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ARKANSAS SECURITIES DEPT.

BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
Case No. S-14-0097

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IN THE MATTER OF  
TIMOTHY ALONZA LILLY, and  
BLW DEBT RESOLUTION, LLC

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REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (Staff) has received information and has in its possession certain evidence which indicates that Timothy Alonza Lilly and BLW Debt Resolution, LLC, (BLW) have violated provisions of the Arkansas Securities Act (Act), codified at Ark. Code Ann. §§ 23-42-101 through 509.

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of the Act, and is therefore properly before the Arkansas Securities Commissioner (Commissioner) in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENTS

2. BLW is an Arkansas limited liability company formed on April 7, 2010. Lilly is listed as an incorporator/organizer in the records of incorporation on file with the Arkansas Secretary of State. Its principal office was 34 River Bend Road, Mayflower, Arkansas.
3. Lilly is a resident of Arkansas whose current address is in Maumelle, Arkansas. At the time BLW was formed, his residential address was in Mayflower, Arkansas, and the same as BLW's principal address. Until November 2009, Lilly had been an insurance agent licensed with the Arkansas Insurance Department (AID). At all times relevant to the facts

herein, however, Lilly was not licensed or registered with either the Arkansas Securities Department (ASD) or the AID.

### FACTS SUPPORTING CEASE AND DESIST ORDER

4. Sometime in 2011, Lilly approached AR, an Arkansas resident who had been an insurance client of Lilly's when he was employed as an insurance agent. Lilly told AR about an investment opportunity with BLW paying a return of 20% over two years, Specifically, Lilly told AR that if he invested, by the end of two years, AR would receive back the amount of his investment (principal), plus 20% of the principal.
5. This return on investment would be realized, Lilly told AR, by the purchase and collection of debt. Lilly produced a document entitled Joint Venture Agreement (JVA) which was used as a contract, although Lilly did not discuss or emphasize any part of the JVA. The JVA specified that the purpose of the venture would be the "purchase of debt . . . for collection." According to the JVA, BLW's contribution to this venture would be "to purchase debt and monitor collection," and AR's contribution was to "provide capital of at least 50 thousand dollar blocks for purchase of debt for collection." Under the heading of "Duties of Members," AR's duties were further specified: "No ongoing duties apart from venture capital." The JVA specified the return on AR's investment as 20% within two years, but up to 80% after the two year period expired.
6. On December 20, 2011, AR invested \$59,500 with BLW through Lilly. Lilly signed the JVA on behalf of BLW and noted in a handwritten notation that AR had given BLW a check for \$70,000, and he had given AR back a check for \$10,500, thus resulting in an

investment of \$59,500.

7. Since then, AR has received checks totaling \$24,855.60. This amount covered the \$11,900 in interest and \$12,955.60 of the principal due AR. The term of this investment began on the date the JVA was signed and AR's check was written to BLW, December 20, 2011. Thus, the two-year term was over in December 2013, yet AR has not been payed back what was promised.
8. A check of the records of the ASD shows no registration of any security issued by BLW, no proof of exemption and no notice filing required in the case of a covered security.
9. The Staff has found no filings pertaining to any securities issued by BLW made with the SEC, including any filings that could be made pursuant to Regulation D.

#### APPLICABLE LAW

10. Ark. Code Ann. § 23-42-102(17)(xi) defines a security as an investment contract.
11. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act or federal law.
12. Ark. Code Ann. § 23-42-102(13) defines the word, person, to include an individual as well as a limited liability company and other business and governmental entities not relevant here.

#### VIOLATIONS OF LAW

13. The investment made by AR in BLW was an investment contract and therefore a security. In accordance with Ark. Code Ann. § 23-42-102(17)(A)(xi) and Arkansas case law, an

investment contract is the investment of money into the risk capital of a common enterprise or venture with the expectation of benefit or profit with no effective control over the venture. As noted above, according to Lilly's statements to AR that he could receive the return promised in the JVA simply by investing and the clear statements made in the JVA, as between the two parties to the JVA, the efforts to be made to realize this return on investment were BLW's efforts, alone, and AR's efforts were limited to the investment, itself. The JVA made AR's duties clear: "No ongoing duties apart from venture capital."

14. The facts set out above in ¶¶1 through 9 show that the Respondents offered and sold an unregistered security to AR which was not registered in accordance with the Act, a violation of Ark. Code Ann. § 23-42-501.

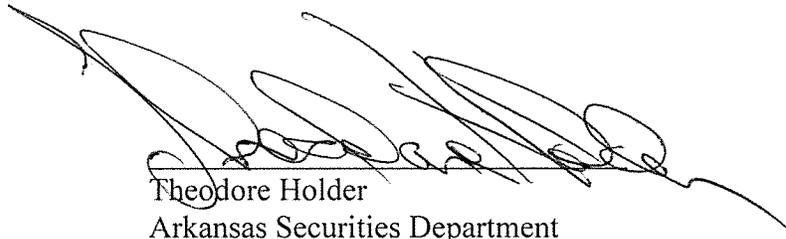
#### LEGAL AUTHORITY TO ISSUE CEASE AND DESIST ORDER

15. Ark. Code Ann. § 23-42-209(a)(1)(A) provides that whenever it appears to the Commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, he may summarily order the person to cease and desist from the act or practice.

WHEREFORE, the Staff respectfully requests that the Commissioner summarily issue a cease and desist order against BLW Debt Resolution, LLC, and Timothy Alonza Lilly as well as others whose identities are not yet known who are employed by or otherwise affiliated with that entity or Lilly who receive actual notice of the order, ordering them to cease and desist from any further actions in the state of Arkansas in connection with the offer or sale of securities, as set out

further actions in the state of Arkansas in connection with the offer or sale of securities, as set out in ¶¶ 1 - 9, until such time as the securities in question are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act. It is further requested that the Commissioner order the Staff to continue its investigation into this matter to determine other possible violations of the Act by BLW, Lilly and any affiliates or associates whose identities and/or actions are presently unknown to the Staff, including but not limited to securities fraud.

Respectfully submitted,



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