

2. From at least December 2005 through May 2008, Anderson, directly and indirectly through Rosand, raised approximately \$12 million from at least 77 investors by selling promissory notes.

3. Anderson told investors that he would use their money to purchase, construct, rehabilitate, and sell real estate. Anderson promised to pay the investors monthly returns ranging from 10 to 20% and represented that the returns were generated from the sale of Rosand's real estate properties.

4. Anderson did not use the investors' funds as promised. Instead, he operated a Ponzi scheme by using approximately \$8 million of investors' funds to pay "interest" and, in some cases, principal to previous investors. Anderson spent only approximately \$550,000 of the \$12 million raised from investors on real estate, and nearly all of that money was eventually lost. He used approximately \$818,000 of investor funds to pay his own personal expenses and those of his family members. Anderson and Rosand did not generate any revenue from the sale of real estate.

5. Anderson and Rosand, directly and indirectly, have engaged, and unless enjoined, will continue to engage, in acts, transactions, practices and courses of business that violate Sections 5(a), 5(c), and Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)], and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

6. The Commission brings this action to enjoin such acts, transactions, practices, and courses of business pursuant to Section 20(a) of the Securities Act [15 U.S.C. § 78t(a)], and Sections 21(d) and (e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)].

DEFENDANTS

7. **Robert R. Anderson** is a 59-year-old resident of Mt. Prospect, Illinois. Anderson is not registered with the Commission in any capacity and has never been associated with an entity registered with the Commission.

8. **Rosand Enterprises, Inc.** is an Illinois corporation with its principal place of business in Schaumburg, Illinois. Anderson held himself out to be the president of Rosand. Rosand is not registered with the Commission in any capacity. No registration statement has been filed with the Commission with respect to securities issued by Rosand, including the promissory notes sold by Anderson.

JURISDICTION

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Sections 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(e) and 78aa]. Venue is proper in this Court pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)], and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

10. Defendants transacted business in the Northern District of Illinois and the acts, transactions, practices, and courses of business constituting the violations alleged herein occurred within the jurisdiction of the United States District Court for the Northern District of Illinois and elsewhere.

11. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, transactions, practices, and courses of business alleged herein.

FACTS

DEFENDANTS' PUBLIC SOLICITATION OF INVESTORS

12. From approximately December 2005 through May 2008, Defendants offered and sold securities in the form of promissory notes.

13. Through their promissory note offering, Defendants raised approximately \$12 million from at least 77 investors residing in at least nine states.

14. Anderson controlled Rosand and its activities. Anderson issued the promissory notes in the name of Rosand, and offered and sold the promissory notes to investors.

15. Anderson also recruited others who offered and sold the promissory notes.

16. Anderson executed the promissory notes on behalf of Rosand.

17. In February 2009, Anderson told the Illinois Securities Department in sworn testimony that he owned approximately 200 parcels of real estate in Illinois, Indiana, and Wisconsin.

18. This representation was false.

19. Anderson made a series of misrepresentations to investors about the nature of Rosand's business and about his experience in the real estate industry. Anderson also made a series of misrepresentations to investors about the use of their investments and the success of the company. In short, Anderson sold the promissory notes to investors under false pretenses.

20. Anderson represented to investors that he had been building homes for 17 years and that Rosand was in the real estate business.

21. This representation was false.

22. Anderson represented to investors that Rosand constructed pre-fabricated modular houses and purchased and rehabilitated existing houses in the Chicago area and other locations.

23. This representation was false.

24. Anderson took some investors on a tour of houses in Chicago that he represented that Rosand built.

25. This representation was false.

26. Anderson represented to some investors that he would use their funds to purchase, construct, rehabilitate, and sell real estate for a profit.

27. This representation was false.

28. Anderson represented to other investors that their funds would remain untouched in an escrow account at a U.S. bank and that the funds would serve as collateral for loans.

29. This representation was false.

30. Anderson represented to investors that he would pay investors their interest and repay their principal with the proceeds from Rosand's real estate sales.

31. This representation was false.

32. Anderson also represented to investors that Rosand's real estate investments had been profitable.

33. This representation was false.

34. Anderson represented to investors that Rosand was doing well in the real estate market and was making money.

35. This representation was false.

36. Anderson represented to investors that Rosand was able to pay the high rate of return because it pre-sold the homes before beginning construction and that it could build the homes in a very short timeframe.

37. This representation was false.

38. Anderson represented to investors that their principal and interest were “guaranteed.”

39. This representation was false.

40. Rosand entered into agreements with investors and attached a promissory note. In the promissory notes, Rosand and Anderson promised to pay investors monthly returns of 10 to 20% on the investment.

41. The investors purchased the Rosand securities with the intention of earning a profit on their investment.

42. Rosand’s promissory notes were not secured by any collateral.

43. Anderson directed investors to wire their funds to certain bank accounts. Anderson controlled these bank accounts and he determined how the funds in the accounts were used.

44. No one from Rosand, or anyone else on its behalf, determined whether the Rosand investors were accredited investors. Several Rosand investors had net worths of less than \$1 million and/or annual incomes of less than \$200,000 at the time they invested in the Rosand promissory notes.

45. No one from Rosand, or anyone else on its behalf, gave the Rosand investors any financial information about Rosand.

DEFENDANTS' MISREPRESENTATIONS AND MISLEADING OMISSIONS

46. From December 2005 through May 2008, Anderson knowingly or recklessly made material misrepresentations and omitted to state material facts about his use of offering proceeds and the success of the investments.

47. Rosand did not purchase, construct, rehabilitate, or sell any homes during the time it was offering and selling the promissory notes.

48. Contrary to his representations, Anderson used only \$550,000 of the \$12 million raised to purchase and rehabilitate real estate. Anderson did not use the \$550,000 to directly purchase, construct, or rehabilitate real estate. Instead, he invested it in a company that he did not control. That company, in turn, purchased a piece of commercial real estate that was not profitable and nearly all of the money that Rosand invested was lost. Rosand did not disclose the loss of this investment to investors.

49. Apart from the investment of \$550,000, Anderson and Rosand did not use any of the investors' funds to purchase and rehabilitate existing homes in the Chicago area or anywhere else.

50. Rosand did not use investor funds to construct pre-fabricated modular houses. In fact, Rosand did not construct pre-fabricated modular houses at all, contrary to Anderson's representation.

51. Rosand did not, in fact, build the houses in Chicago that Anderson showed to investors.

52. In addition, Anderson did not keep the investors' funds in the client escrow account as he promised, and did not use the funds as collateral for loans. Instead, Anderson sent investor funds from the client escrow account to other investors and to other bank accounts that he controlled.

53. The investors' money was not "guaranteed," as Anderson had represented.

54. Rosand did not pay investors their interest and principal with the proceeds from real estate sales. Instead, Rosand paid investors with money from other investors.

55. Anderson did not disclose these facts to investors. Instead, he operated a Ponzi scheme by using approximately \$8 million of the investors' funds, approximately 65% of the total raised, to pay purported "interest" and, in some cases, principal to previous investors.

56. Anderson used approximately \$818,000 of investor funds to pay personal expenses for himself and his family members, including, approximately \$326,000 for credit card payments, approximately \$142,000 on tuition and a wedding for his daughter, and approximately \$38,000 on cars. Anderson also used approximately \$632,000 of investor funds to pay Rosand employees and independent contractors and other operating expenses. Anderson spent approximately \$1.9 million of investor funds on high-risk, non-real estate investment offerings that were not profitable. Anderson did not disclose to investors that he would use their funds for any of these purposes.

57. Anderson's representations about the profitability of Rosand's real estate business were false. In reality, Anderson was not making any money in the real estate market.

58. When he made the above-referenced representations to investors, Anderson knew or was reckless in not knowing that such representations were false and misleading. Anderson

controlled Rosand's activities, directed all of Rosand's financial transactions, and was aware of Rosand's current financial condition. He knew that Rosand was not earning any money from real estate ventures, and he knew that he was using investor funds to make payments to other investors and for personal and non-real estate related expenses.

THE SCHEME UNRAVELS

59. Rosand made monthly "interest" payments to the investors through approximately June 2008. The regularity of the "interest" payments led several investors to invest more money and caused others to encourage their family and friends to invest.

60. In approximately May 2008, Anderson stopped offering and selling the Rosand promissory notes.

61. In approximately June 2008, Rosand stopped making regular monthly "interest" payments to most of the existing investors. Investors began requesting the return of their investments.

COUNT I

Violations of Sections 5(a) and (c) of the Securities Act [15 U.S.C. §§ 77e(a) and (c)]

62. Paragraphs 1 through 61 above are re-alleged and incorporated herein by reference.

63. By their conduct, Anderson and Rosand, directly or indirectly: (i) made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell, through the use or medium of a prospectus or otherwise, securities as to which no registration statement was in effect; (ii) for the purpose of sale or delivery after sale, carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of

transportation, securities as to which no registration statement was in effect; and (iii) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy, through the use or medium of a prospectus or otherwise, securities as to which no registration statement had been filed.

64. No valid registration statement was filed or was in effect with the Commission in connection with Anderson's or Rosand's offer and sale of the Rosand promissory notes.

65. By reason of the foregoing, Anderson and Rosand violated Sections 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)].

COUNT II

Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)]

66. Paragraphs 1 through 61 above are re-alleged and incorporated herein by reference.

67. By their conduct, Anderson and Rosand in the offer or sale of securities in the form of Rosand promissory notes, by the use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, directly or indirectly, have employed devices, schemes or artifices to defraud.

68. Anderson and Rosand acted with scienter.

69. By reason of the foregoing, Anderson and Rosand violated Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT III

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

70. Paragraphs 1 through 61 above are re-alleged and incorporated herein by reference.

71. By their conduct, Anderson and Rosand, in the offer or sale of securities in the form of Rosand promissory notes, by the use of the means or instruments of transportation and communication in interstate commerce and by the use of the mails, directly or indirectly, have obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or have engaged in transactions, practices or courses of business which have operated as a fraud or deceit upon purchasers of securities in the Rosand program.

72. By reason of the foregoing, Anderson and Rosand violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT IV

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 Thereunder [17 C.F.R. § 240.10b-5]

73. Paragraphs 1 through 61 above are re-alleged and incorporated herein by reference.

74. By their conduct, Anderson and Rosand, in connection with the purchase or sale of securities in the form of Rosand promissory notes, by the use of the means or instrumentalities of interstate commerce or by the use of the mails, directly or indirectly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon other persons, including purchasers and sellers of such securities.

75. Anderson and Rosand acted with scienter.

76. By reason of the foregoing, Anderson and Rosand violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a judgment:

A. Permanently enjoining Anderson, his agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from further violations of Sections 5(a), 5(c), 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2) and (3)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

B. Permanently enjoining Rosand, its officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from further violations of Sections 5(a), 5(c), 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)(1), (2) and (3)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

C. Ordering the Defendants to disgorge, jointly and severally, their ill-gotten gains, derived directly or indirectly from the conduct complained of herein, together with prejudgment interest thereon;

D. Ordering Anderson to pay an appropriate civil monetary penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

- E. Retaining jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and to carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of the Court; and
- F. Granting such further relief as the Court may deem appropriate.

Respectfully submitted,

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