Division of Securities
Utah Department of Commerce
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Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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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.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-07-0005 **Docket No.** SD-07-0006 **Docket No.** SD-07-0007 **Docket No.** SD-07-0008

It appears to the Director of the Utah Division of Securities (Director) that Greenmill Services, Inc., Michael Preston, Leo Wagner, and Ralph DiFalco (Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that Respondents violated §§ 61-1-1(2) (Securities Fraud) and 61-1-1(3) (Fraudulent Practices) of the Act, while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Greenmill Services, Inc. (Greenmill) 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.

3. Michael Preston (Preston) resides in Queens County, New York. At all times relevant to the matters asserted herein, Preston acted as an agent or representative of Greenmill.

4. Leo Wagner (Wagner) resides in Bronx County, New York. At all times relevant to the matters asserted herein, Wagner acted as an agent or representative of Greenmill.

5. Ralph DiFalco (DiFalco) resides in Kings County, New York.

GENERAL ALLEGATIONS

6. Between February 23, 2005 and February 2, 2006, Greenmill, Preston, Wagner, and DiFalco solicited a total of $77,600 in investments from at least eight Utah investors.

7. 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.

8. The Respondents failed to tell investors, among other things, that ETC Solutions, TurboScan, and NY RailRoad.com were not publicly traded companies.

9. 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

10. In late 2004, investor D. T. received a cold-call from someone who identified himself as Michael Preston of New York.

11. Preston told D. T. he was aware that D. T. had purchased stock in Ambient Alert, which was true. Preston had somehow obtained accurate information about D. T.'s purchase of Ambient Alert.

12. Preston told D. T. the following:

    a. That Preston 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 Preston 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 Preston had his own money invested and had a lot of stock to sell.

13. Preston gave D. T. Preston's two cell-phone numbers[1] and instructions on how to send the investment money.

14. 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.

15. 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 Preston. The remaining six investors invested through D. T., and never spoke directly with any of the Respondents.

16. The investors did not know, and the Division was unable to determine, how much stock of each company was supposedly bought by each investor.

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[1] One of the cell-phone numbers was traced to Omnipoint Communications, Inc., and belonged to a Phyllis Carter of Brooklyn, New York. It was a pre-paid cell-phone, last refilled in June 2006. The number is no longer working. The second cell-phone number was traced to Sprint Spectrum based in New York. The number belonged to Ralph Difalco of Brooklyn, New York. The account was disabled in November 2006.

17. 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.

18. 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[2].

19. A few months after D. T.'s first investment, Preston called D. T. and solicited more money.

20. D. T. told Preston he had no more money and would have to borrow against his credit cards.

21. Preston replied, "Get it wherever you can; this thing is going nuts."

22. On February 15, 2005, D. T. received an e-mail from a Leo Wagner 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.

23. 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.

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[2] Leo Wagner was the only name appearing on the signature card for Greenmill's bank account.

24. 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.

25. During the year in which D. T. invested at the urging of Wagner and Preston, D. T. spoke to Preston frequently.

26. During one conversation in April 2005, Preston told D. T. the stock sold at $11.50 per share and D. T. made $3.1 million on his investment. Preston told D. T. his money was in the bank.

27. During the next few conversations with Preston, Preston told D. T. that Preston needed to do one thing or another before the money could be released. For example, Preston told D. T. the Banking Commission, the SEC, and the many lawyers involved, needed to review the deal prior to releasing the money.

28. In November 2005, Preston 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).

29. Preston 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.

30. D. T. checked the CD rates available and reported his findings to Preston. Preston 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.

31. Preston supplied no documentation to D. T. about the CD.

32. On December 1, 2005, D. T. told Preston he had done no Christmas shopping because he had no money and his credit cards were charged to the limit.

33. Preston told D. T. that in 2000 Preston bought one million shares of NY RailRoad.com. Preston said he would sell D. T. his own shares at $.01 per share if D. T. invested $5,000 immediately. Preston 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.

34. Preston said if the stock did not increase that much, Preston would cash in his own bonds and pay D. T. Preston said "You'll never risk one penny," and that it was a "slam dunk."

35. Preston also encouraged D. T. to gather other investors.

36. 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.

37. In February 2006, Preston told D. T. the distribution from the sale of NY RailRoad.com stock was being delayed by the bank. Preston 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.

38. On February 18, 2006, Preston told D. T. that Preston's sister was in the hospital and he would get the money transferred as soon as he got away from the hospital.

39. On February 23, 2006, Preston told D. T. his sister had died. Preston also said D. T. needed to send $6,000 to get his money released from the World Bank.

40. Preston said he needed the money right away and asked D. T. to send it via Western Union.

41. D. T. told Preston he could not come up with the money.

42. Preston told D. T. he would contribute $3,000 of Preston's own money if D. T. could get his friends to come up with the other $3,000.

43. D. T. asked for proof that D. T.'s money was in the World Bank. Preston 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.

44. Preston put a person on the telephone, who called himself Genero Cucci (Cucci), to talk to D. T.

45. 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.

46. D. T. did not send any money to pay for bank fees.

47. Despite several demands for payment, D. T. has received no return of his principal or interest from his investments.[3]

Use of the Money Invested

48. Most of the money invested by D. T. and the other investors was withdrawn as cash from Wagner's account.

49. 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.

50. 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.

51. By June 30, 2006 Greenmill's bank account was empty.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act

52. The Division incorporates and re-alleges paragraphs 1 through 51.

53. The stock and investment contracts offered and sold by Respondents are securities under § 61-1-13 of the Act.

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[3] In addition to investing $35,000, D. T. also mailed (via Western Union) a set of golf clubs to Preston's girlfriend's father, worth $1,500. Preston never paid D. T. for the golf clubs.

54. In connection with the offer and sale of securities to Utah investors, Greenmill, Preston, Wagner, and DiFalco, directly or indirectly, made false statements, including, but not limited to, the following:

a. That Preston owned one million shares of NY RailRoad.com;

b. That Preston 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 Preston 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 Preston 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 Preston had his own money invested and had a lot of stock to sell;

n. Preston 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. Preston 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. Preston told D. T. that the review by the Banking Commission, the SEC, and the lawyers was complete;

v. Preston told D. T. that Preston could fine a better CD rate for D. T. and that Preston had already set up a CD for D. T. that matured in March 2006;

w. Preston told D. T. the distribution from the sale of NY RailRoad.com stock was being delayed by the bank;

x. Preston told D. T. the bank was using D. T.'s money at night to do foreign exchange trading;

y. Preston told D. T. that D. T.'s money would be in D. T.'s bank account the following day;

z. Preston told D. T. that Preston's sister was in the hospital and Preston would get D. T.'s money transferred as soon as he got away from the hospital;

aa. Preston told D. T. that Preston'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. Preston told D. T. that D. T.'s money was in the World Bank;

cc. Preston told D. T. that Preston was in the World Bank and was looking at documentation of the proceeds of D. T.'s investments, but that Preston 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.

55. In connection with the offer and sale of securities to Utah investors, Greenmill, Preston, Wagner, and DiFalco, directly and indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

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 Respondents 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.

56. Based upon the foregoing, Greenmill Services, Inc., Michael Preston, Leo Wagner, and Ralph DiFalco wilfully violated § 61-1-1 of the Act.

COUNT II
Fraudulent Practices under § 61-1-1(3) of the Act

57. The Division incorporates and re-alleges paragraphs 1 through 51.

58. Respondents 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 (Preston) 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 (Preston'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 (Preston) would contribute $3,000 of his own money, if D. T. could come up with the remaining $3,000 to pay the banking fees.

59. Based upon the foregoing, Greenmill Services, Inc., Michael Preston, Leo Wagner, and Ralph DiFalco wilfully violated § 61-1-1(3) of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Thursday, March 22, 2007, at 10:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

a. Why Greenmill Services, Inc., Michael Preston, Leo Wagner, and Ralph DiFalco should not be found to have wilfully engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Greenmill Services, Inc., Michael Preston, Leo Wagner, and Ralph DiFalco should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Greenmill Services, Inc. should not be ordered to pay a fine of one hundred thousand dollars ($100,000) to the Division of Securities;

d. Why Michael Preston should not be ordered to pay a fine of one hundred thousand dollars ($100,000) to the Division of Securities;

e. Why Leo Wagner should not be ordered to pay a fine of one hundred thousand dollars ($100,000) to the Division of Securities; and

f. Why Ralph DiFalco should not be ordered to pay a fine of one hundred thousand dollars ($100,0000) to the Division of Securities.

DATED this 2nd day of February, 2007.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

D. P.

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

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
GREENMILL SERVICES, INC.; **MICHAEL PRESTON;** **LEO WAGNER; and** **RALPH DIFALCO;** **Respondents.**	**Docket No.** SD-07-0005 **Docket No.** SD-07-0006 **Docket No.** SD-07-0007 **Docket No.** SD-07-0008

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed

explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Thursday, March 22, 2007, at 10:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 2nd day of February, 2007.

Wayne Klein

WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 2ND day of February, 2007, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

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

Certified Mail # 7005 1820 0003 7190 3884

Leo Wagner
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Ralph DiFalco
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Certified Mail # 7005 1820 0003 7190 3914

PAM RADZINSKI
Executive Secretary