

ORIGINAL

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:

**South Suburban Investment Group, LLC,
and Richard Carlino,
an individual**

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File No. 2000327

ORDER OF PROHIBITION

THE RESPONDENTS: South Suburban Investment Group, LLC
C/O Peter Hallam
1034 Sterling Ave. #7
Flossmoor, IL 60422

Richard Carlino
C/O Peter Hallam
1034 Sterling Ave. #7
Flossmoor, IL 60422

WHEREAS, a Temporary Order of Prohibition was issued by the Secretary of State on February 5, 2021, which temporarily prohibited Respondents from offering or selling securities in or from the State of Illinois until further order of the Secretary of State or his duly authorized representative;

WHEREAS, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of the Temporary Order shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Temporary Order final;

WHEREAS, the Respondents have failed to request a hearing on the matters contained in the Temporary Order within thirty (30) calendar days of the entry of said Temporary Order and Respondents are hereby deemed to have admitted the facts alleged in the Temporary Order;

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the Temporary Order as the Secretary of State's Findings of Fact as follows:

BACKGROUND

1. Upon information and belief, Respondent South Suburban Investment Group, ("Respondent SSIG") is an entity with the last known address of 17045 S. Oak Park Ave., Tinley Park, Illinois.
2. Upon information and belief, Respondent Richard Carlino, ("Respondent Carlino") is an individual with the last known residential address of 15622 Catalina Ct., Orland Park, IL 60462.
3. At all times relevant herein, Respondent Carlino, was the manager for Respondent SSIG.
4. Investor JB is a resident of Illinois and at all times relevant to this action.
5. Purportedly, SSIG is a company that offers several types of investment plans. SSIG buys homes, renovates them, and quickly resells them for a profit.
6. In July 2012, Investor JB began working at Village Realty, a real estate business in Frankfort, Illinois owned by Respondent Carlino and his wife.
7. In April of 2015, Respondents began soliciting investors through fliers posted inside the Village Realty offices. The fliers stated that SSIG was established to "take advantage of distressed real estate assets through acquisition, resale, and long term holding." Additionally, the fliers stated, "there was a guaranteed Return On Investment unlike the stock market and investors were paid first."
8. Shortly thereafter, Respondent Carlino solicited Investor JB and presented her with the SSIG business plan which included the business overview, the short and long-term goals, and the financial projections.
9. On July 31, 2015, Investor JB invested \$100,000 in SSIG and in return received a signed promissory note from Respondent Carlino.

10. The note stated, "In return for \$100,000, JB receives ten (10) shares of SSIG. SSIG also guarantees a minimum of 12% return on investment per annum. The 12% will be paid \$1,000 per month starting October 1, 2015. JB also receives any profits over the 12%. These profits will be based on a 40/60% split, with 40% going to investors and 60% going to the partners."
11. On or about April 1, 2016, Investor JB's accountant was preparing her taxes and asked for the financial documents related to the SSIG investment. Up to this point, Investor JB had never received any statements; Investor JB therefore requested them from Respondent Carlino. Despite repeated requests by Investor JB, Respondents failed to provide any financial statements whatsoever.
12. On or about August 29, 2016, Investor JB had become very anxious about her investment and requested from Respondent Carlino that all of her money be returned. This was the first of several requests for the return of her investment. However, each time Respondent would claim that, "The money was tied up."
13. In 2018, Investor JB starting receiving some payments from Respondents, but has yet to receive the full amount that is due.
14. Investor DP is a resident of Illinois and at all times relevant to this action.
15. Investor DP stated that during a meeting with the Carlinos, Respondent Carlino told him, "If he would lend him \$500,000, SSIG would pay DP 12% interest quarterly for two years, as well as an additional 20% of the net profit after the sale of a property."
16. Investor DP made two separate investments, one on May 4, 2017 and another on July 19, 2017, each in the amount of \$250,000.
17. On May 4, 2017, Respondent Carlino, on behalf of SSIG, signed a Real Estate Investment Agreement between SSIG and investor DP.
18. Under the terms of the Agreement, "SSIG shall have sole discretion to determine the real estate projects in which it will

invest and Investor shall have no rights to determine or decide any such investments or real estate projects.”

19. Additionally, the Agreement states, “This Agreement does not constitute a General Partnership between the parties.”

COUNT I

Fraud in the Offer and Sale of Securities

20. The promissory note JB received in return for her investment stated, “SSIG guarantees a minimum of 12% return on investment per annum. This 12% will be paid \$1,000 per month starting in October 2015.” As stated in paragraph 13, Investor JB received only some of the promised payments. To date, there is still an outstanding balance that owed to Investor JB.
21. When Investor DP made his investments in 2017, Respondents Carlino and SSIG failed to disclose that Respondent SSIG had already defaulted on the promissory note Respondents had given to previous Investor, JB.
22. These investments were securities in the form of a note as the term is defined under Section 2.1 of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.,] (the “Act”).
23. The investment in an entity attempting to develop real estate and having the investment managed by Respondents SSIG and Richard Carlino constitutes the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Act.
24. Section 12.F of the Act states that it shall be a violation of the provisions 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. When Respondent Carlino solicited new Investor DP and failed to disclose the fact that he defaulted on the note of earlier Investor JB, he was acting in a deceitful manner and this was a violation of 12. F.

26. Section 12.G of the Act states that 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 light of the circumstances under which they were made, not misleading.
27. The fact that Respondent Carlino was able to obtain money from Investor DP for investment purposes without disclosing the previous default was an omission of a material fact and was therefore misleading. This is a violation of 12.G.
28. Section 12.I of the Act states that it shall be a violation of the provisions of the Act for any person: "To employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
29. 12.I was violated when Respondent Carlino, fully aware that he failed to fulfill the terms of a prior promissory note, defrauded Investor DP into investing in SSIG.
30. By virtue of the foregoing, Respondents SSIG and Richard Carlino violated Sections 12.F, 12.G and 12.I of the Act.

COUNT II
**FAILURE TO RESPOND TO ILLINOIS SECURITIES DEPARTMENT
SUBPOENA DUCES TECUM**

31. A Subpoena Duces Tecum was mailed by certified mail, by the Department on August 28, 2020 to Respondent SSIG with a due date of September 11, 2020.
32. On September 9, 2020, the department received an email from Respondent SSIG's Counsel stating that he is the attorney for SSIG and that his client had forwarded the Subpoena Duces Tecum to him. Additionally, Respondent SSIG's Counsel requested a fourteen (14) day extension, which was granted.
33. On September 25, 2020, the Department received a letter from Respondent SSIG's Counsel questioning the statutory authority of the Illinois Securities Department.

34. On September 28, 2020, the Department sent an email to Respondent SSIG's Counsel providing the applicable sections of the Illinois Securities Law of 1953.
35. Included in the email to Respondent SSIG's Counsel was (815 5/11) (from Ch. 121 1/2, par. 137.11) Section 11. Duties and powers of the Secretary of State. Specifically;
 - D. (1) For the purpose of all investigations, audits, examinations, or inspections which in the opinion of the Secretary of State are necessary and proper for the enforcement of this Act, the Secretary of State or a person designated by him or her is empowered to administer oaths and affirmations, subpoena witnesses, take evidence, and require, by subpoena or other lawful means provided by this Act or the rules adopted by the Secretary of State, the production of any books and records, papers, or other documents which the Secretary of State or a person designated by him or her deems relevant or material to the inquiry.
36. The email also notified Respondent SSIG's Counsel that Section 12.D states it shall be a violation;
 - D.(1) To 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 or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof
37. Respondents SSIG's Counsel replied to the Department October 6, 2020, simply stating, "received."
38. Respondents failed to produce any of the documents requested by the due date, or any day thereafter that were subpoenaed by the Department pursuant to the authority granted under Section 11.D(1) of the Act.
39. By virtue of the foregoing, Respondent's failure to respond to the subpoena by the due date impeded designees of the Secretary of State from conducting an investigation under Section 11.D (1) of the Act.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Conclusions of Law Contained in the said Temporary Order as the Secretary of State's final Conclusions of Law as follows:

1. That by virtue of the foregoing, Respondents Carlino and SSIG violated Sections 12. D, 12.F, 12.G and 12.I of the Act.
2. That by virtue of the foregoing, the Respondents are subject, pursuant to the authority granted by Section 11.F of the Act, to an Order which permanently prohibits them from offering or selling securities in the State of Illinois.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act:

Respondent SSIG (South Suburban Investment Group); is **PERMANENTLY PROHIBITED** from offering to sell or selling securities, or acting as an investment adviser or investment adviser representative, or providing investment advice in or from the State of Illinois until further Order of the Secretary of State.

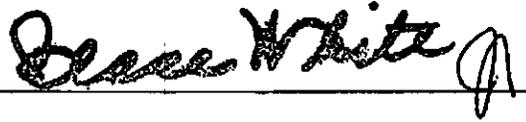
Respondent Richard Carlino is **PERMANENTLY PROHIBITED** from offering to sell or selling securities, or acting as an investment adviser or investment adviser representative, or providing investment advice in or from the State of Illinois until further Order of the Secretary of State.

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section D of the Act. Any person or entity that fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of this Order, shall be guilty of a Class 4 Felony for each offense.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review. Mailing of this Order to the Respondent or representative constitutes service of the Order.

This is a final order subject to administrative review pursuant to the Administrative Review Law [735 ILCS 5/3-101 et seq.] and the Rules and Regulations of the Act (14 Ill. Admin. Code, Ch. 1 Sec 130.1123). Any action for judicial review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review. Mailing of this Order to the Respondent or representative constitutes service of the Order.

Dated: This 22nd day March of 2021.

A handwritten signature in black ink, appearing to read "Jesse White", is written over a horizontal line. The signature is cursive and includes a large, stylized initial "J" at the end.

JESSE WHITE
Secretary of State
State of Illinois

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