

State of Missouri  
Office of Secretary of State

Case No. AP-07-07

IN THE MATTER OF:

3MOM, INC.;  
JMICHAEL INVESTMENTS, LLC;  
JOHN SHEEHAN  
*aka* JOHN MICHAEL  
*aka* JOHN MICHAEL SHEEHAN; *and*  
ALESIA SHEEHAN

*Respondents.*

Serve all at:

3420 West Moark Street  
Springfield, Missouri 65810

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

On the 16th day of January, 2007, the Enforcement Section of the Securities Division of the Office of Secretary of State, through Assistant Commissioner of Securities Mary S. Hosmer, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should not be Imposed. After reviewing the petition, the Commissioner of Securities issues the following finding of fact, conclusions of law and order:

**I. FINDINGS OF FACT**

***A. The Respondents***

1. 3Mom, Inc. (“3Mom”) was a Missouri corporation with a last known business address of 3420 West Moark Street, Springfield, Missouri 65810. 3Mom purported to be in the business of raising capital to purchase, rehabilitate and sell real estate for a profit.
2. JMichael Investments, LLC (“JMI”) is a Missouri limited liability company and a subsidiary of 3Mom, and has a last known business address of 3420 West Moark Street, Springfield, Missouri 65810. JMI purports to be in the business of raising capital to purchase, rehabilitate and sell real estate for a profit.
3. John Sheehan, *aka* John Michael, *aka* John Michael Sheehan, *aka* J. Michael (“J. Sheehan”) purports to be a general partner and operator of 3Mom and JMI, and has a last known mailing address of 3420 West Moark Street, Springfield, Missouri 65810.
4. Alesia Sheehan (“A. Sheehan”) purports to be an agent and operator of 3Mom and JMI, and has a last known mailing address of 3420 West Moark Street, Springfield, Missouri 65810. A. Sheehan is the spouse of J. Sheehan.
5. As used in this Cease and Desist Order, the term “Respondents” refers to 3Mom, JMI, J. Sheehan, and A. Sheehan.

***B. Missouri Resident (“MR1”)***

6. Sometime in early 2005, a Missouri resident (“MR1”) learned of an investment opportunity via a website at [www.jmichaelrei.com](http://www.jmichaelrei.com) (the “Website”).<sup>[1]</sup> The Website advised potential investors that JMI was in the business of buying, rehabilitating and selling real estate for a profit. MR1 understood that the Website was promoted by an individual named “John Michael.”<sup>[2]</sup>
7. Shortly after reviewing the information on the Website, MR1 contacted J. Sheehan concerning an investment opportunity and inquired about the information that MR1 had reviewed on the Website. Among other things, J. Sheehan informed MR1 of the opportunity to purchase real estate through JMI. J. Sheehan stated, among other things, that:
  - a. JMI was in the business of purchasing, rehabilitating and selling real estate for a profit;
  - b. an investment of eleven thousand five hundred dollars (\$11,500) in JMI would entitle MR1 to fifty percent (50%) of the profits from the sale of a residential property located at 6430 E. 16th Street, Kansas City, Missouri 64126 (the “Kansas City Property”);

- c. MR1's funds would be used to purchase and refurbish the Kansas City Property;
  - d. there would be no risk involved with the investment and if the Kansas City Property sold for less than the value of the property, MR1 was guaranteed to get MR1's initial investment back;
  - e. MR1 would receive monthly progress reports on the Kansas City Property;
  - f. MR1 could get MR1's initial investment back at any time, even during the refurbishment of the Kansas City Property; and
  - g. MR1 would begin receiving a return on MR1's investment in approximately six (6) to eight (8) months, the same time it would take to refurbish the Kansas City Property.
8. J. Sheehan informed MR1 that there were three (3) "exit strategies" or options to receive a return on MR1's investment. These options included:
- a. "Resale Option:" MR1 would receive MR1's initial investment plus fifty percent (50%) of the profit after the sale of the Kansas City Property;
  - b. "Lease Option:" MR1 could lease the property until a purchaser had paid for the Kansas City Property in full; or
  - c. "Rent Option:" MR1 would receive a "50/50 split" of the monthly payments from the rental of the Kansas City Property.
9. MR1 informed J. Sheehan that MR1 would be interested in the Resale Option. J. Sheehan told MR1 that the remodeling could take between six (6) to eight (8) months and that MR1 would not receive a return until that time.<sup>[3]</sup>
10. MR1 requested additional information on the investment opportunity, including the name of a reference for the program. J. Sheehan told that MR1 due to investor confidentiality, J. Sheehan wasn't able to provide the names of other investors. However, J. Sheehan did provide MR1 with the name of "Alesia Sheehan" as a reference.
11. On or about June 5, 2005, MR1 received a packet of information titled *JMichael Investor Packet* ("Investor Packet") from J. Sheehan. Accompanied with the Investor Packet was a letter on 3Mom's letterhead that stated, among other things: "I have a property deal that just came up that you may have an interest in and the security will be by first mortgage. I will do a 50/50-profit split."
12. Included in the Investor Packet was a handwritten note signed by "J. Michael." This note provided a telephone number for A. Sheehan and the note stated, "Alesia Sheehan has done deals w/ John Michael [sic]."
13. Also included in the Investor Packet was a document that outlined the profit potential for each of the three options available to MR1. This document stated, among other things, that:
- a. The projected profit for the Resale Option was fourteen thousand eight hundred and seventy two dollars (\$14,872);
  - b. The projected profit for the Lease Option was seventeen thousand two hundred and sixty four dollars (\$17,264); and
  - c. The projected profit for the Rent Option was three thousand six hundred and forty-six dollars (\$3,646) per year.
14. Additionally, page 18 of MR1's Investor Packet stated, among other things, the following:
- "JMichael Investments handles all the details from repairs/rehab to the sale of the property... Any cost over the projected amounts JMichael pays not you the investor! You will never loose [sic] your investment amount! What do we mean by this? Very simple [sic] at any time during your investment you can request your investment back and you will get a full refund of your investment or let's say we make a bad investment (we never have) you are guaranteed your investment funds...."
15. The Investor Packet also included information that described the Kansas City Property, a map of the location of the property, and photos of the property.
16. After receiving the Investor Packet, MR1 telephoned A. Sheehan for a reference. Among other things, A. Sheehan confirmed to MR1 that A. Sheehan had invested with J. Sheehan and that her investment "turned out well." Additionally, she informed MR1 that A. Sheehan's investment with J. Sheehan was a "sound investment."
17. On or about June 5, 2005, J. Sheehan faxed MR1 two (2) agreements. One agreement was titled "*Mortgage Deed*" and the other was titled "*Partnership Purchase Agreement*."<sup>[4]</sup>
18. The *Partnership Purchase Agreement* stated, among other things, the following:
- "It is agreed by and between JMichael Investments and [MR1] that for the sum of \$11,500 for the purchase of real property, repairs of real property and the marketing of real property located at and or commonly known by: [the Kansas City Property]"

That JMichael Investments and [MR1] have entered into an [sic] general partnership agreement of any net proceeds produced by said property from its sale, owner finance, lease option purchase and or rental of said property.

The covents [sic] of this partnership are recited as follows: 50% of any net proceeds for the sale, owner finance, lease option purchase and or rental of said property goes to [MR1] in the form of United States Funds wire transferred into partners bank account of choice and the JMichael Investments will retain 50% of all net proceeds. ...”

19. The *Mortgage Deed* document stated, among other things, the following:

“This Mortgage is given by [MR1] (Lender), whose address is [MR1’s Address], To JMichael Investments (Borrower), to secure the payment of the principal sum of eleven thousand and five hundred dollars (\$11,500.00) together with interest thereon computed on the outstanding balance, all as provided in a Note having the same date as this Mortgage, and also to secure the performance of all the terms, covenants, agreements, conditions and extensions of the Note and this Mortgage.

In consideration of the loan made by Lender to Borrower, the Borrower does hereby grant and convey to Lender, with mortgage covenants, the land with the buildings situated thereon and all the improvements and fixtures now and hereafter a part thereof, having a street address of and more particularly described as follows: [the Kansas City Property]...”

20. On June 7, 2005, MR1 wire transferred eleven thousand five hundred dollars (\$11,500) to 3Mom for an investment in the Kansas City Property.

21. To date, MR1 has not had MR1’s money returned nor has MR1 heard from the Respondents.

### ***C. Missouri Resident (“MR2”)***

22. Sometime in January 2006, a Missouri resident (“MR2”) learned of an investment opportunity via the Website. MR2 stated that the Website advised investors that JMI was in the business of buying, rehabilitating and selling real estate for a profit.

23. MR2 contacted JMI and spoke to J. Sheehan concerning a real estate investment opportunity. MR2 informed J. Sheehan that MR2 was interested in a certain property that MR2 had viewed on the Website.

24. Among other things, J. Sheehan told MR2 that the property in Kansas City that MR2 was interested in “had already been taken,” and convinced MR2 to invest in a property located in Springfield, Missouri. J. Sheehan told MR2, among other things:

1. that MR2 would receive 50% of the profit as a return on MR2’s investment in approximately six (6) to eight (8) months, the same time it would take to refurbish and sell the property;
2. that MR2’s investment would be fully protected and refunded at any time if MR2 decided to withdraw from the investment;
3. that if the property didn’t sell or wasn’t completely refurbished for sale at the end of eight (8) months, then MR2 would receive monthly dividend payments; and
4. that MR2 would never lose MR2’s initial investment because it would be fully guaranteed.

25. MR2 agreed to invest in a property located at 2006 N. Travis Avenue, Springfield, Missouri 65803.

26. On or about January 5, 2006, MR2 received an email from J. Sheehan. The email included a document titled “*Investor Packet For Property*,” an investor packet from 3Mom for property located at 2006 N. Travis Avenue, Springfield, Missouri 65803. The packet included among other things the following information;

- a. A description of the property for 2006 N. Travis that described, among other things, the legal description, values of the property and a comparable area sales summary;
- b. A document explaining the “3 tier exit strategy process” regarding MR2’s return;
- c. A blank document titled “*Mortgage Deed*” with the address of “2006 N. Travis, Springfield, MO 65803;” and
- d. A blank document titled “*Partnership Purchase Agreement*.”

27. On January 5, 2006, MR2 submitted a cashier’s check made payable to “J. Michael Investments, LLC” in the amount of twenty two thousand dollars (\$22,000) for an investment in a property located at 2006 N. Travis Avenue, Springfield, Missouri 65803. MR2 understood that MR2 was the only investor in that property.

28. On January 5, 2006, MR2 executed the *Mortgage Deed* and the *Partnership Purchase Agreement*. As instructed by J. Sheehan, MR2 faxed both signed documents to JMI. On January 18, 2006, MR2 received a copy of both documents with the endorsement of J. Sheehan’s signature on the documents.

29. On or about February 2, 2006, MR2 called J. Sheehan to inquire about a second investment opportunity. MR2 inquired about a specific property that MR2 had viewed on the Website, however, after talking with J. Sheehan, MR2 decided to invest in a property located at 2054 N. Park Avenue, Springfield, Missouri 65803.
30. On or about February 2, 2006, MR2 received an email from J. Sheehan. The email included an investor packet from 3Mom for property located at 2054 N. Park Avenue, Springfield, Missouri 65803. The packet included similar documents to that of MR2's first investment of 2006 N. Travis, Springfield, Missouri. Included in the packet were documents titled, "*Mortgage Deed*" and "*Partnership Purchase Agreement*."
31. On February 10, 2006, MR2 submitted a cashier's check made payable to "J. Michael Investments," in the amount of fifteen thousand dollars (\$15,000) for an investment on a property located at 2054 N. Park Avenue, Springfield, Missouri 65803. MR2 understood that MR2 was the only investor that invested in this property.
32. On February 10, 2006, MR2 executed the *Mortgage Deed* and the *Partnership Purchase Agreement* and faxed it to JMI. On or about March 8, 2006, MR2 received a signed copy of the *Mortgage Deed* and the *Partnership Purchase Agreement* back from J. Sheehan.
33. MR2 learned that the Website was discontinued sometime in May 2006.
34. On or after May 2006, MR2 spoke with J. Sheehan. During this conversation J. Sheehan told MR2 that J. Sheehan would sell both of MR2's properties so that MR2 would not be included as a creditor on J. Sheehan's bankruptcy.
35. On October 4, 2006, MR2 received an email from J. Sheehan, stating among other things, that he was attempting to liquidate the properties that he and MR2 owned together and when the liquidation process became final, J. Sheehan would advise MR2.
36. To date, MR2 has not had MR2's money returned nor have Respondents attempted to contact MR2.

#### ***D. The Division's Requests to Respondents***

37. On or about August 16, 2006, the Missouri Securities Division received information that indicated that Respondents allegedly offered and sold nonexempt and unregistered securities in Missouri.
38. On August 29, 2006, the Division sent a letter, via certified mail, to JMI and J. Sheehan. The letter asked Respondents to provide the definitional or registration exemption upon which Respondents had relied in allegedly offering unregistered securities. The letter also requested additional information about the alleged offers and advised Respondents that failure to respond within a reasonable time as set by the Commissioner constituted further proceedings to prohibit Respondents from offering or selling securities in this State.
39. On September 13, 2006, J. Sheehan responded to the Division's August 29, 2006 letter. Among other things, J. Sheehan stated that:
  - a. "We did accept funding by way of hard money loans to purchase and rehab real estate;"
  - b. "Both companies [JMichael Investment, LLC and 3Mom] are no longer in active operation except to conclude any and all previous business and a petition of reorganization is being filed under chapter [sic] 11 for both companies to liquidate assets and to pay off creditors;" and
  - c. JMI and 3Mom did not offer or sell unregistered securities.

#### ***E. The Bank Records***

##### ***Savings Account of A. Sheehan***

40. On January 8, 2003, records obtained from Wood and Huston Bank, indicate that A. Sheehan opened a personal savings account ("Savings Account"). This account also held A. Sheehan's payroll deposits from her employer.
41. From May 27, 2005 through August 12, 2005, bank records indicate that at least fourteen (14) wire transfers totaling three hundred sixty-six thousand dollars (\$366,000) were deposited into this account from investors in JMI and/or 3Mom.
42. From May 27, 2005 through September 9, 2005, bank records indicate that the following amounts were withdrawn or transferred from this Savings Account:
  - a. Thirty-one (31) withdrawals in the form of cash or cashier's checks that totaled three hundred thirteen thousand seven hundred and nine dollars and thirty cents (\$313,709.30);
  - b. Five (5) "Paypal Transfers" that totaled eleven thousand seven hundred and fifty dollars (\$11,750); and

- c. One (1) internal transfer in the amount of twenty-five thousand dollars (\$25,000) to open a business checking account in the name of 3Mom, Inc. on July 22, 2005.

### ***3Mom Bank Account***

43. On July 22, 2005, J. Sheehan and A. Sheehan, on behalf of 3Mom, opened a business checking account at Wood and Huston Bank ("3Mom Bank Account") with an initial deposit of twenty five thousand dollars (\$25,000).
44. From August 11, 2005 through April 27, 2006, bank records revealed that Respondents collected eight (8) additional deposits from investors in JMI and/or 3Mom totaling four hundred thousand two hundred and thirty dollars (\$400,230).
45. From August 16, 2005 through May 31, 2006, bank records revealed that Respondents used funds from this account to pay for, among other things, the following:
  - a. Twenty-three (23) checks made payable to "Cash" that totaled over sixty four thousand dollars (\$64,000);
  - b. One (1) check made payable to "Indian Summer Pool & Spa" for five thousand seven hundred and seventy-two dollars and seventy-four cents (\$5,772.74) dated November 9, 2005, that had "Moark Property" [S] written in the check's memo line;
  - c. One (1) wire transfer to an Australia investor in the amount of sixteen thousand five hundred and fifty-six dollars and ninety-nine cents (\$16,556.99) dated November 14, 2005;
  - d. One (1) check made payable to "Great Southern Travel" for four thousand three hundred and ninety-nine dollars and fifty-four cents (\$4,399.54) dated December 1, 2005, that had "Vacation" written in the check's memo line;
  - e. One (1) check made payable to "Motor Warehouse of Houston" for thirteen thousand six hundred and fifty-seven dollars and twenty-two cents (\$13,657.22) dated December 8, 2005, that had "1999 Jag" written in the check's memo line;
  - f. One (1) check made payable to "Reliable Imports" for fifteen thousand eight hundred fifty-five dollars (\$15,855) dated December 19, 2005;
  - g. One (1) wire transfer to "Genuine Motor Cars, Inc." of Calm Harbor, Florida for twenty five thousand two hundred sixty-nine dollars (\$25,269) on December 30, 2005;
  - h. One (1) check made payable to "a California Investor" for eighteen thousand eight hundred and forty-seven dollars (\$18,847) dated December 30, 2005;
  - i. Two (2) wire transfers to the Savings Account for five thousand dollars (\$5,000) on December 20, 2005 and five thousand dollars (\$5,000) on January 13, 2006;
  - j. One (1) wire transfer to a JMI Bank Account in the amount of ten thousand dollars (\$10,000) on April 25, 2006;
  - k. One (1) check made payable to the California Investor described in subparagraph (h) above for eighteen thousand seven hundred and fifty dollars (\$18,750) dated May 8, 2006, that had "Investor Payout" written in the check's memo line;
  - l. One (1) check made payable to "Robert Rogers" for three thousand dollars (\$3,000) dated May 19, 2006, that had "Car" written in the check's memo line; and
  - m. Numerous checks in various amounts made payable to entities that are, upon information and belief, not associated with the rehabilitation of real estate. Bank records revealed that Respondents made checks payable to entities such as "Slumberland Furniture," "Big Lots," "Sam's Club," "Wal-Mart," "Tuesday Morning, Inc.," "Bombay," "Kohl's," "JCPenney," "Payless," "Price Cutter," "Food 4 Less," "Auto Magic," "Hanks Towing," "American Family," "Kickapoo High School," "Country Club Vet," "All Pet Supplies," "Municipal Court," "BMG Music," "Walgreens," "Lane Bryant," "Harrah's Kansas City," "Ebay Payments" and "Direct TV."

### ***JMI Bank Account***

46. On January 10, 2006, J. Sheehan and A. Sheehan, on behalf of JMI, opened a business checking account at Wood and Huston Bank ("JMI Bank Account"). From January 10, 2006 through April 27, 2006, bank records revealed that Respondents deposited at least ten (10) additional checks totaling two hundred seventy-six thousand dollars (\$276,000) from investors into this JMI Bank Account.
47. From January 12, 2006 through May 31, 2006, bank records contained the following amounts taken by Respondents from this account:

- a. One (1) telephone transfer to 3Mom Bank Account for twenty one thousand six hundred and eighty-eight dollars and fifty cents (\$21,688.50) on January 12, 2006;
- b. One (1) check made payable to "3Mom" for twenty thousand dollars (\$20,000) dated February 1, 2006 , that had "Reimburse" written in the check's memo line;
- c. Seven (7) checks made payable to "Cash" that totaled thirteen thousand three hundred and fifty dollars (\$13,350);
- d. One (1) debit transaction that resulted in a request by A. Sheehan to "Open CD per Alesia Sheehan" for five thousand dollars (\$5,000) dated February 15, 2006;
- e. One (1) cashier's check requested by Respondents for nine thousand eight hundred and thirty-six dollars and four cents (\$9,836.04) on February 21, 2006;
- f. One (1) debit transaction to the beneficiary of "AA Importing" for two thousand two hundred and sixty-five dollars and one cent (\$2,265.01) on February 27, 2006;
- g. One (1) transfer to the Savings Account for ten thousand dollars (\$10,000) on March 13, 2006;
- h. One (1) "Misc. Debit" transaction conducted by J. Sheehan with the bank in the amount of eight thousand dollars (\$8,000) on March 16, 2006;
- i. One (1) wire transfer to a law firm for twenty six thousand one hundred and forty-one dollars and fifty-eight cents (\$26,141.58) on May 1, 2006;
- j. One (1) cashier's check request by J. Sheehan for seven thousand seven hundred and sixty-two dollars (\$7,762) on May 16, 2006;
- k. One (1) check made payable to "Premier Auto" for seven thousand nine hundred and ninety-five dollars (\$7,995) dated May 18, 2006, that had "Nathan T3333 [sic]" written in the check's memo line;
- l. One (1) check made payable to "Robert Rogers" for six thousand five hundred dollars (\$6,500) dated May 18, 2006, that had "Auto Parts" written in the check's memo line; and
- m. Numerous checks and debit transactions in various amounts payable to entities that, upon information and belief, are not associated with the rehabilitation of real estate. Bank records revealed that Respondents made funds payable to entities such as "Sam's Club," "Kickapoo High School," "Price Cutter," "Walgreen," "Municipal Court Springfield MO," "JCPenney," "Stone Hill Winery Branson, MO," and "BMG Music Service."

### ***F. Securities Division Investigation and Additional Statement of Facts***

48. In addition, to the investors listed above Respondents offered and sold investments to at least seventeen (17) other investors. These investors were from California, Colorado, Hawaii, Kansas, New York and Australia. Many of these investors learned about the investment from the Website. Between March 2005 through July 2006, Respondents received over one million forty two thousand dollars (\$1,042,000) from nineteen (19) investors.
49. A review of investor records revealed, among other things, that:
  - a. at least six individuals had purchased a 50% interest in the property located at 2054 N. Park Avenue, Springfield, Missouri. In each of these sales the Respondents retained a 50% interest in the profits from this property. In total, Respondents sold investment interests which amount to 350% of the profits from this property; and
  - b. at least four individuals had purchased a 50% interest in the property located at: 2006 N. Travis, Springfield, Missouri. In each of these sales the Respondents retained a 50% interest in the profits from this property. In total, Respondents sold investment interests which amount to 250% of the profits from this property.

These investors were not told that other individuals had purchased an interest in these same properties.
50. A check of the records maintained by the Missouri Commissioner of Securities revealed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by Respondents in or from Missouri.
51. Respondents were not registered to offer and sell securities in or from the State of Missouri.
52. The securities offered and sold by the Respondents were not federal covered securities.
53. In connection with the offer, sale or purchase of these securities, Respondents omitted to state to investors:
  - a. that the Respondents were not registered to sell securities in or from the State of Missouri;

- b. that the securities were not registered in the State of Missouri;
- c. facts or information regarding the financial condition of JMI and/or 3Morr;
- d. facts or information regarding the background, history and experience of J. Sheehan;
- e. facts or information regarding the risks of the investment;
- f. that several investors had invested in the same property;
- g. that investor funds to make repairs on one property would be commingled with funds to repair other properties;
- h. that investor funds would be placed in a personal savings account;
- i. that investor funds would be commingled with personal assets in this savings account;
- j. that large sums of investor funds would be taken from company bank accounts in the form of cash;
- k. that investor funds would be used to pay for personal expenses of the Respondents A. Sheehan and J. Sheehan;
- l. that investor funds would be used to purchase a certificate of deposit;
- m. that investor funds would be used to purchase cars and/or auto parts; and/or
- n. that A. Sheehan is the spouse of J. Sheenan.

54. In connection with the offer, sale or purchase of these securities, Respondents misrepresented the following to investors:

- a. the investors were told that they would receive 50% of the profits from the sale of the property, when, in fact, this was not true because Respondents had sold the same properties to other investors and had retained a 50% interest in the properties;
- b. that the investment was guaranteed, when, in fact, this was not true; or
- c. that the invested funds would be used to make improvements on the property, when in fact, some of the funds were used to pay personal expenses of the Respondents A. Sheehan and/or J. Sheehan.

55. An order is in the public interest and consistent with the purposes intended by the Missouri Securities Act of 2003. See Section 409.6-605(b) RSMo (Cum. Supp. 2005).

## ***II. CONCLUSION OF LAW***

56. Section 409.1-102(26), RSMo. (Cum. Supp. 2005), defines “sale” to include “every contract of sale, contract to sell, or disposition of, a security or interest in a security for value.” That same section defines “offer to sell” as “every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value.”

57. Section 409.1-102(28), RSMo. (Cum. Supp. 2005), includes, in part, “any note, stock,” “certificate of interest or participation in a profit-sharing agreement,” and “investment contract” within the definition of a security.

58. Section 409.3-301, RSMo. (Cum. Supp. 2005), reads as follows:

It is unlawful for a person to offer or sell a security in this state unless:

- (1) The security is a federal covered security;
- (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
- (3) The security is registered under this act.

59. Section 409.5-501, RSMo. (Cum. Supp. 2005), reads as follows:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

60. Section 409.6-604(a), RSMo. (Cum. Supp. 2005), reads as follows:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act . . . the commissioner may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act . . . .

61. Section 409.6-604(d), RSMo. (Cum. Supp. 2005), reads as follows: “In a final order under subsection (c), the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.”

62. Section 409.6-604(e), RSMo. (Cum. Supp. 2005), reads as follows: “In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act . . . . These funds may be paid into the investor education and protection fund.”

63. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

### **Count I**

#### **Multiple Violations of Offering or Selling Nonexempt, Unregistered Securities**

64. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.

65. The investments sold by the Respondents come under the definition of “securities” contained in Section 409.1-102(28), RSMo. (Cum. Supp. 2005).

66. The Respondents’ actions in offering securities to Missouri residents are an “attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value,” which satisfies the definition of “offer to sell” under Section 409.1-102(26), RSMo. (Cum. Supp. 2005).

67. At all times relevant, records maintained by the Missouri Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a “federal covered security” for any security allegedly offered or sold by Respondents.

68. The Respondents violated Section 409.3-301 RSMo. (Cum. Supp. 2005), when they offered or sold securities in Missouri without the securities being (1) a federal-covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2005), or (3) registered under the Missouri Securities Act of 2003.

69. Respondents’ actions in offering or selling unregistered securities, constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

### **Count II**

#### **Multiple Violations of Omitting to State Material Facts in Connection with the Sale of a Security**

70. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.

71. In connection with the offer and sale of securities, Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to:

- a. that the Respondents were not registered to sell securities in or from the State of Missouri;
- b. that the securities were not registered in the State of Missouri;
- c. facts or information regarding the financial condition of JMI and/or 3Morr;
- d. facts or information regarding the background, history and experience of J. Sheehan;
- e. facts or information regarding the risks of the investment;
- f. that several investors had invested in the same property;
- g. that investor funds to make repairs on one property would be commingled with funds to repair other properties;
- h. that investor funds would be placed in a personal savings account;
- i. that investor funds would be commingled with personal assets in this savings account;

- j. that large sums of investor funds would be taken from company bank accounts in the form of cash;
  - k. that investor funds would be used to pay for personal expenses of the Respondents A. Sheehan and J. Sheehan;
  - l. that investor funds would be used to purchase a certificate of deposit;
  - m. that investor funds would be used to purchase cars and/or auto parts; and/or
  - n. that A. Sheehan is the spouse of J. Sheehan.
72. The Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2005), when they omitted to state the material facts described immediately above and when stating such facts was necessary to make statements made not misleading.
73. Respondents' actions in omitting to state a material fact necessary to make the statements made not misleading, in connection with the offer, sale or purchase of a security, constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

### **Count III**

#### **Multiple Violations of Making an Untrue Statement of a Material Fact in Connection with the Sale of a Security**

74. Paragraphs 1 through 63 are incorporated by reference as though fully set forth herein.
75. In connection with the offer and sale of securities, Respondents made untrue statements of material fact, including, but not limited to, the following:
- a. the investors were told that they would receive 50% of the profits from the sale of the property, when, in fact, this was not true;
  - b. that the investment was guaranteed, when, in fact, this was not true; or
  - c. that the invested funds would be used to make improvements on the property, when in fact; some of the funds were used to pay personal expenses of the Respondents A. Sheehan and J. Sheehan.
76. The Respondents violated Section 409.5-501(2), RSMo. (Cum Supp. 2005), when they made untrue statements of material fact as described immediately above.
77. Respondents' actions in making an untrue statement of material fact, in connection with the offer, sale or purchase of a security, constitute a violation of Section 409.5-501, and is an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2005).

### **III. ORDER**

**NOW THEREFORE**, it is hereby ordered that Respondents, their 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:

- A. offering or selling any securities, including investment contracts or certain partnership interests, and any other securities as defined by Section 409.1-102(28), RSMo. (Cum. Supp. 2005), 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 409.3-304;
- B. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2005), 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 the light of the circumstances under which it is made, not misleading; and
- C. engaging in the acts, practices or courses of business described in paragraphs 7-19, 21, 23-24, 26, 29-30, and 34-36.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars against each Respondent for more than one violation of Section 409.3-301, RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to ten thousand dollars against each Respondent for more than one violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2005), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an award for costs of the investigation against Respondents in this proceeding, the Commissioner will issue a final order pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2005), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents

request a hearing and show cause why an award should not be made.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.5-508, RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to refer this matter to the attorney general or other proper prosecuting attorney.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 31<sup>ST</sup> DAY OF JANUARY, 2007.

State of Missouri  
Office of Secretary of State

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

Case No. AP-07-07

IN THE MATTER OF:

3MOM, INC.;  
JMICHAEL INVESTMENTS, LLC;  
JOHN SHEEHAN  
*aka* JOHN MICHAEL  
*aka* JOHN MICHAEL SHEEHAN; *and*  
ALESIA SHEEHAN

*Respondent.*

Serve at:

3420 West Moark Street  
Springfield, Missouri 65810

**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 § 409.6-604(b), RSMo. (Cum. Supp.2005), and 15 CSR 30-55.020.

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

**Matthew Kitzi  
Commissioner of Securities  
Office of the Secretary of State  
Missouri State Information Center, Room 229  
600 West Main Street  
Jefferson City, Missouri, 65102**

**CERTIFICATE OF SERVICE**

I hereby certify that on this 31<sup>st</sup> day of January, 2007, a copy of the foregoing Notice, Order and Petition filed in the above styled case was mailed by certified U.S. Mail, postage prepaid, to:

**John Hale  
Specialist**

**3MOM, Inc.  
3420 West Moark Street  
Springfield, MO 65810**

**JMichael Investments, LLC  
3420 West Moark Street  
Springfield, MO 65810**

**John Sheehan**  
3420 West Moark Street  
Springfield, MO 65810

**Alecia Sheehan**  
3420 West Moark Street  
Springfield, MO 65810

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**[1]** MR1 stated that this Website was no longer operable as of May 2006, and MR1 has received no information regarding any alternate website from Respondents.

**[2]** After his investment, MR1 learned that John Michael was also known as John Sheehan. MR1's communications with John Michael will, to avoid confusion, be referred to hereinafter as communications with J. Sheehan.

**[3]** A few months later, MR1 stated MR1 changed his investment option to the Rent Option.

**[4]** MR1 signed and dated both agreements effective June 7, 2005 and faxed them back to J. Sheehan.

**[5]** Records obtained by the Division indicate that no property with a Moark address was renovated or purchased on behalf of investors by Respondents. J. Sheehan and A. Sheehan, however, are occupants of a residential property located on Moark Street in Springfield, Missouri.