from offering or selling any securities in this State.
41. Section 11.E(4) of the Act provides, *inter alia*, that 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 ten thousand dollars (\$10,000) for each violation of the Act, may issue an order of public censure, and may charge as costs of investigation all reasonable expenses

WHEREAS, the Respondent has acknowledged, while neither admitting nor denying the truth thereof, that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusions of Law as follows

42. By virtue of the foregoing, Respondent is subject to a fine of up to ten thousand dollars (\$10,000) per violation, costs of investigation, an order of censure and an order which permanently prohibits the Respondent from offering or selling any securities in this State.

NOW THEREFORE IT IS HEREBY ORDERED THAT.

43. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law.
44. Respondent shall not issue, offer, or sell securities in the State of Illinois unless in compliance with the Act, including, but not limited to, the registration requirements, requirements to make true statements, and requirements to state all necessary material facts in said Act.
45. Respondent is hereby Censured.

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- 46 Respondent shall, within 30 calendar days of the date of the Consent Order, pay a fine and costs of investigation in the amount of one thousand, two hundred fifty dollars (\$1,250.00) to the Illinois Securities Department, Securities Audit and Enforcement Fund, by money order or cashier's check. The check shall be mailed or delivered to Illinois Securities Department, 300 W. Jefferson St., Suite 300A, Springfield, Illinois 62702.
47. The previously entered Consent Order of Prohibition shall hereby be vacated upon entry of the Consent Order and payment in full satisfaction of the fine and costs of investigation.
48. The Department shall retain jurisdiction over this proceeding for the sole purpose of enforcing the terms and provisions stated herein.
49. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 13<sup>th</sup> day of February, 2014



JESSE WHITE  
Secretary of State  
State of Illinois

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