



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
GREEN CLINIC, LLC;)
d/b/a GREEN CLINICS; and) Case No.: AP-21-09
d/b/a THE GREEN CLINICS,)
)
Respondent.)

CONSENT ORDER

SUMMARY OF SECURITIES DIVISION’S ALLEGATIONS & SETTLEMENT OF SAME

1. The Enforcement Section of the Securities Division of the Missouri Secretary of State’s office (the “**Enforcement Section**”) alleges that between November 15, 2018 and November 1, 2019, Green Clinic, LLC, sold \$520,000 in unregistered, non-exempt securities in the form of investment contracts, to eight Missouri residents and eight residents from other states. The Enforcement Section alleges that by engaging in these activities and conduct, Respondent violated Section 409.3-301 of the Missouri Securities Act.¹ The Enforcement Section has asserted that this alleged violation constitutes grounds for the Missouri Commissioner of Securities (“**the Commissioner**”) to issue an order pursuant to Section 409.6-604.
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to the Respondent’s alleged violations of Section 409.3-301.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409 *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

¹ Unless otherwise noted, all statutory references are to the 2020 Cumulative Supplement of the Revised Statutes of Missouri.

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

5. Respondent waives Respondent’s rights to a hearing with respect to this matter.
6. Respondent waives any rights that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) right to take legal or factual positions in defense of litigation or in other legal proceedings in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents solely for the purpose of this matter only and not for any other matter, to the Commissioner’s Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER’S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Green Clinic, LLC (“**Green Clinic**”) was a Missouri limited liability company formed October 4, 2018, with an address at 926 Cherry Street, Kansas City, Missouri 64106. On

January 2, 2020, Articles of Termination for Green Clinic were filed effectively ending its Missouri business registration.

13. Green Clinics (“GC”) was a Missouri fictitious named business formed through Green Clinic on October 10, 2018, with an address at 415 Delaware Street, Suite 4W, Kansas City, Missouri 64105. A Cancellation of GC’s business registration was filed December 31, 2019.
14. The Green Clinics (“TGC”) was a Missouri fictitious named business formed through Green Clinic on December 21, 2018 with an address at 415 Delaware Street, Suite 4W, Kansas City, Missouri 64105. A Cancellation of TGC’s business registration was filed December 31, 2019.
15. Green Clinic, doing business as GC and TGC, was established in response to the November 2018 Missouri constitutional amendment creating a regulated medical marijuana program (the “**Missouri Medical Marijuana Program**”) and to open and operate clinics where individuals seeking qualifying patient identification cards could be evaluated and certified for such cards.
16. No licenses were awarded under the Missouri Medical Marijuana Program until late 2019 and no dispensaries were approved for commencement and open to the public until October 2020. As a result, Green Clinic encountered significant operational, competitive, financial and programmatic difficulties in the two years between its launch and eventual closing in late 2019.
17. At all times relevant to this matter, no registration, granted exemption, and/or notice filing indicating status as a “federal covered security” for any securities issued by Respondent existed.

Complaint of Missouri Resident 1 (“MR1”)

18. On August 17, 2020, the Enforcement Section received a complaint and documents from a Lee’s Summit, Missouri resident (“MR1”).
19. On November 1, 2019, MR1 received a Green Clinic Membership Interest Purchase Term Sheet that indicated:
 - a. for an investment of \$25,000, MR1 would have a 2.5% Equity Membership Interest in Green Clinic;
 - b. “Full voting rights representing 2.5% of outstanding voting interests”; and
 - c. “Preemptive right to participate in all future equity issuances by the Company on terms offered to third parties.”
20. On November 4, 2019, MR1 wired \$25,000 to Green Clinic’s bank account.

21. On January 3, 2020, just shy of two months after MR1's \$25,000 investment, MR1 received a copy of a press release that announced Green Clinic would be closed immediately at all Missouri locations.
22. On January 29, 2020, an email to MR1 confirmed Green Clinic was ceasing business operations effective December 31, 2019.
23. MR1 has not received any distributions from Green Clinic or a return of any portion of MR1's investment in the form of cash.

Other Missouri Residents

24. The Enforcement Section's investigation determined that between January 16, 2019, and September 13, 2019, Green Clinic received investments from seven other investors from Blue Springs, Kansas City and/or Poplar Bluff, Missouri ("**Other Missouri Residents**"), totaling \$95,000.
25. To date, the Other Missouri Residents have not received any distributions from Green Clinic or a return of any portion of their investments in the form of cash.
26. Green Clinic issued IRS Form K1 to each of MR1 and the Other Missouri Residents for at least the 2019 tax year indicating net losses and ending capital accounts for each, including possible losses to be applied against other income.

Residents of Other States

27. The Enforcement Section's investigation determined that between November 13, 2018, and July 18, 2019, Green Clinic received investments from eight other investors from the states of Kansas, South Carolina, Tennessee and Texas ("**Non-Missouri Residents**"), totaling \$400,000.
28. To date, the Non-Missouri Residents have not received any distributions from Green Clinic or a return of any portion of their investments in the form of cash.
29. Green Clinic issued IRS Form K1 to each of the Non-Missouri Residents for at least the 2019 tax year indicating net losses and ending capital accounts for each, including possible losses to be applied against other income.

Green Clinic's Response to the Enforcement Section

30. Prior to investing, all investors signed a Non-Disclosure Agreement with Green Clinic prepared by Green Clinic's outside legal counsel. After executing the Non-Disclosure Agreement, investors were provided Green Clinic's business plan which included financial projections, pro forma budgets and some disclosures, also prepared with the assistance of Green Clinic's outside legal counsel.

31. If an investor decided to invest, they were provided with a Green Clinic Membership Interest Purchase Term Sheet prepared by Green Clinic's outside legal counsel that detailed the amount of the investment and the investor's Equity Membership Interest in Green Clinic.
32. Green Clinic issued IRS Form K1 to each of the limited liability company members named herein for at least the 2019 tax year, and has generated preliminary Form K1 loss information for the 2020 tax year, so that each member and investor may determine whether to claim or seek valuable tax relief by virtue of their losses as a member or partner of Green Clinic.
33. Green Clinic cooperated in full with the Enforcement Section's investigation.

II. CONCLUSIONS OF LAW

34. The Commissioner finds that Respondent issued and sold unregistered, non-exempt securities in violation of Section 409.3-301 and that this conduct constitutes grounds to issue an order pursuant to Section 409.6-604.
35. The Commissioner, after consideration of the stipulations set forth above and on the consent of the Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409, RSMo.

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

36. Respondent, its agents, employees and servants, and all other persons participating in or about to participate in the above-described violation with knowledge of this order are permanently enjoined and restrained from engaging in violations of Section 409.3-301.
37. Respondent shall pay civil penalties in the amount of \$15,000 for one violation of Section 409.3-301. This amount shall be made payable to the State of Missouri. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101. ***All obligations to pay this amount shall be and hereby are suspended, and shall be fully and finally waived when the restitution amounts described herein are paid in full.***
38. Respondent shall pay restitution in the amount of \$52,000 in accordance to the following payment schedule: \$2,000 payable within ten (10) business days following execution of this order, \$30,000 payable on or before December 31, 2021, \$5,000 payable on or before April 1, 2022, \$5,000 payable on or before July 1, 2022, \$5,000 payable on or before October 3, 2022, and \$5,000 payable on or before January 2, 2023. These amounts shall be

made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investors listed in Exhibit A. These amounts shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101.

39. There will be no penalty nor prohibition of Respondent paying these amounts earlier than scheduled. The civil penalties assessed herein will be fully waived upon payment of the full \$52,000 in restitution.
40. Upon Respondent's failure to comply with the terms of this Consent Order, all remaining payments shall become immediately due and payable upon operation of law, and such immediately due payments shall be in addition to all other penalties then available under the law.
41. Respondent shall pay its 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 16th DAY OF JULY, 2021.



JOHN R. ASHCROFT
SECRETARY OF STATE

A handwritten signature in blue ink, appearing to read "David M. Minnick", written over a horizontal line.

DAVID M. MINNICK
COMMISSIONER OF SECURITIES

Consented to by:
MISSOURI SECURITIES DIVISION

A handwritten signature in blue ink, appearing to read "Steven M. Kretzer", written over a horizontal line.

STEVEN M. KRETZER
SECURITIES ENFORCEMENT COUNSEL

EMILY BRANCH, AUTHORIZED SIGNATORY
GREEN CLINIC, LLC

made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investors listed in Exhibit A. These amounts shall be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101.

39. There will be no penalty nor prohibition of Respondent paying these amounts earlier than scheduled. The civil penalties assessed herein will be fully waived upon payment of the full \$52,000 in restitution.
40. Upon Respondent's failure to comply with the terms of this Consent Order, all remaining payments shall become immediately due and payable upon operation of law, and such immediately due payments shall be in addition to all other penalties then available under the law.
41. Respondent shall pay its own costs and attorneys' fees with respect to this matter.

SO ORDERED:

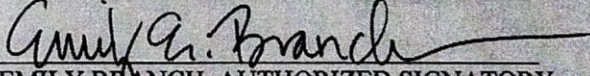
WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS _____ DAY OF JULY, 2021.

JOHN R. ASHCROFT
SECRETARY OF STATE

DAVID M. MINNICK
COMMISSIONER OF SECURITIES

Consented to by:
MISSOURI SECURITIES DIVISION

STEVEN M. KRETZER
SECURITIES ENFORCEMENT COUNSEL



EMILY BRANCH, AUTHORIZED SIGNATORY
GREEN CLINIC, LLC