



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	)	

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY  
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD NOT BE IMPOSED**

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 (“Petition”). After reviewing the Petition, the Commissioner issues the following order:

**I. ALLEGATIONS OF FACT**

The Petition alleges the following facts:

A. *Summary of Allegations*

1. 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.

2. While at the flea market, Burnos solicited MR to become an investor in Allied Trading Group (“ATG”).
3. 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.
4. 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.
5. Unbeknownst to MR, Burnos was using MR’s investments as a personal allowance and to repay multiple payday lenders.
6. 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.
7. Burnos and/or ATG gave MR slips of paper as receipts for the investments (“Receipts”).
8. Burnos issued a Receipt every time he acquired new funds from MR.
9. The Receipts were hand-written, and Burnos used inconsistent terminology on Receipts to describe the investments.
10. Some of the Receipts indicate the purpose of the payment was a “Job lot purchase,” “New Business,” or “Replaces [another Receipt number].”
11. 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.
12. The Receipts had varying due dates and were usually scheduled to be repaid in full with interest/profits in six months.
13. MR had no role in the illegitimate venture except as a source of funds.
14. 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.
15. Throughout the course of their association, Burnos extracted approximately \$66,700 from MR from approximately 2014-2016.
16. These investments also carried a promised interest or “sales profit” that totaled \$14,963.85.

17. According to records provided by Burnos, approximately \$6,528.70 was paid back to MR during the Relevant Period.

*B. Respondents and Related Parties*

18. 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.
19. 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.”
20. 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*

21. 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.
22. 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.
23. 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;
  - g. the Enforcement Section's calculation of \$61,445.75 in total investments was confirmed by MR. MR believed MR received "a few thousand" in returns;
  - h. when Burnos failed to return MR's funds as promised, Burnos would tell MR that MR's funds were being reinvested; and
  - i. Burnos told MR that six other people worked for ATG that included two attorneys and two other individuals who were associated with "the Mafia."
24. On April 6, 2016, the Enforcement Section sent Burnos a request for information asking, among many other things, for him to describe the nature of ATG's business and the investors therein.
25. In his written responses to the Enforcement Section, Burnos stated, among other things, the following:
- a. "Over a period of approximately 2 years I obtained a series of small loans from [MR] to cover the cost associated with the purchase of resale merchandise and expenses (both personal and operational), for a part time un-registered company called Allied Trading Group. I own the company. It is a sole proprietorship. . .";
  - b. "A numbered receipt was issued for each loan that specified the amount of the loan, his fee (sale profits), and a loan due date. . .";
  - c. ATG is "a part time business that operates 2 days per week." MR's returns were to be generated by selling collectible merchandise;
  - d. Burnos and/or ATG have no investments with other individuals;
  - e. Burnos gave his opinion that the Enforcement Section's investigation "was prompted by miss-informed individuals who had no knowledge of my dealings with MR. Couple this with a 80+ year old man who today exhibits serious memory loss (possibly Dementia or Alzheimer's) and mobility issues, the picture of what actually happened appears to have been seriously distorted";

- f. Burnos gave his opinion that he never had any “intent to deceive”;
  - g. Burnos explained to the Enforcement Section that he had done “extensive research about laws having to do with securities . . . [and he] concluded that [securities laws] operate in murky waters.”;
  - h. Burnos asked for legal advice about whether a private loan between “two private parties” could be subject to the securities laws, whether we asked MR if MR understood the Receipts to be loans rather than securities, and if MR’s “mental state is stable enough to relate the exact nature of our dealings”;
  - 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.
26. 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*

27. 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*

28. 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. COMMISSIONER'S DETERMINATIONS AND FINDINGS**

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

29. **THE COMMISSIONER DETERMINES THAT** 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.
30. These activities constitute an offer and/or sale as those terms are defined in Section 409.1-102(26), RSMo. (Cum. Supp. 2013).<sup>1</sup>
31. The investments that Respondents offered and/or sold constitute securities as that term is defined in Sections 409.1-102(28).
32. 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.
33. 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.
34. At the time Respondents engaged in the conduct set forth above, MR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
35. 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**

36. **THE COMMISSIONER FURTHER DETERMINES** that Burnos transacted business as an unregistered agent in the State of Missouri.
37. Burnos was a representative of ATG.
38. Burnos offered and/or sold securities to an investor in and/or from Missouri on behalf of ATG by, among other things, offering and/or selling investments to MR.
39. This activity constitutes transacting business in the State of Missouri under Section 409.1-102(1).

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<sup>1</sup> Unless otherwise noted, all statutory references are to the 2013 cumulative supplement of the Revised Statutes of Missouri.

40. At all times relevant to this matter, Burnos was not registered as a securities agent in the State of Missouri.
41. At the time Burnos engaged in this conduct, MR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
42. Burnos transacted business in Missouri by offering and/or selling securities without being registered or exempt from registration as an agent in violation of Section 409.4-402(a).
43. 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**

44. **THE COMMISSIONER FURTHER DETERMINES** that ATG employed and/or associated with an unregistered agent in the State of Missouri.
45. ATG employed Burnos, who offered and sold securities on behalf of ATG.
46. ATG's activities constitute employing and/or associating with an agent in the State of Missouri under Section 409.4-402(d).
47. 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.
48. ATG employed and/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).
49. At the time ATG engaged in this conduct, MR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
50. 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**

51. **THE COMMISSIONER FURTHER DETERMINES** that 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."
52. 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.
53. **THE COMMISSIONER FURTHER DETERMINES** that 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/or
  - c. using MR's investment funds for Burnos' personal expenses and to repay multiple payday lenders.
54. 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.
55. At the time Respondents engaged in this conduct, MR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
56. 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.
57. 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.

**V. STATEMENT**

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$15,000 civil penalty against each Respondent for multiple violations of 409.3-301 when these violations were committed against an elderly person;
- B. \$15,000 civil penalty against Respondent Burnos for multiple violations of 409.4-402(a) when these violations were committed against an elderly person;
- C. \$15,000 civil penalty against Respondent ATG for multiple violations of Section 409.4-402(d) when these violations were committed against an elderly person; and
- D. \$15,000 civil penalty against each Respondent for multiple violations of Section 409.5-501 when these violations were committed against an elderly person.
- E. An order against Respondents to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss, or disgorge any profits arising from the violation of Sections 409.3-301, 409.4-402, 409.5-501, in a final order, unless Respondents request a hearing and show cause why this restitution or disgorgement should not be imposed; and
- F. An order against Respondents to pay the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section.

**SO ORDERED:**

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



JOHN R. ASHCROFT  
SECRETARY OF STATE

DAVID M. MINNICK  
COMMISSIONER OF SECURITIES



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

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

**NOTICE**

**TO: Respondents and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2013), and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**David Minnick, Commissioner of Securities**  
**Office of the Secretary of State, Missouri**  
**600 West Main Street, Room 229**  
**Jefferson City, Missouri, 65102**

CERTIFICATE OF SERVICE

I hereby certify that on this 28 day of April, 2017, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was **mailed by certified U.S. mail to:**


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

and:

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

**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