

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

Case No. S-14-0097

Order No. S-14-0097-15-OR02

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ARKANSAS SECURITIES DEPT.

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

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CEASE AND DESIST ORDER

On August 20, 2015, the staff of the Arkansas Securities Department (Staff) filed its Request for a Cease and Desist Order (Request), stating that the Staff has information and certain evidence that indicates 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 – 509. The Arkansas Securities Commissioner (Commissioner) has reviewed the Request and, based upon representations made therein, finds that:

FINDINGS OF FACT

1. The Request asserts the following representations of fact:
  - a. BLW is an Arkansas limited liability company formed on April 7, 2010. Lilly is listed in the records of incorporation on file with the Arkansas Secretary of State. Its principal office was 34 River Bend Road, Mayflower, Arkansas.
  - b. 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.

- c. 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, AR would receive back the amount of his investment (principal), plus 20% of the principal.
- d. 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.
- e. 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.
- f. 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.

- g. 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.
- h. The Staff has found no filings pertaining to any securities issued by BLW made with the United States Securities and Exchange Commission, including any filings that could be made pursuant to Regulation D.

### CONCLUSIONS OF LAW

2. 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. The business of BLW was to purchase and collect debt. BLW was to purchase the debt and collect it, and AR's contribution was limited to the investment of capital with which to purchase the debt. Control of the venture lay totally with BLW. This was a passive investment comprised of the investment of money in the risk capital of a venture with the expectation of benefit from the efforts of others— here BLW and Lilly—with no direct control over the investment by AR, the investor. This investment was an investment contract and therefore a security.
3. The facts set out above in ¶¶ 1.a through 1.h 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.

4. The Commissioner is empowered by Ark. Code Ann. § 23-42-205(a) to make any public or private investigations within or outside of Arkansas which he deems necessary to determine whether any person has violated or is about to violate any provision of the Act or any rule or order issued or promulgated under the Act or to aid in the enforcement of the Act. Based on the representations made by the Staff in its pleadings, it is appropriate that the Staff continue its investigation to determine if other violations of the Act and Rules of the Arkansas Securities Commissioner (Rules) have occurred. This investigation should include the total amount and type of securities offered and sold by or through the agency of any of the Respondents or any associated or affiliated entities or persons as yet unknown, the methods used and representations made in connection with the offer and sale of securities and the disposition of any funds invested.

#### ORDER

IT IS THEREFORE ORDERED that Timothy Alonza Lilly and BLW Debt Resolution, LLC, CEASE AND DESIST from any further actions in the state of Arkansas in connection with offering and selling securities until such time as any securities offered or sold are properly registered, shown to be exempt from registration pursuant to the Arkansas Securities Act or are shown to be covered securities under federal law.

The Staff of the Arkansas Securities Department shall continue its investigation into Lilly and BLW and any other affiliated persons or entities to determine what, if any, other violations of the Act or Rules have occurred.

A hearing on this Order shall be held if requested by any Respondent in writing within thirty days of the date of the entry of this Order, or if otherwise ordered by the Arkansas Securities

Commissioner. 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

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

IT IS SO ORDERED.



B. Edmond Waters  
Arkansas Securities Commissioner

8-20-15  
Date