ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:	)	
	)	**ORDER TO CEASE AND DESIST**
Kelly Malone, Eugene Royals, and the Coastline Group, LLC,	)	
	)	
	)	**File No. 09083**
Respondents.	)	

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. § 35-1-101 to 35-1-703 (Supp. 2009), on or about October 30, 2009, received information regarding alleged activities of Kelly Malone ("Malone"), Eugene Royals ("Royals"), and The Coastline Group, LLC ("Coastline") (collectively, the "Respondents") which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondents pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings and conclusions:

1. Respondent Malone is a South Carolina Resident with an address of 9 Black Hawk Trail, Myrtle Beach, South Carolina, 29588.
2. Respondent Royals is a South Carolina resident with an address of 1790 Long Leaf Estates, Myrtle Beach, South Carolina 29588.

3. Respondent Coastline is a Nevada Corporation with an address of 202 North Curry Street, Suite 100, Carson City, Nevada, 89703. Respondent Coastline has never been registered with the South Carolina Secretary of State.
4. Respondents Malone and Royals were at all times herein in control of Coastline.
5. On or about September 12, 2002, the Respondents issued a promissory note to a South Carolina resident in the amount of $400,000 (the "September 2002 Note").
6. The Respondents represented to the investor that the principal of the September 2002 Note would be placed with the Apollo Trust and Sidney S. Hanson of Charlotte, North Carolina, and that the investment was insured by a policy issued by Lloyds of London.
7. On information and belief, some or all of the representations surrounding the issuance of the September 2002 Note were false or misleading.
8. On or about September 13, 2002, the Respondents placed approximately $300,000 from the September 2002 Note with Arnulfo M. Acosta, an attorney located in Texas. This transfer was made without the knowledge or consent of the investor.
9. Arnulfo M. Acosta was not registered at any time relevant, to sell securities in Texas or South Carolina.
10. Arnulfo M. Acosta pleaded guilty on May 10, 2007, in United States District Court for the Southern District of California, to conspiracy to commit wire fraud and making a false statement to a federal officer. The plea agreement includes a "true and undisputed" fact that Acosta and his co-conspirators converted millions of dollars of invested funds to their personal use.
11. The Respondents made no interest or principal payments to the investor on the September 2002 Note.

12. On or about February 18, 2003, and February 25, 2003, the Respondents sold promissory notes in the amount of $350,000 and $200,000 respectively to two South Carolina residents (the "February 2003 Notes"). The notes guaranteed returns of 50 percent in 180 days.
13. In connection with the February 2003 Notes, the Respondents assured the investors that their investments were backed by a certificate of ownership of one million dollars worth of precious metals.
14. On information and belief, the Respondents' representation regarding the certificate of ownership was false.
15. The principal from the February 2003 Notes was placed with Sidney S. Hanson and The Apollo Trust located in Charlotte, North Carolina.
16. Sidney S. Hanson and The Apollo Trust were not, at any time relevant, registered to sell securities in South Carolina or North Carolina.
17. Sidney S. Hanson pleaded guilty to securities fraud, mail fraud, and money laundering on July 28, 2009, in the United States District Court for the Western District of North Carolina.
18. The Respondents made no interest or principal payments to the investors on the February 2003 Notes.
19. None of the promissory notes issued by the Respondents were registered as securities with the Division, nor are they federal covered securities, and no exemption from registration was claimed by any party.
20. None of the Respondents are registered as broker-dealers or broker-dealer agents, nor has any exemption from registration been claimed on their behalf.

21. The Respondents are responsible for claiming and proving any applicable exemption from registration.

WHEREAS, the Respondents are offering "securities" within the meaning of S.C. Code Ann. § 35-1-102(29); and

WHEREAS, the Respondents' securities offerings are not registered, exempt from registration or federal covered securities; and

WHEREAS, Respondents as described above, acted as agents by effecting and/or attempting to effect sales of securities in or from this State; and

WHEREAS, Respondents were not registered in South Carolina or exempt from registration as agents within the meaning of the Act; and

WHEREAS, the Respondents, in connection with the solicitation of participants described above, made untrue statements of material facts and/or 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; and

WHEREAS, based on the foregoing, the Division has determined that the Respondents have engaged, are engaging, and/or are about to engage in acts and practices which violate S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501; and

WHEREAS, after due deliberation, the Division finds that it is necessary and appropriate, in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act to issue the following Order:

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), IT IS HEREBY ORDERED that Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents:

a. Immediately cease and desist from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501 thereof; and

b. Specifically, cease and desist (i) soliciting new accounts in or from South Carolina, (ii) offering any other securities in or from South Carolina, and (iii) collecting fees in or from South Carolina, and

c. Pay a civil penalty in the amount of $10,000 per Respondent plus $5,000 in investigative costs if this Order becomes effective by operation of law, or, if any Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed $10,000 for each violation of the Act by that Respondent, and the actual cost of the investigation and proceeding.

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondents are hereby notified that they have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days after the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order.

In the written Answer, the Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation of the Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty (30) day period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PROSECUTION. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OR ANY OTHER APPLICABLE CODE SECTION.

SO ORDERED, this 5th day of July, 2011.

Michael Traynham
Assistant Attorney General
Securities Division

Office of the Attorney General
Rembert C. Dennis Building
1000 Assembly Street
Columbia, S. C. 29201