



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
FLEAS R US, INC., and)
WILLIAM HANSON, SR.,) Case No. AP-05-19
)
)
Respondents.)

Serve both at: 528 N. Bis. 65 #1
Branson, MO 65615

Serve both also at: P.O. Box 7141
Branson, MO 65615

**FINAL ORDER TO CEASE AND DESIST AND
ORDER AWARDING CIVIL PENALTIES AND COSTS OF
INVESTIGATION**

PROCEDURAL SUMMARY: After being petitioned by the Securities Division, the Commissioner of Securities issued a cease and desist order against the Respondents on May 11, 2005. Because neither the Respondents nor the Commissioner requested a hearing on that order, the cease and desist order became final against the Respondents by operation of law on June 11, 2005, pursuant to § 409.6-604(b), RSMo Supp. 2004.

On the 15th day of September 2005, Patrick T. Morgan, Deputy Chief Counsel for the Securities Division, submitted to the Commissioner a motion for costs of investigation in connection with this matter. Now, after reviewing the motion, the Commissioner issues the following findings of fact, conclusions of law and final order to cease and desist and order awarding civil penalties and costs of investigation:

FINDINGS OF FACT

1. Fleas R Us (“FRU”), is a company operating in the State of Missouri with a last known business address of 528 N. Bis. 65 #1, Branson, MO 65615. Fleas R Us, Inc. purportedly engages in the business of raising funds to build and operate a flea market in Harrison, Arkansas.
2. William (“Bill”) Hanson, Sr. purports to be the President of FRU and has a last known business address of 528 N. Bis. 65 #1, Branson, MO 65615.
3. As used in this Order, the term “Respondents” refers to both Fleas R Us and William Hanson, Sr.
4. On or about October 18, 2004, a Missouri resident (“MR”) received information from Fleas R Us regarding an investment opportunity.
5. According to the Respondents’ promotional document entitled, “Executive Summary,” its business objective was to raise funds for the purpose of building and operating a flea market in Harrison, Arkansas.
6. Respondents’ solicitation material also stated that, “We are looking for investors for our project and thought you may be able to assist us. Your consideration will be much appreciated. As you can see the ROI is expected to be an impressive and realistic 18%.” The solicitation also stated that, “We consider the risk to be minimal, due to our aggressive marketing plan.”
7. A check of the Respondents’ website revealed that the Respondents were promoting a “Confidential Limited Offering Memorandum.” In that memorandum, it stated that FRU “is offering up to 995 shares of Common Stock at a price of \$1000.00 per share” and that the proceeds from the sale of shares would be used to build and operate FRU.
8. The Respondents also posted a Subscription Agreement and an Investor Suitability Questionnaire on the Respondents’ website.
9. On or about October 21, 2004, the Division received information that indicated that the Respondents offered unregistered securities in the State of Missouri.
10. 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 the Respondents in the State of Missouri.
11. On December 21, 2004, the Division sent a letter of inquiry to Respondents that requested a claim of exemption from registration or exception from definition upon which Respondents relied in offering unregistered securities or any claim that the securities were federal

covered securities. The letter also requested additional information about the offers to Missouri residents and advised Respondents that failure to respond within a reasonable time as set by the Commissioner constituted further proceedings to prohibit the referenced firm from offering or selling securities in the State of Missouri.

12. On January 6, 2005, the Division received a response from Respondent, William Hanson that stated the following:

Enclosed is the letter you sent to me. I thought I was doing everything right when I tried to get a flea market started. I have since given up on the project. I did not sell anything. I will not sell anything and I will not offer anything for sale.

13. A check of the records maintained by the Commissioner confirmed no registration for Respondents to sell securities in the State of Missouri.
14. Respondents were not registered to offer and sell securities in the State of Missouri.
15. Respondents offered and sold unregistered, non-exempt securities to Missouri residents.
16. The securities offered and sold by the Respondents were not federal covered securities.
17. In connection with the offer, sale or purchase of a security to Missouri residents, the Respondents omitted to state the material fact that the Respondents were not registered to sell securities in the State of Missouri.
18. In connection with the offer, sale or purchase of a security to Missouri residents, the Respondents omitted to state the material fact that the securities offered and sold by Respondents were not registered in the State of Missouri.
19. On May 11, 2005, Robert K. Hibbs, then Chief Enforcement Counsel of the Division, petitioned the Commissioner for a cease and desist order against the Respondents.
20. On May 11, 2005, the Commissioner issued a cease and desist order against Respondents, Case No. AP-05-19.
21. Respondents did not request a hearing in this matter nor did the Commissioner order a hearing, and Order No. AP-05-19 became final against Respondent by operation of law on June 11, 2005, pursuant to § 409.6-604(b), RSMo Supp. 2004.
22. On September 15, 2005, Deputy Chief Counsel Morgan moved for an order imposing against Respondent the costs of investigation in this matter. Deputy Chief Counsel Morgan's motion included an exhibit accounting for costs in the amount of \$427.70.
23. This Order is in the public interest.

CONCLUSIONS OF LAW

1. Section 409.1-102, RSMo Cumulative Supp. 2004 includes “investment contracts” within the definition of a security. Pursuant to § 409.1-102(28)(D), RSMo Cumulative Supp. 2004, investment contract includes “an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor.” The interests offered by Respondents as described in the above findings of fact constitute securities.
2. Section 409.5-501, RSMo Cumulative Supp. 2004 provides that it is unlawful for a person, in connection with the offer, sale or purchase of any security, directly or indirectly (1) to employ a device, scheme, or artifice to defraud, (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are 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. Respondents violated § 409.5-501(3), when they:
 - a. In connection with the offer, sale or purchase of a security to Missouri residents, the Respondents omitted to state the material fact that the Respondents were not registered to sell securities in the State of Missouri; and
 - b. In connection with the offer, sale or purchase of a security to Missouri residents, the Respondents omitted to state the material fact that the securities offered and sold by Respondents were not registered in the State of Missouri.
3. Section 409.4-402(d), RSMo Cumulative Supp. 2004 provides that it is unlawful for any broker-dealer, or an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers, unless the individual is registered or exempt from registration. The conduct described in the above findings of fact constitutes a violation of this section in that Respondents were not registered to offer and sell securities in the State of Missouri.
4. Section 409.3-301, RSMo Cumulative Supp. 2004 provides that it is unlawful for any person to offer or sell any 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.
5. Seventeen CFR 230.502(c), provides that neither an issuer nor any person acting on behalf of an issuer shall offer or sell securities through the use of general solicitation. Seventeen CFR 230.508(a)(2) provides that failure to comply with 17 CFR 230.502(c) precludes an issuer or its agents from availing themselves of the exemption under Regulation D, therefore the security is not a federal covered security.
6. Section 409.5-503, RSMo Cumulative Supp. 2004 provides that the person claiming an

exemption, exception, preemption or exclusion has the burden of proving its applicability. As described in the above findings of fact, Respondents failed to prove any exemptions, exceptions, preemption or exclusions.

7. Section 409.6-604(a), RSMo Cumulative Supp. 2004 provides:

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 or a rule adopted or order issued or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued, 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 and appropriate to comply with this act;
- (2) Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under section 409.4-401(b)(1)(D) or (F) or an investment advisor under section 409.4-403(b)(1)(C); or
- (3) Issue an order under section 409.2-204

8. Omitting to state a material fact necessary to make the statement made not misleading, in connection with the offer, sale or purchase of a security, constitutes an illegal act, practice or course of business under § 409.6-604(a), RSMo Cumulative Supp. 2004.
9. Making an untrue statement of material fact, in connection with the offer, sale or purchase of a security, constitutes an illegal act, practice or course of business under § 409.6-604(a), RSMo Cumulative Supp. 2004.
10. Transacting business as an unregistered agent as described in the above findings of fact constitutes an illegal act, practice or course of business under § 409.6-604(a), RSMo Cumulative Supp. 2004.
11. The offer or sale of unregistered securities as described in the above findings of fact constitutes an illegal act, practice or course of business under § 409.6-604(a), RSMo Cumulative Supp. 2004.
12. Engaging in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person, by a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities, or that for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities, as described in the above findings of fact constitutes an illegal act,

practice or course of business under §409.6-604(a), RSMo Cumulative Supp. 2004.

13. Section 409.6-604(d), RSMo Cumulative Supp. 2004 provides:

In a final order . . . 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.

14. Section 409.6-604(e), RSMo Cumulative Supp. 2004 provides:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation or a rule adopted or order issued. These funds may be paid into the investor education and protection fund.

15. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. Section 409.6-604(a), RSMo Cumulative Supp. 2004.

ORDER

NOW, THEREFORE, it is hereby ordered that the Respondents, Fleas R Us, Inc. and William Hanson, Sr., 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 the above-described securities in or from 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 § 409.3-304, RSMo Supp. 2004.
- B. Violating or materially aiding in the violation of §409.5-501, RSMo Cumulative Supp. 2004 by omitting to state, in connection with the offer, sale or purchase of the above-described securities, the material fact that:
 - 1. Respondents were not registered to sell securities in the State of Missouri; and
 - 2. The securities offered and sold by Respondents were not registered in the State of Missouri.
- C. Violating or materially aiding in the violation of §409.4-402(a), RSMo Cumulative Supp. 2004 by transacting business as an agent without an effective registration.
- D. Violating or materially aiding in the violation of §409.4-402(d), RSMo Cumulative Supp. 2004 by employing or associating with an unregistered agent.
- E. Violating or materially aiding in the violation of §409.3-301, RSMo Cumulative Supp.

2004 by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration.

F. Violating or materially aiding in the violation of §409.4-402(a), RSMo Cumulative Supp. 2004 by transacting business as an agent without an effective registration.

IT IS FURTHER ORDERED that, pursuant to § 409.6-604(d), Respondents must pay to the State of Missouri, jointly and severally, a civil penalty in the amount of \$1,000.00 (~~one thousand~~ ⁵⁰⁰ ^{500.00} ^{Five hundred} ^{D&C} dollars) within thirty (30) days from the date of service of this Order. Respondents' payment of \$1,000.00 shall be by cashier's check or money order payable to Missouri Secretary of State. Respondents shall deliver his payment to the Securities Division, 600 W. Main Street, PO Box 1276, Jefferson City, MO 65102.

IT IS FURTHER ORDERED that, pursuant to § 409.6-604(e), Respondent must pay to the State of Missouri, jointly and severally, the costs of investigation in this matter in the amount of \$427.70 within thirty (30) days from the date of service of this Order. Respondent's payment of \$427.70 shall be by cashier's check or money order payable to The Investor Education and Protection Fund. Respondent shall deliver his payment to the Securities Division, 600 W. Main Street, Jefferson City, Missouri 65102.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 15th DAY OF September, 2005.

ROBIN CARNAHAN
SECRETARY OF STATE


DAVID B. COSGROVE
COMMISSIONER OF SECURITIES

