BEFORE THE ARKANSAS SECURITIES COMMISSIONER
Case No. S-14-0097
Order No. S-14-0097-17-OR03

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

CEASE AND DESIST ORDER

On March 16, 2017, the staff of the Arkansas Securities Department (Staff) filed its Request for a Second Cease and Desist Order stating that it has information and certain evidence that indicates Timothy Alonza Lilly, BLW Debt Resolution , LLC (BLW) and RENU by BNT, LLC have violated provisions of the Arkansas Securities Act (Act) codified at Ark. Code Ann. §§ 23-42-101 – 509. A cease and desist order had been issued on August 15, 2015 from offering or selling securities until such time as the securities offered or sold were registered or exempt from registration pursuant to the Arkansas Securities Act, §§ 23-42-101 through 23-42-509 (Act). In that order the Staff was directed to continue its investigation to determine whether any other violations of the Act had occurred. The Arkansas Securities Commissioner (Commissioner) has reviewed the Request (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 and William E. Williams are listed in the records of organization on file with the Arkansas Secretary of State as organizers of BLW. Its principal office is listed as 34 River Bend

Road, Mayflower, Arkansas.

b. RENU by BNT, LLC[1] (RENU) is an Arkansas limited liability company formed on February 8, 2011. Lilly and Williams are listed in the records of organization on file with the Arkansas Secretary of State as organizers of RENU. Its principal office is listed as 34 River Bend Road, Mayflower, Arkansas.

c. Lilly is a resident of Arkansas whose address is 34 River Bend Road, Mayflower, Arkansas, the same as BLW's and RENU's principal addresses. Lilly had been an insurance agent licensed with the Arkansas Insurance Department (AID) until November 2009, at which time his license was revoked[2]. 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.

d. Williams is a resident of Arkansas whose current address is in Sherwood, Arkansas. Williams was an insurance agent licensed with the AID from March 1984 until April 2011, when his license expired for failure to renew, and he retired. Williams has never been registered with the ASD in any capacity.

e. The inspiration for the formation of BLW was a book by Bill Bartman, *Bailout Riches: How Everyday Investors Can Make a Fortune Buying Bad Loans for Pennies on the*

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[1]The organizational documents filed with the Arkansas Secretary of State apparently contain a typographical error and identify this limited liability company as RENU by BTN, LLC. Because it was intended to be known as RENU by BNT, the BNT standing for Bill and Tim, and it appears it was always referred to using BNT, it is referred to herein in that way.

[2]*See In the Matter of Timothy Alonza Lilly, License No. 122347 and Covenant Senior Advisors, LLC, License No. 300713*, A.I.D. No. 2009-091 (Arkansas Insurance Commissioner November 12, 2009).

Dollar[3] (*Bailout Riches*). According to *Bailout Riches*, Bartman became a billionaire in the late 1980s and the 1990s by purchasing defaulted consumer debt (bad debt or debt) from banks for "pennies on the dollar" and collecting the debt (usually a part of it). Bartman's company, Commercial Financial Services (CFS), had been located in Tulsa, Oklahoma. CFS securitized its debt and sold bonds backed only by debt collections. Eventually, it all fell apart when Bartman's partner, Jay Lowell Jones, admitted in a guilty plea to federal criminal charges that the value of the bonds had been falsely propped up by sales of bad loans to a company owned by Jones, which were booked as loan collections and thereby falsely inflated the amount of debt collections attributed to CFS. Jones admitted that he had financed a part of the purchases of the bonds and accused Bartman of helping to orchestrate the fraud and financing 80% of the loan purchases. Bartman was charged in a fifty-seven count indictment with fraudulent activity including wire fraud, mail fraud, money laundering and conspiracy to commit those offenses. Even though Bartman was acquitted by a federal court jury in Tulsa in December 2003[4], CFS was defunct by then.

f. After Williams read *Bailout Riches*, he approached Lilly about starting a business based on Bartman's business plan. The two signed up for a two-day seminar with the Bill Bartman Business Institute (BBI) held in Palm Springs, California in early 2010. They went back for a week long seminar shortly thereafter. BLW was formed by Lilly and

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[3]*Bailout Riches: How Everyday Investors Can Make a Fortune Buying Bad Loans for Pennies on the Dollar*, by Bill Bartman and Jonathan Rozek (John Wiley & Sons, Inc. 2009).

[4]*See United States of America v. William R. Bartman, et al.*, No. 03-CR-00163-H (N. D. OK December 3, 2003).

Williams as an Arkansas limited liability company on April 7, 2010. Although Bartman had no ownership or control over BLW, the letters stood for Bartman, Lilly and Williams.

g. The business plan produced by BBI for BLW was to purchase portfolios of bad debt that had been identified and vetted by BBI and then collect enough of that debt to make a substantial profit. Lilly and Williams intended to contract with BBI to collect the debt for them and always remain passive investors. Part of BBI's business plan was for investors such as BLW to purchase defaulted debt from banks and to have those banks also finance the purchase of that debt, which is how Bartman had done business with CFS.

h. In June 2010, Bartman formed CFS2, Inc., (CFS2) an Oklahoma for profit corporation, which replaced BBI, and BLW did business with CFS2 from that point forward. As it turned out, CFS2 did not have a lot of bad debt identified to purchase. When it was identified and vetted, BLW would purchase one or more portfolios of bad debt from the National Loan Exchange, Inc. (NLEX) by wiring the funds for the purchase to NLEX. BLW was required to pay a Bartman entity, Success Support System (Success), $1,399 per month to pay for the services of a mentor or coach. For collecting the debt for BLW, CFS2 was paid a third of anything collected.

i. Lilly and Williams discovered that unlike when CFS was doing business before Bartman's indictment, banks would no longer finance the purchase of any bad debt. CFS2 devised a new method for obtaining financing the purchase of debt: place investor funds in certificates of deposit (CDs) and then pledge these CDs as collateral for revolving lines of credit (LOCs) to use for the purchase of bad debt. Having set up BLW to operate in this way, investors were sought primarily by Lilly, beginning in 2010.

INVESTORS

AR1

j. AR1 was a native of Arkansas born in 1932 who had lived most of his adult life in another state. After retirement and the death of his wife, he moved back to his hometown and married a woman he had known since childhood. After he moved back to Arkansas in retirement, AR1 purchased several equity indexed annuities (EIAs) from Lilly. After Lilly lost his insurance license in 2009, Williams took over as the insurance agent for AR1.

k. Lilly offered AR1 an investment opportunity in BLW. To invest in BLW, AR1 wrote BLW two checks, one for $100,000 and one for $240,000, each of which were used to purchase CDs for those amounts. Each of these CDs were then used to collateralize an LOC, one for $100,000 on June 4, 2010, and the other for $240,000 on June 22, 2010. BLW issued two instruments in return for these checks.

   i. The first one, dated June 17, 2010, was entitled "Interest Contract." It recited that interest payments of 15% per annum "for the use of [a] CD with approximate value of $240,000 as collateral against a line of credit" from an Arkansas bank would begin on October 15, 2010, and continue quarterly until July 15, 2011, at which time the principal and interest would become due and payable "or rolled into a new line of credit," the decision being AR1's "to withdraw or renew."

   ii. The second instrument, dated November 14, 2010, was entitled "Promissory Note," and it reflected a debt of $300,000 from BLW to AR1 and his wife. It subsumed the $240,000 involved in the Interest Contract executed in June 2010 as well as the other $100,000 invested. This note provided that it and all proceeds from it be assigned to his wife : " . . . all monies/finances previously owed by BLW to [AR1] are to be

permanently transferred to [AR1's wife]." This promissory note was to be repaid in 300 consecutive monthly installments–a twenty-five year period– of no less than $1,000– which would have been the repayment of the $300,000 principal and an interest free loan– and no more than $3,000, which would have been a threefold increase of the $300,000 stated principal.

iii. The "Promissory Note" contained the following warning against advance payments over $3,000 a month:

> If any advance payment above the maximum monthly amount of 3000.00 is requested it WILL EFFECT THE TOTAL AMOUNT REMAINING ON THE NOTE. Because assets will have to be sold at a loss to provide the additional funds the predetermined agreed on rate will be 7 to 1.

l. BLW made payments of varying amounts to AR1 beginning in August 2010 and ending in April 2014 totaling $100,365. Each monthly payment was equal to or greater than $1,000 except for the last four, which were for $800, $700, $700 and $500. The last check was written in April 2014.

m. Each LOC was drawn down to the maximum allowable, $340,000, and each CD was taken by the bank to satisfy the debt in June 2011.

n. AR1 died in August 2014.

AR2

o. AR2 is used to refer to a married couple. They were offered an investment opportunity and they invested in BLW. The wife was the adult daughter of the woman AR1 married upon moving back to his hometown in Arkansas. Knowing only that the investment had something to do with bad debt and a promise of a good return, the wife invested

$20,109.04 and the husband invested $40,159.20 on January 21, 2011. Eventually, AR2 decided they did not feel comfortable with the investment and asked for their money back. They were paid their investments back with a return of 15%, the wife receiving a check for $23,125.39 and the husband receiving a check for $46,183.08, each dated April 18, 2012.

AR3

p. AR3 had been an insurance client of Lilly. He recommended that AR3 invest in BLW, and she did so, investing $120,000, comprised of a $70,000 investment that was used to purchase a CD that was used to collateralize an LOC in May 2010 and a $50,000 wire transfer in November 2011.

q. AR3 was well over 65 years old when she made these investments.

r. AR3 received five payments on an irregular, sporadic schedule totaling $18,025 from August 2010 to August 2011, the checks being written by both Lilly and Williams on a BLW account and a RENU account, which was controlled by Lilly. AR3's two daughters were uneasy about the investment and insisted that Lilly pay her back with interest. Williams wrote AR3 a final check dated February 6, 2012, for $134,683.03. This amount, added to the five payments previously made to AR3, amounted to a return of 27.26%.

s. AR3 died in December 2012.

AR4

t. AR4 is a 75 year old Arkansan who is retired and was seeking reliable monthly income.

u. Lilly offered AR4 an investment opportunity, and AR4 wrote a $65,000 check dated February 15, 2011 to BLW with the notation, "Debt Purchase 15% interest," written on the memo line of the check.

v. Memorializing the $65,000 investment, Lilly presented AR4 with a promissory note promising AR4 5% interest on her investment over ten years, payable in payments of $540 a month. In discussing an investment with Lilly, AR4 checked her financial situation and told him that she needed at least $540 a month to pay her bills. AR4 is identified in the promissory note as the lender and BLW as the borrower in this note. AR4 gave Lilly this money only to obtain the 5% interest and the $540 per month payment. She was not in the business of loaning large sums of money. This amount of money comprised almost half of her retirement funds.

w. As of December 31, 2016, AR4 had received $30,050.00 on this investment.

AR5

x. AR5 was an insurance client of Lilly's born in 1941 who had retired. She and her husband had purchased three EIAs from Lilly while he had held an insurance license. Dissatisfied with the returns on the EIAs and seeking a higher return on her investment, AR5 agreed to Lilly's suggestion that she liquidate all but approximately $2,000 of each of the three EIAs, which was the maximum allowed that would keep the EIAs in force, and loan the proceeds to him, which Lilly represented would net AR5 a larger return on investment. Lilly filled out the forms that were needed in order for the EIAs to be liquidated and instructed the insurance company to write the checks to AR5 but send them to Lilly's address.

y. AR5 liquidated most of the three EIAs in accordance with Lilly's recommendation with a contract value of $123,396.35, but incurred surrender charges of $15,320.75, which was 12.42% of the contract value of the EIAs, realizing $98,055.16 after the deduction of withheld taxes. Although AR5 thought she would incur surrender charges by liquidating

these EIAs, Lilly did not tell her what the surrender charges were, and she assumed they were insignificant.

z. AR5 invested the $98,055.16 received from liquidating the three EIAs with Lilly at a return of 5% per annum. This investment was memorialized in a promissory note reflecting a $100,000 investment and dated August 31, 2011 that bears a remarkable resemblance to the promissory note signed by AR4, but the note signed by AR5 was a one-year note and was between RENU and AR5, RENU identified as Borrower and AR5 identified as Lender. AR5 was not in the business of loaning money to people. She put this money with Lilly only to realize a better return on her investment than she thought she was getting from the EIAs in which she had invested the money. This money was the total amount of the retirement savings of AR5 and her husband.

aa. AR5 has received one check for $4,000, which she requested to pay income taxes on the liquidation of the EIAs, which was a taxable event.

bb. AR5 received a statement from Lilly in March 2015 showing that she had accrued interest of over $5,000 per year for the years 2013, 2014 and 2015, each year ending on March 15 (even though the note was signed on August 31), resulting in a balance due her of $117,294.03. Believing she is making money on the investment, she has not requested payments from RENU other than the $4,000 noted above and has received none. The note is payable yearly, and AR5 has renewed it every year.

AR6

cc. AR6 met Lilly when she and her deceased husband purchased EIAs from Lilly in 2008 or 2009. Acting on her own because her husband had become incapacitated by illness, AR6 took some actions that resulted in a loss of money and the liquidation of the EIAs Lilly

had sold her. In late 2011 she was trying to find something to do with the money she received from liquidating the EIAs. She reached out to Lilly, who told her she could invest with BLW. The investment was outlined in a contract labeled "Partnership Agreement" (AR6 Agreement). It recited that the purpose of the partnership would be "endeavors including buying charged off debt and have a 3rd party collect." AR6's capital contribution was recited to have been cash or property valued at $750,000. At one point in the partnership it was stated that all profits and losses would "accrue to and be borne by the Partners in equal proportions," but in a later provision AR6's return on investment was further specified. First, "[a]ll statements will be figured by adding an additional 2% to [AR6's revocable trust]." Second, "[p]rofits are to be split on a 80/20 [*sic*] (80% to the Trust, 20% to BLW)." Third, compensation to AR6 would be "based on receipts to the partnership but will be based on a $1250.00 per month minimum which can be changed on a yearly basis." As per the AR6 Agreement, the partnership would begin on March 16, 2012, the fiscal year of the partnership would end on March 1 of each year and the partnership would end in March 2016. The AR6 Agreement was dated March 16, 2012.

dd. Although the AR6 Agreement contained language stating that the partnership formed in it was a general partnership that would be run by the partners, AR6's investment was purely passive, and AR6 did nothing but contribute $750,000. No partnership meetings at which any votes for any certain actions were ever held. All bad debt purchased by BLW was purchased with no consultation with AR6. The amounts of all payments made to AR6 were decided on by BLW without consultation with AR6.

ee. To make this investment, AR6 wrote two checks on January 24, 2012, one for $500,000 to BLW and one for $250,000 to RENU.

ff. When she invested, AR6 was well over 65 years of age.

gg. The $250,000 check written to RENU went into a checking account for RENU that was owned and controlled by Lilly. Lilly assured AR6 that even though that check was written to RENU, it represented an investment in BLW. Lilly had AR6 sign an undated, two-sentence statement that her contract was with BLW and the $250,000 "will be used to buy out RENU from any future gains in any of the ventures BLW has had or will pursue." Because RENU owned no part of BLW and had no right to any profits of BLW, this statement was untrue and misleading.

hh. The $500,000 check written to BLW was used to open a new account for BLW (BLW2 Account) on which only Williams was a signatory and could write checks. Williams began writing AR6 checks from the BLW2 Account in July 2012. As of July 7, 2016, the date of the last check written to AR6, AR6 has been repaid $63,975.41.

ii. Although BLW has supplied AR6 with a statement showing that her $750,000 investment was worth over $800,000 as of August 2015, BLW does not have that much money.

AR7

jj. AR7 is the same investor identified as AR in Cease and Desist Order No. S-14-0097-15-OR02, issued on August 20, 2015, finding the offer and sale by Lilly of an unregistered security in BLW and ordering the Staff to continue its investigation. Relevant findings of fact from that order are included here.

kk. Sometime in 2011, Lilly approached AR7, an Arkansas resident who had been an insurance client of Lilly's. Lilly told AR7 about an investment opportunity with BLW paying a return of 20% over two years. Specifically, Lilly told AR7 that if he invested, AR7 would receive back the amount of his investment (principal), plus 20% of the

principal within two years.

ll. This return on investment would be realized, Lilly told AR7, 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 AR7'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," AR7's duties were further specified: "No ongoing duties apart from venture capital." The JVA specified the return on AR7's investment as 20% within two years, but up to 80% after the two year period expired.

mm. On December 20, 2011, AR7 invested $70,000 with BLW through Lilly. Lilly signed the JVA on behalf of BLW and noted in a handwritten notation that AR7 had given BLW a check for $70,000, and Lilly had given AR7 back a check for $10,500 for taxes. AR7 obtained the $70,000 from the liquidation of an EIA, which was a taxable event. AR7's investment was noted as $59,500 on the JVA.

nn. Since then, AR7 has received checks totaling $25,055.60, comprised of $10,500 for taxes and $14,555.60 in payments of various amounts. The term of this investment began on the date the JVA was signed and AR7's check was written to BLW, December 20, 2011. Thus, the two-year term was over in December 2013, yet AR7 has not been payed back what was promised.

DISPOSITION OF FUNDS

oo. Between the first investment from AR1 to the last investment from AR7, BLW expended

$209,677.37 to purchase bad debt through CFS2.

pp. Beginning in December 2010 and ending in May 2013, CFS2 paid BLW $96,024.35 as return on investment.

qq. Each investor has realized gains or losses as of December 31, 2016 as follows:

Investor	Investment	Funds Returned	Gain/Loss
AR1	$340,000	$100,365	($239,635)
AR2	$60,268.24	$69,310.47	$9,042.23
AR3	$120,000	$152,708.03	$32,708.03
AR4	$65,000	$30,050	($34,950)
AR5	$98,055.16[5]	$4,000	($94,055.16)
AR6	$750,000	$63,975.42	($686,024.58)
AR7	$70,000[6]	$25,055.60	($44,944.40)

rr. As of December 31, 2016, total investments with BLW and Lilly's enterprise, RENU, totaled the following:

Total Invested	$1,503,323.40
Total Returned	$ 445,464.52
Outstanding Funds	$1,057,858.88

ss. When BLW was formed in April 2010, two accounts were opened for BLW, which will be referred to collectively as the BLW1 accounts, and one account was opened for RENU

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[5]Although the amount of funds transferred to Lilly was actually $98,055.16, the promissory note Lilly gave AR5 in return bases the return on an investment of $100,000.

[6]AR7 was credited with an investment of $59,500 because Lilly paid AR7 $10,500 to cover the income tax AR7 had to pay for liquidating an EIA to obtain the $70,000 he invested. The $10,500 is included in the Gain/Loss amount.

after it was formed in February 2011. All of these accounts were controlled by Lilly even though Williams also had signatory authority for them. Williams would sign checks from time to time at Lilly's direction, but Williams did not have physical possession of these checkbooks and did not receive the monthly statements of those accounts.

tt. In June 2011, the bank that held the BLW1 accounts notified BLW that the LOCs that had been funded with AR1's and AR3's investments were in default, and the bank would take the CDs pledged as collateral unless the LOCs were repaid in full within two weeks. The bank also scheduled a meeting with the owners of the CDs, AR1 and AR3, Lilly and Williams for one week after that notification. That meeting transpired, and AR1 and AR3 were notified of the impending loss of their investments. The deadline for making the LOCs solvent came, the LOCs were not made solvent and the CDs of AR1 and AR3 pledged to collateralize the LOCs were taken by the bank.

uu. At this time in June 2011, Williams obtained records of the BLW1 accounts and realized that BLW had perhaps $10,000 even though it had taken in over $600,000 and expended only some $70,000 in purchasing bad debt. There was so little money in the BLW1 accounts, which had been controlled by Lilly, because Lilly had converted the money in those accounts to his own use. Thereafter, BLW was without significant funds until AR6 invested in January 2012.

vv. AR5 invested in RENU with Lilly in July 2011, and Lilly made use of some of those funds to make payments to several BLW investors (to be discussed below). Williams had been involved briefly in RENU as a floor refinishing service, but never as a company that solicited investments. Williams did not know of AR5's investment in RENU.

ww. Toward the end of 2011, Lilly met with Williams to discuss the future of BLW.

Williams stated that he would like to continue to try to make a profit in order to pay back their investors, but only if Lilly handled no money at all. Lilly agreed. When AR6 invested, Williams was given the $500,000 check written to BLW, with which he opened a new account for BLW, the BLW2 account referred to earlier in the discussion of AR6. Williams was not aware of the $250,000 check written to RENU until much later.

xx. As noted above, repayments to investors greatly exceeded the amounts earned from CFS2. Many payments to investors actually came from the funds of other investors. The funds of investors were also used in ways not revealed to them when investing.

AR1

i. Payments made to AR1 from May 2011 to January 2012 were written on the RENU banking account. $33,750 of those payments came from AR5's investment.

ii. Payments made to AR1 from April 2012 to April 2014 came from the BLW2 account. Most of the $46,700 comprising those payments came from AR6's investment.

AR2

iii. AR2's investment was used to repay a bank $50,000 plus interest and fees in order to release an EIA owned by someone who in effect loaned it to BLW to collateralize an LOC from which BLW drew $50,000. This person was purported to have been the first investor in BLW, but no funds were paid to him for the use of his EIA.

iv. AR2's funds were not used to purchase bad debt.

v. AR2 were repaid their investment with interest using the funds of AR6.

AR3

vi. AR3 was repaid $134,683.03, which was her investment with interest of 27.26% , with the funds of AR6.

AR4

vii. Although AR4 was an investor with BLW, she was paid $9,190 in monthly payments from May 2012 to September 2013 by RENU with funds invested by AR5.

viii. Beginning with a payment made in later September 2013 to July 2016, AR4 was paid $18,320 in monthly payments by BLW, comprised mostly of the funds of AR6.

ix. Beginning in August 2016 until December 2016, Lilly paid AR4 her monthly payments from his personal account, reducing her payments to $500 per month for the September through December 2016 payments. Lilly paid AR4 a total of $2,540 from his personal account during this time period.

AR5

x. Even though AR5 invested with Lilly in RENU, $30,600 of her funds were used to repay AR1, a BLW investor, and the rest were converted to Lilly's personal use.

AR6

xi. The $250,000 invested by AR6 with a check written to RENU was converted by Lilly to his own use.

xii. $134,683.03 of AR6's $500,000 investment was used to repay AR3 with interest.

xiii. $69,310.47 of AR6's $500,000 investment was used to repay AR2 with interest.

xiv. Of $46,700 used to make payments to AR1 between April 2012 and April 2014, most of it was AR6's $500,000 investment .

xv. Of $18,320 used to make payments to AR4 between September 2013 and July 2016, most of it was AR6's $500,000 investment .

xvi. The majority of the $63,975.41 paid to AR6, herself, was comprised of the $500,000 investment she had made.

xvii. $90,509.68 of AR6's $500,000 investment was converted to Williams's personal use.

yy. Before they invested, Lilly did not inform any of the investors that:

i. Their funds would be used for purposes other than for the production of a return on investment by the purchase and collection of bad debt or some other legitimate business end;

ii. Their funds would be used to make payments to other investors as returns on or repayment of their investments, including principal and the return on investment;

iii. They might be paid a return on their investment with the funds of other investors; or

iv. Their funds would be converted to the personal use of Lilly or Williams.

REGISTRATION

zz. A check of the records of the ASD shows no registration of any security issued by BLW or RENU, no proof of exemption and no notice filing required in the case of a covered security.

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

CONCLUSIONS OF LAW

SALES OF UNREGISTERED SECURITIES
ARK. CODE ANN. § 23-42-501

2. The two instruments AR1 received for his $340,000 investment in BLW, one entitled Interest Contract and the other entitled Promissory Note, were notes and evidences of indebtedness, securities as defined at Ark. Code Ann. § 23-42-102(17)(A)(i) and Ark. Code Ann. § 23-42-102(17)(A)(vi), respectively. AR1 was not in the business of loaning money and invested these funds to make a return on investment. The respondents were seeking to raise funds for their business using the CFS2 business plan, i.e., using investor funds to purchase CDs and then purchase bad debt with LOCs collateralized with these CDs. These were debt securities that were not registered with the ASD, and their sale was a violation of Ark. Code Ann. § 23-42-501.

3. The investments made by AR2, a married couple, were made into a business venture that they understood had something to do with the collection of bad debt. They expected to make a profit through the efforts of others in the collection of bad debt. Thus, AR2 invested in investment contracts, a type of security defined at Ark. Code Ann. § 23-42-102(17)(A)(xi). Because these securities were not registered with the ASD, their sale was a violation of Ark. Code Ann. § 23-42-501.

4. AR3's investment was used to fund an LOC, a type of business arrangement CFS2 devised to obtain funding for the purchase of bad debt. AR3 invested expecting to make a profit through the efforts of others in the collection of bad debt. AR3 invested in investment contracts, a type of security defined at Ark. Code Ann. § 23-42-102(17)(A)(xi). Because these securities were not registered with the ASD, their sale was a violation of Ark. Code Ann. § 23-42-501.

5. AR4 was looking to make a better return on her retirement funds. She specifically needed to

produce a specific stream of income to pay her bills as they became due. Lilly took her $65,000 investment and promised her exactly what she calculated she needed on a monthly basis, giving her a promissory note. The promissory note recited that BLW made this promise to AR4, which was set out as a 5% return to be paid out on a monthly basis in exactly the amount AR4 had calculated she needed to pay her bills in a timely manner. This promissory note was a note and an evidence of indebtedness, securities as defined at Ark. Code Ann. § 23-42-102(17)(A)(i) and Ark. Code Ann. § 23-42-102(17)(A)(vi), respectively. AR4 was not in the business of loaning money and invested these funds only to make a return on investment. This security was not registered with the ASD, and its sale was a violation of Ark. Code Ann. § 23-42-501.

6. AR5 wanted a better return on her investment than she had been getting on the EIAs Lilly had sold her years before as an insurance agent. Lilly told AR5 that she could do better by liquidating most of the EIAs and loaning the money to him. Not being in the business of loaning money and looking only for a better return on investment, AR5 invested money with RENU through Lilly, receiving in return a promissory note in which RENU promised AR5 a 5% return on investment. This promissory note was a note and an evidence of indebtedness, securities as defined at Ark. Code Ann. § 23-42-102(17)(A)(i) and Ark. Code Ann. § 23-42-102(17)(A)(vi), respectively. This security was not registered with the ASD, and its sale was a violation of Ark. Code Ann. § 23-42-501.

7. AR6's $750,000 investment with BLW, which was memorialized in a document referred to as the AR6 Agreement, purported to be a general partnership, but was in reality a purely passive investment identified in the Act as an investment contract. 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 from the efforts of others with no effective control over the venture. AR6's sole role was the investment of $750,000. Any bad debt purchases and any payments made to AR6 were made without consultation of any kind with AR6. This security was not registered with the ASD, and its sale was a violation of Ark. Code Ann. § 23-42-501.

8. AR7's investment in BLW, which was memorialized in a JVA, was a purely passive investment identified in the Act as an investment contract. 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 from the efforts of others with no effective control over the venture. AR7 had no role in this venture other than the investment of money. He expected to make money based on the efforts of BLW. This security was not registered with the ASD, and its sale was a violation of Ark. Code Ann. § 23-42-501.

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9. AR1 invested $340,000 in June 2010. During that time, BLW paid him a total of $100,365, $80,450 of it being the money of other investors and not a return on investment. The remainder of his investment funds were commingled with the funds of other investors, thus making a precise calculation of how much of AR1's money was used to purchase debt impossible. It is clear, however, that with the funds of other investors added, not all of AR1's funds were used to purchase bad debt. Much of his investment was converted by Lilly for his personal use. The failure of Lilly to inform AR1 that:

   1) his investment funds would be used for Lilly's personal use and

   2) the funds of other investors would be used to pay AR1 a return on his investment

were material omissions of material fact necessary to make the statement of the expected return on investment not misleading. This information was material because the disclosure of this information would have significantly altered the total mix of information available to AR1. Such information would have been viewed by a reasonable investor as significant or important in deciding whether to invest. This omission of material fact in connection with the offer or sale of a security was a violation of Ark. Code Ann. § 23-42-507(2).

10. AR2, a married couple, invested $60,268.24. Their money was used to repay a $50,000 BLW debt, and no bad debt was purchased from the time they invested until they were repaid. The failure of Lilly to inform AR2 that:

    1) their investment funds would be used to repay a debt,

    2) none of their investment would be used for the stated purpose of purchasing and collecting bad debt and

    3) they would be repaid with the funds of another investor

    were material omissions of material fact necessary to make the statement of the expected return on investment not misleading. This information was material because the disclosure of this information would have significantly altered the total mix of information available to AR2. Such information would have been viewed by a reasonable investor as significant or important in deciding whether to invest. This omission of material fact in connection with the offer or sale of a security was a violation of Ark. Code Ann. § 23-42-507(2).

11. Lilly misled AR5 about the rate of return on investment with Lilly when:

    1) he did not inform her the amount of the surrender charges she would incur by liquidating most of her EIAs and then investing the proceeds with Lilly,

    2) he did not tell AR5 that $30,600 of her investment funds would be used to make

payments to another investor, AR1, as a return on his investment and

3) he would divert the remainder of her investment to his own uses rather than do anything with the money to generate a return on investment.

The omission of these facts was the omission of material facts necessary to make the statement of the expected return on AR5's investment not misleading. This information was material because the disclosure of this information would have significantly altered the total mix of information available to AR5. Such information would have been viewed by a reasonable investor as significant or important in deciding whether to invest with Lilly. This omission of material fact in connection with the offer or sale of a security was a violation of Ark. Code Ann. § 23-42-507(2).

12. Lilly did not tell AR6 a number of things that a reasonable investor would find to be significant in deciding whether to invest with Lilly:

a. Lilly did not tell AR6 that the $250,000 transferred to him with the check written to RENU would be converted entirely to Lilly's personal use.

b. Lilly did not tell AR6 that $134,683.03 of her investment funds would be used almost immediately to repay a previous investor, AR3.

c. Lilly did not tell AR6 that $69,308.47 of her investment funds would be used to repay a previous investor, AR2.

d. Lilly did not tell AR6 that of $46,700 used to repay a previous investor, AR1, most of those payments would be made from her investment funds.

e. Lilly did not tell AR6 that of $63,975.41 paid to her as a return on her investment funds, most would be her own funds and not returns on investment.

f. Lilly did not tell AR6 that $90,509.68 of her investment funds would be converted to

Williams's personal use.

The omission of these facts was the omission of material facts necessary to make the statement of the expected return on AR6's investment not misleading. This information was material because the disclosure of this information would have significantly altered the total mix of information available to AR6. Such information would have been viewed by a reasonable investor as significant or important in deciding whether to invest with Lilly. This omission of material fact in connection with the offer or sale of a security was a violation of Ark. Code Ann. § 23-42-507(2).

13. Lilly's direction to AR6 to write RENU a $250,000 check in order to buy out RENU's part of BLW was an untrue statement of material fact made in connection with the offer or sale of a security because RENU owned no part of BLW. This misinformation was material because it significantly altered the total mix of information available to AR6. The correct information--that RENU owned no part of BLW– would have been viewed by a reasonable investor as significant or important in deciding whether to invest with Lilly. This misstatement of material fact in connection with the offer or sale of a security was a violation of Ark. Code Ann. § 23-42-507(2).

ORDER

IT IS THEREFORE ORDERED that Timothy Alonza Lilly, BLW Debt Resolution, LLC and RENU by BNT, LLC, as well as others whose identities are not yet known who are employed by or otherwise affiliated with those entities or Lilly who receive actual notice of the order, CEASE AND DESIST from any further actions in the state of Arkansas in connection with offering and selling securities or acting as an agent of the issuer until such time as Lilly is properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act and any

securities offered or sold are properly registered, shown to be exempt from registration pursuant to the Arkansas Securities Act or covered securities under federal law.

Pursuant to Ark. Code Ann. § 23-42-209(a)(2)(C)(ii)(a), the Staff's request to fine Timothy Alonza Lilly a total of $320,000 violations set out in this order can be taken up only upon "notice and opportunity for a hearing." Accordingly, a hearing that will be set at which the Staff will present its case and that request will be decided.

A hearing in this case will be set by separate order. Any motion or notice that any respondent seeks to file should be addressed to the Commissioner and submitted to the following address:

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

IT IS SO ORDERED.

B. Edmond Waters
ARKANSAS SECURITIES COMMISSIONER

3-21-17
Date