

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

GREENMILL SERVICES, INC.;
MICHAEL PRESTON;
LEO WAGNER; and
RALPH DIFALCO;

Respondents.

AFFIDAVIT OF SERVICE AND NON-
RESPONSE

Docket No. SD-07-0005
Docket No. SD-07-0006
Docket No. SD-07-0007
Docket No. SD-07-0008

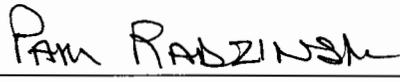
I, Pam Radzinski, first being duly sworn, depose and state as follows:

1. I am the Executive Secretary for the Department of Commerce Division of Securities (the Division).
2. As executive secretary for the Division, I am responsible for supervising the mailing of

the Division's Orders to Show Cause and for receiving any responses filed by respondents.

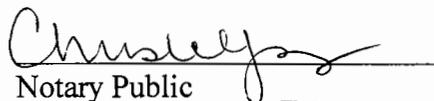
3. On February 2, 2007, the Division mailed, by certified mail, an Order to Show Cause (OSC) to Greenmill Services, Inc., along with a Notice of Agency Action (Notice), advising that a default order would be entered if it failed to file a written response to the OSC within thirty (30) days of the mailing date of the Notice.
4. The Division was notified by the United States Postal Service that the OSC and Notice were delivered to Greenmill Services, Inc. on February 7, 2007.
5. As of the date of this Affidavit, the Division has not received a response from Greenmill Services, Inc.

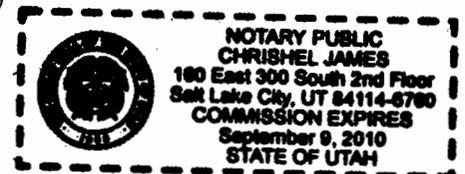
DATED this 3RD day of April, 2007.


PAM RADZINSKI
Executive Secretary

SALT LAKE COUNTY)
) ss
STATE OF UTAH)

Signed and subscribed to before me this 3rd day of April, 2007.


Notary Public



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IN THE MATTER OF:

GREENMILL SERVICES, INC.;
MICHAEL PRESTON;
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RALPH DIFALCO;

Respondents.

NOTICE OF ENTRY OF
DEFAULT AND ORDER

Docket No. SD-07-0005
Docket No. SD-07-0006
Docket No. SD-07-0007
Docket No. SD-07-0008

I. BACKGROUND

A formal adjudicative proceeding was initiated by the Division's Order to Show Cause and Notice of Agency Action dated February 2, 2007, against Greenmill Services, Inc.

(Greenmill), Michael Preston, Leo Wagner, and Ralph DiFalco. The Division's administrative actions against Michael Preston, Leo Wagner, and Ralph DiFalco are currently pending. On March 22, 2007, at Greenmill's initial administrative hearing, the presiding officer held

Greenmill in default for failing to file an answer to the February 2, 2007 Order to Show Cause, and for failing to appear at the hearing.

II. FINDINGS OF FACT

1. Greenmill Services, Inc. was registered as a New York corporation on March 19, 1999, but its corporate status is currently “inactive.” Greenmill’s business address was 352 7th Avenue, New York, New York. No principals are listed for Greenmill, nor a registered agent, on the New York Department of State Division of Corporations web site.
Greenmill is not a registered entity in Utah.
2. Between February 23, 2005 and February 2, 2006, Greenmill, and three of its agents solicited a total of \$77,600 in investments from at least eight Utah investors.
3. The Utah investors were told they were purchasing stock in three different companies (ETC Solutions, TurboScan, and NY RailRoad.com) that would greatly increase in value and produce a large profit once sold, and/or that they were investing in a company that would soon go public and produce a large profit. Stock and investment contracts are both securities under the Act.
4. Greenmill and its agents failed to tell investors, among other things, that ETC Solutions, TurboScan, and NY RailRoad.com were not publicly traded companies.
5. Investors were solicited over the phone, and were given only the names and telephone numbers of those individuals doing the soliciting.

Investors D. T. & Others

6. In late 2004, investor D. T. received a cold-call from a Greenmill agent (Agent 1), who identified himself and said he was from New York.
7. Agent 1 told D. T. he was aware that D. T. had purchased stock in Ambient Alert, which was true. Agent 1 had somehow obtained accurate information about D. T.'s purchase of Ambient Alert.
8. Agent 1 told D. T. the following:
 - a. That Agent 1 was soliciting \$100 million from investors for a company that would soon make its initial public offering.
 - b. That the investment would be used as a bridge loan and Agent 1 was at the end phase of the project which he had been working on for five years.
 - c. That D. T. could expect a high rate of return.
 - d. If D. T. invested, he would receive stock certificates in ETC Solutions.
 - e. ETC Solutions stock was selling at \$.50 per share but the target price was \$6.00.
 - f. That the risky part of the investment was over.
 - g. That ETC Solutions had high-tech computer technology.
 - h. That Agent 1 had his own money invested and had a lot of stock to sell.
9. Agent 1 gave D. T. Agent 1's cell-phone numbers and instructions on how to send the investment money.

10. Over the period of one year, D. T. invested his own money and his friends' money with Greenmill 22 separate times, in amounts ranging from \$400 to \$10,000.
11. Investor D. T. invested \$35,000, and the other seven invested a combined total of \$42,600. Of the other seven investors, one invested \$10,000 through D. T. and \$10,000 directly with Agent 1. The remaining six investors invested through D. T., and never spoke directly with any Greenmill agent.
12. The investors did not know, and the Division was unable to determine, how much stock of each company was supposedly bought by each investor.
13. D. T. obtained the \$35,000 he invested by removing money from his Bank of Utah savings account, borrowing against his credit cards, and borrowing against his Smith Barney account.
14. All investor money was sent via Western Union to a Ralph DiFalco, 1312 64th Street, Brooklyn, New York, 11219, or via wire transfer to Greenmill's bank account at a Washington Mutual branch located in Brooklyn, New York.
15. A few months after D. T.'s first investment, Agent 1 called D. T. and solicited more money.
16. D. T. told Agent 1 he had no more money and would have to borrow against his credit cards.
17. Agent 1 replied, "Get it wherever you can; this thing is going nuts."

18. On February 15, 2005, D. T. received an e-mail from another Greenmill agent (Agent 2) at Greenmillcorp@aol.com which stated that a summary of D. T.'s investment account would be sent electronically the following day, and provided the wire transfer information for Greenmill's bank account at Washington Mutual.
19. On March 5, 2005, after D. T. invested an additional \$10,000, via wire transfer to Greenmill's bank account, D. T. received an e-mail from Greenmillcorp@aol.com.
20. The e-mail acknowledged receipt of D. T.'s \$10,000 investment, and stated that "The wire was applied to TurboScan at the rate of \$.55 per share plus 3,500 bonus shares for a total of 21,682 shares added to your portfolio." The author of the e-mail is unknown.
21. During the year in which D. T. invested at the urging of Agent 1 and Agent 2, D. T. spoke to Agent 1 frequently.
22. During one conversation in April 2005, Agent 1 told D. T. the stock sold at \$11.50 per share and D. T. made \$3.1 million on his investment. Agent 1 told D. T. his money was in the bank.
23. During the next few conversations with Agent 1, Agent 1 told D. T. that Agent 1 needed to do one thing or another before the money could be released. For example, Agent 1 told D. T. the Banking Commission, the SEC, and the many lawyers involved, needed to review the deal prior to releasing the money.

24. In November 2005, Agent 1 told D. T. the review was over, that everything was complete, and asked him what he was going to do with his money. D. T. said he planned to put the money in a certificate of deposit (CD).
25. Agent 1 told D. T. to look around to see what kind of rates he could get on a CD, and added that he thought he could provide D. T. with a better rate.
26. D. T. checked the CD rates available and reported his findings to Agent 1. Agent 1 told D. T. he could do better, and later told D. T. that he set him up in a CD that matured in March 2006.
27. Agent 1 supplied no documentation to D. T. about the CD.
28. On December 1, 2005, D. T. told Agent 1 he had done no Christmas shopping because he had no money and his credit cards were charged to the limit.
29. Agent 1 told D. T. that in 2000 Agent 1 bought one million shares of NY RailRoad.com. Agent 1 said he would sell D. T. his own shares at \$.01 per share if D. T. invested \$5,000 immediately. Agent 1 said the shares of NY RailRoad.com would increase to \$.50, and D. T. could have \$40,000 or \$50,000 by December 20, 2005.
30. Agent 1 said if the stock did not increase that much, Agent 1 would cash in his own bonds and pay D. T. Agent 1 said "You'll never risk one penny," and that it was a "slam dunk."
31. Agent 1 also encouraged D. T. to gather other investors.

32. Between December 1, 2005 and February 2, 2006, D. T. and the seven other Utah investors invested a combined total of \$32,100, and sent the money, via Western Union and wire transfer, to New York. The investors do not know, and the Division was unable to determine how much of the \$32,100 was D. T.'s money and how much was money belonging to the other investors.
33. In February 2006, Agent 1 told D. T. the distribution from the sale of NY RailRoad.com stock was being delayed by the bank. Agent 1 said the bank was using the money at night to do foreign exchange trading, but that the money would be in D. T.'s bank account the following day.
34. On February 18, 2006, Agent 1 told D. T. that Agent 1's sister was in the hospital and he would get the money transferred as soon as he got away from the hospital.
35. On February 23, 2006, Agent 1 told D. T. his sister had died. Agent 1 also said D. T. needed to send \$6,000 to get his money released from the World Bank.
36. Agent 1 said he needed the money right away and asked D. T. to send it via Western Union.
37. D. T. told Agent 1 he could not come up with the money.
38. Agent 1 told D. T. he would contribute \$3,000 of Agent 1's own money if D. T. could get his friends to come up with the other \$3,000.

39. D. T. asked for proof that D. T.'s money was in the World Bank. Agent 1 told D. T. he was in the World Bank and was looking at the documentation, but he could not remove the documentation because to do so would violate the bank's rules.
40. Agent 1 put a person on the telephone, who called himself Genero Cucci (Cucci), to talk to D. T.
41. Cucci told D. T. he was the head of World Bank, and that D. T.'s money was on deposit in the bank. Cucci told D. T. he needed \$6,000 to pay fees before Cucci would release the funds.
42. D. T. did not send any money to pay for bank fees.
43. Despite several demands for payment, D. T. has received no return of his principal or interest from his investments.

Use of the Money Invested

44. Most of the money invested by D. T. and the other investors was withdrawn as cash from Agent 2's account.
45. Some of D. T.'s investment money was also used to pay for personal items such as high-speed Internet access, cell phone bills, and Direct TV.
46. Several checks were drawn on Greenmill's bank account (paid using D. T.'s money) made payable to the following: Elena Glotova; Hershey Elementary School Scholastic Book Club; Alex Glotov; Londonderry Animal Hospital; and Nobodaddy Farm.
47. By June 30, 2006 Greenmill's bank account was empty.

Misrepresentations and Omissions

48. In connection with the offer and sale of securities to Utah investors, Greenmill indirectly made false statements, including, but not limited to, the following:
- a. That Agent 1 owned one million shares of NY RailRoad.com;
 - b. That Agent 1 would sell his shares of NY RailRoad.com stock to D. T. at \$.01 per share to D. T. if D. T. invested \$5,000 immediately;
 - c. That D. T. could make \$40-50,000 in less than one month from the sale of NY RailRoad.com stock;
 - d. That if D. T. invested in NY RailRoad.com, “You’ll never risk one penny,” and the investment was a “slam dunk;”
 - e. That Agent 1 was soliciting \$100 million from investors for a company that would soon make its initial public offering;
 - f. That the investment would be used as a bridge loan;
 - g. That Agent 1 was at the end phase of a five-year project;
 - h. That investors could expect a high rate of return;
 - i. That if D. T. invested, he would receive stock certificates in a company called ETC Solutions;
 - j. That ETC Solutions’ stock was selling at \$.50 per share but the target price was \$6.00;
 - k. That the risky part of the investment was over;

- l. That ETC Solutions had high-tech computer technology;
- m. That Agent 1 had his own money invested and had a lot of stock to sell;
- n. Agent 1 told D. T. that D. T. should get money to invest because “this thing is going nuts;”
- o. That D. T. would receive, via e-mail, a summary of his investments;
- p. That D. T. investment of \$10,000 had been received;
- q. That D. T.’s investment of \$10,000 had been used to purchase shares of TurboScan at a rate of \$.55 per share, plus 3,500 bonus shares for a total of 21,682 shares;
- r. That D. T.’s shares of stock sold at \$11.50 per share;
- s. That D. T. made \$3.1 million on his investment, and that D. T.’s money was in the bank;
- t. Agent 1 told D. T. the Banking Commission, the SEC, and the many lawyers involved in the investment, needed to review the deal prior to releasing D. T.’s money from the bank;
- u. Agent 1 told D. T. that the review by the Banking Commission, the SEC, and the lawyers was complete;
- v. Agent 1 told D. T. that Agent 1 could find a better CD rate for D. T. and that Agent 1 had already set up a CD for D. T. that matured in March 2006;

- w. Agent 1 told D. T. the distribution from the sale of NY RailRoad.com stock was being delayed by the bank;
- x. Agent 1 told D. T. the bank was using D. T.'s money at night to do foreign exchange trading;
- y. Agent 1 told D. T. that D. T.'s money would be in D. T.'s bank account the following day;
- z. Agent 1 told D. T. that Agent 1's sister was in the hospital and Agent 1 would get D. T.'s money transferred as soon as he got away from the hospital;
- aa. Agent 1 told D. T. that Agent 1's sister had passed away, and in the same conversation told D. T. that D. T. had to sent \$6,000 to get D. T.'s money released from the World Bank;
- bb. Agent 1 told D. T. that D. T.'s money was in the World Bank;
- cc. Agent 1 told D. T. that Agent 1 was in the World Bank and was looking at documentation of the proceeds of D. T.'s investments, but that Agent 1 could not remove the documentation because to do so would violate the bank's rules;
- dd. The person who identified himself as Cucci told D. T. that Cucci was the head of World Bank, and that D. T.'s money was on deposit at the bank; and
- ee. Cucci told D. T. that D. T. needed to pay \$6,000 in bank fees before he would release the money.

49. In connection with the offer and sale of securities to Utah investors, Greenmill indirectly failed to disclose material information, including, but not limited to, the following:
- a. That investor money would be used to pay personal expenses;
 - b. That ETC Solutions, TurboScan, and NY RailRoad.com were not publicly traded companies;
 - c. That Greenmill Solutions, Inc. was not a broker-dealer licensed to sell stock;
 - d. How Greenmill's agents had obtained information about D. T.'s investments in Ambient Alert;
 - e. Some or all of the information typically provided in an offering circular or prospectus regarding Greenmill Solutions, Inc., ETC Solutions, TurboScan, and NY RailRoad.com, such as:
 - i. The business and operating history for Greenmill Solutions, Inc., ETC Solutions, TurboScan, and NY RailRoad.com;
 - ii. Identities of the principals of Greenmill Solutions, Inc., ETC Solutions, TurboScan, and NY RailRoad.com, along with their experience in this type of business;
 - iii. Financial statements for Greenmill Solutions, Inc., ETC Solutions, TurboScan, and NY RailRoad.com;
 - iv. The market for the product of the companies;
 - v. The nature of the competition for the product;

- vi. Current capitalization of the issuer;
- vii. A description of how the investment would be used by the businesses;
- viii. The track record of the companies to investors;
- ix. Risk factors for investors;
- x. The number of other investors;
- xi. The minimum capitalization needed to participate in the investment;
- xii. The disposition of any investments received if the minimum capitalization were not achieved;
- xiii. The liquidity of the investment;
- xiv. Discussion of pertinent suitability factors for the investment;
- xv. The proposed use of the investment proceeds;
- xvi. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
- xvii. Agent commissions or compensation for selling the investment;
- xviii. Whether the investment is a registered security or exempt from registration; and
- xix. Whether the person selling the investment is licensed.

Fraudulent Practices

50. Greenmill engaged in acts, practices, or courses of business that operate or would operate as a fraud or deceit on an investor, including, but not limited to, the following:

- a. Telling D. T. accurate information about D. T.'s prior investments in Ambient Alert, to gain D. T.'s trust;
- b. Telling D. T. that D. T.'s investment earned \$3.1 million dollars, and that D. T.'s money was "in the bank;"
- c. Telling D. T. to research the CD rates available in Utah, and then, instead of returning D. T.'s principal and interest, telling D. T. that he (Agent 1) set up a CD for D. T. in New York, with a better interest rate, that matured in three months;
- d. Telling D. T. that his (Agent 1's) sister died;
- e. Telling investor D. T. that D. T. had to pay \$6,000 in banking fees to release D. T.'s funds from the bank, and then having an individual, who represented himself to be the president of the World Bank, speak to D. T., and confirm the \$6,000 in banking fees; and
- f. Telling D. T. that he (Agent 1) would contribute \$3,000 of his own money, if D. T. could come up with the remaining \$3,000 to pay the banking fees.

III. CONCLUSIONS OF LAW

51. The service of the OSC and the Notice initiating these proceedings is valid upon Greenmill because Greenmill received actual notice in the mail on February 7, 2007.
52. Because Greenmill failed to file a written response to the February 2, 2007 OSC, and because it failed to appear at the March 22nd, 2007 initial hearing, it is in default.

53. The stock and investment contracts offered and sold by Greenmill are securities under the Utah Uniform Securities Act (the Act).
54. In connection with the offer and sale of securities, Greenmill misrepresented material facts to investors.
55. In connection with the offer and sale of securities, Greenmill failed to disclose material information to investors which was necessary to make the statements made not misleading.
56. By this conduct, Greenmill violated § 61-1-1(2) of the Act.
57. Greenmill engaged in acts, practices, or courses of business that operate or would operate as a fraud or deceit on an investor.
58. By this conduct, Greenmill violated § 61-1-1(3) of the Act.

IV. ORDER

Based on the above, the Director hereby:

1. Declares Greenmill Services, Inc. in default for failing to file a written response to the February 2, 2007 OSC and for failing to appear at the March 22, 2007 initial hearing.
2. Enters, as its own findings, the Finding of Fact described in Section II above.
3. Enters, as its own conclusions, the Conclusions of Law described in Section III above.
4. Finds that Greenmill Services, Inc. wilfully violated the Utah Uniform Securities Act by misrepresenting material facts in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).

5. Finds that Greenmill Services, Inc. wilfully violated the Utah Uniform Securities Act by omitting to disclose material information in connection with the offer and sale of a security in or from Utah in violation of § 61-1-1(2).
6. Finds that Greenmill Services, Inc. wilfully violated the Utah Uniform Securities Act by engaging in acts, practices, or courses of business that operate or would operate as a fraud or deceit on an investor in violation of § 61-1-1(3).
7. Orders Greenmill Services, Inc. to permanently CEASE and DESIST from any violations of the Act.
8. Orders Greenmill Services, Inc. to pay a fine of one hundred thousand dollars (\$100,000) to the Division, by June 29, 2007.

DATED this 3rd day of April, 2007.


WAYNE KLEIN
Director, Division of Securities



Pursuant to § 63-46b-11(3), Respondent may seek to set aside the Default Order entered in this proceeding by filing such a request with the Division consistent with the procedures outlined in the Utah Rules of Civil Procedure.

Certificate of Mailing

I certify that on the 12TH day of April, 2007, I mailed a true and correct copy of the
Notice of Entry of Default and Order to:

Greenmill Services, Inc.
809 Kings Highway, Suite 4
Brooklyn, NY 11223

CERTIFIED MAIL
7005 1820 0003 7190 5903

PAM RASZINSKI
Executive Secretary