

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

INSIDER REAL ESTATE, its partners, officers and directors,  
agents, employees, affiliates, successors and assigns; INSIDER  
REAL ESTATE, INC., its officers, directors, agents,  
employees, affiliates, successors and assigns, SCANLAN  
REALTY & INVESTMENTS, LTD., its partners, officers and  
directors, agents, employees, affiliates, successors and assigns,  
CHRISTOPHER SCANLAN, individually, and ROSALEE  
MUELLER, individually.

FILE NO. 0700061

**SECOND AMENDED NOTICE OF HEARING**

TO THE RESPONDENTS: Insider Real Estate.  
c/o Christopher Scanlan  
735 McArdle Drive, Suite A  
Crystal Lake, Illinois 60014

Scanlan Realty & Investments, LTD.  
c/o Christopher Scanlan  
735 McArdle Drive, Suite A  
Crystal Lake, Illinois 60014

Christopher Scanlan  
735 McArdle Drive, Suite A  
Crystal Lake, Illinois 60014

c/o W. Randal Baudin  
Baudin & Baudin  
211 W. Main Street  
Huntley Square Offices #213A  
Dundee, IL 60118

~~Insider Real Estate, Inc.~~  
c/o Rosalee Mueller,  
2881 Freemont Court  
Schaumburg, Illinois 60193

Rosalee Mueller  
2881 Freemont Court  
Schaumburg, Illinois 60193

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You are hereby notified that pursuant to Section 5-65 of the Business Opportunity Sales Law of 1995 [815 ILCS 602] (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 2<sup>nd</sup> day of June, 2009, at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before James L. Kopecky or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether a permanent Order to Cease and Desist or an Order of Prohibition from offering or selling business opportunities in the State of Illinois shall be entered against Christopher Scanlan, individually, Insider Real Estate, and Scanlan Realty & Investments, Ltd., its owners/proprietors or officers and directors, employees, successors and assigns and/or granting such other relief as may be authorized under the Act including, but not limited to, censure and the imposition of a monetary fine in the maximum amount of \$10,000 per violation against the violator, and a charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.

**COUNT I**

**Unregistered Business Opportunity**

1. That Respondent Insider Real Estate ("Insider") is a business entity maintaining its principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
2. That Respondent Insider Real Estate, Inc. ("Insider, Inc.") is an Illinois corporation maintaining its principal offices at 2881 Freemont Ct., Schaumburg, Illinois 60194 and 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
3. That Respondent Scanlan Realty & Investments, LTD ("Scanlan Realty") is a business entity, maintaining its principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
4. That Respondent Rosalee Mueller, an individual ("Mueller"), maintaining her principal office at 2881 Freemont Ct., Schaumburg, Illinois 60194 is the President and Registered Agent of Insider, Inc.
5. That Respondent Christopher Scanlan ("Scanlan"), a Real Estate Broker licensed in the State of Illinois, an individual, is the CEO and/or principal of Insider and Scanlan Realty, a representative and agent of Insider, Inc., (collectively with Insider, Inc. and Mueller "Respondents"), maintaining his principal office at 735 McArdle Drive, Suite A, Crystal Lake, Illinois 60014.
6. That during January 2005, the Respondents placed advertisements (the "Ad") on the radio. Said radio station broadcast within the State of Illinois.
7. That one Ad touted learning how to make money in real estate and to call the toll free number provided by the broadcast, 1-888 50-INSIDER to attend a free seminar.

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8. That at the same time, Respondents were claiming on their Insider Real Estate website ([www.insiderseminars.com](http://www.insiderseminars.com)): "Foreclosures equal a multi-trillion dollar industry with very few people who really know how to profit from it. Become an INSIDER and learn the secrets others won't tell you...It's simple...listen to my advice and work hard at it, you should have no problems making \$18K to \$25K per deal, on average, 92% of Attendees go out and purchase at least one piece of property."
9. That at least one Illinois resident responded to the Ad.
10. That on or about February 16, 2005, the Respondents held a free Seminar hosted by Respondent Insider at the Oak Brook Premium Hotel, 17 West 350 22<sup>nd</sup> Street, Oakbrook Terrace, Illinois.
11. That at the Seminar, attendees were offered the opportunity to purchase the "Insider Program" at a cost of \$3500.00. Scanlan told the prospective Purchasers of the Insider Program that Purchasers would be taught all the necessary methods to profit in the foreclosure business. He said he would provide financing on the deals they found, if they could not finance the deal themselves. Prospective Purchasers were also told that Scanlan's mentoring was the key to success that Purchasers would be working on computers, the phone and practicing what was taught. Additionally at least one Illinois resident "Purchaser(s)" were assured that Purchasers could earn the cost of the Insider Program back on the first sale.
12. That on about February 25, 2005, at least one Illinois resident "Purchaser(s)" purchased the Insider Program held on February 25 and 26, 2005 at the Radison, Schaumburg, 1725 E. Algonquin Rd., Schaumburg, IL 60173. Purchaser(s) paid \$3500.00 in consideration which was deposited into the bank account of Insider Real Estate, Inc.
13. That at the Insider Program, Scanlan told the Purchaser(s) that Purchaser(s) would get Multiple Listing Services (MLS) access, necessary to determine a property's market value.
14. That at the Insider Program, Scanlan told Purchaser(s) that if Purchaser(s) arranged appointments with Scanlan for potential clients facing foreclosure, Purchaser(s) would profit in one of the following ways: by profiting on a short sale, "flipping" the property to one of his real estate investors; or by getting a commission from listing the property on the Scanlan Realty MLS. Scanlan claimed that his established network of real estate investors, agents, attorneys, and accounts would aid in the Purchaser(s)' success.
15. That Section 5-5.10(a)(6) of Business Opportunity Sales Law of 1995, [815 ILCS 602 et seq.] (the "Act") provides, inter alia, that a business opportunity is a contract or agreement, between a seller and purchaser, express or implied, orally or in writing, wherein it is agreed that the seller or a person recommended by the seller shall provide to the purchaser any product, equipment, supplies or services

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enabling the purchaser to start a business when the purchaser is required to make a payment to the seller or a person recommended by the seller of more than \$500 and the seller represents directly or indirectly, orally or in writing, that the seller or a person recommended by the seller will provide a marketing plan.

16. That the Insider Program, described in paragraphs eleven through fourteen (11-14), constitutes a business opportunity as that term is defined in Section 5-5.10 of the Act.
17. That the activities described in paragraphs seven, through twelve (7-12) constitute an offer and a sale as those terms are defined under Section 5-5.20 of the Act.
18. That the activities described in paragraphs eleven, thirteen and fourteen (11, 13 and 14) constitute a marketing plan as that term is defined under Section 5-5.15 (6) of the Act.
19. That the activities described in paragraphs thirteen and fourteen (13-14) constitute the Seller providing or assisting the buyer in finding outlets or accounts for the purchasers services as that term is defined under Section 5-5.15 (2) of the Act.
20. That the activities described in paragraphs thirteen and fourteen (13-14) constitute the Seller providing or assisting the buyer in finding outlets or accounts for the purchasers services as that term is defined under Section 5-5.15 (3) of the Act.
21. That Section 5-25 of the Act provides, inter alia, that it is unlawful for any person to offer any business opportunity in this State unless the business opportunity is registered under the Act or is exempt under Section 5-10 of the Act.
22. That at all relevant times, Respondents, failed to register the business opportunity described in paragraph six (6) as required pursuant to Section 5-25 of the Act.
23. That, by virtue of the foregoing, the Respondents violated Section 5-25 of the Act.
24. That Section 5-65(1) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Issue an order, anything contained in this law to the contrary notwithstanding directing the person to cease and desist from continuing the act or practice.
25. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.

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26. That by virtue of the foregoing, Respondents Insider Real Estate, Insider Real estate, Inc. and Scanlan Realty & Investments, LTD, its agents, affiliates and employees, are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
27. That by virtue of the foregoing, Respondents Christopher Scanlan and Rosalee Mueller, individually are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
28. That Section 5-65 (4) provides, *inter alia*, that in addition to any other sanction or remedy contained in section 5-65, 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 against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
29. That by virtue of the foregoing, Respondents are subject to an order of censure and fine.

**COUNT II**  
**Disclosure Requirements**

- 1-16. That paragraphs one (1) through sixteen (16) of Count I are realleged and incorporated herein as paragraphs one (1) through (14) of this Count II.
17. That Section 5-35(a) of the Act provides it is unlawful for any person to offer or sell any business opportunity required to be registered under this Law unless a written disclosure document as filed under subsection (a) of Section 5-30 of this Law is delivered to each purchaser at least 10 business days prior to the execution by a purchaser of any contract or agreement imposing a binding legal obligation on the purchaser or the payment by a purchaser of any consideration in connection with the offer or sale of the business opportunity.
18. ~~That the Respondents failed to provide purchasers of the Insider Program~~ described at paragraph twelve (12), with a disclosure document.
19. That by virtue of the foregoing, the Respondents violated Section 5-35(a) of the Act.
20. That Section 5-65(1) provides, *inter alia*, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Issue an order, anything contained in this law to the

contrary notwithstanding directing the person to cease and desist from continuing the act or practice.

21. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.
22. That by virtue of the foregoing, Respondents Insider Real Estate, Insider Real estate, Inc. and Scanlan Realty & Investments, LTD, its agents, affiliates and employees, are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
23. That by virtue of the foregoing, Respondents Christopher Scanlan and Rosalee Mueller, individually are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
24. That Section 5-65 (4) provides, inter alia, that in addition to any other sanction or remedy contained in section 5-65, 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 against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
25. That by virtue of the foregoing, Respondents are subject to an order of censure and fine.

### COUNT III Contract Requirements

- 1-16. That paragraphs one (1) through sixteen (16) of Count I are realleged and incorporated herein as paragraphs one (1) through sixteen (16) of this Count III.
17. That Sec. 5-40. Contract or agreement provisions of the Act provides:
  - (a) It is unlawful for any person to offer or sell any business opportunity required to be registered unless the business opportunity contract or agreement is in writing and a copy of the contract or agreement is given to the purchaser at the time the purchaser signs the contract or agreement.

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- (b) Contracts or agreements shall set forth in at least ten-point type or equivalent size, if handwritten, the following:
- (1) The terms and conditions of any and all payments due to the seller;
  - (2) The seller's principal business address and the name and address of the seller's agent in this State authorized to receive service of process;
  - (3) The business form of the seller, whether corporate, partnership, or otherwise;
  - (4) The delivery date or, when the contract provides for a periodic delivery of items to the purchaser, the approximate delivery date of the product, equipment, or supplies the seller is to deliver to the purchaser to enable the purchaser to start his or business; and
  - (5) Whether the product, equipment, or supplies are to be delivered to the purchaser's home or business address or are to be placed or caused to be placed by the seller at locations owned or managed by persons other than the purchaser.
18. That the Respondents failed to provide purchasers of the Insider Program described at paragraphs twelve (12) with a written contract.
19. That by virtue of the foregoing, the Respondents violated Section 5-40(a) and (b) of the Act.
20. That Section 5-65(1) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Issue an order, anything contained in this law to the contrary notwithstanding directing the person to cease and desist from continuing the act or practice.
21. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law. Secretary of Sate may: Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.
22. That by virtue of the foregoing, Respondents Insider Real Estate, Insider Real Estate, Inc., and Scanlan Realty & Investments, LTD, its agents, affiliates and employees, are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.

23. That by virtue of the foregoing, Respondents Christopher Scanlan and Rosalee Mueller, individually are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
24. That Section 5-65 (4) provides, inter alia, that in addition to any other sanction or remedy contained in section 5-65, 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 against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
25. That by virtue of the foregoing, Respondents are subject to an order of censure and fine.

**COUNT IV**  
**Fraudulent Practices**

- 1-16 That paragraphs one (1) through fourteen (14) of Count I are realleged and incorporated herein as paragraphs one (1) through sixteen (16) of this Count V.
17. That Section 5-95(2) of the Act provides, inter alia, it is unlawful for any person, in connection with the offer or sale of any business opportunity in this State, directly or indirectly: To make any untrue statement of a material fact or to omit 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.
18. That at the Insider Program, Scanlan told the Purchaser(s) that Purchaser(s) would get Multiple Listing Services (MLS) access, necessary to determine a property's market value. The Respondents failed to disclose prior to purchase that Respondents could not and had not put in place MLS access to Purchaser(s) through Scanlan's and/or Scanlan Realty's MLS account.
19. That by virtue of the foregoing, the Respondents violated Section 5-95(2) of the Act.
20. That Respondent Scanlan assured Purchasers of the Insider Program that they would be taught all the necessary methods to profit in the foreclosure business, that they would be working on computers, the phone and practicing what was taught through "hands on" example. Purchasers never worked on computers, the phone, nor were they given the promised real time training.
21. That Section 5-95(3) of the Act further provides it is unlawful for any person, in connection with the offer or sale of any business opportunity in this State, directly

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or indirectly: To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

22. That by virtue of the foregoing, the Respondents violated Section 5-95(3) of the Act.
23. That Section 5-65(1) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Issue an order, anything contained in this law to the contrary notwithstanding directing the person to cease and desist from continuing the act or practice.
24. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.
26. That by virtue of the foregoing, Respondents Insider Real Estate, Insider Real Estate, Inc., and Scanlan Realty & Investments, LTD, its agents, affiliates and employees, are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
27. That by virtue of the foregoing, Respondents Christopher Scanlan and Rosalee Mueller, individually are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
28. That Section 5-65 (4) provides, inter alia, that in addition to any other sanction or remedy contained in section 5-65, 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 against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
29. That by virtue of the foregoing, Respondents are subject to an order of censure and fine.

**COUNT V**  
**Failure to File 5-60 Response**

- 1-16. That paragraphs one (1) through sixteen (16) of Count I are realleged and incorporated herein as paragraphs one (1) through sixteen (16) of this Count V.
17. That Section 5-60(2) of the Act provides, inter alia, that the Secretary of State may require any person to file a statement, under oath, as to all the facts and circumstances concerning a matter to be investigated.
18. That on May 18, 2007 and on July 9, 2007, pursuant to the authority granted in Section 5-60 of the Act, the Department sent a letter (the "5-60 Letter") to the Respondents by certified mail, return receipt requested. The 5-60 Letter requested certain information the Department deemed necessary for its use in the enforcement of this Act in offering for sale its Insider program without registration as a business opportunity, within ten (10) business days.
19. That the certified mail receipt for the July 9, 2007 letter was returned to the Department signed by addressee's agent on about July 11, 2007.
20. That the Respondents failed and refused to respond to that 5-60 Letter.
21. That of this date, the Respondents continues to fail to respond to that 5-60 Letter.
22. That Section 5-60(d) of the Act provides, inter alia, that it shall be a violation of the provisions of the Act for any person to fail to file with the Secretary of State any document required to be filed under the provisions of Section 5-60.
23. That, by virtue of the foregoing, the Respondents violated Section 5-60 of the Act.
24. That Section 5-65(1) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Issue an order, anything contained in this law to the contrary notwithstanding directing the person to cease and desist from continuing the act or practice.
- ~~25. That Section 5-65(1.5) provides, inter alia, Whenever it appears to the Secretary of State that any person has engaged in any act or practice constituting a violation of any provision of this Law or any rule, regulation, or order under this Law, Secretary of State may: Prohibit or suspend the offer or sale of any business opportunity, prohibit or suspend any person from offering or selling any business opportunities.~~
26. That by virtue of the foregoing, Respondents Insider Real Estate, Insider Real Estate, Inc., and Scanlan Realty & Investments, LTD, its officers, directors, agents, affiliates, employees, successors and assigns are subject to an Order of

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Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.

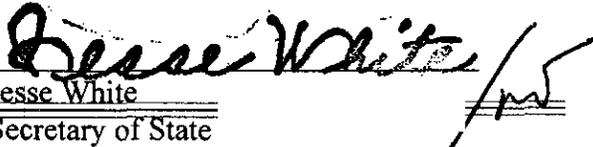
27. That by virtue of the foregoing, Respondents Christopher Scanlan and Rosalee Mueller individually are subject to an Order of Prohibition from offering or selling Business Opportunities in the State of Illinois, or in the alternative, a permanent order to Cease and Desist from continuing the act or practice.
28. That Section 5-65 (4) provides, inter alia, that in addition to any other sanction or remedy contained in section 5-65, 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 against the violator not to exceed \$10,000.00 per violation, and may issue an order of public censure against the violator, and charge as costs of the investigation all reasonable expenses, including attorney's fees and witness fees.
29. That by virtue of the foregoing, Respondents are subject to an order of censure and fine.

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 or otherwise plead within the prescribed time shall constitute a default.

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.

A copy of the Rules pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

DATED: This 7<sup>th</sup> day of April, 2009.

  
Jesse White  
Secretary of State  
State of Illinois

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Attorney for the Secretary of State:

Samuel F. Freiman  
Office of the Secretary of State  
Illinois Securities Department  
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Chicago, Illinois 60602  
Telephone: (312) 793-3988

Hearing Officer:

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320 North Clark Street, Suite 220  
Chicago, Illinois 60610  
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