

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION
COMMISSIONERS

Arizona Corporation Commission
DOCKETED

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

SEP 07 2006

DOCKETED BY *Will*

In the matter of:

BELIEVING IN JESUS INVESTMENTS, LLC,
an Arizona limited liability company
7861 West Brown Street
Peoria, AZ 85345

PHOEBUS VINCENT SMITH (a/k/a Vince
Smith and/or Mr. Vince)
7861 West Brown Street
Peoria, AZ 85345

SHARON ELIZABETH GOVAN (a/k/a Sharron
E. Govan-Smith, Sharon Smith, and/or Ms.
Sharon)
7861 West Brown Street
Peoria, AZ 85345

Respondents.

Docket No. S-20478A-06-0565

**TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 SEP -7 12:45

RECEIVED

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY
EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that RESPONDENT BELIEVING IN JESUS INVESTMENTS, LLC, an Arizona limited liability company, RESPONDENT PHOEBUS VINCENT SMITH (a/k/a Vince Smith and/or Mr. Vince), and RESPONDENT SHARON ELIZABETH GOVAN (a/k/a Sharron E. Govan-Smith, Sharon Smith, and/or Ms. Sharon) engaged in or are about to engage in acts and

1 practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act
2 (“Securities Act”), and that the public welfare requires immediate action.

3 **I.**

4 **JURISDICTION**

5 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
6 Arizona Constitution and the Securities Act.

7 **II.**

8 **RESPONDENTS**

9 2. Phoebus Vincent Smith (a/k/a Vince Smith and/or Mr. Vince) (“Smith”) is an
10 individual whose last known residential address is 7861 West Brown Street, Peoria, Arizona 85345.

11 3. Jane Doe Smith was at all relevant times the spouse of Respondent Smith. Jane Doe
12 Smith is a fictitious name used to describe any person married to Smith. Jane Doe Smith is joined in
13 this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital
14 community.

15 4. Sharon Elizabeth Govan (a/k/a Sharron E. Govan-Smith, Sharon Smith, and/or Ms.
16 Sharon) (“Govan”) is an individual whose last known residential address is 7861 West Brown
17 Street, Peoria, Arizona 85345.

18 5. At all relevant times, Respondent Smith and Jane Doe Smith were acting for their
19 own benefit, and for the benefit or in furtherance of the marital community.

20 6. John Doe Govan was at all relevant times the spouse of Respondent Govan. John
21 Doe Govan is a fictitious name used to describe any person married to Govan. John Doe Govan is
22 joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of
23 the marital community.

24 7. At all relevant times, Respondent Govan and John Doe Govan were acting for their
25 own benefit, and for the benefit or in furtherance of the marital community.

26 8. Believing in Jesus Investments, LLC, is an Arizona limited liability company

1 organized on February 22, 2006 and whose last known business address is 7861 West Brown
2 Street, Peoria, Arizona 85345 ("BIJI"). Pursuant to the records of the Arizona Corporation
3 Commission, Corporations Division, Smith and Govan are, and were at all relevant times, the co-
4 managers of BIJI.

5 9. Smith, Govan and BIGI may be referred to individually or, collectively, as
6 "RESPONDENTS" as the context so requires. Jane Doe Smith and John Doe Govan may be
7 collectively referred to as "RESPONDENT SPOUSES."

8 III.

9 FACTS

10 10. Beginning at least as early as fall of 2005, RESPONDENTS have been offering
11 securities in the form of investment contracts.

12 11. RESPONDENTS promote their investment opportunities through fliers and live
13 presentations by primarily targeting fellow church members.

14 12. RESPONDENTS inform potential investors that the purpose of BIJI is to invest in
15 raw land, real estate development, condominiums, luxury cars, new business ventures, and bulk
16 merchandise.

17 13. Documents provided to unsophisticated investors by Smith and Govan, replete
18 with religious references and biblical quotes, state that BIJI is a private investment company for
19 BIJI members only.

20 14. RESPONDENTS inform offerees that in order to participate in the investment
21 opportunities, investors must purchase one of four types of memberships from BIJI ("BIJI
22 Members"). RESPONDENTS inform these offerees that the first and second membership types
23 are entitled "Christian Millionaires in Training 1" or "CMIT 1" and "Christian Millionaires in
24 Training 2" or "CMIT 2." RESPONDENTS inform offerees that these programs are designed
25 for mainly children, teens, grandparents raising their grandchildren, single parents and
26 individuals earning less than \$20,000 per year. The non-refundable membership fee is \$50 for

1 CMIT 1 and \$150 for CMIT 2. The third type of BIJI membership is the "Regular" whose non-
2 refundable membership fee is \$500. The fourth type of BJI membership is the "Premier" whose
3 non-refundable membership fee is \$1,000. Investors are told that as a BIJI Member, for each
4 new BIJI Member they recruit, they will receive referral fee of up to \$250.00, the amount of
5 which is determined by the type of BIJI membership that is held by the recruiter and the type of
6 new membership that is acquired.

7 15. RESPONDENTS solicit investors to enroll in a variety of investment contracts
8 including, but not limited to, the following:

9 (a) a program that would yield \$600 on a \$500 investment in 60 days or
10 \$1,250 on a \$1,000 investment in 90 days;

11 (b) a program in which investment amounts ranging from \$2,000 to \$500,000
12 promise a 100% return on the initial investment minus a 25% transaction fee in 6-36
13 months. Potential investors are provided charts showing investment amount and returns;

14 (c) the "Future BIJI Homebuyers" program. RESPONDENTS inform
15 offerees that an investment of 6 consecutive payments of \$500 up to \$10,000 per month
16 would yield a guaranteed 100% return on their initial investment after 12-18 months;

17 (d) the "24 Rolls Royce/Bentley Project 2006-2007" program.

18 RESPONDENTS inform offerees that 5 BIJI members will be allowed to each purchase
19 one-fifth of a Rolls Royce or Bentley automobile by investing one-fifth of the wholesale
20 price of the car. A 25% mark-up is then added to wholesale cost of the car and sold with
21 each investor yielding a 25% return on their initial investment;

22 (e) the "Land Investment Plan" program. RESPONDENTS inform offerees
23 that BIJI intends to develop 500 lots or acres of land located in Utah, New Mexico,
24 California, and Arizona during 2006-2007. From 2 to 20 BIJI members will be allowed
25 to participate in this program by investing their proportionate share of the cost of the land.
26 A minimum of a 25% mark-up is then added to the cost of the property (or to the

1 acquisition and construction costs) and sold with each investor yielding at least a 25 %
2 return on their initial investment; and

3 (f) the "Home Investment Plan" program. RESPONDENTS inform offerees
4 that BIJI intends to purchase homes (existing or to be constructed) ranging in cost from
5 \$100,000 up to \$350,000. BIJI members will be allowed to participate in this program by
6 investing their proportionate share of the cost of the home. A minimum of a 25 % mark-
7 up is then added to the sale price of the property and sold with each investor yielding at
8 least a 25 % return on their initial investment. In the RESPONDENTS' offering
9 materials, Smith states he will buy-out an investor's share with interest in the event that a
10 completed home remains unsold after 12 months.

11 16. According to the offering materials, Smith oversees all investment programs with
12 BIJI, and distributes all the income directly to the investors. Apart from enrolling in a particular
13 program by contributing their funds, the investors do not participate in the business operations of
14 RESPONDENTS.

15 17. Investors are told that any return received on their investments comes from returns
16 on BIJI investments. Based on information and belief, RESPONDENTS have paid old investors
17 with money received from new investors.

18 18. RESPONDENTS fail to disclose to potential investors that investor funds will be
19 expended for personal use. Upon information and belief, RESPONDENTS have expended
20 investor funds for personal expenses without authorization from investors.

21 19. A Desist and Refrain Order was entered by the State of California, Department of
22 Corporations on January 31, 2005 against Smith and Govan for operating a ponzi scheme related
23 to the offer and sale of similar investment opportunities while residents of California and to
24 investors located in that state ("California Order"). RESPONDENTS fail to inform potential
25 investors of the existence of the California Order.

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IV.

VIOLATION OF A.R.S. § 44-1841

(Offer and Sale of Unregistered Securities)

20. Beginning at least as early as fall of 2005, RESPONDENTS offered or sold securities in the form of investment contracts within or from Arizona.

21. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

22. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

23. RESPONDENTS offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

24. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

25. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and/or (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- (a) failing to failing to disclose to offerees and/or investors of the California Order against Smith and of the potential consequences of those orders with respect to

1 their investment;

2 (b) failing to disclose to offerees and/or investors that new investor funds would
3 be used to pay old investors;

4 (c) failing to disclose to offerees and/or investors that investor funds would be
5 expended for personal use;

6 (d) failing to disclose to offerees and/or investors the risks associated with the
7 investment; and

8 (e) failing to disclose to offerees and/or investors any financial information with
9 regard to the investment programs.

10 26. This conduct violates A.R.S. § 44-1991.

11 **VII.**

12 **TEMPORARY ORDER**

13 **Cease and Desist from Violating the Securities Act**

14 THEREFORE, based on the above allegations, and because the Commission has determined
15 that the public welfare requires immediate action,

16 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and A.A.C. R14-4-307, that the
17 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
18 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

19 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
20 effect for 180 days unless sooner vacated, modified or made permanent by the Commission.

21 IT IS FURTHER ORDERED that this Order shall be effective immediately.

22 **XIII.**

23 **REQUESTED RELIEF**

24 The Division will request that the Commission grant the following relief against
25 RESPONDENTS:

26 1. Order RESPONDENTS to permanently cease and desist from violating the

1 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
2 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
3 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order,
4 with written findings of fact and conclusions of law. A permanent Order may include ordering
5 restitution, assessing administrative penalties or other action.

6 If a request for hearing is not timely made, the Division will request that the Commission
7 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
8 may include ordering restitution, assessing administrative penalties or other relief.

9 Persons with a disability may request a reasonable accommodation such as a sign language
10 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,
11 Executive Assistant to the Executive Director, voice phone number 602/542-3931, e-mail
12 lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the
13 accommodation.

14 XV.

15 ANSWER REQUIREMENT

16 Pursuant to A.A.C. R14-4-305, if any RESPONDENT or RESPONDENT SPOUSE
17 requests a hearing, the RESPONDENT or RESPONDENT SPOUSE must deliver or mail an
18 Answer to this Temporary Order and Notice to Docket Control, Arizona Corporation Commission,
19 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of
20 this Temporary Order to Cease and Desist and Notice of Opportunity for Hearing,. A Docket
21 Control cover sheet must accompany the Answer. A cover sheet form and instructions may be
22 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
23 at www.cc.state.az.us/utility/forms/index.htm.

24 Additionally, the RESPONDENT OR RESPONDENT SPOUSE, must serve the Answer
25 upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by
26 mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd

1 Floor, Phoenix Arizona, addressed to **Julie Coleman, Assistant Chief Counsel of Enforcement.**

2 The Answer shall contain an admission or denial of each allegation in this Temporary
3 Order and Notice and the original signature of each RESPONDENT, RESPONDENT SPOUSE or
4 the RESPONDENT's attorney. A statement of a lack of sufficient knowledge or information shall
5 be considered a denial of an allegation. An allegation not denied shall be considered admitted.

6 When a RESPONDENT or RESPONDENT SPOUSE intends in good faith to deny only a
7 part or a qualification of an allegation, the RESPONDENT or RESPONDENT SPOUSE shall
8 specify that part or qualification of the allegation and shall admit the remainder. The
9 RESPONDENT or RESPONDENT SPOUSE waives any affirmative defense not raised in the
10 answer.

11 The officer presiding over the hearing may grant relief from the requirement to file an
12 Answer for good cause shown.

13 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 7th day of
14 September, 2006.

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17 Matthew J. Neubert
18 Director of Securities

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(JC)