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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-14-1478-15-CO01
Whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
Michael Andre Jones,)
)
)
Respondent)
)

INTRODUCTION

On July 25, 2014, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, Impose a Fine, and Charge Costs (“Statement of Charges”), Order Number S-14-1478-14-SC01, against Respondent Michael Andre Jones. On April 6, 2015, the Securities Administrator issued an Amended Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, Impose a Fine, and Charge Costs (“Amended Statement of Charges”), Order Number S-14-1478-15-SC02, against Respondent Michael Andre Jones. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondent do hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and the Amended Statement of Charges and as alleged below. Respondent Michael Andre Jones neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

1. Michael Andre Jones (“Jones”) is currently a Washington resident. From 1992 until 2006,

Jones was a registered securities salesperson with the National Association of Securities Dealers

1 (“NASD”), now known as the Financial Industry Regulatory Authority (“FINRA”). In 2007, Jones was
2 barred by the NASD from registering as a securities salesperson with any member broker-dealer firm
3 because Jones had violated NASD securities regulations and because he failed to comply with a \$300,000
4 customer arbitration award.

5 Related Company

6 2. Green Bash, LLC (“Green Bash”) is a New Mexico limited liability company that was
7 formed on September 11, 2002. While offering and selling investments issued by Green Bash, Jones
8 represented in offering materials to two Washington investors that he was a managing director of Green
9 Bash and that Jones had an equity interest in the company.

10 Offering of Convertible Promissory Note Investments

11 Investor A

12 *Initial Investment*

13 3. During 2010 and 2011, Jones was residing in California. In late 2010 or early 2011, Jones
14 “cold called” a retired Washington investor (hereinafter “Investor A”). Jones told the investor that Jones
15 was offering investments in Green Bash. Jones represented to the investor that Green Bash was a start-up
16 company that would host parties that would be given after concerts that were held to promote “green”
17 sustainability and environmental awareness. Jones told the investor that either Jones personally or Green
18 Bash also owned stock in MagNet Solutions, Inc. (“MagNet Solutions”), a California software company
19 that was developing some valuable software.
20

21 4. Jones offered to sell the investor a \$30,000 promissory note that was issued by Green Bash.
22 Jones represented that the note would pay 10% annual interest, with interest paid quarterly, and would be
23 due at the end of one year. Jones also represented to the investor that the note would be convertible, at the
24 option of the investor, into shares of stock in Green Bash and shares of stock in MagNet Solutions. Jones
25

1 told the investor that Green Bash and MagNet Solutions would both be publicly traded companies within
2 one year, before the promissory note came due. Jones sent the investor a promissory note purchase
3 agreement, which stated that 35% of the note's principal could be converted into publicly traded common
4 stock in MagNet Solutions at a conversion price of \$8.90 per share. The agreement also stated that 65%
5 of the note's principal could be converted into publicly traded shares of Green Bash at a price of 25 cents
6 per share. Jones represented that the investment would be profitable for the investor. Jones represented
7 that he would manage the business that would generate the return on the investment. The investor's only
8 role was to advance funds to purchase the investment. Jones sent wire transfer instructions to the investor
9 for making the investment.

10 5. In February 2011, the investor purchased from Jones a \$30,000 convertible promissory note
11 investment issued by Green Bash. The investor was a passive investor who was relying upon Jones and
12 others to generate a return on the investment. The investor received a quarterly interest payment in April
13 2011. The investor later received additional principal and interest payments, leaving an outstanding total
14 principal balance of approximately \$5,000. The investor never converted the \$30,000 promissory note.
15 The note became past due and the outstanding balance was never repaid.

17 *Additional Investments*

18 6. Sometime in or around June 2011, Jones called and offered the Washington investor a
19 \$20,000 convertible promissory note investment issued by Green Bash, with the same terms and
20 conditions as the initial \$30,000 investment. Jones sent the investor a subscription agreement for the
21 additional purchase of a convertible promissory note investment. The investor was a passive investor who
22 did not participate in the management of Green Bash. The investor purchased from Jones a \$20,000
23 convertible promissory note investment issued by Green Bash in June 2011.
24
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1 11. When offering and selling convertible promissory note investments issued by Green Bash,
2 Jones bragged to Investor A that Jones had been in the securities business for many years, but Jones failed
3 to disclose to the investor that Jones had been barred by the NASD for securities violations and for failing
4 to pay a \$300,000 customer arbitration award.

5 12. When offering and selling the initial \$30,000 investment to Investor A, Jones sent Investor A
6 a document that referenced an August 1, 2010 confidential private placement memorandum, but Investor
7 A never received the memorandum.

8 13. When offering and selling each of the convertible promissory note investments issued by
9 Green Bash to Investor A, Jones failed to disclose any risks of the investments. Jones failed to disclose
10 Green Bash's operating history and financial information and failed to give Investor A any financial
11 statements for Green Bash or MagNet Solutions. Although Jones told Investor A that the investor's funds
12 would be used to pay for party expenses, Jones failed to disclose how much money Green Bash had raised
13 and exactly how the funds were being used. Jones also failed to disclose the source of repayment for the
14 investments made by Investor A.
15

16 Investor B

17 *Initial Investment*

18 13. During October 2011, Jones "cold called" a second retired Washington resident regarding an
19 investment opportunity (hereinafter, "Investor B"). Jones told the investor about a company called "Green
20 Bash, LLC," a concert promotion company that produces "green" environmental concerts. Jones also told
21 the investor about MagNet Solutions, Inc. According to Jones, MagNet Solutions owned software that
22 would allow concert goers to purchase memorabilia instantly by using their mobile phone.

23 14. Jones offered to sell the investor a \$15,000 promissory note that was issued by Green Bash.
24 Jones represented that the note would pay 10% annual interest, with interest paid quarterly, and would be
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1 due at the end of one year. Jones also represented to the investor that the note would be convertible, at the
2 option of the investor, into shares of stock in Green Bash and shares of stock in MagNet Solutions. Jones
3 represented that 35% of the note's principal could be converted into publicly traded common stock in
4 MagNet Solutions at a conversion price of \$8.90 per share. Jones also represented that 65% of the note's
5 principal could be converted into publicly traded shares of Green Bash at a price of 25 cents per share.

6 15. When offering the investment, Jones gave the investor offering materials that stated that the
7 conversion of the note into MagNet Solutions stock would generate a 2:1 return on investment and the
8 conversion of the note into Green Bash, Inc. stock would generate a 3:1 return on investment. The
9 offering materials also included financial projections for Green Bash. The projections showed that Green
10 Bash would have earnings of \$53,539 for 2011, \$1,687,337 for 2012, and \$2,634,750 for 2013.

11 16. In October 2011, the investor purchased a \$15,000 convertible promissory note investment
12 issued by Green Bash. The investor was a passive investor, whose only role was to advance funds to
13 purchase the investment. The investor relied upon Jones and others to generate a return on the investment.
14 Jones represented to the investor that Jones would manage the business that would generate the return on
15 the investment.
16

17 *Additional Investments*

18 17. Also in October 2011, Jones called and offered the investor a \$10,000 convertible promissory
19 note investment, with the same terms and conditions as the initial \$15,000 investment. Jones told the
20 investor that MagNet Solutions had just signed a deal with Walmart, so the investor agreed to make
21 another investment.

22 18. In December 2011, Jones called and offered the investor another \$15,000 convertible
23 promissory note investment, with the same terms and conditions as the initial \$15,000 investment. Jones
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1 told the investor that Samsung had made a \$200 million offer to purchase MagNet Solutions, so the
2 investor agreed to make a third investment.

3 *Misrepresentations and Omissions*

4 19. When offering and selling convertible promissory note investments issued by Green Bash to
5 Investor B, Jones represented to the investor that part of the investments would be convertible into
6 publicly traded stock in MagNet Solutions. However, MagNet Solutions was a privately held company
7 that had never planned to go public before the maturity date of the three notes that were purchased by
8 Investor B. Jones also represented to the investor that the conversion of the promissory notes into MagNet
9 Solutions stock would generate a 2:1 return on investment. Jones failed to disclose any reasonable basis
10 for that projected return on investment.

11 20. When offering and selling convertible promissory notes issued by Green Bash to Investor B,
12 Jones represented to Investor B that the conversion of the promissory notes into Green Bash, Inc. stock
13 would generate a 3:1 return on investment. Jones failed to disclose any reasonable basis for that projected
14 return on investment. Jones represented to the investor that Green Bash would have earnings of \$53,539
15 for 2011, \$1,687,337 for 2012, and \$2,634,750 for 2013. Jones failed to disclose any reasonable basis for
16 the projected earnings and failed to disclose that Green Bash was actually losing money during 2011.

17 21. Jones represented to the investor that MagNet Solutions had signed a deal with Walmart, but
18 failed to disclose that the deal was not finalized. Jones represented to the investor that Samsung had made
19 a \$200 million offer to purchase MagNet Solutions, but failed to disclose that the offer was not a firm
20 purchase offer.

21 22. Jones failed to disclose Green Bash's operating history and financial information to Investor
22 B and failed to give Investor B any financial statements for Green Bash or MagNet Solutions. Jones failed
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1 to disclose to Investor B that Jones had been barred by the NASD for securities violations and for failing
2 to pay a \$300,000 customer arbitration award.

3 Based upon the above Findings of Fact, the following Conclusions of Law are made:
4

5 **CONCLUSIONS OF LAW**

6 1. The offer and sale of the investments described above constitute the offer and sale of a security, as
7 defined in RCW 21.20.005(14) and RCW 21.20.005(17), in the form of an investment contract, a
8 promissory note, and the right to purchase stock.

9 2. As set forth in the Findings of Fact, Respondent, Michael Andre Jones, violated RCW 21.20.010,
10 the anti-fraud section of the Securities Act of Washington.
11

12 Based upon the foregoing and finding it in the public interest:
13

14 **CONSENT ORDER**

15 IT IS AGREED AND ORDERED that Respondent Michael Andre Jones, and his agents and
16 employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the
17 Securities Act of Washington.

18 IT IS FURTHER AGREED AND ORDERED that Respondent Michael Andre Jones shall be liable
19 for and shall pay a fine of \$15,000. However, payment of the fine shall be deferred until the two
20 Washington investors described in the Findings of Fact have been repaid in full.

21 IT IS FURTHER AGREED AND ORDERED that Respondent Michael Andre Jones shall be liable
22 for and shall pay costs, fees, and other expenses incurred in the administrative investigation and hearing of
23 this matter in an amount of \$5,000. However, payment of the costs shall be deferred until the two
24 Washington investors described in the Findings of Fact have been repaid in full.
25

1 IT IS FURTHER AGREED AND ORDERED that Respondent Michael Andre Jones and any non-
2 publicly traded company that he represents shall be denied any applications with the Washington Securities
3 Division or registration or exemption of any securities until the two Washington investors described in the
4 Findings of Fact have been repaid in full and the fines and costs imposed by this Consent Order have been
5 paid in full.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Michael Andre Jones shall be denied
7 any application with the Washington Securities Division for registration as a broker-dealer, salesperson,
8 investment adviser, or investment adviser representative until the two Washington investors described in the
9 Findings of Fact have been repaid in full and the fines and costs imposed by this Consent Order have been
10 paid in full.

11 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

12 IT IS FURTHER AGREED that Respondent Michael Andre Jones entered into this Consent Order
13 freely and voluntarily and with a full understanding of its terms and significance.
14

15 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, Michael Andre
16 Jones, waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and
17 Chapter 34.05 RCW.

18 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

19
20 Signed this ___30th___ day of ___October_____, 2015

21 Signed by:

22
23 /s/ _____
24 Michael Andre Jones

1 SIGNED and ENTERED this 13th day of November, 2015

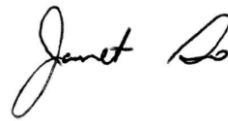
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5 _____
6 William M. Beatty
7 Securities Administrator

7 Approved by:

7 Presented by:

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8 

9 _____
10 Suzanne Sarason
11 Chief of Enforcement

9 _____
10 Janet So
11 Financial Legal Examiner

12 Reviewed by:

13 _____
14 Robert Kondrat
15 Financial Legal Examiner Supervisor