



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
SOCIAL, INC.; SOCIAL AUTOMOTIVE)
MANAGEMENT SERVICES, LLC; SHARP)
MANAGEMENT, LLC D/B/A SOCIAL)
AUTOMOTIVE MANAGEMENT SERVICES;)
and ADAM SHARP,)
Respondents.)

Case No. AP-19-10

Serve: Social Automotive Management Services)
LLC DBA Fender Car Investors Accounts)
5417 West Pinnacle Point Drive)
Rogers, Arkansas 72758-8120)
)
Sharp Management, LLC D/B/A Social)
Automotive Management Services)
2727 Lemontree Circle)
Springdale, AR 72762)
)
Social, Inc.)
294 Arlington Way)
Springdale, AR 72762)
)
Adam Sharp)
4245 Allison Lane, Apartment 201)
Springdale, AR 72762)

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD NOT BE IMPOSED**

On August 15, 2019, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“the Enforcement Section”), through Enforcement Counsel Hampton Williams, submitted a Petition for Order to Cease and Desist and an Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (“the Petition”). After reviewing the Petition, the Missouri Commissioner of Securities (“the Commissioner”) issues the following Order:

I. ALLEGATIONS OF FACT

The Petition alleges the following facts:

A. Respondents and Related Parties

1. Sharp Management, LLC, d/b/a Social Automotive Management Services, is a limited liability company with a registered address of 2727 Lemontree Circle, Springdale, Arkansas 72762, organized in the state of Arkansas on August 15, 2013. Sharp Management, LLC, also conducted business as Fight for Fitness Movement and UFC Gym Fayetteville.
2. Social Automotive Management Services, LLC (“SAMS”), is a limited liability company with a last known address of 5417 W Pinnacle Pointe Drive, Suite 203, Rogers, Arkansas 72758, organized in the state of Arkansas on May 18, 2015. Fender.Cars, Fender Trade, and Fender Sure are fictitious names registered to SAMS purportedly for related digital automotive services.
3. Social, Inc., registered at 249 Arlington Way, Springdale, Arkansas 72762, was a for-profit organization filed in the state of Arkansas on June 6, 2016, and revoked on January 1, 2018, by the Arkansas Secretary of State’s office. Social, Inc., was designated as the issuer of some, if not all, of the investment contracts in question.
4. Adam B. Sharp (“Sharp”) is a Springdale, Arkansas, resident with a last known address of 4245 Allison Lane, Apartment 201, Springdale, Arkansas 72762. Sharp has never been registered as a broker-dealer, broker-dealer agent, investment advisor, investment advisor representative, and/or issuer agent in the state of Missouri or any other jurisdiction.
5. Crystal Sharp, ex-wife of Sharp, is a Lynchburg, Virginia, resident with a last known address of 311 Killarney Court, Apt. F, Lynchburg, Virginia 24502. Crystal Sharp is identified as the treasurer on purchase agreements of Social Automotive Management, LLC.

B. Enforcement Section’s Investigation

6. On or about February 1, 2018, the Enforcement Section opened an investigation on SAMS and Sharp after receiving, among other things, information that Sharp, through SAMS, was soliciting investments to promote a concept for an automotive shopping web application. The web application would allow prospective customers to search the internet for automobiles that were for sale, and enabling automotive sales staff to contact and communicate with the prospective customers in real time.
7. On February 5, 2018, the Enforcement Section mailed a letter to Sharp requesting, among other things, the following:

- a. a list of all investors in SAMS;
- b. copies of all documents provided to or signed by investors of SAMS; and
- c. copies of all marketing materials utilized by Sharp/SAMS.

SAMS/Sharp's Response to the Enforcement Section

8. Sharp provided a list of eleven (11) Missouri investors, but a review of bank records show approximately thirteen (13) Missouri Investors, one (1) Louisiana Investor, one (1) Texas Investor, and seven (7) Arkansas Investors.

Initial Amended Operating Agreement for SAMS

9. From Sharp, the investors received the Initial Amended Operating Agreement, effective May 31, 2016, which provided, among other things:
 - a. "The Manager shall be compensated for services performed based on the performance of the LLC...In addition to the Manager's pay, the LLC's Manager shall be reimbursed for all expenses incurred in carrying out the operation of the LLC, including compensation for meals, travel, and lodging undertaken as party of any business activity."
 - b. "All funds of the LLC [SAMS] shall be deposited in its name in such checking account or accounts as designated by the Manager. All withdrawals therefrom are to be made upon checks, which must be signed by the Manager or his/her representative."

Operating Agreement for SAMS

10. Sharp provided an Operating Agreement to his investors that contained, among other items:
 - a. "Management of the Company shall be vested in its members which shall elect by majority vote a six-person board of directors which shall set and effect the strategic business and financial plans of the Company."
 - b. "The Company shall have 50,000 units of total, authorized membership interests, which may be expressed as any of the Shares, Membership Units, or Percentage ownership."
 - c. "The Company shall issue up to five thousand (5,000) Shares to third party investors and the balance of Shares not so issued by December 31, 2017, shall be issued to Adam Sharp in consideration of his services in establishing the Company."

- d. “All distributions shall be made as follows: The executive compensation of Adam Sharp shall be limited to \$5,000 gross per month, and reimbursement of not more than \$3,000 per month for business travel, food, and per diem per month until such time as each member other than Adam Sharp has been paid \$250 per Share.”
- e. “Thereafter, the net profits of the Company, after a reserve established by the Board of Directors for expansion and operating contingencies, shall be periodically distributed to the Members in respect of their percentage ownership in the Company.”
- f. “Any and all losses of the Company shall be allocated to the third party investors other than Sharp in respect of and in proportion of their investment in the Company until they have been allocated the full amount of their investment, after which time losses shall be allocated in respect of percentage of membership interest.”

Adam Sharp Email to Investors

- 11. On or about January 18, 2018, Sharp sent an email to investors, stating, among other things, the following:
 - a. “I promised to use investor funds to build a website and later an app that used the info and format in a dating website type style for consumers to view vehicles and our company generate leads. We have done that, and are continuing to develop more useful and dealership/consumer based tech. We have a plan and route for App development for the future.”
 - b. “I made the decision, rather than taking a regular paycheck as outlined in the investor document of \$5,000 per month plus mileage or 5% of the gross, to conduct a majority of my spending directly from the operating account, and separating that on our financial statement to reflect “person owners draw” then [sic] meals and travel and other expenses.”
 - c. “We created a Geospatial mapping tool powered by Geo Velo. This mapping tool was not part of our original plans, and I made the decision to utilize the tech, that will provide a valuable service to the dealers as well as a data collection footprint for Fender, making our data and information some of the best in the country.”
 - d. “I failed to operate my personal spending from a personal bank account. I operated my personal spending directly from the operating account of the business. I am making this point again, as I have been informed this was the wrong way to do this.....In many meetings with investors and private socializing and personal spending, money has been spent on everything from food, alcohol, clothing, gas, and a variety of different businesses that should have been paid for, from a personal or private account.”

- e. “Through the 15-month period we are attributing \$124,311.36 in owners draw for a negative credit difference of \$2,101.82 or that amount of savings. Does not sound like much savings, however bare [sic] in mind this includes everything from living expenses to vehicle maintenance, transportation needs such [as] vehicle payments, etc., housing, internet service particularly while living in Virginia, family travel, and personal life spending as outlined above including various cash withdraws, clothing, personal services, including hair, nails spa, website services and WiFi/television including Amazon, Netflix, Comcast, AT&T, Spring, etc., and entertainment such as music and movies, and varied locations that accommodate these types of entertainment including adult oriented facilities, gas, lodging, food reimbursement for rent when staying with family, etc.”
- f. “We will be sending you our operating agreement.....Neither Crystal or I will receive even a \$1.00 until the total amount of value of 5,776 shares @ \$250 per share for a total amount of \$1,444,444 has been paid to all investors as a group vs. your individual percentage, for those who elected to stay vested and decline rescinding. In the event you elect to rescind, then that offer will be outlined in the rescission offering with no further payments due.”

Rescission Offering Letter

- 12. On or about January 22, 2018, Sharp sent investors a Rescission Offering, stating among other things:
 - a. “The Shares sold to you and all of the other investors in the Company are defined and regulated as “Securities” under both state and federal law, including at the federal level the Securities Act of 1933 and the Securities Exchange Act of 1934.”
 - b. “Those laws require that the sale of such Securities to investors such as yourself must either be registered, or exempted from registration, with both the state and federal governments.”
 - c. “The sale of these Securities was not properly registered or exempted from registration under either state or federal law.”
 - d. “Therefore, Social Automotive Management Services, LLC hereby offers to rescind its sale to you of such Securities, and refund to you the entire purchase price paid, together with interest at the rate of 6% per annum since your purchase, less the amount of any income you have received on the Security.”
 - e. “Should you decide to accept this offer of rescission, please return this letter in the enclosed self-addressed stamped envelope within thirty (30) days of your receipt of it, indicating your request to rescind your purchase in the box below, signing it and dating it, and the purchase price paid by you shall be refunded to you within one hundred eighty (180) days of the Company’s receipt of your rescission request.”

- f. “In the development of his Concept into a capitalized business with investors, Sharp was unaware that these Shares were defined as “Securities” under both state and federal law which required either a registration of the sales process, or a duly accomplished exemption from which registration and as a result proceeded during the sales period to sell such Shares without registration or exemption in violation of state and federal securities laws.”
- g. “In the process of selling these Securities, because the concept and process were dynamic, the Company’s representatives made a number of oral and written representations, formal and informal, to various investors that were not uniform among investors or uniform time-to-time, because of the dynamic nature of the process.....However, there is not a uniform offering circular which can be relied on as a sole source of offering information, and the facts and circumstances as communicated to one investor pertaining to this investor may have been different than the facts and circumstances communicated to other investors regarding this investment.”
- h. “The offering was not subscribed as proposed: rather than 5,000 shares being sold at \$250 per share to generate a capital base of \$1,250,000, 5,224 shares were sold generating a total of \$551,500 as its capital base, substantially less than the target capital base.”
- i. “Under the stress of trying to accomplish the Concept with limited funds, Sharp engaged in various acts or omissions of questionable propriety in his management of the Company.”

Missouri Resident 1 (“MR1”)

- 13. On June 8, 2017, a 53 year-old resident of Columbia, Missouri (“MR1”), invested \$1,000 with Sharp for four membership shares in SAMS.
- 14. On February 10, 2018, MR1 accepted Sharp’s rescission offer. To date, MR1 has only received \$160.
- 15. To date, with the exclusion of the \$160 through rescission, MR1 has not received a return of or on the investment.

Missouri Resident 2 (“MR2”)

- 16. On May 17, 2017, a 55 year-old resident of Manchester, Missouri (“MR2”), invested \$15,000 with Sharp for approximately 60 ownership shares in SAMS in the name of “Fender.com.”
- 17. On August 17, 2017, MR2 invested an additional \$40,000 with Sharp for approximately 160 shares in SAMS.

18. On October 30, 2017, MR2 invested an additional \$25,000 with Sharp for approximately 100 shares in SAMS.
19. MR2 was promised 100% return on his investment with Sharp.
20. MR2 did not accept Sharp's rescission offer.
21. To date, MR2 has not received a return of or on his investment.

Missouri Resident 3 ("MR3")

22. On January 9, 2017, a 69 year-old resident of Desloge, Missouri ("MR3"), made an initial investment of \$1,000 with Sharp for four membership shares in SAMS.
23. On June 4, 2017, MR3 made an additional investment of \$4,000 with Sharp for approximately 16 membership shares in SAMS.
24. To date, MR3 has not received a return of or on the investment.

Missouri Resident 4 ("MR4")

25. On June 3, 2017, a 29 year-old resident of Holts Summit, Missouri ("MR4"), invested \$1,000 with for membership shares in SAMS.
26. To date, MR4 has not received a return of or on the investment.

Missouri Resident 5 ("MR5")

27. On May 17, 2017, a 60 year-old resident of Robertsville, Missouri ("MR5"), invested \$11,000 with Sharp for four membership shares in SAMS.
28. On August 16, 2017, MR5 invested an additional \$20,000 with Sharp for approximately 80 membership shares in SAMS.
29. To date, MR5 has not received a return of or on the investment.

Missouri Resident 6 ("MR6")

30. On June 8, 2017, a 36 year-old resident of Columbia, Missouri ("MR6"), invested \$5,000 with Sharp for 20 membership shares in SAMS.
31. MR6 was promised a 100% return on her investment by Sharp.
32. On February 16, 2017, MR6 accepted Sharp's rescission offer; however, MR6 has not received any funds.

33. To date, MR6 has not received a return of or on her investment.

Missouri Resident 7 (“MR7”)

34. On May 21, 2017, a 56 year-old resident of St. Genevieve, Missouri (“MR7”), made an initial investment of \$7,500 with Sharp for 30 membership shares in SAMS.

35. On November 1, 2017, MR7 made an additional investment of \$750 with Sharp for three membership shares in SAMS.

36. On or about February 8, 2017, MR7 accepted Sharp’s rescission offer; however, MR7 has not received any funds.

37. To date, MR7 has not received a return of or on the investment.

Missouri Resident 8 (“MR8”)

38. On May 21, 2017, an 18 year-old resident of St. Genevieve, Missouri (“MR8”), made an investment of \$900 with Sharp for approximately three membership shares in SAMS.

39. MR8 accepted the rescission offer from Sharp; however, MR8 has only received a portion, \$121.25 on or about September 2018, of the amount owed. To date, the balance remains outstanding.

40. To date, with the exclusion of the \$121.25 through rescission, MR8 has not received a return of or on the investment.

Missouri Resident 9 (“MR9”)

41. On June 4, 2017, a 55 year-old resident of Bonne Terre, Missouri (“MR9”), made an investment of \$10,000 with Sharp for 40 membership shares in SAMS.

42. To date, MR9 has not received a return of or on the investment.

Missouri Resident 10 (“MR10”)

43. On May 4, 2017, a 55 year-old resident of St. Louis, Missouri (“MR10”), made an initial investment of \$56,956.89 with Sharp for approximately 227 membership shares in SAMS.

44. On May 13, 2017, MR10 made an additional investment of \$43.11 with Sharp for a fraction of one membership share in SAMS.

45. MR10 was promised by Sharp a 100% return on her investment plus a percentage of SAMS quarterly profit earnings.

46. MR10 did not accept Sharp's rescission offer.
47. To date, MR10 has not received a return of or on her investment.

Missouri Resident 11 ("MR11")

48. On June 5, 2017, a 56 year-old resident of Bonne Terre, Missouri ("MR11"), made an initial investment of \$6,000 with Sharp for 24 membership shares in SAMS.
49. To date, MR11 has not received a return of or on the investment.

Missouri Resident 12 ("MR12")

50. On February 4, 2017, a 71 year-old resident of St. Louis, Missouri ("MR12"), made an initial investment of \$1,000 with Sharp for four membership shares in SAMS.
51. On May 12, 2017, MR12 made an additional investment of \$4,000 with Sharp for 16 membership shares in SAMS.
52. On October 30, 2017, MR12 made an additional investment of \$10,000 with Sharp for 40 membership shares in SAMS.
53. To date, MR12 has not received a return of or on the investment.

Missouri Resident 13 ("MR13")

54. On or about April 17, 2017, a 48 year-old resident of St Louis, Missouri ("MR13"), made an initial investment of \$5,000 with Sharp for 20 membership shares in SAMS.
55. On May 17, 2017, MR13 made an additional investment of \$76,000 with Sharp for 304 membership shares in SAMS. MR13 withdrew the funds from her 401k to invest in SAMS.
56. MR13 was promised a 100% return on her investment, and then quarterly payments thereafter.
57. As a result of MR13 withdrawing 401(k) funds for investment in SAMS, MR13 was exposed to approximately \$13,000 in additional tax liabilities, which Sharp promised to reimburse.
58. Sharp did not reimburse MR13 for her tax liabilities from the withdrawal of the 401k funds used to invest in SAMS.
59. On February 10, 2018, MR13 accepted Sharp's rescission offer, but to date has not received any funds.
60. To date, MR13 has not received a return of or on her investment.

Arkansas Resident 1 (“AR1”)

61. On December 31, 2016, a 46 year-old resident of Little Rock, Arkansas (“AR1”), made an initial investment of \$1,500 with Sharp for six membership shares in SAMS.
62. On April 16, 2017, AR1 made an additional investment of \$1,500 with Sharp for six membership shares in SAMS.
63. To date, AR1 has not received a return of or on the investment.

Arkansas Resident 2 (“AR2”)

64. On October 31, 2017, a 73 year-old resident of Evening Shade, Arkansas (“AR2”), made an initial investment of \$6,250 with Sharp for 25 membership shares in SAMS.
65. On February 7, 2018, AR2 made an additional investment of \$2,500 with Sharp for ten membership shares in SAMS.
66. To date, AR2 has not received a return of or on the investment.

Arkansas Resident 3 (“AR3”)

67. On January 15, 2017, a 64 year-old resident of Evening Shade, Arkansas (“AR3”), made an initial investment of \$1,000 with Sharp for four membership shares in SAMS.
68. On May 26, 2018, AR3 made an additional investment of \$1,200 with Sharp for approximately four membership shares in SAMS.
69. To date, AR3 has not received a return of or on the investment.

Arkansas Resident 4 (“AR4”)

70. On July 3, 2017, a 31 year-old resident of Cave City, Arkansas (“AR4”), made an investment of \$2,500 with Sharp for ten membership shares in SAMS.
71. To date, AR4 has not received a return of or on the investment.

Arkansas Resident 5 (“AR5”)

72. On May 11, 2016, a 68 year-old resident of Evening Shade, Arkansas (“AR5”), made an initial investment of \$250 with Sharp for one membership share in SAMS.
73. On January 24, 2018, AR5 made an additional investment of \$1,400 with Sharp for approximately five membership shares in SAMS.

74. To date, AR5 has not received a return of or on the investment.

Arkansas Resident 6 (“AR6”)

75. On November 8, 2016, a 65 year-old resident of Cave City, Arkansas (“AR6”), made an initial investment of \$15,000 with Sharp for 60 membership shares in SAMS.

76. On January 24, 2017, AR6 made an additional investment of \$50,000 for 200 membership shares in SAMS.

77. On December 3, 2017, AR6 made an additional investment of \$20,000 with Sharp for 80 membership shares in SAMS.

78. On January 24, 2018, AR6 made an additional investment of \$15,000 with Sharp for 60 membership shares in SAMS.

79. On April 29, 2018, AR6 made an additional investment of \$3,000 with Sharp for 12 membership shares in SAMS.

80. To date, AR6 has not received a return of or on the investment.

Arkansas Resident 7 (“AR7”)

81. On July 3, 2017, a 60 year-old resident of Batesville, AR (“AR7”), in a household with a 79 year-old on a joint checking account, made an initial investment of \$25,000 with Sharp for 100 membership shares in SAMS.

82. On March 23, 2018, AR7 made an additional investment of \$10,000 with Sharp for 40 membership shares in SAMS.

83. On May 9, 2018, AR7 made an additional investment of \$1,000 with Sharp for four membership shares in SAMS.

84. To date, AR7 has not received a return of or on the investment.

Louisiana Resident 1 (“LR1”)

85. On November 30, 2017, a 32 year-old resident of Pineville, Louisiana (“LR1”), made an investment of \$4,975 with Sharp for approximately 19 membership shares in SAMS.

86. On or about February 10, 2018, LR1 accepted Sharp’s rescission offer, but to date has not received any funds.

87. To date, LR1 has not received a return of or on the investment.

Texas Resident 1 (“TR1”)

88. On November 30, 2017, a 27 year-old resident of South Lake, Texas (“TR1”), made an investment of \$5,000 with Sharp for 20 membership shares in SAMS.
89. On or about February 10, 2018, LR1 accepted Sharp’s rescission offer, but to date has not received any funds.
90. To date, TR1 has not received a return of or on the investment.

Bank Record Review

91. The Enforcement Section reviewed SAMS’s various Arvest Bank accounts from 2017 to present and found among other things:
 - a. In total, Respondents offered and sold at least \$468,225 in investment contracts to 22 investors;
 - b. That approximately \$155,000 in non-business personal expenses, including substantial cash withdrawals and payments for personal living expenses and entertainment, were transacted from accounts containing investor funds;
 - c. Approximately \$195,000 in questionable expenses were transacted from accounts containing investor funds; and
 - d. On multiple occasions Adam Sharp accrued expenses in excess of \$3,000 per month, whether arguably identified as legitimate business or not, that were from SAMS accounts containing investor funds, and that were paid in addition to his salary.
92. The Enforcement Section’s investigation alleges that substantial sums of investor funds were misappropriated for personal uses, in contravention to the purposes of the issued investment contracts and in violation of the Missouri Securities Act.

II. COMMISSIONER’S DETERMINATIONS AND FINDINGS

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

93. **THE COMMISSIONER DETERMINES** that Respondents, through personal solicitations, offered and sold unregistered, non-exempt securities in the form of membership interests in SAMS:

- a. “Sale” and “offer to sell” are defined in Section 409.1-102(26).¹ Respondent Sharp solicited individuals to invest in SAMS and received funds from investors. This activity constitutes the offer and sale of securities;
 - b. “investment contract” is enumerated in the list of instruments that are defined as securities in Section 409.1-102(28). The statute provides that investment contracts may include interests in a limited liability company. The investments Respondents offered and sold to investors are investment contracts, in that:
 - i. Investors’ funds were invested in a common enterprise with the Respondents;
 - ii. investors expected a profit from the efforts of the Respondents and not from investors’ own efforts;
 - iii. investors’ expected profits were interwoven with and dependent upon the efforts of Respondents; and
 - iv. In return for investment funds, investors were given memberships of the limited liability company, though most investors were not involved in the management of the entity.
94. The investors who purchased the SAMS membership shares invested money with a reasonable expectation of profits based on the managerial efforts of others.²
 95. At all times relevant to this matter, the SAMS membership shares were not registered, were not granted an exemption, and were not notice filed with the Missouri Securities Division indicating their status as a “federal covered security.”
 96. Moreover, Respondents failed to register the security with the states of Missouri or Arkansas after tendering rescission to the investors of the unregistered, non-exempt investment contracts.
 97. The Respondents offered and sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, or (3) registered under the Missouri Securities Act of 2003.
 98. Respondents offered and sold unregistered securities in violation of Section 409.3-301 and engaged in an illegal act, practice, or course of business and such conduct is therefore subject to the Commissioner’s authority under Section 409.6-604.

¹ Unless otherwise noted, all statutory references are to the 2016 Revised Statutes of Missouri.

² See *SEC v. Edwards*, 540 U.S. 389, 393 (2004); *SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946)

Multiple Violations of Transacting Business as an Unregistered Agent

99. **THE COMMISSIONER DETERMINES** that Respondent Sharp transacted business as an unregistered agent in the State of Missouri.
100. Sharp was a representative for Social, Inc., and/or SAMS.
101. Sharp offered and/or sold over \$400,000 in securities to 22 investors on behalf of Social, Inc. and/or SAMS by, among other things, offering and/or selling investments to the investors.
102. This activity constitutes transacting business in the State of Missouri under Section 409.1-102(1).
103. At all times relevant to this matter, Sharp was not registered as an agent in the State of Missouri.
104. Sharp transacted business in Missouri by offering and/or selling securities without being registered or exempt from registration as an agent in violation of Section 409.4-402(a).
105. Sharp's conduct is in violation of Section 409.4-402(a) and constitutes an illegal act, practice or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.

Multiple Violations of Making Untrue Statements, Omitting to State Material Facts or Engaging in Acts, Practices, or a Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of a Securities

106. **THE COMMISSIONER DETERMINES** that the Respondents, in connection with the offer, sale or purchase of a security, omitted to state to investors material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Such statements and material omissions included, but are not limited to, the following:
 - a. Telling the investors that they would be repaid their principal plus 100% return and a share of quarterly profits.
 - b. By representing in the Initial Amended Operating Agreement that the compensation for the manager, Adam Sharp, would be limited to a salary plus reimbursement for costs "undertaken as a part of any business activity" when, in fact, in excess to his salary, Adam Sharp withdrew substantial cash sums from SAMS accounts and other accounts containing investors' funds and also paid for personal living and entertainment expenses from the same accounts.

- c. By representing in the Initial Amended Operating Agreement that all funds, including investors' funds, would be deposited in accounts in SAMS name, and that withdrawals would only be made by check and signed by the Adam Sharp; whereas, in fact, a portion of the investors' funds were placed into an account controlled by Sharp Management, LLC, and numerous ATM withdrawals occurred without the use of checks.
 - d. By representing in the Second Operating Agreement that the compensation for the manager, Adam Sharp, would be limited to \$5,000 per month, and reimbursement of not more than \$3,000 for business travel, food, and per diem..." when, in fact, Adam Sharp incurred expenses well in excess of the terms of the Second Operating Agreement.
 - e. By misrepresenting that investors' funds would be used to support business activities, when in fact, Adam Sharp withdrew substantial cash sums from SAMS accounts and other accounts containing investors' funds and also paid for personal living and entertainment expenses from the same accounts.
107. These statements, in light of the circumstances under which they were made, were misleading statements because Sharp, on behalf of Social Inc. and SAMS misrepresented or omitted to disclose the following material facts that could impact this return and the viability of the investors' investments, including:
- a. That Sharp was not registered to offer or sell securities in the State of Missouri;
 - b. That the securities were not registered or exempt from registration;
 - c. The specific risks associated with the investment including, but not limited to, the risk associated with SAMS's business and/or industry;
 - d. Financial information to support the promised return on the investment;
 - e. The financial condition of SAMS;
 - f. The financial condition of Sharp.
108. Pursuant to Section 409.5-501(3), "it is unlawful for a person, in connection with the offer, sale, or purchase of a security...to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person."
109. In connection with the offer, sale or purchase of a security as described above, Sharp on behalf of SAMS, engaged in an act, practice or course of business that would operate as a fraud or deceit upon investors by, among other things:

- a. using investors' funds to pay non-business related, personal expenses and to make substantial cash withdrawals;
 - b. comingling investors' funds with Sharp's in other business accounts, which were used to pay non-business related, personal expenses and to make cash withdrawals; and
 - c. failing to perform and make payment upon the rescission requests made by investors subsequent to the February 2018 solicitation issued by Sharp on behalf of SAMS.
110. Respondents omitted to state material facts to investors necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person, in violation of Section 409.5-501.
111. At the time Respondents engaged in this conduct, MR3, MR5, AR2, AR3, AR5, AR6, and AR7 were the ages of 60-years-old or older and are elderly persons as that term is defined under Section 409.6-604(d)(3)(B).
112. Respondents' conduct in violation of Section 409.5-501 constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
113. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

III. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in:

- A. any violation of Section 409.3-301, by offering or selling any securities as defined by Section 409.1-102(28) in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. Section 409.4-402(a), by transacting business as an unregistered agent; and
- C. violating or materially aiding in any violation of Section 409.5-501, by, in connection with the offer or sale of securities, making untrue statements of a material fact or omitting to state material facts necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engage in acts, practices, or courses of business that operates or

would operate as a fraud or deceit upon another person.

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's request for civil penalties in the amount of:

- A. \$15,000 against each Respondent for more than one violation of Section 409.3-301, when at least one of these violations was committed against an elderly person, unless the Respondents request a hearing and show cause why the penalties should not be imposed;
- B. \$15,000 against Respondent Sharp for more than one violation of Section 409.4-402(a) , when at least one of these violations was committed against an elderly person, unless the Respondents request a hearing and show cause why the penalties should not be imposed;
- C. \$15,000 against each Respondent for more than one violation of Section 409.5-501, RSMo., when at least one of these violations was committed against an elderly person, unless the Respondents request a hearing and show cause why the penalties should not be imposed;
- D. an order against Respondents to pay, jointly and severally, restitution in the amount of \$468,065.00 or more for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss or disgorge any profits arising from the violation of Sections 409.3-301, 409.4-402(a), and 409.5-501 in the final order, unless Respondents request a hearing and show cause why this restitution or disgorgement should not be imposed; and
- E. an order against Respondents to pay, jointly and severally, the costs of the investigation in this proceeding, after a review of evidence of the amount submitted by the Enforcement Section.


Pursuant to Section 409.823, the Commission hereby states that he will determine whether to grant the Enforcement Section's request for civil penalties of up to \$45,000, restitution, and the costs of the investigation against the Respondents for more than one violation of Sections 409.3-301, 409.4-402(a), and 409.5-501 in a final order unless Respondents request a hearing and show cause why the penalty should not be imposed.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 20th DAY OF AUGUST, 2019.



JOHN R. ASHCROFT
SECRETARY OF STATE


DAVID M. MINNICK
COMMISSIONER OF SECURITIES

- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

David M. Minnick, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of August, 2019, a copy of the foregoing Order to Cease and Desist and Order To Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was **mailed by certified U.S. mail to:**

Social Automotive Management Services LLC
DBA Fender Car Investors Accounts
5417 West Pinnacle Point Drive
Rogers, Arkansas 72758-8120

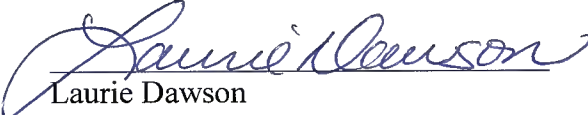
Sharp Management, LLC D/B/A Social
Automotive Management Services
2727 Lemontree Circle
Springdale, AR 72762

Social, Inc.
294 Arlington Way
Springdale, AR 72762

Adam Sharp
4245 Allison Lane, Apartment 201
Springdale, AR 72762

And hand delivered to:

Hampton Williams, Enforcement Counsel
Securities Division
Missouri Secretary of State's Office
600 West Main Street, Room 229
Jefferson City, Missouri 65101


Laurie Dawson
Securities Office Manager