

THE ARKANSAS SECURITIES DEPARTMENT

RECEIVED

09 MAR 23 AM 9:54

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:
GREENLEAF COMPANIES, LLC,
ERIC. GAGNEPAIN AND MISTY PERKINS

CASE NO S-09-004

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) received information and has in its possession certain evidence that indicates Greenleaf Companies, LLC, Eric C. Gagnepain and Misty Perkins have violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. §23-42-101 through §23-42-509.

Administrative Authority

1. This matter is brought in connection with violations of sections of the Act and is therefore properly before the Arkansas Securities Commissioner (“Commissioner”) in accordance with Ark. Code Ann. §23-42-209.

Respondents

2. GREENLEAF COMPANIES, LLC (“GREENLEAF”) is a Missouri limited liability company. GREENLEAF is the sole member and parent company of PARK ESTATES I, L.L.C. (“PARK ESTATES”). GREENLEAF is not registered with the Arkansas Securities Department (“Department”) in any capacity.

3. Eric C. Gagnepain (“Gagnepain”) is believed to be a resident of the State of Missouri. Gagnepain is an organizer and manager of GREENLEAF. Gagnepain is also

an organizer and manager of PARK ESTATES. Gagnepain is not registered with the Department in any capacity.

4. Misty Perkins (“Perkins”) is believed to be a resident of the State of Missouri. Perkins was the investor relations manager for GREENLEAF. Perkins is not registered with the Department in any capacity.

Facts Supporting Cease and Desist Order

5. GREENLEAF has never been registered with the Department as a broker-dealer or an agent of a broker-dealer.

6. Neither Gagnepain nor Perkins has ever been properly registered with the Department in any capacity.

7. During 2006 an Arkansas resident (“AR1”) was invited and attended two GREENLEAF investor meetings in Arkansas. One of these investor meetings was conducted by Gagnepain and the other was conducted by Perkins.

8. On or about June of 2006, AR1 signed an investment agreement or contract with GREENLEAF. The term of the agreement or contract was three years from the date of purchase of the investment property. In said investment agreement or contract, AR1 agreed to purchase real estate investments set up by GREENLEAF. In addition, GREENLEAF guaranteed to pay AR1 a minimum Risk Investment Compensation of \$10,000.00. This Risk Investment Compensation was the benefit or profit each investor was to receive for making an investment with GREENLEAF. Further, in this contract GREENLEAF guaranteed to pay to AR1 monthly mortgage payments as well as the necessary expenses for maintenance and repair of the investment property. Finally, in the

contract GREENLEAF promised to find a third party buyer for AR1's investment property within three years or GREENLEAF itself would purchase the property from AR1 at the loan value accepted when AR1 purchased the property. Neither at the time this agreement or contract was signed by AR1 nor at any other time did anyone from GREENLEAF ever make any inquiry to determine whether AR1 was an accredited investor.

9. As a result of the aforementioned agreement or contract with GREENLEAF and at the direction of GREENLEAF, AR1 purchased a single-family residence at 105 Deer Run, Willard, Missouri, in the Park Estates I subdivision. Said single-family residence was purchased by AR1 from the title holder the Park Estates, LLC. GREENLEAF handled the entire transaction for AR1. GREENLEAF, or entities/persons acting on GREENLEAF's behalf, selected the property, mortgage company and appraiser. It was AR1's understanding that, once the property was purchased, GREENLEAF would manage the property for him and find a third party renter to occupy and eventually purchase the property from AR1. It was never the intention of GREENLEAF or AR1 for AR1 to personally occupy the aforementioned single-family residence located in Willard, Missouri. AR1 only transferred funds and executed documents to facilitate the purchase of said property as he was instructed by GREENLEAF in order to participate in the investment contract. Further, as part of the investment agreement or contract detailed in paragraph number eight, AR1 allowed GREENLEAF immediate control over his investment property. During this time and after AR1 had regular contact with Perkins. Perkins was the main contact person at GREENLEAF for investors, like AR1.

10. On or about December 11, 2006, GREENLEAF and AR1 signed a Contract for Deed. GREENLEAF was represented in this document by Gagnepain, who was listed on the document as the chief executive officer of GREENLEAF. In paragraph number one of said Contract for Deed, GREENLEAF agreed to pay AR1 a total purchase price of \$196,500.00. Said amount was to be paid by GREENLEAF to AR1 in the following amounts: ten percent of the purchase price together with closing costs at or before the time of execution of the Contract for Deed. The balance of the purchase price was to be paid with interest in monthly installments. In paragraph number three of the Contract for Deed, GREENLEAF also agreed to pay all general and special real estate taxes. In paragraph number four of the Contract for Deed, GREENLEAF agreed to retain insurance coverage on the aforementioned property in an amount not less than that required under the loan. In paragraph number five of the Contract for Deed, GREENLEAF was granted the right to occupy, rent, or sell the property to a third party through a lease purchase agreement or contract for deed during the course of said contract. Finally, in paragraph number seven of the Contract for Deed, GREENLEAF agreed to bear all risk of loss, injury or damage to all improvements to the aforementioned investment property, and all persons entering thereon.

11. In the agreement detailed in paragraph eight and the Contract for Deed detailed in paragraph number ten and at all other times GREENLEAF, Gagnepain and Perkins omitted and failed to provide AR1 with full and complete disclosure of the following material facts; the relationship of GREENLEAF and the seller of AR1's investment property, GREENLEAF's performance with prior investors, the true financial condition of GREENLEAF, all of the risks of GREENLEAF's investment plan, material

information concerning how investment property was selected by GREENLEAF, the criteria used by GREENLEAF for selecting potential lessors/purchasers of AR1's investment property, and vacancy rates for investment property managed by GREENLEAF.

12. On or about January 4, 2007, less than one month after AR1 signed the Contract for Deed detailed in paragraph number ten, a private placement memorandum ("PPM") was prepared for the PARK ESTATES offering. On page two of the PPM, GREENLEAF is described as the sole member and "parent" of PARK ESTATES. The investment scheme offered by GREENLEAF through PARK ESTATES as detailed in the PPM states that, "Under the Investment Program, the Company (Park Estates) will solicit suitable persons or entities to enter into Investor Agreements.... Under each Investor Agreement, the Company (Park Estates), as the Participant's (investor's) real estate consultant, will recommend, for such Participant's (investor's) purchase, single-family residential houses located in Park Estates I (subdivision), Willard, Missouri." At the end of three years GREENLEAF through PARK ESTATES would either find a purchaser for the investor's house or GREENLEAF would purchase the house from the investor. On page three of the PPM, GREENLEAF acting through PARK ESTATES promised to pay each investor the mortgage and escrow payments for up to three years. Also, GREENLEAF through PARK ESTATES promised to pay all repairs, maintenance costs, real estate fees and real estate taxes for the life of the agreement or three years.

On pages two, three and ten of the PPM, details of the investment risk compensation fees are provided. This investment risk compensation fee was the benefit or return promised by GREENLEAF acting through PARK ESTATES to each investor.

Each investor was to receive total compensation from GREENLEAF through PARK ESTATES in the amount of \$10,000.00. Said amount was to be paid in two installments. First, a three-thousand dollar payment was to be made by PARK ESTATES to the investor at the time of closing of the purchase of the house by the investor. Second, the balance of the \$10,000.00 was to be paid at the end of three years at the time of the transfer of title to the house by the investor. The fact that GREENLEAF acting through PARK ESTATES went to the trouble and expense of preparing a PPM for the PARK ESTATES offering, which is the same investment offered and sold to AR1, is a clear indication GREENLEAF understood that the investment offered and sold to AR1 was a security.

13. On or about May 29, 2007, Gagnepain on behalf of PARK ESTATES made a Notice of Sale of Securities Pursuant to Regulation D filing with the United States Securities and Exchange Commission ("SEC"). PARK ESTATES's business address listed on said form is 3645 South Avenue, Springfield, MO 65807, with a phone number of 417-823-9498. This is the same business address and phone number as GREENLEAF. In addition, Gagnepain is listed on said form as one of the beneficial owners, executive officers and general and/or managing partners of PARK ESTATES. The filing of the aforementioned Notice by Gagnepain, on behalf of GREENLEAF acting through PARK ESTATES, with the SEC is a clear indication Gagnepain and GREENLEAF understood that the investment offered and sold to AR1 was a security.

14. On or about August of 2006 GREENLEAF began to collect and send to AR1 the mortgage payments for AR1's investment property. AR1 used these payments from GREENLEAF to pay the note and mortgage owed for said property. On or about April

of 2008 GREENLEAF stopped sending AR1 these contractually required monthly mortgage payments. In addition, AR1 never received the balance, in the approximate amount of \$7,000.00, of his investment risk compensation fee from GREENLEAF. After April of 2008, AR1 made approximately two additional mortgage and interest payments for his investment property. Said property is currently in foreclosure.

15. GREENLEAF failed to disclose to AR1 that GREENLEAF was not properly registered with the Department as a broker-dealer or agent of a broker-dealer.

16. GREENLEAF, Gagnepain and Perkins failed to disclose that neither Gagnepain nor Perkins was properly registered with the Department as an agent.

Applicable Law

17. Ark. Code Ann. §23-42-102(15)(A)(xi) defines an investment contract as a security.

18. Ark. Code Ann. §23-42-501 states it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under Ark. Code Ann. §23-42-503 or Ark. Code Ann. §23-42-504; or (3) it is a covered security.

19. Ark. Code Ann. §23-42-301(a) states that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered with the Department.

20. Ark. Code Ann. §23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, to directly or indirectly, omit to state a material

fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading.

21. Ark. Code Ann. §23-42-209(a) states that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, of any provision of the Act or any rule or order under the Act, that any person has engaged or is about to engage in any act or practice constituting a violation the Commissioner may summarily order the person to cease and desist from the act or practice.

Conclusions of Law

22. The investment agreement and Contact for Deed signed by AR1 with Greenleaf was an investment contract and a security as defined by Ark. Code Ann. §23-42-102(15)(A)(xi).

23. GREENLEAF did not properly register any securities, file for any exemption, or make any notice filing concerning any covered security with the Department regarding the securities sold in Arkansas to AR1.

24. The sale of unregistered and non-exempt securities by agents and employees of GREENLEAF, Gagnepain and Perkins, to AR1 constituted a violation of Ark. Code Ann. §23-42-501 by GREENLEAF, Gagnepain and Perkins.

25. GREENLEAF violated Ark. Code Ann. §23-42-301(a) by transacting business in Arkansas as a broker-dealer and/or agent without being registered with the Department.

26. Gagnepain and Perkins violated Ark. Code Ann. §23-42-301(a) by transacting business in Arkansas as agents without being registered with the Department.

27. The failure of GREENLEAF, Gagnepain and Perkins to make full and complete disclosure to AR1 concerning the relationship of GREENLEAF and the seller of AR1's investment property, GREENLEAF's performance with prior investors, the true financial condition of GREENLEAF, all of the risks of GREENLEAF's investment plan, material information concerning how investment property was selected by GREENLEAF, the criteria used by GREENLEAF for selecting potential lessors/purchasers of AR1's investment property, and vacancy rates for investment property managed by GREENLEAF, were omissions of a material facts in violation of Ark. Code Ann. §23-42-507(2).

28. The failure of GREENLEAF to disclose to AR1 that GREENLEAF, Gagnepain and Perkins were not properly registered with the Department as a broker-dealer and/or agents in Arkansas was the omission of a material fact in violation of Ark. Code Ann. §23-42-507(2). Registration with the Department assures the investor, like AR1, that the person offering and selling the investment has the proper training to offer and sell suitable investment. A reasonable person, like AR1, would be left with the impression or understanding that GREENLEAF, Gagnepain and Perkins were properly registered with the Department, with the assurance of proper training resulting from such registration, to offer and sell suitable investments. Without this false impression or understanding of GREENLEAF's, Gagnepain's and Perkin's registration status and training, it is unlikely that a reasonable person, like AR1, would have made an investment with GREENLEAF. The failure of GREENLEAF, Gagnepain and Perkins to disclose to AR1 that neither it nor he/she was properly registered with the Department as a broker-dealer or agent in

Arkansas was the omission of a material fact in violation of Ark. Code Ann. §23-42-507(2).

29. The conduct, acts, and practices of GREENLEAF, Gagnepain and Perkins threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate pursuant to Ark. Code Ann. §23-42-209(a).

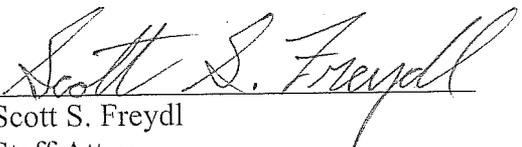
Legal Authority to Issue Cease and Desist Order

30. Whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. Ark. Code Ann. §23-42-209(a).

Prayer for Relief

WHEREFORE, the Staff respectfully requests that the Commissioner order GREENLEAF COMPANIES, LLC, Eric C. Gagnepain and Misty Perkins to immediately CEASE AND DESIST from offering and/or selling any securities in Arkansas until it and they are properly registered under the Arkansas Securities Act with the Department; and, for all other relief to which the Department may be entitled.

Respectfully submitted,



Scott S. Freydl
Staff Attorney
Arkansas Securities Department

3/23/09
Date