

State of Missouri  
Office of Secretary of State

Case No. AP-08-32

IN THE MATTER OF:

GREENLEAF COMPANIES, LLC; THE  
REAL ESTATE COMPANY OF MISSOURI;  
ERIC C. GAGNEPAIN; and SCOTT A. DASAL,

Respondents.

**FINAL ORDER TO CEASE AND DESIST**

On July 8, 2009, the Enforcement Section of the Missouri Securities Division (the "Enforcement Section"), by and through Mary S. Hosmer, Assistant Commissioner, submitted a Petition for Final Order (the "Final Order Petition"). Prior thereto, on June 18, 2009, the Respondents in this matter, through their counsel J. Kaye Irwin, submitted a Withdrawal [*sic*] of Request for Formal Hearing on Petition to Cease and Desist (the "Withdrawal"), and a Request for Formal Hearing as to the Imposition of Civil Penalties, Fines and Costs (the "Request for Penalties Hearing"). After reviewing the Final Order Petition, the Withdrawal and the Request for Penalties Hearing, and other filings in this matter, the commissioner issues the following findings of fact, conclusions of law and Final Order:

**PROCEDURAL BACKGROUND**

1. On December 8, 2008, Ms. Hosmer, on behalf of the Enforcement Section, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed to the Commissioner.
2. On December 16, 2008, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed (the "C&D Order").
3. On January 20, 2009, Ms. Irwin submitted a Request for Hearing in which she requested a hearing in this matter on behalf of all Respondents.
4. On January 26, 2009, the Commissioner issued an order setting a hearing in this matter for April 15, 2009.
5. On March 13, 2009, a pre-hearing conference was held in this matter. Ms. Hosmer appeared in person for the Enforcement Section, and Respondents failed to appear, in person or by counsel.
6. On April 13, 2009, Respondents, through their attorney Ms. Irwin, submitted a Request for Continuance, and stated that Ms. Irwin and Ms. Hosmer "are both in need of additional time to acquire necessary information" to work toward a resolution in this matter.
7. On April 14, 2009, the Commissioner continued the hearing in this matter to June 8, 2009.
8. On June 5, 2009, Respondents and the Enforcement Section filed a Joint Request for Continuance, and stated that the parties are "continuing to work toward consensual settlement" of the matter and that the "contemplated settlement includes the submission of a Consent Cease and Desist Order or the withdrawal of the formal request for hearing."
9. On June 5, 2009, the Commissioner continued the hearing in this matter to July 16, 2009.
10. On June 18, 2009, the Enforcement Section, through Ms. Hosmer, filed a Motion to Request Leave to Amend Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed (the "Motion to Amend"), and submitted an Amended Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed (the "Amended Petition").
11. On June 18, 2009, the Respondents submitted the Withdrawal and the Request for Penalties Hearing.
12. In the Final Order Petition, the Enforcement Section requested that the commissioner modify the C&D Order in this matter as requested in the Motion to Amend and as stated in the Amended Petition, and issue a final order.
13. In the Final Order Petition, the Enforcement Section requested that a hearing be set as to the imposition of civil penalties and the charging of costs.

**FINDINGS OF FACT**

14. The Commissioner adopts and incorporates the Findings of Fact, paragraphs 1 through 41, in the C&D Order, with amendments only to the following paragraphs:

(a)

Paragraph 13 of the C&D Order shall now read, in its entirety, as follows:

Records received from Respondents indicate that from May 11, 2004, through December 12, 2005, thirteen (13) individuals purchased homes for unspecified amounts through the Investment Program and were given untitled agreements (the "Untitled Agreements").

(b)

Paragraph 16(f) of the C&D Order shall now read, in its entirety, as follows:

when the Property sold, the investor would receive a total of \$10,000.

(c)

Paragraph 21 of the C&D Order shall now read, in its entirety, as follows:

These PPMs did not disclose, among other things, the following:

- a. the current cash flow statements, balance sheets and other financial information for Greenleaf and REC since their inception in 2003;
- b. criteria used in approving individuals to lease the homes; and
- c. how the purchase prices were determined for the Properties included in the Investment Program.

(d)

Paragraph 23 of the C&D Order shall now read, in its entirety, as follows:

On or about December 7, 2007, a Missouri resident ("MR1") entered into a Contract Deed with Greenleaf. MR1 stated to an investigator with the Division that MR1 was told by Respondents, among other things, that:

- a. she would earn ten thousand dollars (\$10,000) by participating in the Investment Program;
- b. all she had to do was use her credit worthiness to obtain financing for one of the Properties in Greenleaf's program;
- c. Greenleaf was to manage leasing of the Property for three (3) years;
- d. if the home didn't sell at the end of the management period, Greenleaf would buy the Property from her; and
- e. she did not recall that anyone disclosed any risks to her about the Investment Program.

(e)

Paragraph 25 of the C&D Order shall now read, in its entirety, as follows:

MR1 stated to an investigator with the Division that MR1 was not told and did not receive written material describing:

- a. the financial status or background information for Greenleaf or REC;
- b. Greenleaf's relationship with third parties;
- c. the criteria for selecting Lessors; or
- d. the vacancy rates of other Property in the Investment Program.

(f)

Paragraph 26 of the C&D Order shall now read, in its entirety, as follows:

MR1 stated to an investigator with the Division that MR1 received regular checks from Greenleaf until April 4, 2008. The only payment received since that date was on June 25, 2008. MR1 was not able to make the monthly payments on the loan without the funds from Greenleaf, therefore the Property is scheduled for foreclosure.

(g)

Paragraph 27 of the C&D Order shall now read, in its entirety, as follows:

MR1 stated to an investigator with the Division that she worked hard to keep a good credit rating. She is now worried that

the foreclosure on the Property she acquired through Greenleaf will cause her to lose her personal residence.

(h)

Paragraph 31 of the C&D Order shall now read, in its entirety, as follows:

A review of MR3's records revealed that MR3 invested in two (2) Greenleaf Properties:

- a. In April 2006, MR3 invested in a Property in Nixa, Missouri. Greenleaf arranged financing for MR3 at an interest rate of a little over eleven percent (11.163%). The total amount of the loan on this Property was shown to be two hundred thousand six hundred twenty dollars and seventy one cents (\$200,620.71). The Contract Deed for this transaction was not entered into until December 2006; and
- b. In September 2006, MR3 invested in a Property in Springfield, Missouri. Greenleaf arranged financing for MR3. Two separate mortgages were taken to finance this Property. One mortgage was for one hundred eighty thousand five hundred fifty-one dollars and six cents (\$180,551.06) with eight and nine tenths percent (8.9%) interest and another one for thirty six thousand fifty-five dollars and sixty eight cents (\$36,055.68) with twelve and six tenths percent (12.6%) interest.

(i)

Paragraph 40 of the C&D Order shall now read, in its entirety, as follows:

Respondents did not disclose the following material information to investors who invested in the Investor Agreements and received a PPM:

- a. the current cash flow statements, balance sheets and other financial information for Greenleaf and REC since their inception in 2003;
- b. the criteria used in approving individuals to lease the homes; and
- c. how the purchase prices was determined for Properties included in the Investment Program.

#### **CONCLUSIONS OF LAW**

15. Through the Withdrawal, the Respondents have effectively withdrawn their requests for a hearing on the allegations in this matter.
16. The Commissioner adopts and incorporates the Conclusions of Law, paragraphs 52 through 71, in the C&D Order.
17. This order is in the public interest and consistent with the purposes intended by the Missouri Securities Act of 2003.

#### **ORDER**

**NOW THEREFORE**, it is hereby order that:

- A. The Cease and Desist Order entered in Case Number AP-08-32 on December 16, 2008, is **FINAL** as to all Respondents with amendments only as described in Paragraph 14, above, and to Paragraph 47 of the C&D Order which shall now read, in its entirety, as follows:

Section 409.5-501, RSMo. (Cum. Supp. 2007), states:

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

...

(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 the light of the circumstances under which it is made, not misleading; or

...

- B. The Motion to Amend is hereby **GRANTED** and the petition in this matter shall be amended as provided in the Amended

Petition.

C. A hearing shall be set by separate order concerning the Enforcement Section's request for civil penalties and costs.

D. Respondents shall pay their own costs and attorneys' fees with respect to this matter.

SO ORDERED.

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 14TH DAY OF JULY, 2009.

ROBIN CARNAHAN  
SECRETARY OF STATE

(Signed/Sealed)

MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

**CERTIFICATE OF SERVICE**

I hereby certify that on this 14th day of July, 2009, copies of the foregoing FINAL ORDER TO CEASE AND DESIST, filed in the above-styled case, **was mailed by U.S. Mail to:**

J. Kaye Irwin  
3645 South Avenue  
Springfield, Missouri 65807  
ATTORNEY FOR RESPONDENTS

**and by hand-delivery to:**

Mary S. Hosmer  
Assistant Commissioner  
Enforcement Section, Securities Division

John Hale, Specialist