



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
CUTTING EDGE SUPPLEMENTS, LLC;) Case No.: AP-21-07
and DESMOND RICHARD BLOSS,)
)
Respondents.)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING
RESTITUTION, CIVIL PENALTIES, AND COSTS**

Now on this 20th day of August 2021, the Missouri Commissioner of Securities (“the Commissioner”), having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On June 24, 2021, the Enforcement Section of the Missouri Securities Division of the Secretary of State (“the Enforcement Section”), through Director of Enforcement Douglas M. Jacoby, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why, Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed.
2. On July 1, 2021, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, Costs, and Other Administrative Relief Should Not Be Imposed (“the Order”). On that same day, the Office of the Commissioner sent a copy of the Order and Notice of Right to Request a Hearing, via U.S. Certified Mail, return receipt requested, to Respondents’ last known address at:

Desmond R. Bloss &
Cutting Edge Supplements, LLC
611 Louis Street
Charleston, AR 72933-9173
3. On or about July 1, 2021, a copy of the Order was made available to the general public on the Missouri Secretary of State’s website.¹
4. On July 22, 2021, the Office of the Commissioner received a Domestic Return Receipt

¹<https://www.sos.mo.gov/CMSImages/Securities/AP-21-07C.pdf>

from the U.S. Postal Service confirming that the copy of the Order addressed to Respondents was delivered on July 9, 2021.

5. On August 13, 2021, the Enforcement Section confirmed that the U.S. Postal Service delivered the copy of the Order at 611 Louis St. Charleston, Arkansas 72933-9173 by entering the tracking number on the U.S. Postal Service's tracking results application on its website. According to the U.S. Postal Service records, the copy of the Order was delivered on July 9, 2021, to an individual at the address cited above.
6. Respondents failed to request a hearing on the Order in compliance with 15 CSR 30-55.020 within the time allowed by Section 409.6-604.²
7. The Commissioner has not ordered a hearing in this matter pursuant to Section 409.6-604.
8. On August 13, 2021, a Statement of Penalties, Costs, and Restitution totaling \$113,342.40 was submitted, as Exhibit A, with the Motion for Final Order.
9. As of August 19, 2021, no request for hearing has been submitted by the Respondents.
10. Section 409.6-604(b) provides, in pertinent part, that:

“If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law.”

II. FINDINGS OF FACT

A. Respondents

11. Cutting Edge Supplements, LLC (“CES”), is a Missouri limited liability company organized on January 30, 2012. CES operated a small chain of retail stores located in St. Joseph, Kirksville, and Chillicothe, Missouri that sold dietary supplement products targeted at health and fitness. CES also had an on-line presence from which it drew additional sales.
12. A check of records maintained by the Commissioner revealed that at all times relevant there was no registration, granted exemption, and/or notice filing indication status as a “federal covered security” for any securities issued by CES.
13. Desmond Richard Bloss (“Bloss”) is a forty-one-year-old Charleston, Arkansas resident with an address at 611 Louis Street, Charleston, Arkansas 72933-9173. Bloss is the founder, organizer, and sole managing member of CES.

² Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

B. Enforcement Section's Investigation

14. In 2015, a Sumner, Missouri couple (“MR1” and “MR2”) were introduced to Bloss through a mutual friend at a recreational event. At the time, Bloss was operating two CES retail stores: one at 516 N. Baltimore Street in Kirksville, Missouri (“the Kirksville Store”) and another at 110 S. Washington Street in Chillicothe, Missouri (“the Chillicothe Store”).
15. The couple and Bloss (collectively, “the Parties”) maintained infrequent contact with each other through social media and electronic communication over the next several months.
16. By May 2016, Bloss had opened a third CES location at 3714 N. Belt Highway in St. Joseph, Missouri (“the St. Joseph Store”).
17. In the summer of 2016, while at another recreational event in which the Parties attended, Bloss mentioned to MR1 and MR2 his interest to expand CES by establishing yet another new retail location (“the Liberty Store”) in the soon-to-be-developed Liberty Commons shopping center (“Liberty Commons”) in Liberty, Missouri.
18. In the course of Bloss’s conversations with MR1 and MR2 about the prospect of a Liberty Store, Bloss mentioned the need for \$60,000 to turn the prospect into reality.
19. To induce MR1 and MR2’s investment in the Liberty Store, Bloss represented to MR1 and MR2 that CES, in general, was a profitable business, though Bloss did not disclose any financials of CES to MR1 or MR2. The representation led MR1 and MR2 to believe that CES was financially sound.
20. After several further discussions, MR1 and MR2 agreed to provide the \$60,000 to Bloss to open the Liberty Store.
21. On November 2, 2016, Bloss emailed MR1 and MR2 with a draft copy of a written agreement (“Draft Agreement”) to formalize and memorialize the proposed investment in the Liberty Store. In the email, Bloss wrote, in relevant part:

...[w]e are getting real close to a finalized deal on the Liberty Commons Store. The Developers are really wanting us in there because of the draw we bring, and the way it fits with the other stores and restaurants in the center. We are excited about this store, as it is going to be an incredibly busy shopping center!

22. On November 22, 2016, Bloss emailed MR1 and MR2 with a revised copy of the Draft Agreement (“Revised Agreement”) for the proposed investment in the Liberty Store. In the email, Bloss wrote, in relevant part:

Attached is the revised document that more clearly lays out the payment periods. I went ahead and bumped in an additional year at the 20% level. I have 2 copies printed out for us to sign and each have an original copy.

23. On November 28, 2016, Bloss met MR1 and MR2 at a restaurant in Brookfield, Missouri where the Parties executed the Revised Agreement.
24. The Revised Agreement states, in relevant part:
 - a. “Investor’s Investment in the Company shall consist of the following:
 - (1) The sum of Sixty Thousand and 00/100 Dollars, (\$60,000), to be paid by Investor to the Company; and,
 - (2) The Company agrees to use such sum of money **to open a retail store in the Liberty Commons, a new ‘destination shopping area’ for the Northland is located at the South East Corner of I-35 & 152 Highway, Liberty, Missouri ...**” (emphasis added);
 - b. “For consideration of such Investment, The Company shall for eight years of operation (96 months) period, as described herein, pay to Investor a portion of the Net Income (Gross Income less Gross Expenses) of The Company’s Liberty Store, as follows:
 - (1) Investor shall receive 20% of the Net Income made from the Liberty Store during 2017;
 - (2) Investor shall receive 20% of the Net Income made from the Liberty Store during 2018;
 - (3) Investor shall receive 20% of the Net Income made from the Liberty Store during 2019;
 - (4) Investor shall receive 15% of the Net Income made from the Liberty Store during 2020;
 - (5) Investor shall receive 15% of the Net Income made from the Liberty Store during 2021;
 - (6) Investor shall receive 10% of the Net Income made from the Liberty Store during 2022;
 - (7) Investor shall receive 10% of the Net Income made from the Liberty Store during 2023;
 - (8) Investor shall receive 10% of the Net Income made from the Liberty Store during 2024;
 - (9) Investor shall receive 10% of the Net Income made from the Liberty Store during the remaining 96-month period of operation during 2025, after such

time no further share of the Net Income shall be due to Investor from The Company and this agreement shall terminate. It is understood and agreed that it is presumed this final calculation will be only for a partial year, depending on the 'open for business' date established in 2017”;

- c. “It is agreed that a ‘year of operation’ (12-month period) shall mean from the ‘open for business’ date of the Liberty Store to, and including, the day before the anniversary of that ‘open for business’ date the year following, being a 12-month period”;
 - d. “It is agreed that within 60-days of the end of a calendar year (tax year) of operation for each of the first calendar years of operation (the first year being a partial year), The Company shall furnish the Investor a statement of Gross Income and Gross Expenses of The Company’s Liberty Store”;
 - e. “It is agreed that for each calendar year of operation that a share of the Net Income is due Investor, payments from The Company to Investor shall be paid on a quarterly basis (one-fourth of the total share due for the preceding year, or portion thereof, on or before 3/31, 6/30, 9/30, and 12/31 of the subsequent year) during the following calendar year of operation based on the calculation of the Net Income of the previous year, or portion thereof, as described above”;
 - f. “It is understood and agreed that investor has no obligation to invest any funds to make up any net loss to The Company”;
 - g. It is understood and agreed that Investor has no interest in the Liberty Store other than the right to receive payments from The Company as described herein”;
 - h. “The Company will notify Investor in writing immediately of any change in or discontinuance of The Company’s doing business at the Liberty Store”;
 - i. “This Agreement shall become effective when it is signed by the parties together with the evidence of the Investment having been paid to The Company by Investor and shall constitute the entire agreement by and between the parties.”
25. The term "Investor" is identified in the Revised Agreement as MR1 and MR2 and the term "The Company" is identified as CES. “Investment” is defined as MR1 and MR2’s \$60,000 investment referenced in the Revised Agreement.
26. The Revised Agreement is countersigned on behalf of CES by Bloss as Manager of CES.
27. At the time of the execution of the Revised Agreement, Bloss was a resident of Missouri.
28. On the same day as the Revised Agreement was executed, November 28, 2016, MR1 and MR2 tendered \$60,000 to Bloss in the form of two cashier’s checks: one in the amount of \$40,000 from First Missouri Bank (“Check #10114”) and the other in the amount of

\$20,000 from Carroll County Trust Company (“Check #017961”). Both Check #10114 and Check #017961 were paid to the order of CES.

29. A review of CES’s Alliant Bank savings account ending in #4455 (“CES Savings Account”) shows the deposits of Check #10114 and Check #017961 on November 29, 2016.
30. According to Alliant Bank records, Bloss is the sole signatory on the CES Savings Account.
31. Further review of CES Savings Account records shows that between December 9, 2016, and June 22, 2017, Bloss transferred all \$60,000 of MR1 and MR2’s investment funds in ten (10) separate transactions from the CES Savings Account to CES’s Alliant Bank business checking account ending in #9893 (“CES Checking Account”), where the funds became commingled with other monies in the account.
32. According to the CES Checking Account records, Bloss frequently and routinely used money from the CES Checking Account to pay for his personal expenses.
33. A first-in-first-out (“FIFO”) analysis of the CES Checking Account for the period December 1, 2016, through December 31, 2016, shows, among other things, the following uses of MR1 and MR2’s \$60,000 investment:
 - a. Payments to American Express related to two AMEX corporate cards registered to CES (one, ending in #1018 and held by Bloss; the other, ending in #1026 and held by Bloss’s then girlfriend)(together, the “AMEX Corporate Cards”), which primarily contained personal expenses and business expenses unrelated to the Liberty Store;
 - b. Payment to Marlin Business Financial on a loan to finance an ice machine for the Kirksville Store;
 - c. Payment of monthly membership dues to Anytime Fitness public gym;
 - d. Payment to Great Western Bank on a loan taken out in the name of another entity owned by Bloss;³
 - e. Payment of rent to the landlord of the strip mall in which the Kirksville Store is located;
 - f. Payment for a purchase at Orscheln Farm & Home store in Brookfield, Missouri;
 - g. Purchase of a Missouri hunting/fishing permit;
 - h. Payment to Bank of America related to a personal Bass Pro Mastercard registered

³ Limitless Performance, LLC.

to Bloss, which solely contained personal expenses; and

- i. A check made out to, based on information and belief, an employee of the Kirksville Store.
34. By June 30, 2017, Bloss had completely exhausted MR1 and MR2's entire \$60,000 investment on the foregoing expenses and other expenses similar to those listed in paragraph 23 above to operate CES's other store locations and for Bloss's own personal benefit.
 35. To date, MR1 and MR2 have received no return on their investment or return of their \$60,000 principal.

C. Additional Findings

36. In or around June 2016, Bloss had engaged a commercial real estate broker ("Bloss's Broker") to identify a suitable location for a new CES store.
37. By August 2016, Bloss's Broker had presented Bloss with the Liberty Commons as a potential location for the new CES store.
38. By November 2, 2016, Bloss appeared fully engaged with establishing a new CES store in Liberty Commons.
39. It wasn't until May 19, 2017 – nearly six months after receiving MR1 and MR2's investment – that Bloss, on behalf of CES, executed a lease agreement ("Liberty Lease") and lease guaranty ("Lease Guaranty") with the landlord of Liberty Commons ("Liberty Landlord").
40. On that same date, May 19, 2017, Bloss, in connection with the execution of the Liberty Lease, provided the Liberty Landlord a check written against the CES Checking Account in the amount of \$4,030 ("Check #2092"), which served as a security deposit for the lease of the retail premises ("Premises").
41. Based on FIFO analyses of the CES Savings Account and CES Checking Account, by the time Check #2092 was presented to Alliant Bank for payment on June 13, 2017, Bloss already had exhausted approximately \$58,500 of MR1 and MR2's \$60,000 investment by using those funds to operate CES's other store locations and for Bloss's own personal benefit, as described above in paragraphs 23 and 24. At the time Check #2092 was presented to Alliant Bank for payment, the remaining \$1,500 of MR1 and MR2's funds still resided in the CES Savings Account.
42. Shortly after executing the Liberty Lease, Bloss expressed to the Liberty Landlord dissatisfaction with certain physical issues with the Premises.
43. Between May 2017 and September 2017, the Liberty Landlord and Bloss, through Bloss's

Broker, attempted to remedy Bloss's concerns with the Premises.

44. Meanwhile, on June 22, 2017, Bloss transferred the last \$1,500 of MR1 and MR2's \$60,000 investment from the CES Savings Account to the CES Checking Account. A FIFO analysis of the CES Checking Account shows Bloss using the \$1,500 to pay American Express on June 23, 2017, for the benefit of the AMEX Corporate Cards.
45. A FIFO analysis of the monthly statements related to the AMEX Corporate Cards shows that the payment made on June 23, 2017, offset charges primarily related to personal expenses.
46. On September 28, 2017, it was becoming clear to the Liberty Landlord that CES may not perform its obligations under the Liberty Lease.
47. On October 13, 2017, the Liberty Landlord issued a letter ("Reaffirmation Letter") to Bloss reminding Bloss of CES's obligations under the Liberty Lease and requesting Bloss provide the Liberty Landlord with written confirmation that CES intended to take possession of the Premises.
48. Bloss did not respond to the Reaffirmation Letter.
49. In June 2018 the Liberty Landlord sent Bloss a follow-up letter notifying Bloss that the Liberty Landlord had identified a new tenant for the Premises and unless Bloss provided the Liberty Landlord immediate notice of CES's intent to take possession of the Premises, the Liberty Landlord would move forward to mitigate its damages and deliver possession of the Premises to a new tenant.
50. Based on information and belief, Bloss thereafter abandoned any further effort to open the Liberty Store or another CES store.
51. By the end of January 2017 Bloss closed the Chillicothe Store.
52. In or around April 2018 Bloss closed the Kirksville Store. Based on information and belief, Bloss still owes unpaid rent to the landlord of the Kirksville Store location.
53. In or around April 2018 Bloss closed the St. Joseph Store. Based on information and belief, Bloss still owes unpaid rent to the landlord of the St. Joseph Store location.
54. In or around December 2019 Bloss relocated his personal residence from Missouri to Arkansas.

III. CONCLUSIONS OF LAW

One Violation of Section 409.5-501

55. **THE COMMISSIONER CONCLUDES THAT** the Revised Agreement executed by the

Parties is a security under Section 409.1-102(28) which defines “security” as, among other things, “evidence of indebtedness” and an “investment contract.”

56. By engaging in the conduct as set forth above, Respondents, in connection with the offer and sale of a security engaged in an act, practice or course of business that operates or would operate as a fraud or deceit upon another person, in violation of Section 409.5-501 in that Respondents misappropriated MR1 and MR2’s investment by spending the funds on personal expenses and other expenses unrelated to opening the Liberty Store.
57. Respondents’ violation of Section 409.5-501 constitutes an engagement in an illegal act, practice, or course of business subject to the Commissioner’s authority under Section 409.6-604.
58. An 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).

IV. 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 409.5-501, by, in connection with the offer or sale of securities, engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IT IS FURTHER ORDERED that pursuant to Section 409.6-604(d), Respondents shall pay a civil penalty of \$25,000, jointly and severally, for one violation of Section 409.5-501. This amount shall be made payable to the State of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that pursuant to Section 409.6-604(d), Respondents shall pay restitution and annual statutory interest in the amount of \$82,853.28, jointly and severally, as shown on Exhibit 1, from the date of the violation of Section 409.5-501. This amount shall be made payable to the Missouri Secretary of State’s Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to the investors. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this final order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondents shall pay \$5,489.12, jointly and severally, as shown on Exhibit A, in actual costs for investigation into, and the proceedings associated with this matter. This amount shall be payable to the Missouri

Secretary of State's Investor Education and Protection Fund and paid within 30 days of the date of this Final Order. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276. Jefferson City, Missouri 65102.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 20th DAY OF AUGUST, 2021.



JOHN R. ASHCROFT
SECRETARY OF STATE



DAVID M. MINNICK
COMMISSIONER OF SECURITIES

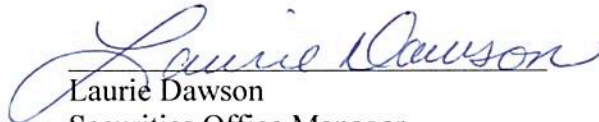
CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of August 2021, a true and correct copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties and Costs in the above styled case was sent **via U.S. Certified Mail to:**

Desmond R. Bloss &
Cutting Edge Supplements, LLC
611 Louis Street
Charleston, AR 72933-9173

And by hand-delivery to:

Douglas M. Jacoby
Director of Enforcement
Missouri Securities Division
douglas.jacoby@sos.mo.gov


Laurie Dawson
Securities Office Manager



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
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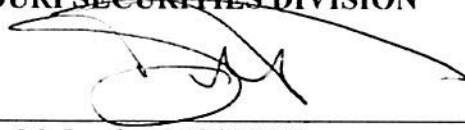
EXHIBIT A - STATEMENT OF PENALTIES, COSTS, and RESTITUTION

Petitioner seeks the following in the above styled action against Respondents Cutting Edge Supplements, LLC and Desmond R. Bloss as follows:

| 1 | PENALTIES (Jointly and Severally) | AMOUNT |
|-----------------------------|---|---------------------|
| <input type="checkbox"/> a. | General Fraud - 409.5-501 | \$25,000.00 |
| | TOTAL PENALTIES | \$25,000.00 |
| 2 | COSTS (Jointly and Severally) | |
| <input type="checkbox"/> a. | Attorney's Time \$135/hour x 25 hours | \$3,375.00 |
| <input type="checkbox"/> b. | Investigator's Time \$65/hour x 31 hours | \$2,015.00 |
| <input type="checkbox"/> c. | Other (specify) – Mail fees | \$79.12 |
| <input type="checkbox"/> d. | Bank Records | \$20.00 |
| | TOTAL COSTS | \$5,489.12 |
| 3 | RESTITUTION (Jointly and Severally) | |
| <input type="checkbox"/> a. | Restitution including annual interest of 8% from date of violation (11/28/16) | \$82,853.28 |
| | TOTAL RESTITUTION | \$82,853.28 |
| | GRAND TOTAL PENALTIES, COSTS, & RESTITUTION | \$113,342.40 |

Respectfully submitted, this 13th day of August, 2021.

**THE ENFORCEMENT SECTION OF THE
MISSOURI SECURITIES DIVISION**



Douglas M. Jacoby, MO#72400
Director of Enforcement
Counsel for Petitioner
600 West Main Street
Jefferson City, Missouri 65101
Telephone: (573) 751-4136
Facsimile: (573) 526-3124

EXHIBIT I
AP-21-07 - Cutting Edge Supplements, LLC; and Desmond Richard Bloss

| | | Principal Investment | Unpaid Principal | Date of Investment | 8% Pre-Judgment Interest* | Total Restitution |
|----------------|----------------------------------|----------------------|------------------|--------------------|---------------------------|--------------------|
| MR1 and MR2 | Cutting Edge Supplements, LLC | \$60,000.00 | \$60,000.00 | November 28, 2016 | \$22,853.28 | \$82,853.28 |
| | | | | | | \$82,853.28 |

* 8% annual simple interest calculated from date of investment to, and including, September 1, 2021.

Amount of years from date of the transaction to September 1, 2021

4.7611