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ARKANSAS SECURITIES DEPT.

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

IN THE MATTER OF:
VFG, LLC, f/k/a
VOYAGER FINANCIAL GROUP, LLC, AND
RICHARD YOUNKMAN

CASE NO S-12-0015

RESPONDENTS

SECOND REQUEST FOR CEASE AND DESIST ORDER

On April 22, 2013, the Staff of the Arkansas Securities Department ("Staff") filed a Request for Cease and Desist Order in this matter. This Second Request for Cease and Desist Order is presented by the Staff to make a request for another Cease and Desist Order relating to additional violations. The Staff received information and has in its possession certain evidence that indicates VFG, LLC f/k/a Voyager Financial Group, LLC ("VFG") and Richard Younkman ("Younkman") have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 through § 23-42-509, and the Rules of the Arkansas Securities Commissioner ("Rules").

Administrative Authority

1. This matter is brought in connection with violations of sections of the Act and the Rules and is therefore properly before the Arkansas Securities Commissioner ("Commissioner") in accordance with Ark. Code Ann. § 23-42-209.

Respondents

2. VFG, LLC f/k/a Voyager Financial Group, LLC ("VFG") is a Delaware limited liability company registered to do business in Arkansas. Until 2013 VFG's principal place of business was located at 801 Technology Drive, Suite F, Little Rock, Arkansas 72223. VFG is not registered with the Arkansas Securities Department ("Department ") in any capacity.

3. Richard Younkman ("Younkman") is a resident of Dallas, Texas. Younkman is not registered with the Department in any capacity. In addition, Younkman has not been registered on CRD with any state securities administrator since 2009. Younkman was employed by VFG.

Facts Supporting Cease and Desist Order

4. VFG issued, offered and sold investment contracts for income streams to investors.

5. VFG offered and sold income streams to investors through selling agents, like Younkman. VFG authored and provided selling agents with all the documents necessary to offer and sell these income streams to investors.

6. On or about April 20, 2012, and May 18, 2012, VFG and Younkman offered and sold income streams to a married couple residing in Horatio, Arkansas, Arkansas Resident 1 ("AR1"). AR1 invested approximately $63,000 in April and approximately $87,000 in May with VFG and Younkman. As part of the offer and sale of the income streams to AR1, VFG and Younkman provided a Closing Book to AR1.

7. The Closing Book included a document prepared by VFG and titled Purchase Application. On page one of the Purchase Application it states, "A purchase of Payments is only suitable for persons who have adequate financial means and who will not need immediate liquidity from this asset. There is no public market for this asset, and we cannot assure that one will develop, which means that it may be difficult for you to sell your asset." This statement omitted and failed to provide AR1 with full and complete disclosure of material facts, including, but not limited to, that the assignment of federal pensions or pension payments are prohibited by federal law, and the full extent of the illiquid nature of VFG's investments. Although VFG's statement uses some disclosure language that is similar to that found in many private placement securities offering documents, no suitability information was ever gathered from AR1 by VFG or

Younkman. Since VFG included this language on its Purchase Application, VFG clearly understood that their investments were not suitable for every investor. In spite of this fact, VFG and Younkman never ask AR1 for their yearly income, liquid net worth, age, and investment experience. The Purchase Application is attached hereto as "Exhibit 1".

8. On page two of the VFG Purchase Application it discusses individual life insurance policy coverage on the seller of the income stream. In addition, on the same page of the Purchase Application it discusses wrap insurance policy protection provided by Lloyd's of London for the first two years of AR1's investments. However, VFG omitted and failed to provide AR1 with full and complete disclosure of material facts, including, but not limited to, details on the insurance coverage or the payment of premiums for this insurance. Also, VFG did not disclose the risks that the seller's life insurance policy might not actually be purchased, premium payments might not be sent, the seller's insurance policy might lapse, or the seller's insurance policy might not be honored for some other reason. Further, VFG provided AR1 no details or proof that VFG ever had a wrap insurance policy with Lloyd's of London on the sellers of the income streams purchased by AR1. Finally, VFG omitted and failed to disclose the fact that a life insurance policy provides no protection against the seller unilaterally stopping or redirecting the income stream payments away from AR1. The Purchase Application is attached hereto as "Exhibit 1".

9. The Closing Book also included a document prepared by VFG and titled Contract for Sale of Payments. On page two, paragraph number five of the Contract for Sale of Payments it states, "For the consideration described in the Sales Assistance Agreement, Seller shall transfer and sell to Buyer at Closing one hundred percent (100%) of Seller's right, title, and interest in and to the Payments". This is clearly a misstatement in view of federal laws prohibiting the

assignment or transfer of federal pensions. Also, this section of VFG's Contract for Sale of Payments fails to adequately disclose to AR1 the risk that the sellers of income streams could at any time redirect the payments away from AR1. In the event that the sellers redirected these income stream payments, then AR1's only recourse would be a civil suit against the sellers. The Contract for Sales of Payments is attached hereto as "Exhibit 2".

10. On page three of the Contract for Sale of Payments it also states, 10.2. BOTH PARTIES INTEND THAT THE TRANSACTION(S) CONTEMPLATED BY THIS CONTRACT FOR SALE SHALL CONSTITUTE VALID SALE(S) OF PAYMENTS AND SHALL NOT CONSTITUTE IMPERMISSIBLE ASSIGNMENT(S), TRANSFER(S), OR ALIENATION OF BENEFITS BY SELLERS AS CONTEMPLATED BY APPLICABLE LAWS; HOWEVER, CERTAIN RISKS EXIST." While this document prepared by VFG mentions risks, VFG omitted and failed to provide AR1 with full and complete disclosure of any specific risks. In addition, this section misstates federal laws and court cases that clearly prohibit the assignment or transfer of federal pension payments sold by VFG and Younkman to AR1. Therefore, in spite of the language of this section of VFG's Contract for Sale of Payments, the sellers and not AR1 would maintain all rights and claims to these pension payments. The Contract for Sale of Payments is attached hereto as "Exhibit 2".

11. On page three of the Contract for Sale of Payments it states, "10.3. BY EXECUTING THIS CONTRACT FOR SALE, BUYER AND SELLER ACKNOWLEDGE THAT BUYER AND SELLER ARE AWARE OF AND EXPRESSLY ACCEPT ALL RISKS ASSOCIATED WITH THE TRANSACTION(S) CONTEMPLATED HEREIN." While this section of the document prepared by VFG mentions risks, VFG omitted and failed to provide AR1 with full

and complete disclosure of any specific risks. The Contract for Sales of Payments, is attached hereto as "Exhibit 2".

12. Younkman did not provide any additional information to AR1 that rectified the misstatements and omissions in the VFG paperwork as detailed above. Specifically, Younkman did not tell AR1 that their investments with VFG were illiquid. In addition, Younkman never told AR1 that the sellers could stop or redirect the pension payments at any time. Finally, Younkman never told AR1 that the transfer or assignment of federal pension payments was prohibited by federal law.

Applicable Law

13. Ark. Code Ann. § 23-42-102(17)(A)(xi) defines an investment contract as a security.

14. Ark. Code Ann. § 23-42-301(a) states it is unlawful for any person to transact business in this state as an agent unless he or she is registered under the Act.

15. Ark. Code Ann. § 23-42-301(b)(1) states it is unlawful for an issuer to employ an unregistered agent except a nonresident agent who is registered by any other state securities administrator and who effects transactions in this state exclusively with registered broker-dealers.

16. 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 statement made, in the light of the circumstances under which it was made, not misleading.

17. Ark. Code Ann. § 23-42-209(a)(1)(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.

18. Ark. Code Ann. § 23-42-209(a)(1)(A) states after notice and an opportunity for a hearing, the Commissioner may by order levy a fine not to exceed ten thousand dollars ($10,000) for each violation.

Conclusions of Law

19. The income streams offered and sold by VFG and Younkman to AR1 were securities as defined by Ark. Code Ann. § 23-42-102(17)(A)(xi).

20. Pursuant to Ark. Code Ann. § 23-42-102(10), VFG is an issuer of securities.

21. Younkman violated Ark. Code Ann. § 23-42-301(a) when he offered and sold securities to AR1 as detailed in paragraph six.

22. VFG violated Ark. Code Ann. § 23-42-301(b)(1) when it employed Younkman to offer and sell securities to AR1 as detailed in paragraphs three through six.

23. VFG and Younkman violated Ark. Code Ann. § 23-42-507(2) when they omitted to disclose material information and they made material misstatements to AR1 as detailed in paragraphs number seven though twelve.

24. The conduct, acts, and practices of VFG and Younkman 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).

25. Pursuant to Ark. Code Ann. § 23-42-209(a)(1)(A), after notice and an opportunity for a hearing, the Commissioner should order an appropriate fine.

Prayer for Relief

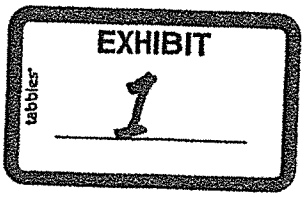
WHEREFORE, the Staff respectfully requests that the Commissioner order VFG and Younkman to immediately CEASE AND DESIST from offering and/or selling any securities in or from Arkansas until they are properly registered under the Act; to Cease and Desist from selling securities through the use of misstatements and/or omissions; and, for all other relief to which the Staff may be entitled.

Respectfully submitted,

Scott Freydl

Scott Freydl
Staff Attorney
Arkansas Securities Department

3/14/14
Date



PURCHASE APPLICATION

(FOR THE PURCHASE OF PAYMENTS)

The "Payments" to be purchased pursuant to this Purchase Application are described as follows:

Provider/Obligor: VA Disability
Invoice Number: VFG1289S
Payment Period: 120 monthly payments
Purchase Price: $86,954.03
Start Date: April 15, 2012
Aggregate Value: $120,000.00
End Date: March 15, 2022
Effective Rate of Return: 7.000%
Payment Amount: $1,000.00
Distribution Channel: DWoodard

BUYER'S INFORMATION

Social Security or EIN:

Name*:

Mailing Address: Horatio, AR

Phone Numbers: 870-

Email Address: n/a

X By initialing here, I confirm that the address above is the Buyer's current mailing address

***PLEASE BE ADVISED:** *If the above referenced case is being held inside of a custodial IRA; please make sure the custodial IRA ACCOUNT is set up prior to submission to ensure proper titling. Here is an example of proper titling for purchases being held inside of a custodial IRA: (Name of Custodial IRA company) FBO (Clients Name). You MUST complete the Buyers information using the custodial IRA's information.*

A purchase of Payments is only suitable for persons who have the adequate financial means and who will not need immediate liquidity from this asset. There is no public market for this asset, and we cannot assure you that one will develop, which means that it may be difficult for you to sell your asset.

Buyer acknowledges and agrees that VFG is not providing, and does not provide, any legal, tax, financial, or other advice of any nature and recommends that Buyer consults his/her own professional advisor(s).

Buyer acknowledges that certain administrative fees (the "Fees") shall be included in the Purchase Price in order to effect the required transfers.

Buyers who have a registered IRA, Keogh, or Qualified Pension Plan may be eligible to purchase this asset through one of their qualified accounts. Neither VFG nor its affiliates or agents make any representations or assume any responsibility or liability to the account custodian, participants, Buyers, or beneficiaries thereof as to the tax ramifications of any such purchase, the suitability or

eligibility of such purchase under the respective qualified account or plan, or that such purchase comports with Internal Revenue Service or other governmental rules and regulations pertaining to such accounts thereunder. A separate Direction of Investment form or similar documentation from the IRA Custodian is required for purchase through these types of accounts.

LIFE CONTINGENCY

I understand that the purchase of Payments, which may be life contingent, requires the Seller to acquire a life insurance policy on the Seller, to be collaterally assigned to the Buyer to secure the Payments. To that end, I understand that there are different methods of paying the life insurance premiums. Among those methods are: (1) allowing VFG to facilitate the payments of premiums using an escrow company of VFG's choice to hold the full amount of the premiums and ensure the payments are made, or by any other method that VFG sees fit to use including purchasing a Single Premium Immediate Annuity for the policy, and (2) allowing the Seller to maintain the premiums.

Please *carefully* read the following and check the appropriate box below:

X _____ By initialing this box I am requiring payment of the premiums on the collaterally assigned life insurance policy to be facilitated by VFG and serviced by the escrow company. I understand that the cost directly related to this service must be determined on a case by case basis and may reduce the rate at which this purchase takes place.

_____ By initialing this box, I am knowingly declining to have the insurance premiums facilitated by VFG through an escrow company and relying on the Seller to pay the life insurance premiums and keep the policy in effect. In the event the Seller allows the policy to lapse, the Buyer will be solely responsible for the contractual obligations related to this breach.

TWO-YEAR CONTESTABILITY WRAPPER

I understand that a purchase of Payments, which may be life contingent, requires Seller to acquire a life insurance policy on the Seller, to be collaterally assigned to the Buyer to secure the Payments. To that end, I understand that newly issued life insurance policies provide for a two (2) year contestability period in which the insurance company may deny a claim on the basis of the insured's intent to defraud the insurance company through the suicide of the insured within the first two years of the policy's effective date. To remove this risk, VFG has made available for purchase, through Lloyd's of London, an insurance wrapper which covers that risk for this two-year contestability period.

X _____ By initialing this box, I am opting to purchase the two-year contestability wrapper for the current rate at the time of this purchase application. This price will be communicated to the Buyer before the two-year wrapper is purchased so that the Buyer may make an informed decision.

_____ By initialing this box, I am knowingly declining the two-year contestability wrapper which exposes this purchase to the risk mentioned above.

Buyer Signature: _____

Print Name: _____

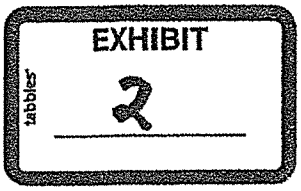
Date: 5/10/2012

Witness Signature: _____

Print Name: _____

Date: 5-10-12

Agent: Richard Younkman



CONTRACT FOR SALE OF PAYMENTS

This Contract for Sale of Payments ("Contract for Sale") is made effective on the date of signing, by and between _____ ("Seller") and _____ ("Buyer").

RECITALS

WHEREAS, Seller desires to sell certain fixed payments arising from a certain structured asset that have been distributed to and received by Seller (the "Payments") as described in this Contract for Sale; and

WHEREAS, Buyer desires to purchase the Payments in accordance with the terms and conditions contained herein.

NOW THEREFORE, in consideration of the mutual covenants and benefits herein contained, the receipt and sufficiency is hereby acknowledged, Seller and Buyer agree as follows:

1. Seller agrees to sell and Buyer agrees to purchase the Payments in accordance with, and subject to the terms and conditions of, this Contract for Sale.

2. In connection with this Contract for Sale, Seller executed that certain Sales Assistance Agreement, executed by the Seller on April 3, 2012. Said Sales Assistance Agreement is incorporated herein by reference and made a part hereof, and all defined terms contained in said Sales Assistance Agreement shall have the same meaning when used herein, unless otherwise defined.

3. The Payments that are the subject of this Contract for Sale, along with the underlying asset (the "Asset"), are more particularly described as follows:

- **Asset:** VA Disability
- **Life Contingent** ☐ Yes ☑ No
- **Transaction Documents and Parties:**
  - **Name of Payee/Annuitant:** _____
  - **Underlying Payee Purchase Agreement:** **ON FILE**
  - **Annuity Contract/Benefit Letter:** **ON FILE**
  - **Annuity Issuer:** VA Disability
  - **Life Insurer:** Genworth Life Insurance Company
  - **Life Insurance Policy:** 0010; _____
- **Description of Payments:** 120 monthly payments of $1,000.00: Start: 04/15/12; End: 03/15/22

4. The servicer of the Payments for Seller and Buyer shall be Security Title (the "Escrow Company") in accordance with the following:

- The Payments will be serviced for the Seller by the Escrow Company in connection with the closing of the sale of the Payments (the "Closing"); provided, however, that the Asset shall remain the sole property of Seller and shall remain under the control of Seller.
- The Payments will be serviced for the Buyer by the Escrow Company in accordance with an escrow agreement to be duly executed by and between Buyer and the Escrow Company in connection with the Closing.
- By executing this Contract for sale, Seller and Buyer acknowledge receipt of the respective escrow agreements to be executed by each and confirm their agreement to the terms of same, relative to the servicing of the Payments.

- **Other Miscellaneous Terms:** _____

5. For the consideration described in the Sales Assistance Agreement, Seller shall transfer and sell to Buyer at Closing one hundred percent (100%) of Seller's right, title, and interest in and to the Payments; provided however, that the Asset shall remain the sole property of Seller and shall remain under the control of Seller.

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6. Seller represents and warrants that, to the best of Seller's knowledge, all statements and information contained within the Sales Assistance Agreement concerning the Payments and the Asset were true as of the date of the Sales Assistance Agreement and have continuously remained true and correct in all respects through the date of this Contract for Sale, and further shall remain true and correct through the Closing.

7. Prior to Closing and continuing through the terms of this Contract for Sale, Seller shall acquire and maintain a valid life insurance policy with a payable on death provision in favor of Buyer in an amount not less than the total amount of the Payments sold pursuant to this Contract for Sale.

8. Beginning at Closing, Seller shall receive the Payments at a designated escrow account created in Seller's name and in effective control of Seller.

9. Seller shall grant the Escrow Company a Special Durable Power of Attorney in connection with Seller's escrow agreement enabling the Escrow Company to manage the escrow account and any Payments therein received, according to Seller's obligation in this Contract for Sale.

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10. ACKNOWLEDGMENT OF RISK. SELLER AND BUYER EXPRESSLY ACKNOWLEDGE AND AGREE TO THE FOLLOWING:

10.1 SELLER INTENDS TO ACTUALLY RECEIVE DISBURSEMENT OF EVERY PAYMENT DESCRIBED UNDER THIS CONTRACT FOR SALE, SELLER SHALL RETAIN AT ALL TIMES COMPLETE CONTROL OVER THE PAYMENTS AND THE UNDERLYING ASSET DESCRIBED HEREIN, AND SELLER INTENDS TO ASSIGN EVERY PAYMENT DESCRIBED HEREIN TO BUYER AFTER ACTUAL RECEIPT OF DISBURSEMENT.

10.2. BOTH PARTIES INTEND THAT THE TRANSACTION(S) CONTEMPLATED BY THIS CONTRACT FOR SALE SHALL CONSTITUTE VALID SALE(S) OF PAYMENTS AND SHALL NOT CONSTITUTE IMPERMISSIBLE ASSIGNMENT(S), TRANSFER(S), OR ALIENATION OF BENEFITS BY SELLERS AS CONTEMPLATED BY APPLICABLE LAWS; HOWEVER, CERTAIN RISKS EXIST.

10.3. BY EXECUTING THIS CONTRACT FOR SALE, BUYER AND SELLER ACKNOWLEDGE AND AGREE THAT BUYER AND SELLER ARE AWARE OF AND EXPRESSLY ACCEPT ALL RISKS ASSOCIATED WITH THE TRANSACTION(S) CONTEMPLATED HEREIN.

10.4. BUYER AND SELLER ACKNOWLEDGE AND AGREE THAT VFG MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER CONCERNING WHETHER A COURT OF LAW WOULD INTERPRET THE TRANSACTION(S) CONTEMPLATED HEREIN AS INVALID ASSIGNMENT(S), TRANSFER(S) OR ALIENATION OF BENEFITS, OR OTHERWISE DEEM THE TRANSACTION INVALID.

(Signatures Contained on Following Pages)

IN WITNESS WHEREOF, the parties have executed this Contract for Sale as of the Effective Date.

SELLER:	BUYER:
	If an Individual:
_____ Signature	_____ Print Name(s)
_____ Print Name	_____ Signature(s) of Buyer
	_____ Signature of Co-Buyer (if applicable)
_____ Date:	_____ Date 5/10/2012
	If an Entity:
	_____ Name of Entity
	By: _____
	Name: _____
	Title: _____
	Date: _____