

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: PREFERRED PROPERTIES, INCORPORATED)
REIT, ITS OFFICERS,) File No. 0500070
DIRECTORS, EMPLOYEES, AFFILIATES,)
SUCCESSORS, AGENTS AND ASSIGNS,)
AND LANE INVESTMENT GROUP, LLC)
ITS OFFICERS, DIRECTORS, EMPLOYEES)
AFFILIATES, SUCCESSORS, AGENTS)
AND ASSIGNS AND JIMMY D. LANE)
)
)

CONSENT ORDER

TO THE RESPONDENT: Preferred Properties, Incorporated REIT
Lane Investment Group, LLC
Jimmy D. Lane
1144 E. Crueger Rd Washington, Illinois

WHEREAS, Preferred Properties, Incorporated REIT, Lane Investment Group, LLC and Jimmy D. Lane on October 14, 2005 executed a certain Stipulation To Entry Of Consent Order (the "Stipulation"), which hereby is incorporated by reference herein.

WHEREAS, by means of the Stipulation, the Respondents have admitted to the jurisdiction of the Secretary of State and service of the Notice of Hearing in this matter and the Respondents have consented to the entry of this Consent Order.

WHEREAS, the Secretary of State, by and through his designated representative, the Securities Director, has determined that the matter related to the aforesaid formal hearing may be dismissed without further proceeding.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph seven (7) of the Stipulation shall be adopted as the Secretary of State's Findings of Fact as follows:

1. Preferred Properties Incorporated REIT ("Preferred Properties") is an Illinois registered corporation with a last known business address of 1144 E. Crueger Rd Washington, Illinois;

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2. At all times relevant, Jimmy D. Lane, was the registered agent and principal of Preferred Properties Incorporated REIT;
3. Lane Investment Group, LLC is a purported Illinois Limited Liability Company with a last known business address of 1144 E. Crueger Rd., Washington, Illinois;
4. At all times relevant, Jimmy D. Lane, was the Manager of Lane Investment Group, LLC;
5. At all times relevant, Preferred Properties Incorporated REIT and Jimmy D. Lane through the internet webpage address of www.preferredreit.com offered for sale to investors stocks and bonds in Preferred Properties offering a return on investment of 10%-15%;
6. At all times relevant, Lane Investment Group, LLC and Jimmy D. Lane through the internet webpage address of www.ligllc.com offered for sale to investors securities described as Real Estate Bonds and offering interest rates of 10%-15%;
7. The Lane Investment Group Web site also stated the following regarding the Bonds: "Lane Investment Group, LLC, through an annual SEC filing with the State of Illinois Security Exchange Commission, and our securities attorney, is allowed to offer up to \$1,000,000 in convertible debentures (bonds) for real estate development annually. However, we can only accept 35 new investors per any 12 month calendar year."
8. On July 15, 2005, Lane Investment Group, LLC filed for Chapter 7, Bankruptcy in the United State Bankruptcy Court, for the Central District of Illinois;
9. The Lane Investment Group webpage sited above failed to disclose to investors that Lane Investment Group, LLC had filed for Chapter 7 Bankruptcy;
10. The Stocks, Bonds and any other security issued or issuable by Preferred Properties were not registered by Preferred Properties with the Illinois Secretary of State. Preferred Properties filed a Form 4G filing for report of securities sales pursuant to Section 4.G of the Illinois Securities Act, 815 ILCS 5/1 et seq. ("the

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Act") which would allow sales of securities without registration so long as certain conditions are met;

11. The Preferred Properties Form 4G was filed with the Secretary of State on June 15, 2005 and covered sales from January 1, 2005 through January 1, 2006;
12. In this filing, Jimmy D. Lane and Preferred Properties made the following representation: "the Securities have not been or will not be offered or sold by means of general advertising or general solicitation."
13. The Real Estate Bonds and any other security issued or issuable by Lane Investment Group, LLC were not registered by Lane Investment Group, LLC with the Illinois Secretary of State. Lane Investment Group, LLC filed two Form 4G filings for report of securities sales pursuant to Section 4.G of the Illinois Securities Act, 815 ILCS 5/1 et seq. ("the Act") which would allow sales of securities without registration so long as certain conditions are met;
14. The first Lane Investment Group Form 4G was filed with the Secretary of State on July 5, 2002 and covered sales from April 15, 2002 through April 15, 2003 and the second Lane Investment Group Form 4G was filed on June 23, 2003 and covered sales from April 30, 2003 through April 30, 2004;
15. In these Lane Investment Group Form 4G filings, Jimmy D. Lane and Lane Investment Group, LLC made the following representation: "the Securities have not been or will not be offered or sold by means of general advertising or general solicitation."
16. Rule 246 of the Rules and Regulations of the Illinois Securities Department, 14 Admin Code 130.100 et seq., defines "general advertising or general solicitation" as "1.)any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio or any seminar or meeting.. 2.)any indiscriminate contact by mail or telephone or similar communicative process, unless otherwise shown by the particular facts."
17. At least three investors have purchased securities from Lane Investment Group, LLC: WRB, a Nebraska resident, purchased 3 Lane Investment Group, LLC Real Estate Bonds for \$10,000 each during the time period of 1999-

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2000, CC and RC, Illinois residents, purchased 3 Lane Investment Group, LLC Real Estate Bonds for \$10,000 each on August 18, 2002, and HC, a New York resident, purchased two Lane Investment Group, LLC Real Estate Bonds on October 10, 2004 for \$10,000 each;

18. All of these investors purchased their Bonds due to general solicitation and advertising by Lane Investment Group, LLC;
19. The Real Estate Bonds offered and sold by Lane Investment Group, LLC are securities as that term is defined under Section 2.1 of the Act;
20. The Stocks and Bonds offered and sold by Preferred Properties are securities as that term is defined under Section 2.1 of the Act;
21. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2.A of the Act, or those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
22. That 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 securities except in accordance with the provisions of the Act;
23. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provision of the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 of the Act;
24. That Section 12.E of the Act provides, inter alia, that it shall be a violation of the Act for any person to make, or cause to be made, in any application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to the Act, any statement which was false or misleading with respect to any material fact;
25. That Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act for any person to

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obtain money or property through the sale of securities by means of any untrue statement of 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;

26. That by virtue of the foregoing, Jimmy D. Lane and Preferred Properties, its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns have violated Sections 12.A, 12.D, and 12.E of the Act;
27. That by virtue of the foregoing, Jimmy D. Lane and Lane Investment Group, LLC, its Officers, Directors, Employees, Affiliates, Successors, Agents and Assigns have violated Sections 12.A, 12.D, 12.E and 12.G of the Act;
28. That Section 11.F.(2) of the Act provides, inter alia, that the Secretary of State may temporarily suspend or prohibit the offer or sale of securities by any person if the Secretary of State in his or her opinion, based upon credible evidence, deems it necessary to prevent an imminent violation of the Act or to prevent losses to investors which the Secretary of State reasonably believes will occur as a result of a prior violation of the Act;
29. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D, E, or G of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State; and
30. That Section 11.E(4) of the Act provides, inter alia, that if 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 \$10,000.00 for each violation of the Act.

WHEREAS, the Respondents have acknowledged that the allegations contained in paragraph eight (8) of the Stipulation shall be adopted as the Secretary of State's Conclusion of Law as follows:

1. That by virtue of the foregoing, Respondents, Preferred Properties, Incorporated REIT, Lane

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Investment Group, LLC and Jimmy D. Lane, have violated Sections 12.A, 12.D, 12.E and 12.G of the Act; and

2. That by virtue of the foregoing, Respondents, Preferred Properties, Incorporated REIT, Lane Investment Group, LLC and Jimmy D. Lane, are subject to a fine of up to \$10,000 per violation and an order which prohibits them from offering and selling securities in the State of Illinois.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. The allegations contained in paragraphs seven (7) and eight (8) of the Stipulation shall be and are hereby adopted as the Secretary of State's Findings of Fact and Conclusions of Law;
2. The Respondents, Preferred Properties, Incorporated REIT, and Jimmy D. Lane, shall pay a fine of \$2,000 made payable to the Secretary of State Investor Education Fund within thirty days of the date of this Consent Order;
3. The Respondents are prohibited from offering and selling securities in the State of Illinois; and
4. The formal hearing scheduled on this matter is hereby dismissed without further proceeding.

ENTERED: This 19th day of October, 2005.



JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of Section 12.D of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act"). Any person or entity who 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.

Attorney for the Secretary of State:
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