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ARKANSAS SECURITIES DEPT

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-15-0017
ORDER NO. S-15-0017-15-OR02

IN THE MATTER OF

THE BULLION GROUP, INC.; and
LUIS MANUEL PINEDA **RESPONDENTS**

CEASE AND DESIST ORDER

On August 28, 2015, the Staff of the Arkansas Securities Department ("Staff") filed its Request for Cease and Desist Order ("Request"). In its Request, the Staff states that it has certain information and evidence indicating that The Bullion Group, Inc. and Luis Manuel Pineda have violated provisions of the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509. The Arkansas Securities Commissioner ("Commissioner") has reviewed the Request and based upon the representations made therein finds that:

FINDINGS OF FACT

The Request contains the following representations of fact:

1. The Bullion Group, Inc. ("The Bullion Group") was a Florida corporation having a principal place of business located at 407 Lincoln Road, Suite 2B, Miami Beach, Florida 33139. The Bullion Group was administratively dissolved by the Florida Division of Corporations on September 26, 2014. The Bullion Group has never been registered with the Arkansas Securities Department ("Department") in any capacity pursuant to the Act.

2. Luis Manuel Pineda ("Pineda") is an individual currently residing in the state of Florida. Pineda was the president and registered agent of The Bullion Group. Pineda has never been registered with the Department in any capacity pursuant to the Act.

3. In April of 2015, Luis Pineda contacted Arkansas Resident One ("AR1") by phone to pitch an investment in The Bullion Group. AR1 was ninety-five years old at the time of the call. Pineda represented that The Bullion Group was a company specializing in the trade of gold and other precious metals. According to Pineda, he needed to raise capital to help with the startup costs of the company. In return for a capital contribution, Pineda offered to pay AR1 a weekly commission based on the sales produced by The Bullion Group.

4. On April 27, 2015, Pineda entered into an Investment Agreement ("Agreement") with AR1 on behalf of The Bullion Group. Under the terms of the Agreement, AR1 would make an initial investment of $33,300.00 with The Bullion Group in exchange for 10% commissions of the weekly sales produced by the company. Pineda executed the Agreement on behalf of The Bullion Group under the signature section labeled "Investee." AR1 executed the Agreement under the signature section labeled "Investor." A redacted copy of the Agreement was attached to the Request as Exhibit "A" and incorporated therein by reference for all purposes.

5. The Agreement incorporated a chart showing an approximation of uses and needs to which AR1's investment would contribute. The chart represented that AR1's investment would be used as follows:

Business Licenses	$2,500.00
Incorporation Expenses	$200.00
Utilities	$400.00
Phones	$4,000.00
Rent	$3,125.00
Interior Modifications	$750.00
Bright House	$1,000.00
Leads a month	$7,000.00
Receptionist	$1,600.00
Spiffs	$2,500.00
Office Furniture	$7,500.00
Phone Bill	$1,500.00
Total Startup	**$31,450.00**

6. However, while Pineda represented AR1's investment would be used for business purposes, Pineda later converted the entirety of the investment funds to his personal use. Specifically, Pineda used AR1's investment to pay for meals, entertainment, clothing, as well as to make large ATM cash withdrawals.

7. In addition to making false and misleading statements when soliciting AR1's investment, Pineda failed to disclose certain pertinent and material financial information related to the investment being offered, including, but not being limited to, the fact that the IRS had filed a federal tax lien against him on February 3, 2015, in the amount of $25,765.00.

8. The investment offered by Pineda and The Bullion Group was not registered as a security pursuant to the Act. Furthermore, in connection with this investment, the Staff found no record of a filing evidencing a proof of exemption in accordance with the Act and no notice filing pursuant to federal law in connection with a covered security. Since AR1 made his initial investment, Pineda has continued to solicit AR1 for additional funds on a regular and ongoing basis.

APPLICABLE LAW

9. Ark. Code Ann. § 23-42-102(17)(A)(xi) includes investment contracts under the Act's definition of a security.

10. Ark. Code Ann. § 23-42-102(10) defines issuer as any person who issues any security.

11. Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for any person to transact business as an agent of an issuer of securities without first being registered as such pursuant to the Act.

12. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security unless it is registered, exempt, or a covered security.

13. Ark. Code Ann § 23-42-507(2) makes it 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 the light of the circumstances under which they are made, not misleading.

CONCLUSIONS OF LAW

14. The subject investment transaction whereby AR1 invested money with The Bullion Group and was due to receive a return based solely on the efforts of the company is an investment contract as defined by Ark. Code Ann. § 23-42-102(17)(A)(xi). The transaction was promoted, offered, and sold on the premise that the investor would receive an economic benefit in the form of commissions to be paid from the sales of the company. The money invested was always subject to the risk that the Respondents would not fulfill promises and pay the return as advertised. The investor had no control over the sales process necessary to generate returns on the investment. There is no other set of laws or regulations which offer protection to the investor other than the applicable securities laws. The investment transaction was packaged, advertised, marketed, and sold as the type of investment that the Act is intended to govern. Therefore, the subject transaction is an investment contract under Ark. Code Ann. § 23-42-102(17)(A)(xi).

15. The security sold by The Bullion Group and Pineda was not registered with the Department, exempt from registration with the Department, or a covered security. Therefore, The Bullion Group and Pineda violated Ark. Code Ann. § 23-42-501 when they sold the subject security to AR1.

16. The Bullion Group is an issuer as defined by Ark. Code Ann. § 23-42-102(10). The facts set out above demonstrate that Pineda represented The Bullion Group in effecting or attempting to effect the purchases or sales of securities to investors. Therefore, Pineda acted as an unregistered agent of an issuer in violation of Ark. Code Ann. § 23-42-301(a).

17. The Bullion Group and Pineda committed securities fraud in violation of § 23-42-507(2) by making false and misleading statements to AR1 and by omitting to state material facts necessary to make statements made, in light of the circumstances under which they were made, not misleading, as set forth above in paragraphs four through 8. Specifically, The Bullion Group and Pineda falsely represented to AR1 that investment funds would be used for business purposes, and not for Pineda's exclusive personal use. The Bullion Group and Pineda further omitted to inform AR1 that the IRS had recently levied a federal tax lien against Pineda in the amount of $25, 765.00, which is information a reasonable investor would want to know prior to making an investment.

ORDER

18. Respondents shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-501, and refrain from soliciting, offering, and/or selling securities in Arkansas unless the securities are properly registered pursuant to the Act, exempt from such registration, or a covered security.

19. Respondent Pineda shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-301, and refrain from acting as an agent of the issuer until such time as he is properly registered or shown to be exempt from registration pursuant to the Act.

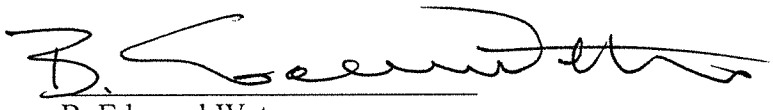
20 Respondents shall immediately cease and desist from further violations of Ark. Code Ann. § 23-42-507(2), and refrain from committing fraud or deceit in connection with the offer or sale of any securities in Arkansas.

21. A hearing on this Cease and Desist Order shall be held if requested by any of the Respondents in writing within thirty days of the entry of this Order or if otherwise ordered by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(A). Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
201 East Markham, Suite 300
Little Rock, Arkansas 72201

22. If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)(B).

Dated this 28th day of August, 2015.



B. Edmond Waters
Arkansas Securities Commissioner