



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
MAD BABY PICTURES, LLC; and	)	Case No.: AP-16-07
PATRICK PINKSTON,	)	
	)	
<i>Respondents.</i>	)	
	)	
Serve:	)	
	)	
Patrick Pinkston at:	)	
7423 Flora Avenue	)	
St. Louis, Missouri 63143	)	
	)	
and	)	
	)	
Mad Baby Pictures, LLC at:	)	
c/o Patrick Pinkston, Registered Agent	)	
3316 Halliday	)	
St. Louis, Missouri 63118	)	

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

On February 16, 2016, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Enforcement Counsel Ryan D. Smith, submitted a Petition for Order to Cease and Desist and Order to Show Cause why Restitution, Civil Penalties, and Costs Should not be Imposed. After reviewing the petition, the Commissioner issues the following order:

**I. ALLEGATION OF FACTS**

The petition alleges the following facts:

**A. Respondents and Related Parties**

1. Patrick Pinkston (“Pinkston”) is a Missouri resident with an address of 7423 Flora Avenue, St. Louis, Missouri 63143. A check of the Central Registration Depository

(“CRD”) indicates that Pinkston is assigned CRD number 705258.

2. Mad Baby Pictures, LLC (“MBP”), Charter No. LC0916465, is a Missouri limited liability company organized in the State of Missouri on August 28, 2008, with an address of 3316 Halliday, St. Louis, Missouri 63118. The registered agent for MBP is Pinkston, with an address of 3316 Halliday, St. Louis, Missouri 63118.
3. At all times relevant to this matter, neither Pinkston nor MBP was registered with the State of Missouri as an investment adviser, investment adviser representative, broker-dealer, or agent.
4. At all times relevant to this matter, there was no registration, granted exemption or notice filing indicating status as a “federal covered security” for any securities issued, offered, and/or sold by MBP or Pinkston.

## **B. Enforcement Section Investigation**

### **Puerto Rico Resident (“PR”)**

5. In 2013, a 63-year-old resident of Puerto Rico (“PR”) was living part-time in Barcelona, Spain. While viewing a social media website, PR found a post soliciting persons in Barcelona, Spain, for help in shooting a film. The author of the advertisement was later identified as Pinkston.
6. PR called Pinkston, the author of the advertisement, to learn more about the film project, to be titled *The Thin Veil*. PR expressed interest in participating in the film.
7. In or around August 2013, PR met with Pinkston in St. Louis, Missouri. While in St. Louis, Pinkston told PR more about the film and showed PR potential film scenes in St. Louis. PR expressed interest in participating in the film as an actress and being credited as a producer.
8. Shortly thereafter, on September 19, 2013, Pinkston signed a document titled “Investment Agreement” that stated, among other things:
  - a. PR would invest \$25,000;
  - b. PR would receive a 5% “membership interest” in MBP;
  - c. PR would “be paid in proportion” to PR’s “respective Membership Interests.” This stipulation referred to the amount of investment return PR could expect to receive from profits earned from the film; and
  - d. “The company will continue to be managed by [Pinkston] and investor will have no responsibilities.”

9. On September 20, 2013, PR wired \$25,000 to the MBP bank account.
10. In the summer of 2014, while in St. Louis, Missouri, PR asked Pinkston to return PR's investment funds. Pinkston stated to PR that Pinkston did not have the funds to pay PR back at that time, but promised PR would be paid back if more investors supported MBP. Eventually, Pinkston stopped responding to PR's communications.
11. PR has not received a return of PR's initial investment amount or any returns on PR's investment.
12. In interviews with the Enforcement Section, Pinkston stated, among other things:
  - a. PR responded to a post Pinkston generated on a social media site asking for individuals in the Barcelona, Spain area for help in producing a film;
  - b. PR expressed interest in participating in the film project and later met Pinkston in St. Louis in or around August 2013 to further discuss the project;
  - c. PR invested \$25,000 in MBP;
  - d. PR told Pinkston "to spend the money on pre-production of the film";
  - e. PR told Pinkston PR could find more investors for MBP;
  - f. Pinkston signed the "Investment Agreement," but was unsure who generated the document;
  - g. PR never referred additional investors to MBP or Pinkston;
  - h. MBP ran out of funds to finish the film project; and
  - i. Pinkston spent a substantial portion of PR's investment on personal expenses.

#### **Bank Records**

13. A review of the MBP Bank of America account from September 1, 2013, to November 29, 2013, on which Pinkston was the sole signatory, revealed, among other things:
  - a. a beginning balance of \$51.58 on or about September 1, 2013;
  - b. on September 20, 2013, a wire deposit totaling \$25,000 from PR;
  - c. a September 23, 2013, deposit totaling \$5,000 from an unknown source;
  - d. two \$5,000 checks written to Pinkston on or around September 23, 2013, one of which was deposited into Pinkston's personal Bank of America account on

September 23, 2013;

- e. two checks totaling \$650 written to one of Pinkston's friends;
  - f. two checks totaling \$6,500 written to Shadow Productions;
  - g. a \$10,000 check written to Pinkston and deposited into Pinkston's personal Bank of America account on November 20, 2013;
  - h. payments in excess of \$1,500 to restaurants and convenience stores;
  - i. two payments to auto repair shops totaling \$817.68; and
  - j. a November 29, 2013, ending balance of \$677.17.
14. A review of Pinkston's personal Bank of America account from September 20, 2013, to December 19, 2013, on which Pinkston was the sole signatory, revealed, among other things:
- a. a beginning balance of \$583.25 on September 20, 2013;
  - b. deposits totaling \$15,000 from the MBP Bank of America account;
  - c. deposits from other sources totaling \$181.10;
  - d. checks in excess of \$4,000 written to utility companies, IRS, rent payments, family members, and other unknown individuals;
  - e. ATM Cash withdrawals totaling \$900;
  - f. Payments in excess of \$3,000 to grocery stores, restaurants, gas stations, other stores, and credit card companies; and
  - g. an ending balance of \$6,186.68 on December 19, 2013.

#### **Additional Findings**

15. Public records indicate that Pinkston had the following outstanding liens, judgment, and garnishments at the time of PR's investment:
- a. on August 16, 2007, a St. Louis Associate Circuit Court civil judgement in favor of Citibank South Dakota, NA in the amount of \$23,913;
  - b. on July 18, 2008, a garnishment in the St. Louis Associate Circuit Court in the amount of \$29,184;

- c. on February 24, 2009, a garnishment in the St. Louis Associate Circuit Court in the amount of \$33,500;
  - d. on October 8, 2009, a \$125,372 federal tax lien filed in St. Louis County Court;
  - e. on January 25, 2010, a \$8,697.54 Missouri tax lien filed in St. Louis County Court. This lien was later released on January 7, 2015; and
  - f. on May 17, 2010, a \$307.87 Missouri tax lien filed in St. Louis County Court. This lien was later released on January 7, 2015.
16. In connection with the offer and/or sale of securities, Pinkston and/or MBP failed to disclose to PR, among other things, the following:
- a. that Pinkston was not registered to offer or sell securities in the State of Missouri;
  - b. the specific risks associated with the investment including, but not limited to, the risks associated with Pinkston's and/or MBP's business and/or industry;
  - c. financial information to support the promised return on the investments;
  - d. the financial condition of Pinkston including the existence of liens, judgement, and garnishments;
  - e. the financial condition of MBP; and
  - f. that investment funds would be spent on Pinkston's personal expenses and to make payments to Pinkston's family members and friends.

## **II. COMMISSIONER'S DETERMINATION AND FINDING**

### **Violation of Offering and Selling an Unregistered, Non-Exempt Security**

17. **THE COMMISSIONER DETERMINES** that Respondents offered and sold a security by, among other things:
- a. soliciting PR to invest with Pinkston and/or MBP;
  - b. receiving funds to invest from PR;
  - c. providing and executing an Investment Agreement with PR;
  - d. promising a return on PR's investment that was dependent upon the efforts of others and not on the efforts of PR; and
  - e. pooling PR's investment funds with Pinkston's personal funds.

18. 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>
19. The investment that Respondents offered and/or sold constitutes a security as that term is defined in Sections 409.1-102(28).
20. 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 security offered and sold by Respondents.
21. Respondents offered and sold a security in Missouri without this security 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.
22. At the time Respondents engaged in the conduct set forth above, PR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
23. 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.

**Violation of Transacting Business as an Unregistered Agent**

24. **THE COMMISSIONER FURTHER DETERMINES** that Pinkston was a representative of MBP.
25. Pinkston offered and/or sold a security to an investor in and/or from the State of Missouri on behalf of MPB by among other things offering and/or selling an investment to PR.
26. This activity constitutes transacting business in the State of Missouri under Section 409.1-102(1).
27. At all times relevant to this matter, Pinkston was not registered as an agent in the State of Missouri.
28. Pinkston 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).
29. Pinkston’s conduct in violation of 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.

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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.

### **Violation of Employing an Unregistered Agent**

30. **THE COMMISSIONER FURTHER DETERMINES** that MBP employed and/or associated with Pinkston, who offered and sold a security in or from the State of Missouri on behalf of MBP.
31. MBP's activities constitute employing and/or associating with an agent in the State of Missouri under Section 409.4-402(d).
32. At all times relevant to this matter, Pinkston was not registered as an agent in the State of Missouri.
33. MBP employed and/or associated with Pinkston, 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).
34. MBP'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 a Security**

35. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security as described above, Pinkston, on behalf of MBP, made untrue statements or omitted to state to PR material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, by, among other things:
  - a. telling PR that:
    - i. PR would receive a 5% "membership interest" in MPB;
    - ii. PR would "be paid in proportion" to PR's "respective Membership Interests" from profits earned from MBP's film project; and
    - iii. PR would be paid back if more investors supported MBP.
  - b. these statements, in light of the circumstances under which they were made, were misleading statements because Pinkston, on behalf of MBP, omitted to disclose the following material facts that could impact the return and the viability of PR's investment:
    - i. that Pinkston was not registered to offer or sell securities in the State of Missouri;

- ii. the specific risks associated with the investment including, but not limited to, the risks associated with Pinkston's and/or MBP's business and/or industry;
  - iii. financial information to support the promised return on the investment;
  - iv. the financial condition of Pinkston including the existence of outstanding liens, judgment, and garnishments;
  - v. the financial condition of MBP; and/or
  - vi. that investor funds would be spent on Pinkston's personal expenses and to make payments to Pinkston's family members and friends.
36. **THE COMMISSIONER FURTHER DETERMINES** that in connection with the offer, sale or purchase of a security as described above, Pinkston, on behalf of MBP, engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person by, among other things, using PR's investment funds for Pinkston's personal expenses and to make payments to Pinkston's family members and friends, when PR told Pinkston "to spend the money on pre-production of the film."
37. At the time Respondents engaged in this conduct, PR was over sixty years old and was an elderly person as that term is defined under Section 409.6-604(d)(3)(B).
38. Respondents made an untrue statement 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.
39. Respondents' conduct in violation of Section 409.5-501 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.
40. 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).

### **III. 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.

#### **IV. STATEMENT**

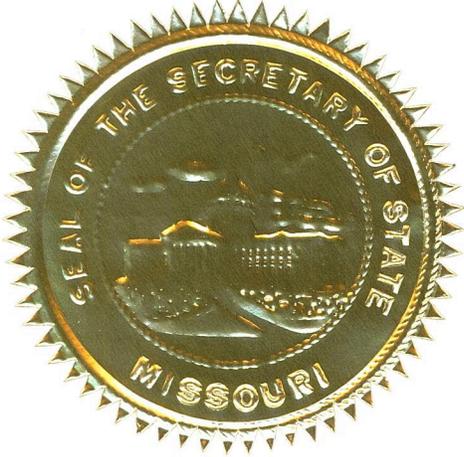
Pursuant to Section 409.6-604(d), the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$6,000 civil penalty against each Respondent for one violation of Section 409.3-301 when this violation was committed against an elderly person;
- B. \$1,000 civil penalty against Respondent Pinkston for one violation of Section 409.4-402(a);
- C. \$1,000 civil penalty against Respondent MBP for one violation of Section 409.4-402(d); and
- D. \$15,000 civil penalty against each Respondent for more than one violation 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.

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**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS EIGHTEENTH DAY OF FEBRUARY, 2016.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

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ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
MAD BABY PICTURES, LLC; and	)	AP-16-07
PATRICK PINKSTON,	)	
	)	
<i>Respondents.</i>	)	
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Serve:	)	
	)	
Patrick Pinkston at:	)	
7423 Flora Avenue	)	
St. Louis, Missouri 63143	)	
	)	
and	)	
	)	
Mad Baby Pictures, LLC at:	)	
c/o Patrick Pinkston, Registered Agent	)	
3316 Halliday	)	
St. Louis, Missouri 63118	)	

**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.

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:

**Andrew M. Hartnett, 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 19<sup>th</sup> day of February, 2016, 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:**

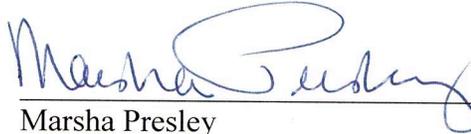
Patrick Pinkston  
7423 Flora Avenue  
St. Louis, Missouri 63143

and

Mad Baby Pictures, LLC  
c/o Patrick Pinkston, Registered Agent  
3316 Halliday  
St. Louis, Missouri 63118

**and by hand-delivery to:**

Ryan D. Smith  
Enforcement Counsel  
Missouri Securities Division



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Marsha Presley  
Securities Office Manager