

STATE OF HAWAII

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

In the Matter of:	)	Case No. SEU 2009-008
)	
LEONCIO PRUDENCIO RARALIO PILAR;	)	PRELIMINARY ORDER TO
LEONCIO PRUDENCIO RARALIO PILAR dba	)	CEASE AND DESIST
PILAR FINANCIAL SERVICES;	)	AGAINST RESPONDENTS
INVESTMENTS AND TAX STRATEGIES;	)	LEONCIO PRUDENCIO RARALIO PILAR;
and PILAR INVESTMENTS, LLC,	)	LEONCIO PRUDENCIO RARALIO PILAR;
	)	dba PILAR FINANCIAL SERVICES;
	)	INVESTMENTS AND TAX STRATEGIES;
	)	AND PILAR INVESTMENTS, LLC;
Respondents.	)	NOTICE OF RIGHT TO HEARING
)	
)	
)	

**PRELIMINARY ORDER TO CEASE AND DESIST AGAINST RESPONDENTS
LEONCIO PRUDENCIO RARALIO PILAR, LEONCIO PRUDENCIO RARALIO PILAR
dba PILAR FINANCIAL SERVICES, INVESTMENTS, AND TAX STRATEGIES, and
PILAR INVESTMENTS, LLC; NOTICE OF RIGHT TO HEARING**

I. STATEMENT OF APPLICABLE STATUTORY LAW

Pursuant to the authority granted by Chapter 485 and Chapter 485A of the Hawaii Revised Statutes (“HRS”), the rules and orders adopted thereunder, and other applicable authority, the Commissioner of Securities of the State of Hawaii (“Commissioner”) has conducted a preliminary investigation into the activities of the above-named respondents, to determine if they have engaged in or are about to engage in any act or practice constituting a violation of HRS Chapters 485 and 485A, or any rule or order adopted thereunder. Chapter 485, HRS, was in effect from 1957 to June 30, 2008. Chapter 485A, HRS replaced Chapter 485, HRS on July 1, 2008.

Based on the results of the preliminary investigation, the Commissioner believes that the above-named respondents have violated or are about to violate HRS Chapter 485A and have violated HRS Chapter 485 as follows:

II. STATEMENT OF JURISDICTION

The Commissioner has jurisdiction over this matter as this case involves securities-related activities under HRS Chapters 485 and/or 485A.

III. PRELIMINARY FINDINGS OF FACT

Respondents

1. At all relevant times herein, Respondent LEONCIO PRUDENCIO RARALIO PILAR (“Pilar”) was a resident of the State of Hawaii. From June 13, 1995, to February 25, 1998, Pilar worked as a registered securities salesperson (CRD No. 1006716) for SunAmerica Securities, Inc. (CRD No. 20068), which at that time was a registered broker-dealer.

2. At all relevant times herein, Pilar was doing business as Pilar Financial Services, Investments and Tax Strategies (hereinafter, “PFSI”), a trade name registered by Pilar with the State of Hawaii on June 16, 1995, which subsequently expired on June 16, 1996.

3. At all relevant times herein, Respondent PILAR INVESTMENTS, LLC (“PIL”), was a Nevada limited liability company registered to conduct business in the State of Hawaii, which registration was involuntarily revoked on December 9, 2005, due to delinquent annual filings.

4. "Respondents" hereinafter refer to Pilar, PFSI, and PIL, collectively.

Consent Order

5. On or about September 20, 2001, the Commissioner issued a consent order (hereinafter, "2001 Consent Order") permanently barring Pilar and PIL from engaging in investment adviser, security salesperson, and broker-dealer activities, for selling unregistered securities in the form of certificates of deposit in violation of HRS § 485-8, and for fraudulent misrepresentations to investors regarding the value of their accounts held by PIL in violation of HRS § 485-25(a)(1), (2), and (3).

Pilar and PIL Violated the 2001 Consent Order

6. Pilar and PIL violated the 2001 Consent Order by repeatedly engaging in security salesperson and agent activities during a nine-year period between September 2001 and October 2010.

7. During this time period, Respondents offered, promoted, and/or sold rights or interests in an investment program to Hawaii investors, in which Respondents told investors that money invested with the Respondents would earn high fixed rates of interest. However, Respondents did not generate such returns for investors. Respondents instead used money from investors, in part, to pay other investors and to pay for personal expenses. This investment program is hereinafter referred to as the "Investment Program."

The Investment Program was a Series of Investment Contracts

8. Between 2001 and 2010, Investors One through Four (hereinafter collectively referred to as "Investors") gave Respondents a total of approximately \$304,194.22 ("Investors' Money") to invest in the Investment Program, as follows:

- a. From October 25, 2001, to November 30, 2004, Investor One gave Respondents ten payments totaling approximately \$190,000;
- b. On or about November 5, 2001, Investor Two gave Respondents approximately \$32,824.22;
- c. On or about February 13, 2006, Investor Three gave Respondents approximately \$25,000; and
- d. From February 25, 2006, to October 18, 2010, Investor Four gave Respondents five payments totaling approximately \$56,370.

9. At all relevant times herein, the Investors did not receive, nor did they intend to receive, any right to exercise any control over managerial decisions of the Investment Program, with all managerial decisions relating to the Investment Program being exclusively made by Respondents.

10. The Investors' Money was subject to the risk of the Investment Program being unsuccessful. In fact, Respondents' promises to the Investors of a high fixed return turned out to be too good to be true. None of the investors received the promised return. Investors One, Three, and Four did not receive any of the interest or principal payments from the Respondents.

11. The Investment Program was a series of “investment contracts” which constitute securities pursuant to HRS §§ 485-1 and 485A-102, and other applicable authority. However, Respondents did not register the investments in the Investment Program as securities with the Office of the Securities Commissioner (“Office of the Commissioner”) as required by HRS §§ 485-8 and 485A-301.

Fraudulent Conduct of Respondents

12. Respondents used the Investment Program as a means to use a portion of the Investors’ Money for the Respondents’ own benefit and to perpetuate a Ponzi-like fraud on others, to the detriment of the Investors. For example, some of the Investors’ Money was misappropriated as follows:

- a. Respondents used part of the Investors’ Money to pay Pilar’s personal expenses, to pay Respondents’ expenses unrelated to the Investment Program, and/or to pay Pilar commissions or other remunerations, directly or indirectly, for soliciting the Investors;
- b. Respondents used part of the Investors’ Money to issue checks to the Respondents, checks to “cash,” checks for Pilar’s personal expenses, and for Respondents’ expenses not related to the Investment Program, without the Investors’ knowledge, authority, and/or consent;

- c. Respondents used part of Investor Two's investment to issue some of the restitution payments ordered in the 2001 Consent Order without Investor Two's knowledge, authority, and/or consent; and
- d. Respondents used part of the Investors' Money to pay returns to other investors without the Investors' knowledge, authority, and/or consent.

13. Consistent with Respondents' pattern of deceit, Respondents prevented the Investors from learning they were not earning fixed rates of return in the Investment Program by sending false monthly statements to Investors showing increased account balances and monthly interest payments, when in fact there were no increases or interest payments. The Investors' Money was being deposited in Respondents' bank accounts and then misappropriated as described heretofore in paragraph 12.

14. In October of 2001, Respondents issued a "Statement" to Investor One, showing that Investor One's investment in the Investment Program was earning a return of 20% APR, 21.94% APY, when, in fact, Investor One was not earning such returns.

15. In a ploy to avoid subjecting the Investment Program to securities regulations and to avoid the jurisdiction of the State of Hawaii, Securities Enforcement Branch ("SEB"), Pilar suggested that Investor One mischaracterize his investment as a "loan."

16. The Investment Program culminated with Pilar sending a letter dated July 1, 2011, to Investors One, Three, and Four, stating that Pilar had lost their money in the stock market and gone "underground" and that Pilar would be declaring bankruptcy. Through this letter, Pilar

continued to mislead Investors One, Three, and Four with untrue statements. After sending the letter, Pilar never filed for bankruptcy. Furthermore, the losses Pilar referred to were not caused solely from stock market losses, but also from misappropriation of funds.

17. Respondents made the following untrue statements of material fact and material omissions, orally or via printed materials, in connection with the offer and/or sale of investments in the Investment Program, and as a result of, but not limited to, the following misrepresentations and omissions, the Investors were induced into investing with Respondents:

- a. Respondents induced the Investors to invest in the Investment Program by falsely promising and/or guaranteeing that the Investors would earn enticing fixed rates of return over and above their initial investments. Such returns never materialized.
- b. Pilar misrepresented to Investor One that Pilar would invest Investor One's money in stocks. However, Pilar used a significant portion of Investor One's investment for purposes other than investing in stocks.
- c. In February of 2006, Respondents issued an "Application" to Investor Three, guaranteeing a return of 20% on Investor Three's investment in the Investment Program every month and guaranteeing that in ten years, Investor Three's \$25,000 investment would grow to \$181,706.37, provided no withdrawals were made from the account. Such returns never materialized.

- d. In October of 2010, Respondents issued an “Application” to Investor Four, guaranteeing a return of Investor Four’s investment in the Investment Program of 10% APR compounded monthly. Such returns were never made.
- e. Respondents failed to disclose to the Investors that Pilar and PIL were not permitted to sell securities because Pilar and PIL were permanently barred and enjoined from engaging in salesperson activities under HRS Chapters 485 and 485A, pursuant to the 2001 Consent Order.
- f. Respondents failed to disclose to the Investors that Respondents would use some of the Investors’ Money to pay returns to other investors.
- g. Respondents failed to disclose to the Investors that they would use the Investors’ Money for Respondents’ own expenses including paying restitution payments for previous securities violations under the 2001 Consent Order.
- h. Respondents issued false monthly statements to the Investors showing increased account balances and the payment of monthly interest. These representations were not true and were used by Respondents to distract the Investors from the truth.
- i. Respondents failed to disclose to the Investors that the investments in the Investment Program were securities that were required to be registered with

the Office of the Commissioner, and were not registered or exempt from registration, pursuant to HRS Chapter 485 and/or 485A, respectively.

- j. Respondents failed to disclose to the Investors that Pilar was required to be registered with the Office of the Commissioner as a securities salesperson and/or agent, and was not registered or exempt from registration, pursuant to HRS Chapters 485 and/or 485A, respectively.

18. In furtherance of the offer, purchase, and/or sale of the Investment Program, Respondents employed devices, schemes or artifices to defraud and engaged in acts, practices, or courses of business to operate as a fraud or deceit upon the Investors, as evident in the acts described hereinabove.

IV. PRELIMINARY CONCLUSIONS OF LAW

19. The facts and allegations in paragraphs 1 through 18, inclusive, are realleged and incorporated herein as if set forth verbatim.

20. At all relevant times herein, the rights, privilege, and/or opportunity sold to Investors under the Investment Program described hereinabove were securities (hereinafter "Securities") within the meaning of HRS § 485-1(13), HRS § 485A-102, and other applicable authority, and were required to be registered or appropriately exempted from registration with the Office of the Commissioner.

21. At all relevant times herein, the Securities that Respondents sold to the Investors were not registered with the Office of the Commissioner, nor were they exempted from registration, in violation of HRS § 485-8 and HRS § 485A-301, as applicable.

22. Pilar's offer to sell and/or sale of the above-described Securities to the Investors constitute securities transactions in the State of Hawaii by an unregistered salesperson in violation of HRS § 485-14 and/or by an agent in violation of HRS § 485A-402.

23. In connection with the offer, sale, or purchase of securities, Respondents employed a device, scheme, or artifice to defraud, and engaged in acts, practices, or a course of business that operated as a fraud or deceit upon the Investors as described heretofore in paragraphs 1 through 18, in violation of HRS § 485-25(a)(1) and (3) and HRS § 485A-501(1) and (3), as applicable.

24. In connection with the offer, sale, or purchase of securities, Respondents misrepresented and/or omitted material facts to the Investors as described heretofore in paragraph 18, in violation of HRS § 485-25(a)(2) and HRS § 485A-501(2), as applicable.

25. Pilar's above-described acts as an unregistered salesperson and/or agent constitute a violation of the 2001 Consent Order. Such violation of an earlier consent order is subject to additional civil penalties, pursuant to HRS § 485A-604.

V. PRELIMINARY ORDER TO CEASE AND DESIST

NOW THEREFORE, pursuant to HRS §§ 485-18.7 and/or 485A-604, as applicable, because of the aforementioned findings and/or because it appears that Respondents

may engage in further acts or practices in violation of Chapter 485A, HRS and/or because it is found that this action is necessary and in the public interest for the protection of investors, IT IS HEREBY ORDERED that:

1. Respondents shall CEASE AND DESIST from making any offer to sell, solicitation to purchase, sale of and/or transfer of the above-described Securities, or any other security, within, to or from the State of Hawaii;

2. All contracts regarding the purchase or sale of the aforesaid Securities by Respondents to any investor are hereby RESCINDED effective immediately. Respondents shall REFUND to the investors all monies or other compensation paid, plus interest at the rate of ten percent (10%) per annum from the date of the investment to the date of the refund payment until fully paid, less any monies already refunded to the investors. This payment shall be made within thirty (30) days of the date of the Commissioner's Final Order (the "Final Order"). Proof of said payments to the investors shall be provided to the Securities Enforcement Branch within thirty (30) days of the date of the Final Order;

3. Respondents each shall be liable to pay the State of Hawaii, Department of Commerce and Consumer Affairs, Business Registration Division, an ADMINISTRATIVE PENALTY in the sum of TWO HUNDRED THOUSAND AND NO/100 DOLLARS (\$200,000.00) plus interest on the unpaid balance thereof at the rate of ten percent (10%) per annum from the date of the Final Order until finally paid. Payment of this administrative penalty shall be made by cashier's check or certified check made payable to the "Department of

Commerce and Consumer Affairs Compliance Resolution Fund” and received by the Commissioner within thirty (30) days of the date of the Final Order;

4. Respondents each shall be liable to pay the State of Hawaii, Department of Commerce and Consumer Affairs, Business Registration Division, a CIVIL PENALTY in the sum of FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00) plus interest on the unpaid balance thereof at the rate of ten percent (10%) per annum from the date of the Final Order until finally paid, pursuant to subsection (5) of the 2001 Consent Order (SEU-2000-049). Payment of this civil penalty shall be made by cashier’s check or certified check made payable to the “Department of Commerce and Consumer Affairs Compliance Resolution Fund” and received by the Commissioner within thirty (30) days of the date of the Final Order;

5. Respondents are PERMANENTLY BARRED as agents, broker-dealers, investment advisers and/or investment adviser representatives from the date of the Final Order and from applying for registration in the State of Hawaii as agents, broker-dealers, investment advisers and/or investment adviser representatives from the date of the Final Order;

6. Each Respondent shall be subject to a civil penalty of not more than FIFTY THOUSAND AND NO/100 DOLLARS (\$50,000.00) per violation for each and every violation of this preliminary order (“Order”) or any order of the Commissioner, pursuant to HRS § 485A-604, and any future violation of HRS Chapter 485A, or its successor;

7. The imposition of this Order shall not preclude or prevent in any way the imposition of further sanctions or other actions against Respondents or any other party for violations of HRS Chapters 485 and/or 485A, or its successor.

NOTICE OF RIGHT TO HEARING

YOU ARE HEREBY NOTIFIED that pursuant to HRS § 485-18.7(b) and HRS § 485A-604, as applicable, you may request a hearing on this matter within thirty (30) days of the date of this Order. Your request must be in writing and addressed to: Office of Administrative Hearings, Department of Commerce and Consumer Affairs, State of Hawaii, P.O. Box 541, Honolulu, Hawaii 96809.

A copy of your written request for a hearing must be simultaneously served upon the Securities Enforcement Branch, Department of Commerce and Consumer Affairs, State of Hawaii, P.O. Box 40, Honolulu, Hawaii 96810. If a hearing is requested, it shall be scheduled within fifteen (15) business days after your written request has been received by the Office of Administrative Hearings unless extended by the Commissioner for good cause.

If no written request for hearing is received by the Office of Administrative Hearings and none is ordered by the Commissioner, this Order shall remain in effect unless and until modified or vacated by the Commissioner or a Final Order becomes effective.

You are hereby further notified that pursuant to § 16-201-23 of the Hawaii Administrative Rules for Administrative Practice and Procedure, you may within ten (10) days after receiving a Final Order move the Commissioner to reconsider the Final Order. Your motion shall be filed

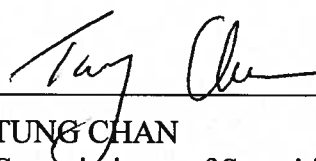
with the Commissioner and shall state specifically what points of law or facts the Commissioner has overlooked or misunderstood together with brief arguments on the points raised.

Additionally, pursuant to HRS § 485-23 and HRS § 485A-609, as applicable, you may file an appeal with the Circuit Court of the First Circuit of the State of Hawaii in the manner provided in HRS Chapter 91.

You have the right to retain legal counsel, at your own expense, for all stages of these proceedings.

DATED: Honolulu, Hawaii,

July 16, 2012



TUNG CHAN
Commissioner of Securities
DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII