

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-21-0009

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:
TRUE BULLION LLC DBA GSI EXCHANGE LLC

RESPONDENT

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) has received information and has in its possession certain evidence indicating that True Bullion, LLC d/b/a GSI Exchange, LLC (“True Bullion”) has violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. §§ 23-42-101 through 23-42-509.

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.

RESPONDENT

2. True Bullion is a business entity organized and operating under the laws of the State of Delaware. True Bullion is operating its business at: 1) 4440 PGA Boulevard, #600, Palm Beach Gardens, Florida 33410; 2) 26635 West Agoura Road, #220, Calabasas, California 91302; and 3) 3838 Oak Lawn Avenue, Dallas, Texas 75219.
3. True Bullion is not registered with the Arkansas Securities Department (“Department”) in any capacity. Further, no individual person working for or employed by True Bullion is registered with the Department in any capacity.

FACTS SUPPORTING REQUEST FOR CEASE-AND-DESIST ORDER

4. True Bullion is soliciting senior citizens and other persons residing in Arkansas to purchase precious metals.
5. True Bullion is representing that the securities that potential investors own are not safe investments and ownership of those securities subjects the investor to significant risks of loss.
6. True Bullion is encouraging potential investors to protect their investments by liquidating their securities and using the proceeds to purchase precious metals through self-directed individual retirement accounts (“Self-directed IRAs”).
7. Self-directed IRAs are accounts that are directly managed by the account holder. It allows the holder to invest in a variety of alternative investments, such as precious metals, that are normally prohibited in IRAs.
8. True Bullion maintains a website at www.gsiexchange.com. True Bullion states that it “...is a leading national coin and precious metals company specializing in wholesale trading, the establishment of a gold IRA or silver IRA for individual investors. ...”
9. The website includes a tab for Precious Metals IRA that is accessible to all who visit it. When one clicks on the tab, the first thing seen is the statement, “Protect Your IRA/401(K)-Shield Yourself From Fed Induced Hyper-Inflation.” This starts True Bullion’s attempt to convince investors to invest in precious metals.
10. True Bullion then makes the following representations on its website:

(a). "...[b]ut the inflationary outcome of increasing the national debt along with the money supply will be absolutely devastating to retirees who rely on fixed-income to pay for retirement."

(b). "Inflation can and will severely erode your purchasing power. If you depend on fixed income to fund your retirement, a severe inflationary environment can deplete your retirement savings, leaving you with little to no money left to live out the rest of your years."

(c). "Every time the government spends money, it's a claim on your future income, if not through taxation, then through monetary debasement."

(d). "The only viable solution you have to preserve your capital and grow your wealth in periods of high inflation is to convert your savings to 'sound money' - -specifically, physical non-CUSIP gold and silver."

11. True Bullion lists on its website the following two ways that an investor can get involved with a Self-directed IRA:

(1). *"You can choose to take an early IRA or Retirement payout – pay any penalties and taxes and then invest the cash into Silver and Gold bullion, limited availability coins, and other numismatic collectibles. While you would have some losses, you would save the bulk of your retirement and convert that money into a very private, very portable asset which YOU CONTROL."*

(2). *"You can also choose to convert some or all of your IRA into a Precious Metals IRA – and we will help you offset some of your costs and make it easy for you."*

12. True Bullion's website states that its investment management team can help one better understand...the maximum amount one should invest in a precious metals IRA.

13. True Bullion's website claims that investing in a precious metals IRA will safeguard one's wealth from a volatile stock market, will protect one against the devaluation of the US dollar, and gives one control over one's holdings.
14. The website boasts that True Bullion has IRA Experts standing by to help one make the best decisions concerning one's retirement funds.
15. Missing from the True Bullion website is any type of disclosure of any risk that potential investors might face with investing in precious metals.
16. True Bullion has secured more than 450 clients from 44 states, and their transactions involve more than \$32 million.
17. At least two Arkansas residents have liquidated their securities holdings in retirement accounts to make purchases of precious metals upon the advice of representatives from True Bullion.
18. Arkansas Resident 1 (AR1) opened a Roth Contributory IRA with Charles Schwab in 2013.
19. Prior to July 2020, AR1 discovered True Bullion on Facebook and began researching the company. Upon completion of his research, AR1 decided that True Bullion was a good fit for him
20. True Bullion then began to aggressively reach out to AR1 through email about purchasing precious metals with it. Finally, AR1 purchased precious metals during July 2020.
21. To make the purchase, AR1 liquidated his Charles Schwab account. At the time of liquidation, AR1 had \$28,610.06 consisting of cash and securities.
22. On August 4th, 2020, AR1 purchased 38 Gold Canadian Bull ¼ oz. 2020 coins at \$749.95 per coin. After adjustments, AR1 spent \$28,315.06.

23. Records reveal that on December 31st, 2020, AR1's precious metals were only worth \$17,975.14. That is a \$10,634.92 difference between what AR1 had while invested at Charles Schwab.
24. Arkansas Resident 2(AR2) opened a Traditional IRA with Fidelity Investments in 2018.
25. To make the purchase of precious metals, AR2 liquidated her Fidelity Investments account during February 2020.
26. At the time of liquidation, AR2 had over \$9,000.00 in cash and securities.
27. In addition to the above facts, the Staff learned that True Bullion was actively concealing the investigation into its activities from investors. True Bullion was telling investors that the investigation was for an issue with the gold and silver supply chain and that the investors should tell investigators that they were pleased with True Bullion.

APPLICABLE LAW

28. Ark. Code Ann. § 23-42-102(17)(A) defines "security" to include stocks and bonds.
29. Ark. Code Ann. § 23-42-102(9) defines "investment adviser" as any person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. "Investment adviser" includes a financial planner or other person that, as an integral component of other financially related services, provides or holds himself, herself, or itself out as providing investment advice to others for compensation and as part of a business.

30. Ark. Code Ann. § 23-42-301(c) states that it is unlawful for a person to transact business in this state as an investment adviser or investment adviser representative without first being registered pursuant to the Act.
31. Ark. Code Ann. § 23-42-307(a)(3) states that it is unlawful for any investment adviser or representative to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which is made, not misleading.
32. Ark. Code Ann. § 23-42-209(a) states that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory 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, the Commissioner may summarily order the person to cease and desist from the act or practice.

CONCLUSIONS OF LAW

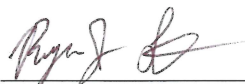
33. The securities that were liquidated in AR1 and AR2's account consisted of stocks and bonds as defined by Ark. Code Ann. § 23-42-102(17)(A).
34. True Bullion acted as an investment adviser under Ark. Code Ann. §§ 23-42-102(9) by engaging in the business of advising others as to the value of securities through the language and representations made on its website as stated above in paragraphs 8-15. Additionally, True Bullion acted as an investment adviser by advising AR1 and AR2 to liquidate the securities held in their respective account. True Bullion violated Ark. Code Ann. § 23-42-301(c) by conducting business as an investment adviser in Arkansas without being registered with the Department pursuant to the Act.

35. True Bullion violated Ark. Code Ann. § 23-42-307(a)(3) by making false and misleading statements of material fact and omitting to make statements made, in light of the circumstances under which they were made, not misleading, including but not limited to, making exaggerated statements on how inflation will affect one's savings; claiming that the only viable way to preserve one's capital and grow wealth is through converting savings into gold and silver; and making untrue statements regarding how the government will affect one's wealth.
36. The conduct, acts, and practice of True Bullion threaten immediate and irreparable public harm. A cease and desist order is in the public's interest and is appropriate in accordance with Ark. Code Ann. § 23-42-209(a).

PRAYER FOR RELIEF

37. WHEREFORE, the Staff respectfully requests that the Commissioner order True Bullion and its agents or employees to immediately CEASE AND DESIST from advising and/or assisting Arkansas residents in selling any securities in order to purchase precious metals from True Bullion unless and until True Bullion and its agents or employees are properly registered with the Department; from advising and/or assisting Arkansas residents in the sale of securities, and for all other relief to which the Staff may be entitled.

Respectfully Submitted,



Ryan J. Little
Staff Attorney
Arkansas Securities Department