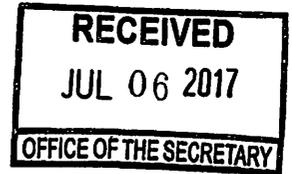


UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION



ADMINISTRATIVE PROCEEDING  
File No. 3-18004

---

In the Matter of

Cardinal Resources, Inc., *et al.*,

Respondents.

---

**DIVISION OF ENFORCEMENT'S  
MOTION FOR RULING ON THE PLEADINGS AND BRIEF IN SUPPORT**

Kevin P. O'Rourke  
Neil J. Welch, Jr.  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-6010  
(202) 551-4731

COUNSEL FOR  
DIVISION OF ENFORCEMENT

TABLE OF CONTENTS

	<u>Page</u>
Table of Authorities.....	iii
Motion for Ruling on the Pleadings .....	1
Brief in Support .....	1
I.    Statement of Facts .....	1
II.   Argument.....	2
A.    The Division is Entitled to a Ruling on the Pleadings Against Cardinal Resources for Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder.....	2
B.    Revocation is the Appropriate Sanction for Cardinal Resources’ Serial Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder. ....	3
1.    Cardinal Resources’ violations are serious and egregious.....	4
2.    Cardinal Resources’ violations of Section 13(a) have been not just recurrent, but continuous .....	5
3.    Cardinal Resources’ degree of culpability supports revocation.....	5
4.    Cardinal Resources has made no efforts to remedy its past violations nor has it made assurances against future violations.....	6
C.    Revocation is the Appropriate Remedy for Cardinal Resources .....	6
III.  Conclusion.....	8

## TABLE OF AUTHORITIES

### CASES:

Page

<i>Adrian D. Beamish, CPA</i> , Admin. Proceeding Rulings Rel. No. 4504, 2017 SEC LEXIS 47 (Jan. 6, 2017).....	1 n.1
<i>CirTran Corp.</i> , Initial Decision Rel. No. 1134, 2017 SEC LEXIS 1041 (April 4, 2017).....	7
<i>Eagletech Communications, Inc.</i> , Securities Exchange Act Rel. No. 54095, 2006 SEC LEXIS 1534 (July 5, 2006).....	7
<i>Freedom Golf Corp.</i> , Initial Decision Release No. 227, 2003 SEC LEXIS 1178 (May 15, 2003) .....	5
<i>Gateway Int’l Holdings, Inc.</i> , Securities Exchange Act Rel. No. 53907, 2006 SEC LEXIS 1288 (May 31, 2006).....	<i>passim</i>
<i>Impax Laboratories, Inc.</i> , Securities Exchange Act Rel. No. 57864, 2008 SEC LEXIS 1197 (May 23, 2008).....	4, 7
<i>Investco, Inc.</i> , Initial Decision Rel. No. 240, 2003 SEC LEXIS 2792 (Nov. 24, 2003).....	5
<i>SEC v. Beisinger Indus. Corp.</i> , 552 F.2d 15 (1 <sup>st</sup> Cir. 1977).....	3
<i>St. George Metals, Inc.</i> , Initial Decision Rel. No. 298, 2005 SEC LEXIS 2465 (Sept. 29, 2005) .....	3
<i>Stansbury Holdings Corp.</i> , Initial Decision Rel. No. 232, 2003 SEC LEXIS 1639 (July 14, 2003) .....	3, 4
<i>Steadman v. SEC</i> , 603 F.2d 1126 (5 <sup>th</sup> Cir. 1979) .....	4
<i>WSF Corp.</i> , Initial Decision Rel. No. 204, 2002 SEC LEXIS 1242 (May 8, 2002) ... ..	3, 4, 5

### STATUTES AND REGULATIONS:

Section 12 of the Securities Exchange Act of 1934 .....	2, 8
Section 12(g) of the Securities Exchange Act of 1934.....	1
Section 12(j) of the Securities Exchange Act of 1934.....	<i>passim</i>
Section 13(a) of the Securities Exchange Act of 1934.....	<i>passim</i>

REGULATIONS:

Exchange Act Rule 13a-1 .....2, 3

Exchange Act Rule 13a-13 .....2, 3

Exchange Act Rule 15c2-11(f)(3).....2

RULES OF PRACTICE:

Rule 220(c), 17 C.F.R. § 201.220(c) ..... 1

Rule 250(a), 17 C.F.R. § 201.250(a) ..... 1

Rule 323, 17 C.F.R. § 201.323 ..... 1 n.1

## MOTION FOR RULING ON THE PLEADINGS

The Division of Enforcement (“Division”), by counsel, pursuant to Commission Rule of Practice 250(a), respectfully moves for a ruling on the pleadings against respondent Cardinal Resources, Inc. (“Cardinal Resources”). Cardinal Resources’ Answer denies none of the operative allegations against it in the Order Instituting Proceedings (“OIP”). Rule of Practice 220(c) provides that: “Any allegation not denied shall be deemed admitted.” Accordingly, even accepting all of Cardinal Resources’ factual allegations as true and drawing all reasonable inferences in Cardinal Resources’ favor, the Division is entitled to an order revoking each class of securities of Cardinal Resources registered with the Commission pursuant to Section 12(j) of the Securities Exchange Act of 1934 (“Exchange Act”) as a matter of law.

### BRIEF IN SUPPORT

#### **I. Statement of Facts**

Cardinal Resources is a Nevada corporation located in Pittsburgh, Pennsylvania with a class of securities registered with the Commission pursuant to Exchange Act Section 12(g). (OIP, ¶ II.A.1). Cardinal Resources has failed to file its periodic reports for almost two years, *i.e.*, any of its periodic reports after its Form 10-Q for the period ended September 30, 2015, which reported a net loss of over \$2.6 million for the prior nine months. (OIP, ¶ II.A.1; EDGAR<sup>1</sup>). As of May 11, 2017, the company’s stock (symbol “CDNL”) was quoted on OTC Link operated by OTC Markets Group, Inc., had

---

<sup>1</sup> The Division requests that the Court take official notice of Cardinal Resources’ filings on EDGAR, which is permissible on a motion for a ruling on the pleadings. *See Adrian D. Beamish, CPA, Admin. Proceedings Rulings Rel. No. 4504 at 1, 2017 SEC LEXIS 47, at \*1-2 (Jan. 6, 2017)* (“Such motions must be decided based only on the pleadings, matters subject to judicial notice, matters of public record (such as the contents of the Federal Register), and documents attached to, or incorporated by reference in, the complaint.”) The Division submits that Cardinal Resources’ EDGAR filings are matters of public record and can be the subject of official notice by the ALJ under Rule of Practice 323, which is equivalent to judicial notice.

nine market makers, and was eligible for the “piggyback” exception of Exchange Act Rule 15c2-11(f)(3). (OIP, ¶ II.A.1).

## **II. Argument**

This administrative proceeding was instituted under Section 12(j) of the Exchange Act. Section 12(j) empowers the Commission to either suspend (for a period not exceeding twelve months) or permanently revoke the registration of a class of securities if the respondent has failed to comply with any provision of the Exchange Act or the rules and regulations thereunder.

### **A. The Division is Entitled to a Ruling on the Pleadings Against Cardinal Resources for Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder.**

Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Section 13(a) is the cornerstone of the Exchange Act, establishing a system of periodically reporting core information about issuers of securities. The Commission has stated:

Failure to file periodic reports violates a central provision of the Exchange Act. The purpose of the periodic filing requirements is to supply investors with current and accurate financial information about an issuer so that they may make sound decisions. Those requirements are “the primary tool[s] which Congress has fashioned for the protection of investors from negligent, careless, and deliberate misrepresentations in the sale of stock and securities.” Proceedings initiated under Exchange Act Section 12(j) are an important remedy to address the problem of publicly traded companies that are delinquent in the filing of their Exchange Act reports, and thereby deprive investors of accurate, complete, and timely information upon which to make informed investment decisions.

*Gateway International Holdings, Inc.*, Securities Exchange Act Rel. No. 53907, 2006 SEC LEXIS 1288 at \*26 (May 31, 2006) (quoting *SEC v. Beisinger Indus. Corp.*, 552 F.2d 15, 18 (1<sup>st</sup> Cir. 1977)).

As explained in the initial decision in the *St. George Metals, Inc.* administrative proceeding:

Section 13(a) of the Exchange Act and the rules promulgated thereunder require issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. Exchange Act Rule 13a-1 requires issuers to submit annual reports, and Exchange Act Rule 13a-13 requires issuers to submit quarterly reports. No showing of scienter is necessary to establish a violation of Section 13(a) or the rules thereunder.

*St. George Metals, Inc.*, Initial Decision Rel. No. 298, 2005 SEC LEXIS 2465, at \*26 (Sept. 29, 2005); accord *Gateway*, 2006 SEC LEXIS 1288 at \*18, \*22 n.28; *Stansbury Holdings Corp.*, Initial Decision Rel. No. 232, 2003 SEC LEXIS 1639, at \*15 (July 14, 2003); and *WSF Corp.*, Initial Decision Rel. No. 204, 2002 SEC LEXIS 1242 at \*14 (May 8, 2002).

Since Cardinal Resources does not dispute the operative allegations under Exchange Act Section 12(j) in the OIP, it is established by the pleadings that Cardinal Resources has failed to file its periodic reports for almost two years, *i.e.*, any of its periodic reports after its Form 10-Q for the period ended September 30, 2015.

**B. Revocation is the Appropriate Sanction for Cardinal Resources' Serial Violations of Exchange Act Section 13(a) and Rules 13a-1 and 13a-13 Thereunder.**

Exchange Act Section 12(j) provides that the Commission may revoke or suspend a registration of a class of an issuer's securities where it is "necessary or appropriate for

the protection of investors.” The Commission’s determination of which sanction is appropriate “turns on the effect on the investing public, including both current and prospective investors, of the issuer’s violations, on the one hand, and the Section 12(j) sanctions on the other hand.” *Gateway*, 2006 SEC LEXIS 1288, at \*19-\*20. In making this determination, the Commission has said it will consider, among other things: (1) the seriousness of the issuer’s violations; (2) the isolated or recurrent nature of the violations; (3) the degree of culpability involved; (4) the extent of the issuer’s efforts to remedy its past violations and ensure future compliance; and (5) the credibility of the issuer’s assurances against future violations. *Id.*; see also *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979) (setting forth the public interest factors that informed the Commission’s *Gateway* decision). Although no one factor is controlling, *Stansbury*, 2003 SEC LEXIS 1639, at \*14-\*15; and *WSF Corp.*, 2002 SEC LEXIS 1242 at \*5, \*18, the Commission has stated that it views the “recurrent failure to file periodic reports as so serious that only a strongly compelling showing with respect to the other factors we consider would justify a lesser sanction than revocation.” *Impax Laboratories, Inc.*, Exchange Act Rel. No. 57864, 2008 SEC LEXIS 1197 at \*27 (May 23, 2008). An analysis of the factors above confirms that revocation of Cardinal Resources’ securities is appropriate.

1. **Cardinal Resources’ violations are serious and egregious.**

As established by the pleadings in this proceeding, Cardinal Resources’ conduct is serious and egregious. Cardinal Resources has not filed any periodic reports since it filed a Form 10-Q for the period ended September 30, 2015. Given the central importance of the reporting requirements imposed by Section 13(a) and the rules thereunder, Administrative Law Judges have found violations of these provisions of the same and of

less duration to be egregious, and Cardinal Resources' violations support an order of revocation for each class of its securities. *See WSF Corp.*, 2002 SEC LEXIS 1242, at \*14 (respondent failed to file periodic reports over two-year period); and *Freedom Golf Corp.*, Initial Decision Release No. 227, 2003 SEC LEXIS 1178, at \*5 (May 15, 2003) (respondent's failure to file periodic reports for less than one year was egregious violation).

**2. Cardinal Resources' violations of Section 13(a) have been not just recurrent, but continuous.**

Cardinal Resources' violations are not unique and singular, but continuous. Cardinal Resources has failed to file any of its periodic reports since the period ended September 30, 2015. Thus, Cardinal Resources has failed to file two Forms 10-K and four Forms 10-Q. According to EDGAR, Cardinal Resources also failed to file five Forms 12b-25 seeking extensions of time to file five of its six delinquent periodic filings. *See Investco, Inc.*, Initial Decision Rel. No. 240, 2003 SEC LEXIS 2792 (Nov. 24, 2003), at \*6 (delinquent issuer's actions were found to be egregious and recurrent where there was no evidence that any extension to make the filings was sought). The serial and continuous nature of Cardinal Resources' violations of Exchange Act Section 13(a) further supports the sanction of revocation here.

**3. Cardinal Resources' degree of culpability supports revocation.**

For many of the same reasons that Cardinal Resources' violations were long-standing and serious, they suggest a high degree of culpability. In *Gateway*, the Commission stated that, in determining the appropriate sanction in connection with an Exchange Act Section 12(j) proceeding, one of the factors it will consider is "the degree of culpability involved." The Commission found that the delinquent issuer in *Gateway*

“evidenced a high degree of culpability,” because it “knew of its reporting obligations, yet failed to file” its periodic reports. *Gateway*, at 10, 2006 SEC LEXIS 1288, at \*21. Similar to the respondent in *Gateway*, according to EDGAR, Cardinal Resources has failed to file six periodic reports. Moreover, in its Answer, Cardinal Resources stated that it “became delinquent due to the reallocation of funds to vibrant operations instead of audit fees.” (Answer at 3.) Thus, the company admits to deciding that other things, such as trading on the OTC under “alternative reporting requirements,” were more important than paying audit fees to comply with the company’s reporting obligations under Exchange Act Section 12. This establishes the high degree of culpability of the company’s sole officer.

4. **Cardinal Resources has made no efforts to remedy its past violations, nor has it made assurances against future violations.**

Cardinal Resources has made no efforts to remedy its past violations by, for example, filing any of its delinquent periodic reports, nor has it stated in its Answer that it has any intention to file any of its periodic reports. Moreover, in its Form 8-K filed on June 21, 2017, Cardinal Resources said its auditor resigned on June 12, 2017, and the company had not had the auditor audit its past two years of financial statements.

C. **Revocation is the Appropriate Remedy for Cardinal Resources.**

As discussed above, a full analysis of the *Gateway* factors establishes that revocation is the appropriate remedy for Cardinal Resources’ long-standing violations of the periodic filings requirements, particularly since the company’s stock can continue to trade on the over-the-counter markets both before and after its June 21, 2017 Form 15 becomes effective on September 19, 2017. Cardinal Resources’ recurrent failures to file its periodic reports have not been outweighed by “a strongly compelling showing with

respect to the other factors” which “would justify a lesser sanction than revocation.”

*Impax Laboratories, Inc.*, 2008 SEC LEXIS 1197 at \*27. *See CirTran Corp.*, Initial Decision Rel. No. 1134, 2017 SEC LEXIS 1041 (April 4, 2017) (revocation granted on motion for ruling on the pleadings where delinquent issuer’s stock could continue to trade after filing of Form 15).

Moreover, revocation will not be overly harmful to whatever business operations, finances, or shareholders Cardinal Resources may have. The remedy of revocation will not cause Cardinal Resources to cease being whatever kind of company it was before its securities registration was revoked. The remedy instead will ensure that until Cardinal Resources becomes current and compliant on its past and current filings, its shares cannot trade publicly on the open market (but may be traded privately). *See Eagletech Communications, Inc.*, Exchange Act Rel. No. 54095, 2006 SEC LEXIS 1534, at \*9 (July 5, 2006) (revocation would lessen, but not eliminate, shareholders’ ability to transfer their securities). Revocation will not only protect current and future investors in Cardinal Resources, who presently lack the necessary information about Cardinal Resources because of the issuer’s failure to make Exchange Act filings; it will also deter other similar companies from becoming lax in their reporting obligations.

A new registration process will place all investors on an even playing field. All current investors will still own the same amount of shares in Cardinal Resources that they did before registration, though their shares will no longer be devalued because of the company’s delinquent status. All investors, current and future alike, will also benefit from the legitimacy, reliability, and transparency of a company in compliance. The time-out will protect the status quo, and will give Cardinal Resources the opportunity to come

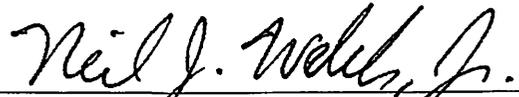
into full compliance, to calmly and thoroughly work through all of its remaining issues with its attorney, consultants, auditors, and management, and to complete its financial statements in compliance with Regulations S-K and S-X.

**III. Conclusion**

For the reasons set forth above, the Division respectfully requests that the Commission grant the Division's motion for ruling on the pleadings and revoke the registration of each class of Cardinal Resources' securities registered under Exchange Act Section 12.

Dated: July 6, 2017

Respectfully submitted,



Kevin P. O'Rourke (202) 551-4442  
Neil J. Welch, Jr. (202) 551-4731  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-6010

COUNSEL FOR  
DIVISION OF ENFORCEMENT

CERTIFICATE OF SERVICE

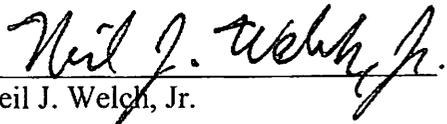
I hereby certify that true copies of the Division of Enforcement's Motion for Ruling on the Pleadings and Brief in Support were served on the following on this 6th day of July, 2017, in the manner indicated below:

By Hand:

The Honorable Cameron Elliot  
Administrative Law Judge  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-2557

By Priority Mail Express:

John D. Thomas, Esq.  
John D. Thomas P.C.  
11650 South State St., Suite 240  
Draper, UT 84020  
(Counsel for Cardinal Resources, Inc.)

  
Neil J. Welch, Jr.