



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
SHAWN GREEVES,) Case No. AP-16-23
)
 Respondent.)
)
Serve:)
)
Shawn Greeves)
c/o James P. Bick, Jr.)
Bick & Kistner, PC)
101 S. Hanley Road)
Suite 1280)
St. Louis, Missouri 63105)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD NOT BE IMPOSED**

On July 12, 2016, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Enforcement Counsel Scott Snipkie, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed (the “Petition”). After reviewing the Petition, the Commissioner issues the following order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts.

A. Introduction

1. Over the course of roughly eight years, Shawn Greeves (“Greeves”) offered and sold hundreds of hands-off investments in the form of investment contracts and/or notes. Greeves operated as a lender in and around St. Louis for people interested in buying, renovating, and selling distressed property. Greeves promised investors a profit, in which he shared, derived from the money he collected from borrowers who were selected and managed by him. Greeves partnered with investors willing to buy into loans for a percentage of the principal he loaned. In return, Greeves managed the borrower from collection to foreclosure; paid the investor 1% of the invested principal; and retained the

difference between that and the amount paid by the borrower, 1.5% of the principal loaned, as well as a loan fee equivalent to 6% of the principal borrowed. All told, Greeves made at least 18% (annual percentage rate) on each loan. Greeves failed to inform any of his investors that the securities he sold them were unregistered constituting numerous omissions of a material fact in connection with those sales.

B. Respondent and Related Parties

2. Greeves is a 55-year-old Missouri resident with an address of 422 Pine Bend, Chesterfield, Missouri 63005.
3. At all times relevant to this matter, Respondent was not registered as a broker-dealer, broker-dealer agent, issuer agent, investment adviser or investment adviser representative in the State of Missouri.
4. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered and sold by Respondent.

C. Enforcement Section Investigation

5. The Enforcement Section initiated an investigation into the business practices of Greeves following an anonymous inquiry into the legality of Respondent’s offerings.
6. The anonymous complaint directed the Enforcement Section to a posting on the website www.meetup.com in the group space for “South Side Investment Club (SSIC).”
7. The post, entitled “Investor Real Estate Hands Off,” contained the following information:
 - a. the poster would put investors’ “cash to work”;
 - b. the poster would work with a limited number of people;
 - c. the poster would only discuss the investment in person or over the phone; and
 - d. the name, Shawn Greeves, and phone number, 314-920-1650.
8. On or around July 19, 2013, a newspaper advertisement appeared in the *Ladue News Classifieds* that read, “Afraid of the Stock Market? Me too! 12% Interest, I finance rehabbers on Wholesale House Purchases. Looking for Investor Partners. 314-920-1650.”
9. On or around August 2015, the Enforcement Section reviewed a website, www.fast45.com, and captured screenshots of the same.
10. The above-mentioned website advertised, among other things, the following:
 - a. Reverse Risk Investing;

- b. Finance 90% of the Wholesale purchase;
 - c. "I am the Bank";
 - d. "I am looking for investors like you who would like to receive 12% interest on their money by partnering up with me to finance wholesale houses for rehabber's. You can invest Cash, or I can show you how to use your IRA";
 - e. "This is a TOTALLY HANDS OFF investment";
 - f. "Your investment is secured by Real Estate";
 - g. "You will get your principal back, plus any pro rated interest due for the month";
 - h. "Minimum investment is \$10,000.00"; and,
 - i. "I give a private investor a GREAT RETURN on their investment. 12% interest!"
11. The above-mentioned website listed contact information for "Shawn Greeves" at an email of "Shawng61@hotmail.com," and a phone number of "314-920-1650."
 12. In the course of its investigation, the Enforcement Section had cause to communicate with Greeves through various methods including information requests and interviews.
 13. Upon answering the Enforcement Section's initial information request, Greeves closed his response "Shawn Greeves 314-920-1650."
 14. In an interview that took place on October 8, 2015 with Enforcement Section personnel, Greeves admitted that his phone number was 314-920-1650.
 15. At that same interview, Greeves admitted that the website at domain www.fast45.com was his website.
 16. At that same interview, Greeves admitted that he published the newspaper advertisement described above and that it ran for approximately two months.
 17. At that same interview, Greeves, using a copy of an already-executed investment, explained his business activity as follows:
 - a. Greeves acts as the bank for a borrower, or "rehabber," who wants to purchase a home, but cannot obtain financing;
 - b. Greeves writes a check to the title company from his own personal account for the amount needed to purchase the home;
 - c. Greeves then receives money from an investor for an interest in this transaction;

- d. Greeves collects from the borrower 1.5% monthly for financing, and a 6% loan fee; and
 - e. In return for his/her investment, the investor receives a note from Greeves promising a monthly payment of 1% of the investor's principal until the borrower either sells or refinances.
18. At the same interview, Greeves told Enforcement Section personnel, among other things:
- a. Greeves makes money from the spread and loan fees paid by the borrower;
 - b. all investors receive annualized 12% interest on the principal of their investment; and
 - c. the investors do nothing beyond provide money.
19. On December 14, 2015, Greeves responded to a subpoena *duces tecum* in person at the Secretary of State's Office in Jefferson City, Missouri.
20. In the course of the abovementioned response, Greeves met with Enforcement Section personnel and delivered a statement under oath and recorded by a court reporter ("Greeves Statement").
21. During the Greeves Statement, Greeves stated, among other things, that he:
- a. has "been doing the lending for about eight years";
 - b. offers "hand-off investing";
 - c. personally guarantees the principal in every deal;
 - d. does not discuss his personal financial situation with potential investors; and
 - e. has done this on approximately "six or eight hundred houses."
22. During the Greeves Statement, Greeves, among other things, describes the structure of his business deals as follows:
- a. loans to borrowers have a term of six months and are renewable up to two years according to the terms of the note, though, in practice, Respondent will not foreclose if the borrower continues to make payment;
 - b. loans come with a 6% fee calculated based upon the principal of the loan;
 - c. Greeves charges the borrower the loan fee as a 3% charge at the beginning and

- end of each loan period including for the renewal of preexisting loans;
- d. the borrower pays Greeves 1.5% of the principal monthly;
 - e. from the borrower's payment, Greeves passes on to the investor a payment equivalent to 1% of the investor's principal;
 - f. Greeves retains the remainder of the monthly payment, at least 0.5% of the loan principal; and
 - g. Greeves charges and retains the loan fee "to manage it all."
23. In the Greeves Statement, Greeves, among other things, describes the level of the investors' involvement in Respondent's business dealings as follows:
- a. Greeves makes payment to the title company at the time the borrower purchases the house;
 - b. the investor reimburses Greeves for the investor's portion; and
 - c. the investor does "nothing else."
24. In the Greeves Statement, Greeves also admitted to using the Southside Investment Club to find borrowers, and that "... over the weekend... somebody said they found me through SouthSide Investment Club."
25. In the Greeves Statement, Greeves again admitted that he ran a newspaper advertisement in the *Ladue News* seeking out investors.
26. In the Greeves Statement, Greeves provided documentation of his business activities through that point in the calendar year (from January 1, 2015 through November 13, 2015), indicating that Respondent issued at least 142 promissory notes to at least 30 investors and rehabbers, which include individuals and entities.
27. The promissory note between the investor and Greeves states, among other things, that:
- a. Greeves pays the investor 1% of the investment principal in monthly installments; and
 - b. the loan will go until the borrower either sells the property or refinances out.
28. The promissory note between the borrower and Greeves states, among other things, that:
- a. the rehabber will pay a rate of "1.5% per month, interest only, to be paid in monthly installments";
 - b. loan fee is 6%; and

- c. the borrower has the right to renew every six months, not to exceed two years.

II. COMMISSIONER'S DETERMINATIONS AND FINDINGS

Count I

Section 409.3-301: Multiple Violations of Offering and Selling Unregistered, Non-exempt Securities

29. **THE COMMISSIONER DETERMINES** that Respondent Greeves offered and sold unregistered, non-exempt securities in Missouri by offering and selling hands-off investments to investors.
30. Respondent Greeves' practice of partnering with investors in order to loan money to borrowers is a common enterprise.
31. Respondent Greeves' practice of promising returns to investors creates an expectation of profits for the investors.
32. Respondent Greeves' practice of managing the entire relationship with the borrower on behalf of the investor including, but not limited to, collection of payments and foreclosure, means that investors derive profits primarily through the efforts of another.
33. Respondent Greeves and the investor share in profits generated by the borrower's monthly interest payments on loans on which they partner, thereby intertwining the fortunes of the investor with Greeves.
34. The investment offered by Respondent Greeves constitutes an "investment contract" as defined by Section 409.1-102(28)(D), RSMo. (Cum. Supp. 2013).¹
35. "Investment contracts" are securities as outlined by Section 409.1-102(28).
36. Respondent Greeves provided investors with promissory notes in exchange for their investments.
37. The investments offered by Greeves also constitute "notes," which are another type of security delineated in Section 409.1-102(28).
38. Respondent Greeves solicited investors to purchase the securities described above, and did so for value through loan fees and portions of monthly payments made by borrowers.
39. Respondent Greeves disposed of hundreds of the securities described above, and did so for value through the retention of loan fees and portions of monthly payments made by borrowers.

¹ Unless otherwise noted, all statutory references are to the 2013 cumulative supplement of the Revised Statutes of Missouri.

40. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered and sold by Respondent Greeves.
41. Respondent Greeves offered and sold unregistered, non-exempted securities on numerous occasions constituting multiple violations of Section 409.3-301, thereby engaging in an illegal act, practice, or course of business that is subject to the Commissioner’s authority under Section 409.6-604.

Count II

Section 409.4-402(a): Multiple Violations of Transacting Business as an Unregistered Agent

42. **THE COMMISSIONER FURTHER DETERMINES** that Respondent Greeves offered and sold securities in Missouri without being registered or exempt from registration as an agent.
43. Respondent Greeves’ solicitation of investors to purchase securities for value through retaining loan fees and portions of monthly payments made by borrowers constitutes offering securities for sale.
44. Respondent Greeves’ disposition of hundreds of the securities described above for value through the retention of loan fees and portions of monthly payments made by borrowers constitutes the sale of securities.
45. Respondent Greeves’ offers and sales of securities to investors in Missouri constitute transacting business in the State of Missouri.
46. At all times relevant to this matter Respondent Greeves was not registered as a securities agent in the State of Missouri.
47. Respondent Greeves’ offers and sales of securities to investors in Missouri without registration or exemption from registration as an agent on numerous occasions constitutes multiple violations of Section 409.4-402(a), thereby engaging in an illegal act, practice, or course of business that is subject to the Commissioner’s authority under Section 409.6-604.

Count III

Section 409.5-501(2): Multiple Violations of Omitting to State Material Facts in Connection with the Offer or Sale of a Security

48. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer and sale of securities as described above, Respondent Greeves omitted to a state material fact necessary in order to make the statements made, in light of the circumstances under

which they were made, not misleading by failing to disclose to potential investors that the securities offered and sold were unregistered securities.

49. Respondent Greeves' failures to disclose that the securities he offered and sold were unregistered were omissions of a material fact.
50. Respondent Greeves, on numerous occasions, omitted 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 in violation of Section 409.5-501(2), thereby engaging in an illegal act, practice, or course of business, that is subject to the Commissioner's authority under Section 409.6-604.
51. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondent, his agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from violating or materially aiding in any violation of:

- A. Section 409.3-301 by offering or selling any securities as defined by Section 409.1-102(28), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. Section 409.4-402(a) by transacting business as an unregistered agent; and
- C. Section 409.5-501(2), by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading.

IV. STATEMENT

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$10,000 civil penalty against Respondent for more than one violation of Section 409.3-301;
- B. \$10,000 civil penalty against Respondent for more than one violation of Section 409.4-402(a);
- C. \$10,000 civil penalty against Respondent for more than one violation of Section 409.5-501(2);

- D. An order against Respondent to disgorge any profits arising from any violation of Sections 409.3-301, 409.4-402(a), or 409.5-501(2); and
- E. An order against Respondent to pay the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS TWENTY-FIFTH DAY OF JULY, 2016.



JASON KANDER
SECRETARY OF STATE

A handwritten signature in blue ink that reads "Andrew M. Hartnett".

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

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Shawn Greeves)	
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101 S. Hanley Road)	
Suite 1280)	
St. Louis, Missouri 63105)	

NOTICE

TO: Respondent and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2013), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.


A request for a hearing must be mailed or delivered, in writing, to:

**Andrew M. Hartnett, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102**

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of July, 2016, a copy of the foregoing Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed in the above styled case was **mailed by certified U.S. mail to:**

Shawn Greeves
c/o James P. Bick, Jr.
Bick & Kistner, PC
101 S. Hanley Road
Suite 1280
St. Louis, Missouri 63105


Marsha Presley
Securities Office Manager