

State of Missouri  
Office of Secretary of State

Case No. AP-07-52

IN THE MATTER OF:

LOUIS E. ROBINSON; and  
LER INVESTMENT PROPERTIES, L.L.C.,

*Respondents.*

Serve both at:

6918 South Benton Avenue  
Kansas City, Missouri 64132

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

On September 20, 2007, the Enforcement Section of the Securities Division of the Office of Secretary of State, through Assistant Commissioner, 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 issues the following findings of fact, conclusions of law and order:

**I. FINDINGS OF FACT**

1. LER Investment Properties, L.L.C. (“LER”), purports to be a limited liability company with a mailing address of P.O. Box 320842, Kansas City, Missouri 64132.
2. Louis E. Robinson (“Robinson”) is the owner and agent for LER and has an address of 6918 South Benton Avenue, Kansas City, Missouri 64132.
3. On October 5, 2006, Robinson spoke with a Missouri resident (“MR”) by telephone about an investment in a real estate program. During the October 5, 2006, telephone call, Robinson told MR, among other things, that:
  - a. “I am a self-employed loan officer and loan originator and have been for the last seven years. I also own my own company. I started out as an investor in real estate doing small deals and have established many relationships with other investors. I educate investors about the best way to invest their funds in the real estate market. I also provide investors with direction about where to invest, and how to turn a property in six months or less;”
  - b. “Real estate is a better investment than putting money in mutual funds or bonds. I have never lost money on a real estate investment;”
  - c. “I am looking for a long term relationship with someone. We will sign a joint venture agreement spelling out my responsibilities and your responsibilities. Your responsibility is to provide the funds, and I will be responsible for the rehab, the market analysis, finding the clients, and for doing the loan;”
  - d. “We can handle it one or two ways, if you’re looking for long term monthly income, I can also do that, or we can split the profits 50/50 at the sale. It’s your decision. If you are looking for your money to gain anywhere between 12-13% interest, it’s your decision;”
  - e. “I’m only looking for one cash investor because I have three that I’m already working with. We start out with a minimum of five hundred thousand dollars and as the relationship moves forward, we go up to several million;” and
  - f. All MR had to do was to hold the deed on the property and to provide the cash to both purchase the property and make any necessary repairs.
4. On October 11, 2006, Robinson sent information to MR, via facsimile, indicating, among other things, that:
  - a. Robinson would locate, buy, and sell single family homes that are in distressed condition. Robinson would be responsible for doing the market analysis on the property, the rehabilitation work, and would be responsible for getting potential buyers qualified for loans to purchase the investment property;
  - b. Robinson would bring the deals to MR, and if MR agreed then MR would wire funds directly to the title company to be placed in an escrow account to be drawn on for necessary repairs and for the purchase price of the property. When the property was sold, the proceeds would be in MR’s name and the joint venture agreement would state that all profits from the sale would be split evenly between MR and Robinson; and

- c. if MR would invest a minimum of three million dollars (\$3,000,000.00), then MR would earn ten to twelve percent return on the investment.
- 5. On October 17, 2006, Robinson provided MR with a list of other investors to contact for references. The correspondence indicated that the references were of other investors that Robinson had worked with on past investments. One of these references provided on this list was Sebomia Norris.
- 6. On October 19, 2006, Robinson contacted MR and told MR, among other things, the following:
  - a. if MR could loan Robinson at least one million dollars (\$1,000,000.00), then Robinson would sign a promissory note; and
  - b. this promissory note would provide an interest rate and a specific length of time to repay the loan.
- 7. On October 20, 2006, Robinson sent MR, via facsimile, a copy of a sample adjustable rate note, deed of trust, and mortgage documents with the actual terms and conditions of the contracts redacted.
- 8. On October 26, 2006, Robinson sent, via facsimile, to MR a copy of a sample joint venture agreement that Robinson claimed he had used in the past.
- 9. On November 16, 2006, the Division sent an inquiry to Robinson, via certified mail, at the address listed on his business card and requested, among other things, any claim of exemption relied upon in offering securities in the State of Missouri.
- 10. The Division's November 16, 2006, correspondence was returned by the U.S. Postal service on December 29, 2006, as "unclaimed."
- 11. On January 5, 2007, the Division sent another inquiry to Robinson, via regular mail, to his business and his home addresses and requested, among other things, any claim of exemption relied upon in offering securities in the State of Missouri.
- 12. On January 17, 2007, the Division received a written response from Robinson. The response did not answer all the questions requested by the Division, but stated, among other things, that:
  - a. "Nothing has ever been bought or sold under LER Investment LLC;" and
  - b. "The Division's January 6, 2007, letter about the unlawful sale of securities in the form of adjustable rate notes is totally and absolutely false."
- 13. On February 15, 2007, the Division sent an inquiry to Robinson, via regular mail and certified mail, to his home address and requested, among other things, any claim of exemption relied upon in offering securities in the State of Missouri. In addition, the letter requested information about promotional material used and the names and addresses of other investors in the joint venture.
- 14. On March 12, 2007, the Division received a written response from Robinson. In this response Robinson stated, among other things, that:
  - a. "The only entities or affiliates with me and my company are my wife, Sebomia Norris;"
  - b. "There are no investors that purchased notes from me NEVER;"
  - c. "No one has been solicited to purchase notes from me NEVER;"
  - d. "There are NO names or numbers of any investors that have purchased notes from me;"
  - e. "No one has made any offer of sales or securities in the State of Missouri;"
  - f. "There are no contracts or documents used or notes, promissory notes, loans, or other investment partners involved with the sales of securities;"
  - g. "There are no names or addresses of any people that I know of that I have solicited for securities in the State of Missouri;" and
  - h. "LER Investment Properties LLC has not made a single penny; therefore there are no reports or financial records of any kind." (Emphasis in original).
- 15. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration or granted exemption for Robinson or LER in the State of Missouri.
- 16. Respondents were not registered to offer or sell securities in or from the State of Missouri.
- 17. Respondent LER has not registered any issuer agents to offer or sell securities in the State of Missouri.

18. The securities offered by the Respondents were not federal covered securities.
19. MR was not told, among other things, the following information regarding the investment:
  - a. that on July 20, 2004, a civil judgment was entered against Robinson in *Dot's Office Products Inc. vs. Louis Robinson* Case Number 04CV203706-01, Jackson County Circuit Court. This judgment was entered against Robinson in the amount of three thousand six hundred and eighty-eight dollars and thirty-three cents, (\$3,688.33), plus prejudgment interest in the amount of eighty dollars [1] with interest at 9% per annum from July 20, 2005, forward, court costs, and twenty five dollars (\$25.00) in fees;
  - b. that Robinson and LER were not registered to offer to sell securities in or from the State of Missouri;
  - c. that the securities were not registered in the State of Missouri;
  - d. facts or information regarding the financial condition of LER;
  - e. facts or information regarding the background, history and experience of Robinson;
  - f. facts or information regarding the risks of the investment;
  - g. that one of the listed references was the spouse of Robinson;
  - h. that LER had "not made a single penny."

20. This order is in the public interest, is necessary and appropriate for the protection of investors, and is consistent with the purposes intended by the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2006).

## II. STATUTORY PROVISIONS

21. Section 409.1-102(17), RSMo. (Cum. Supp. 2006), defines "Issuer" as:

[A] person that issues or proposes to issue a security, subject to the following . . . . (C) The issuer of a fractional undivided interest in an oil, gas, or other mineral lease or in payments out of production under a lease, right, or royalty is the owner of an interest in the lease or in payments out of production under a lease, right, or royalty, whether whole or fractional, that creates fractional interest for the purpose of sale.

22. Section 409.1-102(26), RSMo. (Cum. Supp. 2006), 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."
23. Section 409.1-102(28), RSMo. (Cum. Supp. 2006), 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.
24. Section 409.3-301, RSMo. (Cum. Supp. 2006), states:

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.

25. Section 409.4-402(d), RSMo. (Cum. Supp. 2006), states:

It is unlawful for any broker-dealer or an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associated with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (a) or exempt from registration under subsection (b).

26. Section 409.5-501, RSMo. (Cum. Supp. 2006), states:

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 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; 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.

27. Section 409.6-604(a), RSMo. (Cum. Supp. 2006), states:

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 . . . .

28. Section 409.6-604(d), RSMo. (Cum. Supp. 2006), provides as follows: “In a final order under subsection (c), the commissioner may impose a civil penalty up to one thousand dollars (\$1,000) for a single violation or up to ten thousand dollars (\$10,000) for more than one violation.”

29. Section 409.6-604(e), RSMo. (Cum. Supp. 2006), provides 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.”

30. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

### **III. CONCLUSIONS OF LAW**

#### ***Offering or Selling Nonexempt, Unregistered Securities***

31. Paragraphs 1 through 30 are incorporated by reference as though fully set forth herein.

32. The investments offered by the Respondents fall under the definition of “securities” contained in Section 409.1-102(28), RSMo. (Cum. Supp. 2006).

33. 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. 2006).

34. At all times relevant, records maintained by the 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.

35. The Respondents violated Section 409.3-301, RSMo. (Cum. Supp. 2006), when they offered or sold securities in Missouri without the securities being (1) federal-covered securities, (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo. (Cum. Supp. 2006), or (3) registered under the Missouri Securities Act of 2003.

36. Respondents’ actions in offering unregistered securities constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

#### ***Violation by Respondent LER of Employing an Unregistered Agent***

37. Paragraphs 1 through 30 are incorporated by reference as though fully set forth herein.

38. Respondent LER created the promissory notes offered in this matter and Respondent LER is thus the issuer of these securities as that term is defined under Section 409.1-102(17), RSMo. (Cum. Supp. 2006).

39. As the issuer Respondent LER employed Robinson who solicited a Missouri resident on numerous occasions to purchase a security. These solicitations constitute transacting business in the State of Missouri.

40. Respondent LER has not registered any issuer agents in the State of Missouri.

41. Respondent LER employed an unregistered agent who transacted business in the State of Missouri in violation of Section 409.4-402(d), RSMo. (Cum. Supp. 2006).

#### ***Multiple Violations of Making Untrue Statements of Material Fact or Omitting to State Material Facts in Connection with the Sale of a Security***

42. Paragraphs 1 through 30 are incorporated by reference as though fully set forth herein.

43. In connection with the offer of securities, Respondents made untrue statements of material fact, including, but not limited to, the following:

- a. that Robinson had established many relationships with other investors, when in fact Robinson stated in his written responses to the Division that there were no investors or other investment partners involved in the sale of securities; or

- b. that Robinson was only looking for one cash investor because he already had three investors that he was currently working with, when in fact Robinson stated in a written response to the Division that there were no other investors.
- 44. The Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2006), when they made untrue statements of material fact as described immediately above.
- 45. Respondents' actions in making untrue statements of material fact, in connection with the offer of a security, constitute a violation of Section 409.5-501, RSMo. (Cum. Supp. 2006), and constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).
- 46. In connection with the offer of securities, Respondents omitted to state material facts necessary in order to make 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. that one of the listed references was the spouse of Robinson;
  - d. facts or information regarding the financial condition of LER;
  - e. facts or information regarding the background, history and experience of Robinson and LER; or
  - f. facts or information regarding the risks of the investment.
- 47. The Respondents violated Section 409.5-501(2), RSMo. (Cum. Supp. 2006), when they omitted to state the material facts described immediately above, and when stating such facts was necessary to make statements made not misleading.
- 48. Respondents' actions in omitting to state a material fact necessary to make the statements made not misleading, in connection with the offer of a security, constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

## **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 securities 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, RSMo. (Cum. Supp. 2006);
- B. employing an unregistered agent to transact business in the State of Missouri on behalf of the issuer; and
- C. violating or materially aiding in any violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2006), 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 a statement made, in light of the circumstances under which it is made, not misleading.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2006), 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 (\$10,000.00) against each Respondent for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2006), 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. 2006), the Commissioner will determine whether to grant the Division's petition for an imposition of a civil penalty of up to one thousand dollars (\$1,000.00) against Respondent LER for violation of Section 409.4-402(d), RSMo. (Cum. Supp. 2006), in a final order, unless Respondent LER requests 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. 2006), the Commissioner will determine whether to grant the Division's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000.00) against each Respondent for omitting to state material facts in violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2006), in a final order after hearing, 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 of the 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. 2006), 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.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 27<sup>TH</sup> DAY OF

SEPTEMBER, 2007.

State of Missouri  
Office of Secretary of State

Case No. AP-07-52

IN THE MATTER OF:

LOUIS E. ROBINSON; and  
LER INVESTMENT PROPERTIES, L.L.C.,

*Respondents.*

Serve both at:

6918 South Benton Avenue  
Kansas City, Missouri 6413

**NOTICE**

**TO: Respondents 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 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 27th day of September, 2007, copies of the foregoing Order in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

Louis E. Robinson  
6918 South Benton Avenue  
Kansas City, Missouri 64132

LER Investment Properties, L.L.C.  
6918 South Benton Avenue  
Kansas City, Missouri 64132

**And hand delivered to:**

Mary S. Hosmer  
Assistant Commissioner  
Enforcement Section, Securities Division

John Hale  
Specialist

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[1] Certified Court Records show that the interest was written as eighty dollars and forty cents but that it was subsequently entered as “(\$80.00)” instead of (\$80.40).