ADMINISTRATIVE PROCEEDING
File No. 3-17844

SEC Settles with Real Estate Investor for Selling Promissory Notes in Fraudulent Real Estate Investment Scheme

February 13, 2017 – The Securities and Exchange Commission announced today that Thomas R. Stanley II agreed to settle charges that he offered and sold promissory notes to investors in a fraudulent real estate investment scheme.

According to the SEC's order, from 2009 to 2014, Stanley, through a number of limited liability companies and corporations, offered and sold 120 promissory notes to 68 investors in Indiana and Illinois and raised at least $7.62 million. In most cases, Stanley used these funds to purchase multi-unit apartment complexes in Indiana and Florida and to fund repairs and remodeling of these properties. The noteholders were to receive an ownership interest through a conversion option on their promissory notes and to fund repairs and remodeling of these properties. Unbeknownst to the investors, Stanley frequently commingled funds among his entities in order to prop up his property projects. Stanley also used investor funds to purchase a restaurant and a yacht for his own use.

According to the SEC's order, Stanley's businesses began failing, yet Stanley continued to prop up his projects by raising additional investor funds. In his solicitations of new investors, Stanley claimed to have a successful track record in real estate investments and to have never suffered a loss. He never mentioned the issues he had with certain of his properties or his need to commingle investor funds in order to support struggling projects.

The SEC's order finds that Stanley violated Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Without admitting or denying the findings in the SEC's order, Stanley agreed to the entry of a cease-and-desist order, an industry bar, and a penny stock bar. Stanley also agreed to pay disgorgement of $7,617,873, prejudgment interest of $768,471, and a $250,000 civil penalty pursuant to a three-year payment plan, with the amount of disgorgement and interest subject to offset by payments to investors in a related investor lawsuit settlement.

The SEC's investigation was conducted by Jerrold Kohn, John Kustusch, and Rosalind Singleton of the Chicago office, and was supervised by Jeffrey Shank and Steven Klawans.

See also: **Order**