

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-09-030
ORDER NO. S-09-030-11-OR02

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ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
THEVISIONGRP, INC., VGRT, INC.,
JOE E. VINCENT, II, AND SAMANTHA SHERMAN**

RESPONDENTS

CEASE AND DESIST ORDER

On April 27, 2011, the Staff of the Arkansas Securities Department (“Staff”) filed its Request for a Cease and Desist Order (“Request”), stating that it has information and certain evidence that indicates TheVisionGrp, Inc., VGRT, Inc., Joe E. Vincent, II, and Samantha Sherman have violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. § 23-42-101 through § 23-42-509. The Arkansas Securities Commissioner (“Commissioner”) has reviewed the Request, and based upon representations made therein, finds that:

FINDINGS OF FACT

The Staff’s Request asserts the following representations of fact:

1. TheVisionGrp, Inc. (“Vision”) was a corporation organized under the laws of the State of Arkansas. The records of the Secretary of State of Arkansas indicate that Vision’s corporate charter was revoked on December 31, 2007. Further, Vision has never been registered with the Arkansas Securities Department (“Department”) under the Act in any capacity.
2. VGRT, Inc. (“VGRT”) was a corporation organized under the laws of the State of Nevada. The corporate records of the State of Nevada indicate that VGRT’s corporate charter was revoked on December 29, 2006. Also, VGRT was never authorized to conduct business in

Arkansas by the Arkansas Secretary of State's office. Further, VGRT has never been registered with the Arkansas Securities Department ("Department") under the Act in any capacity.

3. Samantha Sherman ("Sherman") is a resident of the State of Arkansas. Sherman was a manager and employee of Vision and VGRT. Sherman has not been registered with the Department under the Act in any capacity.

4. Joe E. Vincent, II ("Vincent") is a resident of the State of Arkansas. Vincent was an organizer, officer, and manager of VGRT and Vision. Vincent has not been registered with the Department under the Act in any capacity.

5. From November 2005 to December 2006, five Arkansas residents made an investment in or were sold securities in the form of an investment contract in Vision and/or VGRT by Vincent, Sherman, and other agents and employees of Vision and/or VGRT.

6. During February 2006, Vincent and Sherman offered Arkansas resident one ("AR1") an opportunity to become a member or investor in a real estate investment program administered by Vision for a payment of \$25,000.00. In reliance on statements made by Vincent and Sherman, AR1 executed a Vision Real Estate Investor 25K Contract ("Vision Contract") on May 12, 2006, which is attached to the Request as Exhibit 1. Page one of the Vision Contract was a generic letter to investors from Vincent as president of Vision. Without discussing any risks of any kind, Vincent's investor letter states that the Vision investment "is safe, quick, and it gives a guaranteed return of up to 10% annually pro rata." Vincent's investor letter also states that the Vision investment "will definitely earn more than the \$200-\$400 that the banks will give you in interest annually." In addition, Vincent's letter states "our goal is to gather forty investors who invest \$25,000.00 each in our investor group as we move towards the development of a Real

Estate Investment Trust.” Along with the Vision Contract, AR1 received a two page document titled Real Estate Investment Program Bylaws, which is attached to the Request as Exhibit 2.

7. Under the Vision real estate investment program, AR1’s \$25,000.00 investment was to be pooled with the money of other investors. Investors would have the opportunity to purchase residential rental properties to be held in the investor’s name but controlled and administered by Vision for a period of one year. Vision would find renters for the properties purchased by the Vision investors. At the end of one year, the Vision investor would be completely paid and receive a modest profit, while the renter of the investment property would be in a position to purchase the investment property from the Vision investor. Contrary to the oral and written promises of Vision, Vincent, and Sherman, AR1 did not get any return of any kind from Vision in exchange for AR1’s \$25,000.00 investment in Vision. Further, in spite of AR1’s demands, Vision has failed and refused to return AR1’s \$25,000.00 investment.

8. Vision located a residential rental property at 107 Rodgers Street in Marianna, Arkansas, for AR1 to purchase. Vincent and Sherman assured AR1 that the mortgage, taxes, and insurance payments for this residential rental property would be paid by Vision out of the rental payments collected by Vision from the renter. In reliance on the statements made by Vincent and Sherman, AR1 purchased the residential rental property in Marianna. Vision never had the renter of this property sign any agreement other than a lease agreement between the renter and Vision. Vision received a consulting fee in the amount of \$18,000.00 from the proceeds of the sale of this residential rental property to AR1. This consulting fee was not disclosed to AR1 until AR1 appeared at the closing for this residential rental property. After the purchase of this residential rental property, even though Vision was collecting rental payments, Vision failed to pay the mortgage, insurance, and taxes as had been promised to AR1 by Vincent and Sherman.

9. During December 2006, Vision offered to sell AR1 an investment in a real estate investment trust or REIT set-up by Vision by the name of VGRT. The Private Offering Memorandum provided to AR1 describe VGRT as “a Nevada Corporation offering 1,000,000 shares of common voting stock to accredited investors only. The Offering is made only to persons who are defined as ‘accredited investors’ in Regulation D.” The VGRT Private Offering Memorandum also presented pro-formas showing an anticipated 12% to 15% annual return to the shareholders of VGRT. A copy of the VGRT Private Offering Memorandum is attached to the Request as Exhibit 3. AR1 had previously provided Vision and VGRT, as well as the officers and employees of Vision and VGRT, with extensive and detailed information concerning the income and net worth of AR1. Therefore, it should have been clear to Vision and VGRT, as well as the officers and employees of Vision and VGRT, that AR1 was not an accredited investor as defined by Regulation D. Nevertheless, AR1 was allowed to invest an additional \$3,000.00 in VGRT. On December 25, 2006, stock certificates for VGRT were issued and within a few days delivered to AR1. AR1’s stock certificates, representing a total of 27,500 shares of VGRT, are attached to the Request as Exhibits 4 and 5.

10. The pro-formas included with the VGRT Private Offering Memorandum mentioned in paragraph nine were not based in fact or any reasonable analysis of the REIT VGRT. In fact, VGRT did not produce any return for AR1.

11. During April 2006, agents or employees of Vision offered Arkansas resident two (“AR2”) an investment opportunity to become a member or investor in a real estate investment program administered by Vision for a payment of \$25,000.00. On April 3, 2006, AR2 delivered a check in the amount of \$26,039.00 to Vision. In addition, AR2 executed a Vision Contract, which is attached to the Request as Exhibit 6, containing the same representations or

misrepresentations as the Vision Contract detailed in paragraph six. AR2's investment in Vision was not safe, and AR2 did not get the guaranteed returns discussed in the Vision Contract. Along with the Vision Contract, AR2 received a two page document titled Real Estate Investment Program Bylaws, which is the same as Exhibit 2.

12. Sometime later in 2006, agents or employees of Vision offered to sell AR2 an investment in VGRT. Along with this offer to invest in VGRT, AR2 received the VGRT Private Offering Memorandum with pro-formas, which is detailed in paragraphs number nine and ten. AR2 had previously provided Vision and VGRT, as well as the officers and employees of Vision and VGRT, with extensive and detailed information concerning the income and net worth of AR2. Therefore, it should have been clear to Vision and VGRT, as well as the officers and employees of Vision and VGRT, that AR2 was not an accredited investor as defined by Regulation D. Nevertheless, in violation of the terms of the Private Offering Memorandum detailed in paragraph nine, AR2 was allowed to invest in VGRT.

13. During March 2006, Vincent offered Arkansas resident three ("AR3") an investment opportunity to become a member or investor in a real estate investment program administered by Vision for a payment of \$25,000.00. On March 20, 2006, AR3 delivered a check in the amount of \$26,039.00 to Vision. In addition, AR3 executed a Vision Contract, which is attached to the Request as Exhibit 7, containing the same representations or misrepresentations as the Vision Contract detailed in paragraph six. AR3's investment in Vision was not safe, and AR3 did not get the guaranteed returns discussed in the Vision Contract. Along with the Vision Contract, AR3 received a two page document titled Real Estate Investment Program Bylaws, which is the same as Exhibit 2.

14. Sometime later in 2006, agents or employees of Vision offered to sell AR3 an investment in VGRT. AR3 had previously provided Vision and VGRT, as well as the officers and employees of Vision and VGRT, with extensive and detailed information concerning the income and net worth of AR3. Therefore, it should have been clear to Vision and VGRT, as well as the officers and employees of Vision and VGRT, that AR3 was not an accredited investor as defined by Regulation D. Nevertheless, in violation of the terms of the Private Offering Memorandum detailed in paragraph nine, AR3 was allowed to invest in VGRT. On December 25, 2006, stock certificates, attached to the Request as Exhibits 8 and 9, were issued to AR3 representing a total of 27,500 shares of VGRT.

15. During November 2005, Sherman offered Arkansas resident four ("AR4") the opportunity to become a member or investor in a real estate investment program administered by Vision for a payment of \$25,000.00. AR4 delivered a cashier's check in said amount to Sherman and signed a Vision Contract for AR4's investment in Vision. AR4's investment in Vision was not safe, and AR4 did not get the guaranteed returns discussed in the Vision Contract. Later, although AR4 was not an accredited investor as defined by Regulation D, AR4 was allowed to invest in VGRT. On December 25, 2006, VGRT issued a stock certificate representing 27,500 shares of VGRT to AR4. A copy of AR4's stock certificate in VGRT is attached to the Request as Exhibit 10.

16. During April 2006, Arkansas resident five ("AR5") was offered the opportunity to purchase shares in VGRT. Although AR5 was not an accredited investor as defined by Regulation D, AR5 was allowed to invest in VGRT. AR5 purchased 1,143 shares of VGRT. A copy of AR5's stock certificate in VGRT is attached to the Request as Exhibit 11.

17. No director, officer, manager, or employee of Vision or VGRT ever made any exemption filing with the United States Securities and Exchange Commission requesting that any Vision or VGRT securities offered and sold by Vincent, Sherman, and other employees or agents of Vision and/or VGRT in Arkansas be exempt under Regulation D of the Securities Act of 1933.

18. Arkansas investors were not asked to fill out any forms or paperwork specifically designed to determine, if the Arkansas investors were qualified investors, as defined by Regulation D. Since non-accredited investors AR1 through AR5 were allowed to invest in Vision and/or VGRT, in violation of the stated terms of the VGRT Private Offering Memorandum, it is obvious that no director, officer, manager, employee or agent of Vision or VGRT performed a suitability analysis of AR1 through AR5. In the alternative, if any director, officer, manager, employee or agent of Vision or VGRT performed a suitability analysis of AR1 through AR5, then they ignored the results of any suitability analysis.

19. No director, officer, manager, employee or agent of Vision or VGRT ever made any registration or exemption filing with the Department for any securities offered and sold by Vincent, Sherman, and other employees or agent of Vision and/or VGRT in Arkansas.

20. As an organizer, officer and manager of Vision and VGRT, Vincent was responsible for directing and controlling the actions of Vision, VGRT and any employees or agents of Vision and VGRT. Therefore, Vincent is responsible for the actions of Vision, VGRT, and any employees or agents of Vision and VGRT concerning any violations of the Act and Rules.

CONCLUSIONS OF LAW

21. Ark. Code Ann. § 23-42-102(15)(A)(ii) and (xi) define a stock and an investment contract as a security. The VGRT stock sold by employees and agents of AR1 through AR5, as

detailed in paragraphs 9, 12, 14, 15, and 16, were securities as defined by Ark. Code Ann. § 23-42-102(15)(A)(ii). The four Vision contracts signed by AR1 through AR4 and employees and agents of Vision or VGRT, as detailed in paragraphs 6, 11, 13, and 15, were investment contracts and securities as defined by Ark. Code Ann. § 23-42-102(15)(A)(xi).

22. No director, officer, manager, or employee of Vision or VGRT ever made any exemption filing with the United States Securities and Exchange Commission requesting that any Vision or VGRT securities offered and sold by Vincent, Sherman, and other employees and agents of Vision and/or VGRT in Arkansas be exempt under Regulation D of the Securities Act of 1933.

23. Ark. Code Ann. § 23-42-501 states it is unlawful for any person to offer or sell any security in this state unless: (1) it is registered under this chapter; (2) the security or transaction is exempted under Ark. Code Ann. § 23-42-503 or Ark. Code Ann. § 23-42-504; or (3) it is a covered security. The sale of unregistered, non-exempt, and non-covered securities by Vincent, Sherman, and other employees and agents of Vision or VGRT to 5 Arkansas residents on 9 occasions, as detailed in paragraphs 6, 9, and 11 through 16, constitutes 9 violations of Ark. Code Ann. § 23-42-501 by Vision and Vincent. In addition, these sales of securities constitute 5 violations by VGRT and 2 violations by Sherman of Ark. Code Ann. § 23-42-501.

24. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The misstatements and misrepresentations by Vision, VGRT, Vincent, and Sherman contained in the Vision Contract concerning the safety and guaranteed return from the Vision investment, as detailed in

paragraphs 6, 11, 13, and 15, constitutes 4 violations of Ark. Code Ann. § 23-42-507(2) by Vision, VGRT, and Vincent. In addition, it constitutes 1 violation of Ark. Code Ann. § 23-42-501 by Sherman.

25. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The misstatements and misrepresentations by Vision, VGRT, Vincent, and Sherman concerning the payment of the mortgage, taxes and insurance for AR1, as detailed in paragraph 8, constitutes 1 violation of Ark. Code Ann. § 23-42-507(2) by Vision, VGRT, Vincent, and Sherman.

26. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The misstatements and misrepresentations by Vision, VGRT, Vincent, and Sherman contained in the VGRT Private Offering Memorandum concerning only allowing accredited investors, as defined by Regulation D, as detailed in paragraphs 9, 12, 14, 15, and 16 constitutes 5 violations of Ark. Code Ann. § 23-42-507(2) by Vision, VGRT, and Vincent

27. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The misstatements and misrepresentations by Vision and VGRT contained in the VGRT Private Offering

Memorandum concerning the pro-formas, as detailed in paragraphs 9, 10, and 12, constitutes 2 violations of Ark. Code Ann. § 23-42-507(2) by Vision, VGRT, and Vincent.

28. Ark. Code Ann. § 23-42-209(a) states that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. The conduct, acts, and practices of Vision, VGRT, Vincent, and Sherman as described herein threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-42-209(a).

ORDER

IT IS THEREFORE ORDERED that Vision, VGRT, Vincent, and Sherman immediately cease and desist from offering and/or selling securities in Arkansas until it and they are properly registered under the Arkansas Securities Act with the Department. It is also ordered that Vision, VGRT, Vincent, and Sherman to immediately cease and desist from violating Ark. Code Ann. § 23-42-507(2) in the solicitation, offering and/or selling of any securities in Arkansas.

A hearing on this Cease and Desist Order shall be held if requested by Vision, VGRT, Vincent, or Sherman in writing within thirty days of the date of the entry of this Cease and Desist Order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner
201 East Markham, Suite 300
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2)

A. Heath Abshure
A. Heath Abshure
Arkansas Securities Commissioner

May 5, 2011
Date