

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-15-0033

RECEIVED

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ARKANSAS SECURITIES DEPT.

IN THE MATTER OF
THE BUDDY COMPANIES, LLC; and
SIMONE SIMON

RESPONDENTS

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 The Buddy Companies, LLC, and Simone Simon have violated provisions of the Arkansas Securities Act (“Act”), codified at 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.

RESPONDENTS

2. The Buddy Companies, LLC (“TBC”) is a Delaware limited liability company which at all relevant times herein had a principal place of business located at 25173 Goldfinch Lane, Golden, Missouri 65658. TBC has never been registered with the Arkansas Securities Department (“Department”) in any capacity pursuant to the Act.

3. Simone Simon (“Simon”) is an individual who resided in Golden, Missouri at all relevant times herein. Simon is the principal owner and managing director of TBC. Simon has never been registered with the Department in any capacity pursuant to the Act.

FACTS SUPPORTING REQUEST FOR CEASE AND DESIST ORDER

4. In April of 2010, Simon was employed as a legal assistant at a law firm in Eureka Springs, Arkansas. Arkansas Resident One (“AR1”) was a divorce client of Simon’s employer. Simon met AR1 in her capacity as a legal assistant and used her interactions with AR1 at the law firm to pitch an investment in TBC.

5. TBC is a company purportedly in the business of packaging and selling sunscreen products. Simon used an office at the law firm to make an investment presentation to AR1 pertaining to the products offered by TBC. AR1 was due to receive a lump sum payment in the amount of \$88,000.00 as part of a divorce settlement. At the conclusion of her presentation, Simon convinced AR1 to invest \$25,000.00 from her divorce settlement in TBC.

6. On April 21, 2010, AR1 entered into a Convertible Promissory Note with TBC to commemorate the terms of the investment. AR1 invested \$25,000.00 in TBC in exchange for a return of 8% per annum, with interest and principal being due and payable at the end of one year. In addition, the Convertible Promissory Note gave TBC the option to convert all or a portion of the principal due into securities of TBC at its sole discretion. Simon executed the Convertible Promissory Note as managing director on behalf of TBC. A redacted copy of the Convertible Promissory Note entered into between the Respondents and AR1 is attached hereto as Exhibit “A” and is incorporated herein by reference for all purposes.

7. Regarding the investment transaction described herein, a search of Department records by the Staff revealed no registration or proof of exemption in accordance with the Act and no notice filing in accordance with federal law in connection with a covered security.

APPLICABLE LAW

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

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

10. 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.

11. 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.

CONCLUSIONS OF LAW

12. The subject investment transaction whereby AR1 invested money in TBC in the form of a convertible note is an investment contract as defined by Ark. Code Ann. § 23-42-102(17)(A)(xi).

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

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

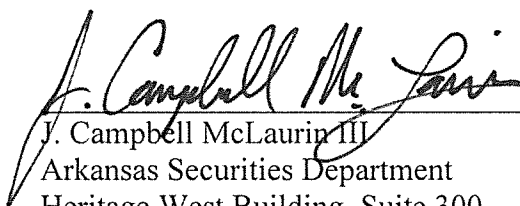
LEGAL AUTHORITY TO ISSUE CEASE AND DESIST ORDER

15. Ark. Code Ann. § 23-42-209(a)(1)(A) provides that whenever it appears to the Commissioner, 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, or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice.

PRAYER FOR RELIEF

WHEREFORE, the Staff respectfully requests that the Commissioner summarily order The Buddy Companies, LLC and Simone Simon to immediately cease and desist from offering and/or selling securities to residents of the state of Arkansas until such time as the securities in question and the entities and persons offering and selling the securities are all properly registered under the Arkansas Securities Act; and, for all other just and proper relief to which the Staff may be entitled.

Respectfully Submitted,



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Arkansas Securities Department
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, Arkansas 72201
Counsel for the Staff

509 of 510
25,000.00

**The Buddy Companies, LLC
CONVERTIBLE PROMISSORY NOTE**

Due in One Year, namely: April 21, 2011 \$ 25,000.00

1. **Loan.** FOR VALUE RECEIVED, the undersigned, The Buddy Companies, LLC. ("Borrower"), promises to pay to [REDACTED] ("Lender") or its/their assigns, the principal sum of Twenty Five Thousand dollars (\$25,000) together with interest at the rate of Ten percent (8%) per annum. This Note shall be due Twelve (12) months from the date of this Note ("Term") with interest and principal payable at the end of the Term.

2. **Conversion.** At Lender's sole option, Lender may, in lieu of payment of all or a portion of principal hereof, convert all or a portion of the total principal due as of the date of conversion into securities of The Buddy Companies, LLC. at a rate 20% below that which is offered in the next formal round of funding, or at another rate mutually agreed in writing. Any partial conversion must be in the minimum amount of \$5,000.00 and thereafter must be in increments of \$1,000.00. If holders of a majority in interest of the Notes convert their Notes, all Notes shall automatically convert at such time on the same terms and conditions as the Notes of the holders of a majority in interest of the Notes.

Upon conversion, Lender may elect to purchase additional securities, up to the amount being converted, at the same unit price as the converted securities.

3. **Due Date.** If payment of this Note becomes due on a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of the State of Missouri, the maturity thereof shall be extended to the next succeeding business day.

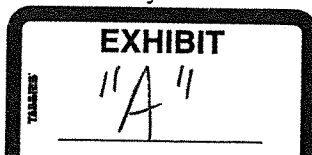
4. **Binding Effect.** This Note shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective heirs, representatives, successors and permitted assigns.

5. **Default.** With respect to the Borrower, any of the following events shall constitute an Event of Default: (i) default in payment of any amount due pursuant to this Note; (ii) the filing of a voluntary or involuntary petition for an order of relief under the federal Bankruptcy Code or under any state or federal insolvency statute; or (iii) the appointment of a receiver, custodian, trustee or assignee to take possession of property. If Borrower does not cure said Event of Default within fifteen (15) days of receipt of Notice of Default from Lender, Lender may exercise and enforce their rights hereunder.

6. **Entire Agreement.** Except as expressly provided for herein, this Note shall constitute the entire agreement between the undersigned and the Lender with respect to the subject matter hereof.

7. **Governing Law.** This Note shall be governed by and construed under the laws of the State of Missouri without regard to its conflicts of laws provisions. The Borrower and Lender hereby expressly submit to the jurisdiction of all federal and state courts located in the State of Missouri, County of Barry and consent that they may be served within or without such court's jurisdiction by registered mail or by personal service, provided a reasonable time for appearance is allowed. Said courts shall be the sole location and jurisdiction for enforcement of this Note by either Party. The Borrower and Lender also waive any claim that such courts are an inconvenient forum.

8. **Knowledgeable Lender.** Lender represents that he or she is a knowledgeable lender, and has received sufficient information from Borrower to make a fully informed decision regarding this Note. Lender



acknowledges Borrower is a start-up company and therefore there is significant risk to Lender involved in making this loan, but Lender believes the business prospects of the Borrower and the return on this Note are sufficient to justify any such risk.

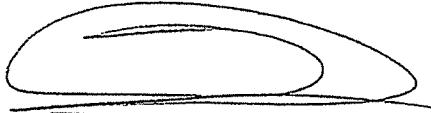
9. Notice. Any notice to Borrower or Lender shall be presumed effective five business days after deposit in the United States mail, first class, postage pre-paid at the addresses set forth below.

10. Pre-Payment Permitted. Between the period that Borrower offers the initial round of funding to various potential investors and the end of the Term, Borrower may prepay all or any portion of the principal sum and then due interest at any time after a 30 day written notice to Lender. Lender may, within said 30 days, provide written notice that Lender exercises Lender's rights under Section 2 [Conversion] as to said portion. Interest shall cease on said portion at the date of conversion.

11. Waiver. No failure to exercise, delay in exercising, or partial exercise by Lender or the holder of any right, power or remedy under this Note or with respect to the indebtedness evidenced by this Note shall preclude or constitute a waiver of any other or further exercise by Lender or any holder of the same or any other right, power or remedy.

12. Written Consent for Amendments. This Note may not be amended, modified, revised, assigned, sold, pledged, transferred, released or terminated by the undersigned without the prior written consent of the Lender and Borrower.


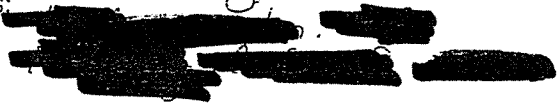
BORROWER:
THE BUDDY COMPANIES, LLC
25173 Goldfinch Lane
Golden, Missouri 65658
877-786-2831



Signature

Simone Simon. Managing Director
Name and Title

Date: April 21-2010

LENDER:
Name: 
Address: 



Signature

By: 
Name and Title

Date: April 21 2010