

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)
)
KADESHA KIRKMAN, BRENDA SMITH,)
)
LOCKHART and ROSENBURGH, INC.) File No. 1600733
)
and)
)
CREATIVE INVESTMENT STRATEGIES, INC.,)
)
RESPONDENTS.)

NOTICE OF HEARING

TO RESPONDENT:

Kadesha Kirkman
Lockhart and Rosenberg, Inc.
c/o Robert A. Habib
Attorney at Law
77 W. Washington St.
Suite 1506
Chicago, IL 60602

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] ("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 23rd day of August 2017, at the hour of 10:00 a.m., or as soon as possible thereafter, before James Kopecky or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered to permanently prohibit Kadesha Kirkman and Lockhart and Rosenberg, Inc. ("Respondents") from selling securities, including but not limited to, any promissory notes in or from the State of Illinois and/or granting such other relief as may be authorized under the Act included but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act.

Notice of Hearing

- 2 -

The grounds for such proposed action are as follows:

BACKGROUND

1. Respondent Kadesha Kirkman, ("Respondent Kirkman") is an individual with a last known business address of 20180 Governors Hwy., Suite 210, Olympia Fields, IL 60461.
2. Respondent Lockhart and Rosenberg, Inc., ("Respondent Lockhart and Rosenberg") is an Illinois corporation with a current status of "active" and has a last known address of 20180 Governors Hwy, Suite 210 Olympia Field, IL 60461. K. Kirkman is listed as the Registered Agent. Brenda Smith is listed as the President and Secretary.
3. On or about October 28, 2013, Respondent Kirkman, on behalf of Chicago Wealth Builders, solicited and induced at least one Illinois resident ("Investor") to pay \$20,000 for a promissory note ("Note #1"). Note #1 promised to pay 10.00% interest per annum.
4. On or about January 28, 2014, Respondent Kirkman, on behalf of Respondent Lockhart & Rosenberg, solicited and induced Investor to pay \$40,000 for a promissory note ("Note #2"). Note #2 promised to pay 20.00% interest per annum.
5. On or about March 24, 2014, Respondent Kirkman, on behalf of Respondent Lockhart & Rosenberg, solicited and induced Investor to pay \$35,000 for a promissory note ("Note #3"). Note #3 promised to pay 26.50% interest per annum.
6. On or about July 01, 2014, Respondent Kirkman, on behalf of Respondent Lockhart & Rosenberg, solicited and induced Investor to pay \$32,000 for a promissory note ("Note #4"). Note #4 promised to pay 10.00% interest per annum.
7. On or about April 18, 2014, Respondent Kirkman solicited and induced Investor to pay \$89,711.60 for a promissory note ("Note #5").
8. Note #5 is dated April 18, 2014, signed by Respondent Kirkman (as "Borrower"), on behalf of Respondent Lockhart and Rosenberg, and Investor (as "Mortgagor") and provides, in part:

("Borrower") promises to pay... the principal amount of **Eighty Nine Thousand Seven Hundred Eleven, Dollars and Sixty cent (\$89,711.60)**,

Notice of Hearing

- 3 -

together with interest at the rate of 15% per annum on the unpaid balance from **April 17, 2017**, until paid in full. Minimum interest to be paid is 15% per annum on the unpaid balance or **\$40,370.22** which ever [sic] is greater due with annual interest payments due every April 17 until the end of the note.

9. Note #5 provides “[b]orrower will pay this loan in full at the 36 month term and is [d]ue on **April 17, 2017** and will be for all principal and all accrued interest not yet paid.”

10. On or about December 28, 2015, Respondent Kirkman solicited and induced Investor to pay \$32,000 for a promissory note (“Note #6”).

11. Note #6 is dated December 28, 2015, signed by Respondent Kirkman (as “Borrower”), on behalf of Respondent Lockhart and Rosenberg, and Investor (as “Mortgagor”) and provides, in part:

[Respondent] Lockhart and Rosenburgh, Inc (“Borrower”) promises to pay to [Investor] (“Lender”)...the principal amount of **Thirty Two Thousand, Dollars (\$32,000)**, together with interest at the rate of 12% per annum on the unpaid balance from **December 28, 2015**, until paid in full. Minimum interest to be paid is 12% per annum on the unpaid balance or **\$3,840.00**.

12. Note #6 provides “[b]orrower will pay this loan in full at the 6 month two week term and is [d]ue on **June 28, 2016** and will be for all principal and all accrued interest not yet paid.”

13. On or about March 25, 2016, Respondent Kirkman solicited and induced Investor to pay \$75,000 for a promissory note (“Note #7”).

14. Note #7 is dated March 25, 2016, signed by Respondent Kirkman (as “Borrower”), on behalf of Respondent Lockhart and Rosenberg, and Investor (as “Mortgagor”) and provides in part:

(“Borrower”) promises to pay to [Investor] (“Lender”)...the principal amount of **Seventy Five Thousand, Dollars (\$75,000)**, together with interest at the rate of 26% per annum on the unpaid balance from **March 25, 2016**, until paid in full. Minimum interest to be paid is 26% per annum on the unpaid balance or **\$19,500** which ever [sic] is greater with Quarterly Interest payments due 3 months from date of note.

Notice of Hearing

- 4 -

15. Note #7 provides “[b]orrower will pay this loan in full at the 12 month term and is [d]ue on March 25, 2017 and will be for all principal and all accrued interest not yet paid.”
16. On or about June 28, 2016, Respondent Kirkman solicited and induced Investor to sign a promissory note for \$32,000 (“Note #8”) because Note #2 was becoming due and Respondents lacked the funds to repay Investor according to the terms of the note.
17. Note #8 is dated June 28, 2016, signed by Respondent Kirkman (as “Borrower”), on behalf of Respondent Lockhart and Rosenberg, and Investor (as “Mortgagor”) and provides, in part:

(“Borrower”) promises to pay to [Investor] (“Lender”)...the principal amount of **Thirty Two Thousand, Dollars (\$32,000)**, together with interest at the rate of 12% per annum on the unpaid balance from **June 28, 2016**, until paid in full.
Minimum interest to be paid is 12% per annum on the unpaid balance or **\$3,840.00** .
18. Note #8 provides “[b]orrower will pay this loan in full at the 6 month two week term and is [d]ue on December 28, 2016, 2017 and will be for all principal and all accrued interest not yet paid.”
19. Notes # 5, #6, #7 and #8 provide that “[a]ny warranty, representation or statement made or furnished to Lender by Borrower or on Borrower’s behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter” shall constitute an event of default.
20. Respondent Kirkman and Respondent Lockhart and Rosenberg solicited and induced Investor to enter into notes #1, #2, #3, #4, #5, #6, #7 and #8 for the sole purpose of Respondent Kirkman’s and Respondent Lockhart and Rosenberg’s investment in real estate. Profits from the investments were to be derived solely from the efforts of Respondent Kirkman and Respondent Lockhart and Rosenberg.
21. In spite of numerous attempts by Investor to achieve repayment of her principle and interest due on the outstanding notes, Respondents have failed to fully repay. Moreover, Respondents have failed to fully account for the proceeds received from Investor for the outstanding notes.

COUNT I: FAILURE TO REGISTER

Notice of Hearing

- 5 -

22. The Illinois Securities Department (“Department”) re-alleges and incorporates here the allegations contained in paragraphs 1 through 21 above.
23. Respondents’ activities described above involve the offer and sale of securities as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq.*] (“Act”).
24. Section 5 of the Act provides, *inter alia*, “all securities except those set forth under Section 2a of this Act ... or those exempt ... shall be registered ... prior to their offer or sale in this State.”
25. Respondents failed to file an application for Notes #1, #2, #3, #4, #5, #6, #7 and #8 with the Illinois Securities Department and as a result the promissory notes were not registered as such prior to their offer and sale in the State of Illinois.
26. Section 12.A of the Act provides, *inter alia*, it shall be a violation of any person to offer or sell any security except in accordance with the provisions of the Act.
27. Section 12.C of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to act as a dealer, salesperson, investment adviser, or investment adviser representative, unless registered as such, where registration is required, under the provisions of this Act.
28. Section 12.D of the Act provides, *inter alia*, it shall be a violation for any person “[t]o fail to file with the Secretary of State any application, report or document, required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to this Act ...”
29. At all times relevant herein, Respondents failed to register as either a dealer, salesperson, investment adviser or investment adviser representative pursuant to Section 8 of the Act.
30. Pursuant to the foregoing, Respondents violated Sections 12.A, 12C and 12.D of the Act.

COUNT II: FRAUD AND DECEIT
(bankruptcy and judgments)

Notice of Hearing

- 6 -

31. The Department re-alleges and incorporates here the allegations contained in paragraphs 1 through 31 above.
32. On or about March 3, 2010, Respondent Kirkman filed for individual bankruptcy. Respondents failed to inform Investor of the bankruptcy filing.
33. In or about May 2010, Respondent Kirkman had civil judgments entered against him. Respondents failed to inform Investor of the civil judgments.
34. In or about May 2009, Respondent Kirkman had a judgment entered against him. Respondents failed to inform Investor of the judgment.

COUNT III: FRAUD AND DECEIT

(felony conviction)

35. The Department re-alleges and incorporates here the allegations contained in paragraphs 1 through 34 above.
36. On or about February 3, 1998, Respondent Kirkman was convicted of unlawful use of an access devise (a stolen credit card) a felony violation. Respondents failed to inform Investor of the felony conviction.
37. Respondents defaulted on the promissory notes when Respondents failed to inform Investor of the bankruptcy, judgments and conviction referred to herein.
38. In spite of numerous attempts by Investor to achieve repayment on the principal of the outstanding notes or the corresponding interest on those notes, Respondents have defaulted on the terms of promissory notes referred to herein. Respondents have failed to fully repay principal and interest on the outstanding notes.

COUNT IV: FRAUD AND DECEIT

(comingle funds)

39. The Department re-alleges and incorporates here the allegations contained in paragraphs 1 through 38 above.
40. At all time relevant herein, Respondents allowed the funds from the aforementioned promissory notes to be deposited in a bank account Respondent Kirkman and Respondent Smith used for their personal benefit.

Notice of Hearing

- 7 -

41. Respondents failed to advise Investor the funds would be deposited in a bank account Respondent Kirkman and Respondent Smith used for their personal benefit.

VIOLATIONS & RELIEF

42. The Department re-alleges and incorporates here the allegations contained in paragraphs 1 through 41 above.
43. 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.
44. Section 12.F of the Act provides, *inter alia*, it shall be a violation of the Act for any person “[t]o 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.”
45. Section 12.G of the Act provides, *inter alia*, it shall be a violation of the Act for any person “[t]o 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.”
46. Section 12.I of the Act provides, *inter alia*, it shall be a violation of the Act for any person, “[t]o employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.”
47. Respondents violated Sections 12.A, 12D, 12.F, 12.G and 12.I of the Act.
48. Section 11.E(1) of the Act provides, *inter alia*, if the Secretary of State finds that the offer or sale or proposed offer or sale of any securities by any person is fraudulent, or would work or tend to work a fraud or deceit, or is being offered or sold in violation of Section 12 of the Act, the Secretary of State may by written order permanently prohibit or deny the registration of the securities or the exemption from registration for the securities.
49. Section 11.E(2) of the Act provides, *inter alia*, if the Secretary of State finds that any person has violated subsections C,D,E,F,G,H,I,J or K of Section 12 of the Act, the Secretary of State may by written order permanently prohibit the person from offering or selling any securities in Illinois.

Notice of Hearing

- 8 -

50. Section 11.E(4) of the Act provides, *inter alia*, 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, for each violation of the Act and may charge as costs of investigation all reasonable expenses, including attorney's fees and witness fees.
51. Respondents are subject to permanent prohibition against offering or selling any securities in Illinois permanent prohibition from registering any securities or any exemptions from registration for any securities until such time as Respondents petitions the Secretary of State for a hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the order of permanent prohibition pursuant to Section 11.E(2) of the Act.
52. Respondents are jointly and severally liable for a fine of \$10,000 for each violation and a charge of costs.

You are further notified that pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130 ("Rules")), **you are required to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice.** The answer and all other pleadings and motions must be filed with the Illinois Securities Department by addressing them to:

Paula Bouldon
Enforcement Attorney
Illinois Department of Securities
69 West Washington, Suite 1220
Chicago, Illinois 60606

DATED: This 14th day of June, 2017



JESSE WHITE
Secretary of State
State of Illinois

Notice of Hearing

- 9 -

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 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 appear shall constitute default. Unless the Respondents have upon due notice moved for and obtained a continuance.

The Rules promulgated under the Act pertaining to Hearings held by the office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/lawrules.html>. Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Attorney for the Secretary of State:

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