

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)

KEITH GILES,)

JERRY KARLIK,)

KARGIL DEVELOPMENT PARTNERS, LLC,)

KARGIL BLUE ISLAND, LLC,)

15th STREET BLUE ISLAND, LLC, and)

their partners, officers and)

directors, agents, employees, affiliates, successors and)

assigns, members, and associated corporations,)

partnerships, and companies.)

No. 1400409

NOTICE OF HEARING

TO RESPONDENTS: **KEITH GILES**
1456 Ridge Road
Highland Park, Illinois 60005

And

JERRY KARLIK
21 Flamingo Road North
East Hills, New York 11576

And

KARGIL DEVELOPMENT PARTNERS, LLC.
1520 S. State Street
Suite 200
Chicago, Illinois 60605

And

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KARGIL BLUE ISLAND, LLC.
5750 North Virginia Avenue
Chicago, Illinois 60659

And

15th STREET BLUE ISLAND, LLC.
5750 North Virginia Avenue
Chicago, Illinois 60659.

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 22nd day of March, 2017 at the hour of 10:00 a.m. or as soon thereafter as possible before James L. Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondents **KEITH GILES, JERRY KARLIK, KARGIL DEVELOPMENT PARTNERS, LLC, KARGIL BLUE ISLAND, LLC. and 15th STREET BLUE ISLAND, LLC.** their partners, officers and directors, agents and employees, affiliates, successors and assigns, members, and associated corporations, partnerships and companies from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

1. Respondent Keith Giles (hereinafter at times "Giles" or together with Jerry Karlik, Kargil Development Partners, LLC, Kargil Blue Island, LLC and 15th Street Blue Island, LLC "Respondents") has a last known address of 1456 Ridge Road, Highland Park, Illinois 60005.
2. Respondent Jerry Karlik (hereinafter at times "Karlik" or together with Giles, Kargil Development Partners, LLC, Kargil Blue Island, LLC. and 15th Street Blue Island, LLC, "Respondents"), has a last known address of 21 Flamingo Road North, East Hills, New York 11576.
3. Respondent Kargil Development Partners, LLC. (hereinafter at times "Kargil" or together with Giles, Karlik, Kargil Blue Island, LLC and 15th Street Blue Island, LLC "Respondents") is a limited liability company with a last known address of 1520 S. State Street, Suite 200, Chicago, IL 60605.
4. Kargil Blue Island, LLC. (hereinafter at times "KBI", or together with Giles, Karlik, Kargil and 15th Street Blue Island, LLC "Respondents") is a limited

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liability company with a last known address of 5750 North Virginia Avenue, Chicago, Illinois 60659.

5. 15th Street Blue Island, LLC. (hereinafter at times "15th Street" or together with Giles, Karlik, Kargil, and KBI "Respondents") is a limited liability company with a last known address of 5750 North Virginia Avenue, Chicago, Illinois 60659.
6. Respondent Giles is a principal officer, member, owner and employee of Kargil, KBI and 15th Street and, as such, controls the operation of Kargil, KBI and 15th Street.
7. Respondent Karlik is a principal officer, member, owner and employee of Kargil, KBI and 15th Street and, as such, controls the operation of Kargil, KBI and 15th Street.
8. Both Respondent Karlik and Respondent Giles were authorized to act, and did act, on behalf of Respondents Kargil, KBI and 15th Street.
9. *Between the year 2006 and 2007 Respondents Giles and Karlik, personally and as agents of Kargil, KBI and 15th Street solicited approximately 6 investors ("Investors") to purchase membership interests in 15th Street Blue Island, LLC.*
10. Respondents told Investors that their invested funds would be used to purchase real estate located at 15th Street and Blue Island Avenue, Chicago, and develop the property by construction of numerous residential and commercial units.
11. The residential and commercial units were to be sold for profits to be shared by Respondents and Investors equitably according to each participant's level of investment.
12. Between September 2006 and June 2007 Investors paid Respondents \$3,700,000, entered into Operating Agreements with Respondents, and received their membership interests in return.
13. The activities described above in paragraphs 8-12 constitute the offer and sale of memberships and therefore securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").

FAILURE TO DISCLOSE (FRAUD)

14. The 15th Street project was to be managed by KBI.
15. Respondents purchased real estate at/near the location of 15th Street and Blue Island Avenue, Chicago, Illinois ("Property").
16. Respondents were to develop the Property by construction of numerous residential and commercial units.

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17. Under the Operating Agreement no fee was to be paid to the manager or any Respondent until a construction loan sufficient to complete the construction and development of the Property was secured by Respondents.
18. No construction loan was ever secured by Respondents, and the Property remains undeveloped.
19. With neither the approval of, nor the disclosure to, Investors the following unauthorized payments were made from Investor funds:
 - a. Political contributions totaling over \$22,000.
 - b. Payments to individuals Frankel and Giles totaling over \$164,000.
 - c. Real estate taxes for unrelated property totaling over \$40,000.
 - d. Payments to Respondent Kargil Development Partners, LLC totaling over \$44,000.
 - e. Purchase of a condominium - \$20,000.
 - f. Payment to Respondent Karlik's relative - \$4,082.51
 - g. Loan to Spiro Picoulas - \$150,000.
 - h. Fees paid to Spiro Picoulas - \$305,000.
20. The failure of Respondents to disclose to Investors at the time of the offering that Investor funds would be used for the purposes set forth in #19 above was a material omission 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.
21. Until mid-2013 Respondents continuously misled Investors by assuring them that their funds were safe, and that Respondents had plans to place their funds into new, but related, projects that were not outlined in the Operating Agreement.
22. Investors have received no return on their investments.
23. 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 security except in accordance with the provisions of the Act.
24. Section 12.F of the Act provides, *inter alia*, that it shall be a violation 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".
25. 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 a material fact or any omission 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.

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26. By virtue of the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G of the Act

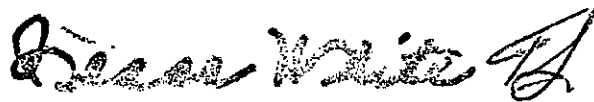
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of 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 unless any Respondent has upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 20th day of January 2017.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
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