

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION)	
)	
Petitioner,)	
)	
VS.)	
)	
GLENDALL D. VERNER AND VALUE INVESTMENT SERVICES, INC.)	File No.: <u>03-029</u>
)	
Respondents.)	
)	

ORDER TO CEASE AND DESIST

This Order issues as a result of a Petition and its exhibits attached hereto filed by the Tennessee Securities Division of the Department of Commerce and Insurance and is predicated upon the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Glendall D. Verner (“Verner”) is a natural person, believed to be an employee, agent, officer, director, owner or other affiliated person of Value Investment Services, Inc., with his business address being 7019 Wilson Pike Circle, Brentwood, TN 37027 and/or 5217 Maryland Way, Suite 302, Brentwood, TN 37027.

2. Value Investment Services, Inc. (“Value Investment”) is a Tennessee corporation, with its principal place of business being 7019 Wilson Pike Circle, Brentwood, TN 37027.

3. Value Investment is currently offering and/ or selling securities from and/or in the state of Tennessee.

4. Verner is currently offering and/ or selling securities from and/or in the state of Tennessee.

5. On July 21, 2000, the Division received an Investor Complaint Questionnaire from James Vaughan ("Vaughan") stating that he had purchased stock and was promised that he could get his money back in ninety days. After repeated requests Vaughan has not been able to get his money back.

6. The background of the Vaughan matter is as follows. On August 21, 1996, Vaughan bought 100,000 shares of Caribbean Television Network, Inc. stock for \$50,000 through Verner of Value Investment. Verner promised Vaughan that he could double his money in ninety days.

7. At the end of the ninety days Vaughan asked for his money back. Verner told Vaughan that he would get his money, but it could take a couple of months for the money to get to him. As of April, 2003, Vaughan had still not received his money despite repeated requests.

8. In 1998, Vaughan finally received a copy of the stock certificate issued to James Vaughan. A Limited Price Put Option was attached. The option stated that Vaughan could deliver to the "Writer" 100,000 shares of Common Stock at the price of \$1.00 per share at any time beginning ninety (90) days after the date of the agreement, that being August 21, 1996, but no longer than one hundred and four (104) days after the date of the agreement, at which time the Option would expire.

9. The stock had Vaughan's middle initial incorrect. Additionally, the company

name listed on the Limited Price Put Option was different from the name of the stock Vaughan had purchased.

10. Verner has been investigated by the Division previously. In 1991 his agent registration with NASD was revoked for non-payment of fines. The fines had been assessed after it was determined that Verner had engaged in private securities transactions without providing prior notice to his member firm.

11. Verner was convicted in 1994 of Securities Fraud in the Circuit Court of Williamson County, Tennessee in Cause No. I-293-47. He was essentially sentenced to 4 years suspended. Verner successfully completed his probation.

12. Recently, there have been additional inquiries in regard to Verner and Value Investment. In August of 2003, the Division received an inquiry call about Verner. An elderly lady was being pressured to turn over all of her savings and retirement funds for purposes of investing in a Verner venture. The lady had already cashed out an IRA for \$83,600 for investment purposes with no return. A formal complaint, however, has not yet been received by the Division.

13. Additionally, in August of 2003, the Division received an Investor Complaint Questionnaire regarding Verner and Value Investment. An elderly lady had invested \$170,000 through Verner in 1998 and 1999. Verner informed the lady that the investments were safe and he promised the investments would yield a high return. The investor does not know what became of her money, and she has had no returns on the invested monies.

14. In October of 2003, an inquiry was called in from an elderly gentleman who had been approached to invest in one of Verner's ventures. This gentleman did not invest and refused to file a complaint at this time; however, he stated to the investigator that he

just called to alert the Division that “they were out there trying to take people’s money.”

15. Respondent Value Investment is not registered as a broker-dealer, agent of a broker-dealer, or investment adviser with the Tennessee Securities Division pursuant to the Tennessee Securities Act of 1980. Nor has Value Investment registered any securities offerings with the Division.

16. Respondent Verner is not registered as a broker-dealer, agent of a broker-dealer, or investment adviser with the Tennessee Securities Division pursuant to the Tennessee Securities Act of 1980.

17. Value Investment has a phone listing in the current issue of the Nashville Business White Pages phone book. When the number is called, an answering machine picks up and a male voice states, “This is Glen Verner. Leave me a message, and I will return your call as soon as possible.” Thus, it is believed by the Division that Verner and Value Investment are still in full operation.

18. It is unknown how many Tennesseans have invested, have been solicited to invest, or will be solicited to invest with Verner through Value Investment. The total amount invested as related to the subject of this investigation is \$50,000.00. However, the total amount invested by other victims is unknown, but could potentially be thousands of dollars depending on the number of investors. It appears that the respondents are targeting the elderly. The Division has no information to indicate that Respondents are not currently soliciting more potential investors from or in the state of Tennessee. It is believed that Respondents are still offering to sell and are selling unregistered securities from and in the state of Tennessee.

CONCLUSIONS OF LAW

1. Tennessee Code Annotated §48-2-104 provides that it is unlawful for any person to sell any security in this state unless it is registered with the Division, qualified for an exemption pursuant to §48-2-103, or a covered security.

2. Tennessee Code Annotated § 48-2-102 provides that a security includes stock.

3. Tennessee Code Annotated §48-2-102 provides that a security includes investment contracts. In *King v. Pope*, 91 S.W.3d 314, 320-322 (Tenn. 2002), the court held that an instrument or agreement would be considered an investment contract when (1) an offeree furnishes initial value to an offeror, (2) a portion of this initial value is subjected to the risks of the enterprise, (3) the furnishing of the initial value is induced by the offeror's promises or representations which give rise to a reasonable understanding that a valuable benefit of some kind, over and above the initial value, will accrue to the offeree as a result of the operation of the enterprise, and (4) the offeree does not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.

4. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, the Respondents have violated and are violating Tennessee Code Annotated §48-2-104 by offering, issuing, and/or selling unregistered securities to Tennessee residents.

5. Tennessee Code Annotated §48-2-102(3) provides that a "broker-dealer" means any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities

issued by one (1) or more other persons for such person's own account and as part of a regular business rather than in connection with such person's investment activities.

6. Tennessee Code Annotated §48-2-102(2) provides that an "agent" means any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from or in this state.

7. Tennessee Code Annotated §48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent unless such person is registered as a broker-dealer or agent under this part.

8. Tennessee Code Annotated §48-2-109(b) provides that it is unlawful for any broker-dealer to employ an agent to transact business as an agent unless the agent is registered under this part.

9. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, Respondents have violated and are violating Tennessee Code Annotated §48-2-109(a) and (b) by acting as unregistered broker-dealers and/or employing unregistered agents to solicit Tennessee residents.

10. Based upon the Findings of Fact and the Exhibits filed by the Petitioner, Respondents have violated and are violating Tennessee Code Annotated §48-2-109(a) by acting as broker-dealers and/or unregistered agents of a broker-dealer from and in the state of Tennessee.

11. Tennessee Code Annotated § 48-2-121 provides that it is unlawful for any person, in connection with the sale or purchase of any security in this state directly or indirectly, (1) to employ any device, scheme, or artifice to defraud, (2) 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 light of the circumstances under which they are made, not misleading, and/or (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

12. Based upon the Findings of Fact, the Respondents have violated and are violating Tennessee Code Annotated § 48-2-121 by promising a guaranteed return on investments; by providing false information about potential investments to coerce potential investors to invest; by telling investors in Tennessee that the securities offered are registered or omitting to state that the securities are unregistered with the State of Tennessee, Department of Commerce and Insurance, Division of Securities; and by omitting to disclose the criminal conviction for securities violations of Verner.

13. Tennessee Code Annotated §48-2-116 provides that the Commissioner may make, promulgate, amend, and rescind such Orders as are necessary to carry out the provisions of the Tennessee Securities Act of 1980, as amended, and that such Order is in the public interest, necessary for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

14. Tennessee Code Annotated §48-2-116(e)(2) states, in pertinent part, that no Order may be entered without: 1) prior notice to affected parties, unless the Commissioner determines that prior notice would not be in the public interest and would be detrimental to the protection of investors; 2) an opportunity for a hearing before the Commissioner; and 3) written Findings of Fact and Conclusions of Law.

15. Based upon the Findings of Fact, it would not be in the public interest and it would be detrimental to the protection of investors if prior notice of this Order were given to affected parties.

NOW, THEREFORE, in consideration of the foregoing, it is **ORDERED** that:

1. The Respondents, Glendall D. Verner and Value Investment Services, Inc., shall comply with the provisions of the Tennessee Securities Act of 1980, as amended. Specifically, IT IS ORDERED that the Respondents immediately cease and desist from the sale of unregistered stock, unregistered investment contracts, and any other unregistered securities to individuals in Tennessee and/or in other states, as well as immediately cease and desist from any activity associated with the sale of these and any other securities.

2. The Respondents, Glendall D. Verner and Value Investment Services, Inc., shall cease and desist in the further conduct as a broker-dealers from or in the state of Tennessee until such time as it is effectively registered with the Division to engage in such activity.

3. The Respondents, Glendall D. Verner and Value Investment Services, Inc., shall cease and desist in further conduct as agents of a broker-dealer from or in the state of Tennessee until such time each is effectively registered with the Division to engage in such activity.

4. All Respondents shall cease and desist the further offer and/or sale and/or issuance of unregistered securities from and in the state of Tennessee.

5. The Respondents shall cease and desist, from and in the state of Tennessee, in employing any device, scheme, or artifice to defraud, and/or making untrue statements of material fact or omitting to make statements of material fact, and/or engaging in any act,

practice, or course of business which operates or would operate as a fraud or deceit upon any person in connection with the sale of securities.

6. All persons in any way assisting, aiding, or helping any of the aforementioned Respondents in any of the aforementioned violations of the Tennessee Securities Act of 1980, as amended, Tennessee Code Annotated §§48-2-101 et seq. shall cease and desist from all such activities in violation of the Tennessee Securities Act of 1980, as amended.

This Order is not intended to prohibit any lawful conduct in which any of the Respondents might be engaged.

Entry of this Order shall not in any way restrict the Tennessee Securities Division or the Commissioner of Commerce and Insurance from taking further action with respect to these or other possible violations by Respondents of the Act or any of the Rules promulgated there under.

This Order shall become a Final Order 30 days from the date of its entry, unless written notification requesting a hearing is made within that 30 day period.

You are advised that you have the right to a hearing as to all matters raised in this Order. If you wish to exercise your right to a hearing, please notify:

**DAPHNE D. SMITH
ASSISTANT COMMISSIONER FOR SECURITIES
STATE OF TENNESSEE, DEPARTMENT OF COMMERCE AND INSURANCE
DAVY CROCKETT TOWER, SUITE 680
500 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243**

Such request must be received within 30 days of the date of entry of this Order.

Entered this 16th day of October, 2003.

Paula A. Flowers

Paula A. Flowers,
Commissioner

APPROVED FOR ENTRY:

Maliaka Bass EssameIDin

Maliaka Bass EssameIDin, #015362
Chief Counsel for Securities
Department of Commerce and Insurance
500 James Robertson Parkway
Davy Crockett Building, 5th Floor
Nashville, Tennessee 37243
(615) 741-2199
Fax (615) 741-4000