



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)	
)	
MICHAEL BURNOS; and)	
ALLIED TRADING GROUP)	
)	
<i>Respondents.</i>)	Case No.: AP-17-07
)	
Serve:)	
)	
Michael Burnos)	
4704 South Fuller Avenue)	
Independence, Missouri 64055-5732)	
)	
and:)	
)	
Allied Trading Group)	
4704 South Fuller Avenue)	
Independence, Missouri 64055-5732)	

**FINAL ORDER TO CEASE AND DESIST AND ORDER
AWARDING RESTITUTION, CIVIL PENALTIES, AND COSTS**

Now on the 26th day of June, 2017, the Commissioner, having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On April 26, 2017, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Director of Enforcement Sandra J. McDowell, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, And Costs Should Not Be Imposed.
2. On April 28, 2017, the Missouri Commissioner of Securities (the “Commissioner”) issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (the “Order”). On that same day, a copy of the Order and Notice of Right to Request a Hearing were sent, via U.S. Certified mail, return receipt requested, to Respondents’ last known addresses.

3. On or around April 28, 2017, a copy of the Order was made available to the general public on the Missouri Secretary of State's website.¹
4. Respondent Burnos contacted the Enforcement Section on or about May 25, 2017, via electronic communication wherein Respondent Burnos informed the Enforcement Section that he had received the Order and that he was unable to afford an attorney. In that same electronic communication, Respondent Burnos directed the Enforcement Section to "proceed in your process" to "bring this matter to a conclusion."
5. To confirm with Respondent Burnos, the Enforcement Section spoke with Respondent Burnos via telephone on or about June 13, 2017, wherein Respondent Burnos confirmed with the Enforcement Section that he could not afford an attorney and to continue with our process of closing the matter.
6. Respondents have failed to request a hearing within the time allowed pursuant to Section 409.6-604 RSMo. (2016).²
7. The Commissioner has not ordered a hearing in this matter pursuant to Section 409.6-604.
8. On June 15, 2017, the Enforcement Section submitted a Motion for Final Order.
9. To date, the Respondents have failed to respond to the Motion for Final Order.

II. FINDINGS OF FACT

A. Summary of Allegations

10. In 2013 or early 2014, Michael S. Burnos ("Burnos") met a Missouri resident ("MR"), who is now 82-years-old, at "Super Flea," a flea market in Northeast Kansas City, Missouri.
11. While at the flea market, Burnos solicited MR to become an investor in Allied Trading Group ("ATG").
12. Burnos told MR that ATG was in the business of selling "collectable merchandise" and MR was led to believe that MR could passively invest money for a return on the resale of collectible merchandise.
13. Concurrent with the relationship between MR and Burnos, Burnos personally owed debts to more than 15 different payday lenders from July 2014 to February 2016.
14. Unbeknownst to MR, Burnos was using MR's investments as a personal allowance and to

¹ <http://www.sos.mo.gov/CMSImages/Securities/AP-17-07.pdf>

² Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

repay multiple payday lenders.

15. MR's investments were made in multiple cash amounts ranging from \$500-\$1,500 and correlate with deposits made into Burnos' personal bank account from July 2014 to February 2016.
16. Burnos and/or ATG gave MR slips of paper as receipts for the investments ("Receipts").
17. Burnos issued a Receipt every time he acquired new funds from MR.
18. The Receipts were hand-written, and Burnos used inconsistent terminology on Receipts to describe the investments.
19. Some of the Receipts indicate the purpose of the payment was a "Job lot purchase," "New Business," or "Replaces [another Receipt number]."
20. The Receipts usually described a benefit to the investor, such as "interest" or a share of the "sales profits" to MR for giving Burnos and/or ATG MR's investment.
21. The Receipts had varying due dates and were usually scheduled to be repaid in full with interest/profits in six months.
22. MR had no role in the illegitimate venture except as a source of funds.
23. At some point during the investment relationship, Burnos told MR that Burnos and ATG were connected to the mafia. MR became fearful that MR or MR's family would be harmed if MR stopped making investments in ATG.
24. Throughout the course of their association, Burnos extracted approximately \$66,700 from MR from approximately 2014-2016.
25. These investments also carried a promised interest or "sales profit" that totaled \$14,963.85.
26. According to records provided by Burnos, approximately \$6,528.70 was paid back to MR during the Relevant Period.

B. Respondents and Related Parties

27. Burnos is a 72-year-old Missouri resident with an address of 4704 South Fuller Avenue, Independence, Missouri, 64055-5732. Burnos has never been registered as a broker-dealer, a broker-dealer agent, an investment adviser, or an investment adviser representative.
28. In 1997, Burnos was sentenced to 87 months in federal prison related to charges of Frauds and Swindles and Money Laundering – Interstate Commerce in case number 4:97-

cr-00088, *USA v. Burnos*. Burnos was ordered to pay restitution in the amount of \$14,066,844. Judge Ortrie Smith sentenced Burnos and stated in his Order that “an 87-month sentence seems to be adequate punishment and deterrence to any future criminal conduct.”

29. ATG is an unregistered entity controlled by Burnos and located at 4704 South Fuller Avenue, Independence, Missouri, 64055-5732. ATG has never filed a business registration with the Missouri Secretary of State’s Office. Burnos described ATG to the Enforcement Section as being in the business of selling “collectable merchandise.” Burnos said that the business has no business plan, no organizational chart, and no financial documents.

C. Enforcement Section’s Investigation

30. On or about February 4, 2016, the Enforcement Section received information that an 82-year-old MR had invested in excess of \$60,000 with Burnos and ATG, and that MR had received very little in returns.
31. The Enforcement Section was provided with copies of Receipts that totaled approximately \$61,445.75 with promised interest totaling \$14,963.85. Almost all of the Receipts were from 2014 through 2016.
32. On February 19, 2016, the Enforcement Section interviewed MR who said, among other things, the following:
 - a. MR understood the purpose of the conversation and understood the role of the Enforcement Section;
 - b. MR met Burnos approximately five years ago at a flea market in Kansas City, Missouri where Burnos had a booth set up;
 - c. Burnos solicited MR to invest with ATG and/or Burnos in late 2013, or early 2014, by promising MR a 24% return on investments. This piqued MR’s interest since MR’s bank was not paying much interest;
 - d. Burnos told MR that MR’s investments would be used for ATG’s flea market business;
 - e. Burnos would usually tell MR about “a good deal coming up . . .”;
 - f. MR invested many times with ATG and/or Burnos in cash amounts ranging from \$500-\$1,500. The investment funds were derived from MR’s savings account. MR received Receipts from Burnos that detailed when the funds would be returned and the interest amount or sales profit amount. The time horizon for the investments varied but was usually six months;

- i. Burnos had “no business plan, organizational chart, [nor] financial statements available” that would explain how ATG, through Burnos, managed its finances and operated the business; and
 - j. Burnos indicated that Burnos and ATG have an account at Arvest Bank.
35. Copies of Receipts submitted by Burnos indicated that MR had invested a total of approximately \$66,700 in ATG and/or Burnos and approximately \$6,528.70 was paid back to MR in returns.

D. Bank Records

36. A review of the Arvest Bank records ending in #9621 from July 1, 2014 to February 2016, revealed, among other things:
- a. Burnos was the sole signatory on the bank account;
 - b. cash deposits that totaled \$48,351; social security deposits that totaled \$15,615; and a wide variety of payday loan deposits that totaled \$28,051.64;
 - c. cash deposits closely matched up with dates and amounts of the Receipts;
 - d. Burnos would sometimes take a commission or a percentage of the investment for his own use and put the rest into the bank account;
 - e. withdrawals to pay an attorney presumably for a bankruptcy in 2013, the “US Courts MOWDB”, at least \$29,900 to repay various payday lenders, and various other personal expenses;
 - f. potentially legitimate business expenses to Super Flea that totaled approximately \$1,582;
 - g. no other business expenses the Enforcement Section could identify as a potentially legitimate business expense;
 - h. withdrawals of cash or checks written to Burnos for cash that totaled \$36,786 for unknown usage; and
 - i. bank records did not show any amounts payable to MR based on the examination by the Enforcement Section.

E. Additional Findings

37. Prior to MR’s investments and throughout the course of their relationship, Burnos made misleading statements and failed to disclose, among other things:

- a. the financial condition of Burnos and ATG;
- b. that ATG had not filed a business registration in Missouri;
- c. that Burnos and ATG were not registered to offer and/or sell securities in Missouri;
- d. that the Receipts/investments were not registered or exempt from registration;
- e. specific information concerning how Burnos intended to achieve the purported investment returns;
- f. that Burnos intended to place investor funds into his personal bank account;
- g. that Burnos intended to use investor money predominately for personal use;
- h. that Burnos intended to use investor money to repay various personal debts to payday lending companies rather than to buy and resell collectible merchandise;
- i. that Burnos was found guilty of Mail Fraud and Money Laundering in 1997 and was sentenced to 87 months in prison and ordered to pay restitution in the amount of \$14,066,844; and
- j. that Burnos filed bankruptcy on July 25, 2013, that was subsequently discharged on December 9, 2013.

III. CONCLUSIONS OF LAW

38. Because Respondents failed to request a hearing within the time allowed by Section 409.6-604, and because the Commissioner never ordered such a hearing, the Order issued on April 28, 2017, against Respondents became **FINAL** by operation of law.

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

39. **THE COMMISSIONER CONCLUDES** that Respondents violated Section 409.3-301 when Respondents offered and sold unregistered, non-exempt securities in the State of Missouri by, among other things:
 - a. soliciting MR to invest in his business of selling “collectable merchandise”;
 - b. receiving funds to invest from MR;
 - c. providing Receipts to MR for MR’s investments;
 - d. promising a return on MR’s investment that was dependent upon the efforts of others and not on the efforts of MR; and

- e. pooling MR's investment funds with Burnos personal funds.
40. These activities constitute an offer and sale as those terms are defined in Section 409.1-102(26).
 41. The investments that Respondents offered and/or sold constitute securities as that term is defined in Sections 409.1-102(28).
 42. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered and sold by Respondents.
 43. Respondents offered and sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, or (3) registered under the Missouri Securities Act of 2003.
 44. At the time Respondents engaged in the conduct set forth above, MR was over 60 years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
 45. Respondents' conduct in violation of Section 409.3-301 constitutes an illegal act, practice, or course of business and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Transacting Business as an Unregistered Agent

46. **THE COMMISSIONER FURTHER CONCLUDES** that Burnos violated Section 409.4-402(a) when he transacted business as an unregistered agent in the State of Missouri.
47. Burnos was a representative of ATG.
48. Burnos offered and sold securities to an investor in or from Missouri on behalf of ATG by, among other things, offering and selling investments to MR.
49. This activity constitutes transacting business in the State of Missouri under Section 409.1-102(1).
50. At all times relevant to this matter, Burnos was not registered as a securities agent in the State of Missouri.
51. At the time Burnos engaged in this conduct, MR was over 60 years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
52. Burnos transacted business in Missouri by offering and selling securities without being registered or exempt from registration as an agent in violation of Section 409.4-402(a).

53. Burnos' conduct in violation of Section 409.4-402(a) constitutes an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Employing an Unregistered Agent

54. **THE COMMISSIONER FURTHER CONCLUDES** that ATG violated Section 409.4-402(d) when ATG employed or associated with an unregistered agent in the State of Missouri.
55. ATG employed Burnos, who offered and sold securities on behalf of ATG.
56. ATG's activities constitute employing or associating with an agent in the State of Missouri under Section 409.4-402(d).
57. At all times relevant to this matter, ATG had no registration or granted exemption for any agents of ATG to transact business in the State of Missouri.
58. ATG employed or associated with Burnos, who transacted business in Missouri as an agent without being registered or exempt from registration as an agent, in violation of Section 409.4-402(d).
59. At the time ATG engaged in this conduct, MR was over 60 years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
60. ATG's conduct in violation of Section 409.4-402(d) constitutes an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Making an Untrue Statement, Omitting to State Material Facts or Engaging in An Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of Securities

61. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501, when, in connection with the offer, sale or purchase of securities, Burnos, on behalf of ATG, made untrue statements or omitted to state to MR material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to:
- a. promising MR would receive a 24% return;
 - b. telling MR that MR's investments would be used for ATG's flea market business;
 - c. telling MR that MR's funds were being reinvested, when Burnos failed to return MR's funds as promised, and

- d. telling MR that six other people worked for ATG that included two attorneys and two other individuals who were associated with “the Mafia.”
62. These statements, in light of the circumstances under which they were made, were misleading statements because Burnos, on behalf of ATG, omitted to disclose the following material facts that could impact the return and the viability of MR’s investment:
- a. the financial condition of Burnos and ATG;
 - b. that ATG had not filed a business registration in Missouri;
 - c. that Burnos and ATG were not registered to offer and/or sell securities in Missouri;
 - d. that the Receipts/investments were not registered or exempt from registration;
 - e. specific information concerning how Burnos intended to achieve the purported investment returns;
 - f. that Burnos intended to place investor funds into his personal bank account;
 - g. that Burnos intended to use investor money predominately for personal use;
 - h. that Burnos intended to use investor money to repay various personal debts to payday lending companies rather than to buy and resell collectible merchandise;
 - i. that Burnos was found guilty of Mail Fraud and Money Laundering in 1997, and was sentenced to 87 months in prison and ordered to pay restitution in the amount of \$14,066,844; and
 - j. that Burnos filed bankruptcy on July 25, 2013, that was subsequently discharged on December 9, 2013.
63. **THE COMMISSIONER FURTHER CONCLUDES** that Respondents violated Section 409.5-501, when, in connection with the offer, sale or purchase of securities as described above, Burnos, on behalf of ATG, engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person by, among other things:
- a. converting MR’s investment funds to Burnos’ personal funds;
 - b. promising MR that MR’s investment would be used for Burnos’ business of selling “collectable merchandise”; and

- c. using MR's investment funds for Burnos' personal expenses and to repay multiple payday lenders.
- 64. Copies of Receipts submitted by Burnos indicated that MR had invested a total of approximately \$66,700 in ATG and/or Burnos and approximately \$6,528.70 was paid back to MR in returns. Less than \$2,000 was used by Burnos for potentially legitimate business expenses.
- 65. At the time Respondents engaged in this conduct, MR was over 60 years-old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
- 66. Respondents made untrue statements of material fact, omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501, and engaged in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
- 67. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.3-301 by offering or selling any securities as defined by Section 409.1-102(28), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. Section 409.4-402(a) by transacting business as an unregistered agent;
- C. Section 409.4-402(d) by employing an unregistered agent; and
- D. Section 409.5-501 by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), each Respondent shall pay a civil penalty in the amount of \$15,000 for multiple violations of Section 409.3-301 when these violations were committed against an elderly person. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of

State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent Burnos shall pay a civil penalty in the amount of \$15,000 for multiple violations of Section 409.4-402(a) when these violations were committed against an elderly person. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent ATG shall pay a civil penalty in the amount of \$15,000 for multiple violations of Section 409.4-402(d) when these violations were committed against an elderly person. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), each Respondent shall pay a civil penalty in the amount of \$15,000 for multiple violations of Section 409.5-501 when these violations were committed against an elderly person. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondents shall pay, jointly and severally, restitution and interest in the amount of \$68,749.03 for violations of Sections 409.3-301, 409.4-402, and 409.5-501. This amount shall be made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investors listed on Exhibit 1. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri, 65102, within 30 days from the date of this Final Order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondents shall pay, jointly and severally, \$4,732.17 in actual costs for investigation into, and the proceedings associated with, this matter. This amount shall be made payable to the Investor Education and Protection Fund. This amount shall be sent to the Missouri Securities Division, at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this Final Order.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 26th DAY OF JUNE, 2017.



JOHN R. ASHCROFT
SECRETARY OF STATE

A handwritten signature in blue ink, which appears to read "David M. Minnick", is written over a horizontal line.

DAVID M. MINNICK
COMMISSIONER OF SECURITIES

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of June, 2017, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs in the above styled case was **mailed by regular U.S. mail and Certified U.S. mail, Return Receipt Requested, to:**

Michael Burnos at:
4704 South Fuller Avenue
Independence, Missouri 64055-5732,

Allied Trading Group
4704 South Fuller Avenue
Independence, Missouri 64055-5732,

via email to:
mburnos@yahoo.com

and by hand-delivery and email to:

Sandra J. McDowell
Director of Enforcement
Missouri Securities Division
Sandra.McDowell@sos.mo.gov



Laurie Dawson
Securities Office Manager

EXHIBIT 1

IN THE MATTER OF:

MICHAEL BURNOS and ALLIED TRADING GROUP

AP-17-07

MR

\$68,749.03