

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:)

SPENCER & ASSOCIATES, SPENCER ENTERPRISES, INC.,)

RAY T. SPENCER and MICHAEL L. KALASKIE,)

RESPONDENTS.)

) File No. 1800354

FIRST AMENDED NOTICE OF HEARING

TO RESPONDENTS:

Ray T. Spencer
Spencer & Associates
Spencer Enterprises, Inc.
c/o Michael D. Morehead
400 S. 9th Street, Suite 200
Springfield, IL 62701
mmorehead@hinshawlaw.com

Michael L. Kalaskie
1101 Post Road
Springfield, IL 62712
mkalaskie@gmail.com

TO HEARING OFFICER:

James L. Kopecky
jkopecky@ksrlaw.com

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 W. Washington St., Suite 1220, in Chicago, Illinois 60602, on December 15, 2020, at 10:00 a.m.** or as soon as possible thereafter, before Hearing Officer James L. Kopecky, or such 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 Respondents Spencer & Associates, Spencer Enterprises, Inc., Ray T. Spencer and Michael L. Kalaskie and their partners, officers and directors, agents and employees, affiliates, successors and assigns, 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 included but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act.

The grounds for such proposed action are as follows:

THE PARTIES

1. Respondent Ray T. Spencer ("Respondent Spencer") is an individual with last known addresses at 506 Elevator Street, Farmersville, Illinois 62533 and 6 Tiffany Dr., Divernon, IL 62530.
2. Respondent Michael L. Kalaskie ("Respondent Kalaskie") is an individual with a last known address at 1101 Post Road, Springfield 62712.
3. At all times alleged herein, Respondent Kalaskie had a business address at 506 Elevator Street, Farmersville, Illinois 62533.
4. Respondent Spencer & Associates is an entity with last known addresses at 506 Elevator Street, Farmersville, Illinois 62533 and 6 Tiffany Dr., Divernon, IL 62530.
5. Respondent Spencer Enterprises, Inc. ("Spencer Enterprises") is an entity with last known addresses at 506 Elevator Street, Farmersville, Illinois 62533 and 6 Tiffany Dr., Divernon, IL 62530.
6. At all times alleged herein, Respondent Spencer was the owner of Respondents Spencer & Associates and Spencer Enterprises.
7. At all times alleged herein, Respondent Kalaskie was a Specialist at Respondent Spencer & Associates.

**COUNT I: FRAUD IN THE OFFER AND SALE OF
THE ENTREPRENEUR CHOICE FUNDS' INTERESTS**

8. The Illinois Securities Department ("Department") re-alleges and incorporates herein the allegations contained in paragraphs 1 through 7 above.
9. On or about October 22, 2015, Respondents created Entrepreneur Choice Fund IV, LLC, SEC CIK #0001656771 ("Entrepreneur Choice Fund IV").
10. On or about October 25, 2016, Respondents created Entrepreneur Choice Fund V, LLC, SEC CIK #0001691698 ("Entrepreneur Choice Fund V").

First Amended Notice of Hearing

-3-

11. On or about January 5, 2018, Respondents created Entrepreneur Choice Fund VI, LLC, SEC CIK #0001734960 ("Entrepreneur Choice Fund VI").
12. At all times alleged herein, Respondent Spencer was the Executive Officer and Director of Entrepreneur Choice Fund IV and Entrepreneur Choice Fund VI.
13. At all times alleged herein, Respondent Spencer was the Executive Officer of Entrepreneur Choice Fund V.
14. Entrepreneur Choice Fund IV, Entrepreneur Choice Fund V and Entrepreneur Choice Fund VI were created for the purpose of offering investors the opportunity to acquire limited liability units in Life Settlements ("LS").
15. At all times alleged herein, Respondents defined Life Settlements as "[c]ontracts to purchase life insurance policies from an insured and re-designating the beneficiary of the policy and assuming the obligation to pay premiums on the policy."
16. At all times alleged herein, Respondents defined portfolios(s) to mean investment funds acquiring LS.
17. At all times alleged herein, Entrepreneur Choice Fund IV, Entrepreneur Choice Fund V and Entrepreneur Choice Fund VI were each referred to as the Program.
18. At all times alleged herein, Entrepreneur Choice Fund IV, Entrepreneur Choice Fund V and Entrepreneur Choice Fund VI were to purchase interest in investment funds sponsored by ASR Alternative Investments ("ASR").
19. At all times alleged herein, Respondents solicited investors to invest in Entrepreneur Choice Fund IV, Entrepreneur Choice Fund V and Entrepreneur Choice Fund VI.
20. The Confidential Private Placement Memorandum for Entrepreneur Choice Fund IV ("the Entrepreneur Choice Fund IV PPM") is dated October 22, 2015.
21. The Confidential Private Placement Memorandum for Entrepreneur Choice Fund V ("the Entrepreneur Choice Fund V PPM") is dated October 25, 2016.
22. The Confidential Private Placement Memorandum for Entrepreneur Choice Fund VI ("the Entrepreneur Choice Fund VI PPM") is dated January 5, 2018.
23. The Entrepreneur Choice Fund IV PPM; the Entrepreneur Choice Fund V PPM; and the Entrepreneur Choice Fund VI PPM provide that Respondent Spencer Enterprises is the Sponsor.

First Amended Notice of Hearing

-4-

24. The Entrepreneur Choice Fund IV PPM; the Entrepreneur Choice Fund V PPM; and the Entrepreneur Choice Fund VI PPM misrepresented the following information:
- a. Spencer Enterprises, Inc. in its capacity as Sponsor, will have full charge of the overall management, conduct and operation of the Program. In fact, ASR Alternative Investments, LP ("ASR") had full charge of the management of the Program, in that, ASR chose the LS.
 - b. The Sponsor has sole discretion to accept or reject qualified applicants. In fact, ASR had discretion to accept or reject qualified applicants
 - c. The investor suitability requirements ... represent the minimum suitability requirements established by the Sponsor for Subscribers of the Units. In fact, ASR established the suitability requirements not the Sponsor.
 - d. The offering price for the Units, on a per Unit Basis, has been arbitrarily determined by the Sponsor. In fact, ASR set the offering price for the Units.
 - e. The maximum offering amount for the Program was also determined arbitrarily by the Sponsor.
 - f. The contemplated activities of the Program will involve decisions by the Sponsor on behalf of the Program. Because Sponsor will control the Program, such decisions or transactions will lack the benefits of arm's length bargaining.
 - g. Sponsor provides LS broker services for the Portfolio. ASR had the LS in its inventory and then sold to the Program.
 - h. Sponsor, as the Manager of the Program, will have full and exclusive power to locate, acquire, and assemble funds to invest in the Portfolio and manage the affairs of the Program. The Sponsor did not have exclusive power to locate, acquire, and assemble funds to invest in the Portfolio. ASR located, acquired, and assembled funds to invest in the Portfolio.
25. 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] ("Act").

26. Section 12.A of the Act provides that it shall be a violation of the provisions of the Act for any person “[t]o offer or sell any security except in accordance with the provisions of [the] Act.”
27. Section 12.F of the Act provides that it shall be a violation of the provisions 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.”
28. Section 12.G of the Act states that it shall be a violation of the provisions 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 material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.”
29. Section 12.H of the Act provides, *inter alia*, it shall be a violation of the Act “[t]o sign or circulate any statement or other paper or document required by the Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.”
30. Pursuant to the foregoing, Respondents violated Sections 12.A, 12.F, 12.G, and 12.H of the Act.

COUNT II: FAILURE TO PERFORM DUE DILIGENCE

31. The Department re-alleges and incorporates herein the allegations contained in paragraphs 8 through 30 above.
32. Respondents failed to conduct a reasonable investigation of ASR, its affiliates, and its management by:
 - a. Inquiring about ASR’s legal standing and ability to conduct business in the State of Illinois, including verifying any required licensures or registrations to operate;
 - b. Independently verifying ASR’s stated financials and examining historical financial statements of ASR and its affiliates;

First Amended Notice of Hearing

-6-

- c. Inquiring about ASR's business and the extent to which any cash needs or other expectations for the affiliates might affect ASR's business prospects;
 - d. Inquiring about the industry in which ASR conducts its business, the prospects for that industry, and any existing or potential regulatory restrictions on that business;
 - e. Examining ASR's governing and closing documents, noting any restrictions on its activities;
 - f. Inquiring about ASR's past securities offerings and the degree of their success while keeping in mind that simply because a certain product or sponsor historically met obligations to investors, there are no guarantees that it will continue to do so, particularly if ASR has been dependent on continuously raising new capital;
 - g. Inquiring about the forms and amount of management, employee, and agent compensation of ASR and its affiliates and whether such compensation was reasonable or the extent to which the forms of compensation could present serious conflicts of interest;
 - h. Inquiring about previous or pending litigation of ASR or its affiliates and previous or potential regulatory or disciplinary problems of them;
 - i. Performing background checks of the individuals performing services at ASR or its affiliates; or by,
 - j. Consulting with any other independent sources regarding ASR or its affiliates' representations and products subsequently recommended and sold.
33. Respondent Spencer and Respondent Kalaskie merely reviewed a video provided to them by ASR prior to investing.
34. Respondents failed to disclose to their investors that they did not conduct a reasonable investigation of ASR, its affiliates, and its management.
35. Section 12.A of the Act provides that it shall be a violation of any person "[t]o offer or sell any security except in accordance with the provisions of [the] Act."

36. Section 12.F of the Act states that it shall be a violation of the provisions 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.”
37. Section 12.G of the Act states that it shall be a violation of the provisions 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 material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.”
38. Pursuant to the foregoing, Respondents violated Sections 12.A, 12.F, and 12.G, of the Act.

**COUNT III: UNREGISTERED SALES OF OIL AND GAS WELLS,
LEASES AND MINERAL INTERESTS**

39. The Department re-alleges and incorporates herein the allegations contained in paragraphs 31 through 38 above.
40. On or about February 5, 2019, Respondents entered into a Referral Contractor Agreement with Beacon Global Group to refer potential clients for the purpose of purchasing oil and gas wells, leases and mineral rights.
41. The aforementioned oil and gas wells, leases and mineral rights were products being offered by Resolute Capital Partners and Homebound Resources.
42. On or about October 21, 2019, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie directed an email to Illinois Referral A (“Referral A”).
43. On or about November 1, 2019, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie directed an email to Illinois Referral B (“Referral B”).
44. In the aforementioned emails to Referral A and Referral B, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie stated they wanted to introduce them to a product which is “highly collateralized with annual yields ranging from 8-9%.”

First Amended Notice of Hearing

-8-

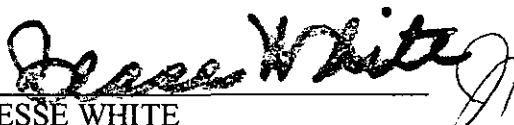
45. In the aforementioned emails to Referral A and Referral B, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie stated Referral A and Referral B could access the aforementioned annual yield monthly as simple interest or receive a slightly higher rate using a compounding option.
46. In the aforementioned emails to Referral A and Referral B, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie stated Resolute Capital Partners and Homebound Resources are extremely successful with a proven track record of never missing an interest payment.
47. In the aforementioned emails to Referral A and Referral B, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie “recommend[ed]” Referral A and Referral B review several videos.
48. In the aforementioned emails to Referral A and Referral B, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie stated they looked forward to talking to them more about Resolute Capital Partners.
49. The activities of Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie, as 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] (“Act”).
50. At all times relevant herein, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie failed to register as a dealer, salesperson, investment adviser or investment adviser representative pursuant to Section 8 of the Act.
51. 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.
52. 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 advisor, or investment adviser representative, unless registered as such, where registration is required, under the provisions of the Act.
53. 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 ...”

First Amended Notice of Hearing

-9-

54. 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.”
55. Pursuant to the foregoing, Respondent Spencer & Associates, Respondent Spencer and Respondent Kalaskie violated Sections 12.A, 12.C, 12.D and 12.F of the Act.

Dated: This 12th day of November, 2020.



JESSE WHITE
Secretary of State
State of Illinois

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, or other responsive pleading within ten (10) days of receipt of this notice. Your failure to do this 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 appear shall constitute default by you.

A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department’s website.

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

Attorney for the Secretary of State:

Paula K. Bouldon
Enforcement Attorney
Office of the Secretary of State
Illinois Securities Department
69 W. Washington, Suite 1220
Chicago, IL 60602
Telephone: (312) 793-3384
pbouldon@ilsos.gov