

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

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Case No. 2014-0238

SEAN JAHANIAN

*

and

MONGOLIAN GOLD STANDARD,
LLC,

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*

RESPONDENTS.

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CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Title 11, Corporations and Associations Article, Annotated Code of Maryland (2014 Repl. Vol. & Supp. 2016) (the “Securities Act” or “Act”), initiated an investigation into the securities related activities of Sean Jahanian and Mongolian Gold Standard, LLC, (“Respondents”); and

WHEREAS, on the basis of that investigation, the Maryland Securities Commissioner (the “Commissioner”) determined that grounds exist to allege that Respondents violated certain registration and antifraud provisions set forth at sections 11-301, 11-401, 11-402, and 11-501 of the Act; and

WHEREAS, pursuant to section 11-701.1(a) of the Securities Act, on July 25, 2016, the Commissioner issued an Order To Show Cause ordering each Respondent to show why that Respondent should not be found in violation of the Act, to show why a fine of up to \$5,000 per violation should not be imposed on that Respondent, and to show why that Respondent should not permanently be barred from engaging in the securities business in Maryland; and

WHEREAS, before holding a hearing in this matter, without trial or adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Commissioner and the Respondents have reached an agreement to resolve this matter; and

WHEREAS, the Respondents expressly consent to the Commissioner's jurisdiction in this matter and to the terms of this Order; and

WHEREAS, the Respondents waive their rights to a hearing and any rights they may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order.

NOW, THEREFORE, IT IS HEREBY AGREED AND THE COMMISSIONER ORDERS:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over the Respondents pursuant to section 11-701.1 of the Act.

II. RESPONDENTS

2. Mongolian Gold Standard, LLC ("MGS"), at all relevant times was a Delaware limited liability company with offices in Washington, DC and Ulaanbaatar, Mongolia. MGS was a start-up entity purportedly engaged in the business of producing, acquiring, or trading gold internationally.

3. Sean Jahanian (“Jahanian”) is a resident of Bethesda, Maryland, who at all relevant times was a founder and Managing Member of MGS, and acted as an agent of MGS in soliciting an investment from a Maryland resident.

III. FINDINGS OF FACT

4. MGS was formed in Delaware in 2010 for the purpose of owning and operating a gold refinery doing business in Mongolia by acquiring, processing, and trading gold.

5. To aid in that goal, MGS touted its joint venture with Sterlington Ltd., of the Isle of Man. Sterlington was to build and operate the refinery for a share of the proceeds. The project was never constructed.

6. Jahanian, allegedly having some international business experience, was one of two Managing Members of MGS, and held himself out as the company’s CEO.

7. Jahanian is a distant relative and former business associate of Maryland resident MK, and explained to MK the business plan and goals, and growth opportunity of MGS.

8. Jahanian stated that MGS had the financial backing of a group of Mongolian businesspersons, who provided capitalization. He later admitted that MK was the only investor.

9. Jahanian stated that invested money would be used for Mongolian operations. He did not explain that this was a start-up operation, with no history or current existence.

10. Jahanian claimed that MGS had the backing and support of Gage International, a public relations and lobbying firm with ties to Mongolia and political connections in the U.S.

11. Jahanian represented to MK that shares in MGS were available, that the investment would pay interest at 10% annually, and that the company would go public very soon and the stock would be worth five times the amount invested.

12. Jahanian solicited MK's investment, without providing a prospectus or private placement memorandum, and without giving MK a copy of his contract/subscription agreement or a signed certificate for his shares.

13. As a result of Jahanian's representations and promises, MK invested a total of \$70,000 in four payments:

- a. \$25,000 by check on 1/27/12, payable to Mongolian Gold Standard and endorsed by Jahanian;
- b. \$10,000 by check on 8/8/12 payable to Mongolian Gold Standard and endorsed by Jahanian;
- c. \$15,000 by check on 9/30/12 payable to Mongolian Gold Standard and endorsed by Jahanian; and
- d. \$20,000 by check on 12/31/12 payable to Mongolian Gold Standard and endorsed by Jahanian.

14. MK received Certificate No. 000045, representing 3,397 shares. The Certificate is not signed by any officer of MGS.

15. MK subsequently learned that MGS was not already operational, and that he was the only investor.

16. MK received four purported interest payments of 10% for his investments: \$2,500 on the first investment, \$1,000 on the second, \$1,500 on the third, and \$2,000 on the fourth investment in MGS stock. The company had no business; it had no income. According to bank records, MK was paid the 10% interest from his own principal.

17. Bank records indicate that around the times of the deposits of MK's into the Mongolian Gold account, funds were used for ATM withdrawals, and payments to Marshal's, Sunoco, Toys 'R Us, Best Buy, Regal Cinema, and other personal expenses.

18. Respondents ignored MK's requests for repayment and threat of a lawsuit.

19. MGS never began operations, generated income, or “went public.” Despite repeated demands, there have been no subsequent payments or refunds. MGS is gone, and the stock is worthless.

20. MK received no Form 1065 partnership tax return, and no Form 1099-INT for interest paid.

21. Shares of MGS are not registered for offer or sale in Maryland, and no claim of exemption from registration has been filed with the Division. The shares are not a federal covered security.

22. Neither of the Respondents are registered in Maryland as a broker-dealer or agent.

IV. CONCLUSIONS OF LAW

THE COMMISSIONER, THEREFORE, CONCLUDES AS A MATTER OF LAW THAT:

23. The shares of MGS offered and sold by Respondents constitute “securities” in the form of stock, an interest in a profit-sharing agreement, or an investment contract, within the meaning of section 11-101 of the Securities Act.

24. Respondents violated section 11-501 of the Securities Act by offering and selling unregistered securities in Maryland that were neither exempt from registration nor were federal covered securities.

25. Respondents violated section 11-401(a) of the Securities Act by acting as an unregistered broker-dealer or issuer agent.

26. Respondent MGS violated section 11-402(a) of the Securities Act by employing an unregistered agent in the offer and sale of securities.

27. Respondents violated section 11-301 of the Securities Act by making misstatements or omissions of material facts in connection with the offer and sale of a security in Maryland, regarding, among other things, the repayment of investor funds, profitability, risk, use of investor funds, and performance of the investment.

V. SANCTIONS

NOW, THEREFORE, IT IS HEREBY ORDERED, and Respondents expressly consent and agree that:

28. Respondents shall permanently cease and desist from violating sections 11-301, 11-401(a), 11-402(a), and 11-501 of the Securities Act.

29. Respondents are barred permanently from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

30. Respondents, jointly and severally, are assessed a civil monetary penalty pursuant to section 11-701.1(b)(4) of \$40,000 for the violations set forth in this Order.

31. Respondents shall make payments under this Consent Order in installments to the Office of the Attorney General, which will distribute the funds to investor MK in a manner within its discretion. The first installment shall be made payable to the Office of the Attorney General in an initial amount of \$15,000. That first installment shall be paid contemporaneous with the issuance of this Consent Order. Respondents shall pay the remaining amount on a quarterly basis over two years. The quarterly payments shall be in the amount of \$3,125. Respondents shall remit each quarterly payment so that it is received by the Office of the Attorney General on or before the first day of the month when due. The first quarterly payment

shall be on or before April 1, 2018 and the final quarterly payment shall be on or before January 2, 2020. The quarterly payments shall be in the total amount of \$25,000.

32. Upon timely receipt by the Office of the Attorney General of the last installment payment due under this paragraph, the civil monetary penalty due under this Consent Order shall be waived.

33. If Respondents fail to make timely payments to the Office of the Attorney General as required under this Consent Order, and payments are delinquent for more than thirty (30) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit (“CCU”) of the State of Maryland. If a referral is made, any monies due under this Consent Order shall be increased by the amount of fees and interest assessed by CCU for collection of these funds.

34. Respondents shall comply fully with the Act and the regulations promulgated thereunder.

VI. JURISDICTION RETAINED

35. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

36. If a Respondent fails to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against that Respondent to enforce this Consent Order and to sanction that Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Act or under any other applicable law, including the issuance of fines or penalties for the violations that initiated this matter. For purposes of determining those sanctions, the Findings of Fact and violations of the

Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against that Respondent.

37. In the event that judicial intervention in this matter is sought by the Securities Commissioner or a Respondent, each Respondent consents that subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Act. Each Respondent consents that the Circuit Court for Baltimore City will have personal jurisdiction over that Respondent, and that venue will be properly in that Court.

38. The terms of this Consent Order may be vacated or modified only by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

SO ORDERED:

**Commissioner's Signature on
File w/Original Document**

January 30, 2018

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

Sean Jahanian, Individually

Mongolian Gold Standard, LLC,
By Sean Jahanian, CEO

_____, 2017
Date

Subscribed and sworn to before me
this ____ day of _____, 2017

Notary Public
My Commission expires _____