

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	
)	
Country Depot, Inc.,)	FINDINGS OF FACT
3810 Avenue A, Suite G,)	CONCLUSIONS OF LAW AND
Kearney, Nebraska;)	ORDER TO
Dennis Pace, President;)	CEASE AND DESIST
And all other Officers, Directors,)	AND
Controlling Persons, Affiliates, and)	ORDER TO SHOW CAUSE
Employees)	
)	
RESPONDENTS)	

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Director, pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1124 (Reissue 1997; Cum. Supp. 2006) (“Act”). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 1997), the DEPARTMENT has investigated the acts of Country Depot, Inc., 3810 Avenue A, Suite G, Kearney, Nebraska (“COUNTRY DEPOT”); Dennis Pace, its President (“PACE”); and all other Officers, Directors, Controlling Persons, Affiliates, and Employees (collectively “RESPONDENTS”). Based upon its investigation, the DEPARTMENT hereby finds as follows:

FINDINGS OF FACT

1. COUNTRY DEPOT is a corporation organized under the laws of the State of Nebraska. According to the Articles of Incorporation filed with the Nebraska Secretary of State (“Secretary of State”) on or about April 14, 2005, COUNTRY DEPOT has its principal place of business located at 3810 Avenue A, Suite G, Kearney,

Nebraska. The registered office for COUNTRY DEPOT is located at 3611 East 39th Street, Kearney, Nebraska. PACE is the President and Registered Agent for COUNTRY DEPOT.

2. COUNTRY DEPOT was administratively dissolved on April 16, 2006, for failing to file an occupation tax return. COUNTRY DEPOT was subsequently reinstated on May 1, 2007, after it filed the appropriate tax return and paid the required fee.

3. COUNTRY DEPOT purportedly planned to operate multiple retail stores specializing in farm products. The first store was to be located in Kearney, Nebraska.

4. Between January 25, 2006, and July 19, 2007, COUNTRY DEPOT sold shares of its stock to at least thirty-three investors, including at least twelve investors who are Nebraska residents. At its offices in Kearney, Nebraska, COUNTRY DEPOT solicited investments from investors who are residents of other states and accepted investments from investors who are residents of other states.

5. On or about February 24, 2006, COUNTRY DEPOT filed a Form D with the United States Securities and Exchange Commission ("SEC"), claiming an exemption pursuant to Regulation D, Rule 505.

6. At all times relevant to this Order, COUNTRY DEPOT's shares of stock were not registered for sale in Nebraska under the Act. Further, COUNTRY DEPOT has not filed a claim of exemption with the DEPARTMENT pertaining to such shares.

7. At all times relevant to this Order, RESPONDENTS were not registered as broker-dealers or as agents of a broker-dealer under the Act.

8. On July 24, 2007, the DEPARTMENT issued a subpoena to COUNTRY DEPOT for documents relating to the sale of its stock. On or about August 16, 2007,

COUNTRY DEPOT provided the DEPARTMENT with a list of investors and copies of subscription agreements. In response to the DEPARTMENT's request for a list of potential investors, COUNTRY DEPOT, in its cover letter signed by PACE, stated that it was not currently "trying to find investors or sell any existing stock." In response to the DEPARTMENT's request for disclosure documents and promotional material provided to potential investors, the cover letter stated "The only information of that type we would have would be a 'Return on Investment Analysis' that was completed by a local attorney."

9. The "Return on Investment Analysis" that COUNTRY DEPOT provided to the DEPARTMENT projects COUNTRY DEPOT will generate an "Annual Return—Total Investment" in the first year of 17%, in the second year of 19%, in the third year of 20%, in the fourth year of 22% and in the fifth year of 25%. The document does not contain any information explaining the basis for the projections.

10. COUNTRY DEPOT provided some potential investors with a packet of information. The packet included, among other documents, a one-page financial projection and Articles of Organization for Country Depot, LLC, purportedly a Nebraska limited liability company.

11. The records of the Nebraska Secretary of State do not contain Articles of Organization for Country Depot, LLC.

12. The information provided to some potential investors did not disclose all material information regarding the investment, including, but not limited to, the risk factors associated with the investment, the current financial information of COUNTRY DEPOT, the names and backgrounds of the principal officers of COUNTRY DEPOT, or

information concerning the offering itself including, but not limited to, the number of shares that were to be sold or the use of the proceeds of such offering. Potential investors were also not informed that COUNTRY DEPOT had been administratively dissolved by the Nebraska Secretary of State for failure to file the occupation tax return.

13. During the course of its investigation, the DEPARTMENT has learned:
 - a. At least one Nebraska resident invested in COUNTRY DEPOT but was not included in the shareholder list provided by COUNTRY DEPOT; and
 - b. Residents of Kansas and South Dakota who have invested in COUNTRY DEPOT were not listed on the shareholder list provided by COUNTRY DEPOT.

CONCLUSIONS OF LAW

1. The shares of stock in COUNTRY DEPOT are securities, as defined by Neb. Rev. Stat. § 8-1101(15) (Cum. Supp. 2006), which are required to be registered or exempt from registration, by Neb. Rev. Stat. § 8-1104 (Reissue 1997). The facts described in Findings of Fact #4 through #6 constitute the sale of securities in Nebraska without registration or exemption, in violation of Neb. Rev. Stat. § 8-1104.
2. Neb. Rev. Stat. § 8-1108.01(1) (Cum. Supp. 2006) provides that whenever it appears to the Director that any person is selling securities without registering said securities the Director may order the issuer or offeror of such securities to cease and desist from the further offer or sale of such securities without having been registered under the Act.
3. Neb. Rev. Stat. § 8-1101(2) (Cum. Supp. 2006) defines broker-dealer as “any person engaged in the business of effecting transactions in securities for the account

of others or for his or her own account.” In offering and selling shares of its stock, COUNTRY DEPOT acted as a broker-dealer pursuant to Neb. Rev. Stat. § 8-1101(2).

4. Neb. Rev. Stat. § 8-1101(1) (Cum. Supp. 2006) defines agent as “any individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect sales of securities.” In offering and selling shares of COUNTRY DEPOT stock, PACE and any other officer, director, controlling person, affiliate, and/or employee involved in the offer and sale of the shares of stock acted as an agent pursuant to Neb. Rev. Stat. § 8-1101(1).

5. Neb. Rev. Stat. § 8-1103(1) (Cum. Supp. 2006) provides that it shall be unlawful for any person to transact business in Nebraska as a broker-dealer or agent unless registered under the Act. The facts set forth in Findings of Fact #4 through #7 constitute acting as a broker-dealer or agent in Nebraska without registration, in violation of Neb. Rev. Stat. § 8-1103(1).

6. Neb. Rev. Stat. § 8-1108.01(2) (Cum. Supp. 2006) provides that whenever it appears to the Director that any person is acting as a broker-dealer or an agent without registration as such, the Director may order such person to cease and desist from such activity unless and until he or she has been registered as such under the Act.

7. Neb. Rev. Stat. § 8-1102 (b) (Reissue 1997) provides that it shall be unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, 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 light of the circumstances under which they are made, not misleading.

8. The facts described in Findings of Fact #8 through #12 constitute the omission of material facts related to the offering of the shares in COUNTRY DEPOT, in violation of Neb. Rev. Stat. § 8-1102 (b), in that the information:

a. Failed to disclose risks associated with the investment, current financial information on COUNTRY DEPOT, the names and backgrounds of the principal officers of COUNTRY DEPOT, the number of shares to be sold, and the use of the proceeds of the offering;

b. Failed to provide the basis for the projections contained in the “Return on Investment Analysis” and financial projections provided to investors;

c. Failed to disclose that COUNTRY DEPOT had been administratively dissolved for non-payment of occupation taxes; and

d. Misrepresented COUNTRY DEPOT as a limited liability company.

9. Neb. Rev. Stat. § 8-1108.01(3) (Cum. Supp. 2006) provides that whenever it appears to the Director that any person is violating Section 8-1102, the Director may order such person to cease and desist from such activity.

10. Neb. Rev. Stat. § 8-1113 (Cum. Supp. 2006) provides that it is unlawful for any person to make, or cause to be made, a statement which, at the time and in the light of the circumstances under which it is made, is false or misleading in any material respect in any document filed with the Director under the Act.

11. The issuance of an Order to Cease and Desist is necessary in this matter and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

ORDER TO CEASE AND DESIST

IT IS, THEREFORE, CONSIDERED, ORDERED AND ADJUDGED that RESPONDENTS are ordered to immediately cease and desist from the further offer or sale of securities, including, but not limited to, the shares of stock in Country Depot, unless registered with the DEPARTMENT, or unless an exemption from registration under existing law can be shown by proof satisfactory to the DEPARTMENT.

IT IS FURTHER ORDERED that RESPONDENTS are ordered to immediately cease and desist from acting as a broker-dealer or agent unless registered with the DEPARTMENT, or unless an exemption from registration under existing law can be shown by proof satisfactory to the DEPARTMENT.

IT IS FURTHER ORDERED that RESPONDENTS are ordered to immediately cease and desist from the further offer or sale of securities unless all material facts are disclosed to potential investors.

RESPONDENTS, individually or jointly, may file a written request for a hearing with the DEPARTMENT at any time prior to 5:00 p.m. CDT on November 13, 2007. If such a request is received, a hearing shall be held within thirty (30) business days after receipt unless the parties agree to a later date or a hearing officer sets a later date for good cause. The party or parties requesting the hearing shall bear the cost of such hearing. If no hearing is requested and none is ordered by the Director, this Order shall become a final order on November 14, 2007, and remain in effect until modified or vacated by the Director.

DATED this 22nd day of October, 2007.

STATE OF NEBRASKA
DEPARTMENT OF BANKING & FINANCE

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