

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:)	
)	ORDER TO CEASE AND DESIST
GARY BISH, ROBERT A. PIKAART,)	
JOHN MITCHELL, AND GRAND STRAND)	
ENTERPRISES, INC.,)	
)	File No. 09075
<u>Respondents.</u>)	

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. § 35-1-101 to 35-1-703 (Supp. 2010), on or about August 27, 2009, received information regarding alleged activities of Gary Bish ("Bish"), Robert A. Pikaart ("Pikaart"), John Mitchell ("Mitchell"), and Grand Strand Enterprises, Inc. ("Grand Strand") (collectively, the "Respondents") which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondents pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, in connection with the investigation, the Division has determined that evidence exists to support the following findings and conclusions:

1. Respondent Bish is a South Carolina Resident with a last known address of 8117 Wacabee Drive, Myrtle Beach, South Carolina 29579. Respondent Bish is listed as the registered agent for Respondent Grand Strand with the South Carolina Secretary of State's Office.

2. Respondent Pikaart is a South Carolina resident with an address of 227 Springlake Drive, Myrtle Beach, South Carolina 29579.
3. Respondent Mitchell is a South Carolina resident with an address of 4396 Baldwin Ave., Apt. 133, Little River, South Carolina 29566.
4. Respondent Grand Strand is a South Carolina corporation with a registered address of 3120 Waccamaw Boulevard, Myrtle Beach, South Carolina 29579.
5. At all times material herein, Respondents Bish, Pikaart, and Mitchell were in control of Respondent Grand Strand.
6. The Respondents produced a business plan (“Business Plan”) for Taxi Solutions, LLC, which was dated September 20, 2007. Although Taxi Solutions, LLC was registered as a separate legal entity from Respondent Grand Strand, the Respondents represented Taxi Solutions, LLC as the “doing business as” name of Respondent Grand Strand in several documents.
7. In the Business Plan, the Respondents represented that their intention was to “capture, build, and maintain market share” in the taxicab business, particularly targeting anticipated tourist traffic to and from an amusement park that was planned to open in Horry County in 2008.
8. The Business Plan further represented that the Respondents had an agreement with the proposed amusement park to acquire twenty (20) taxicabs specifically designated for service to and from the park.
9. On information and belief, no contract or agreement existed between the Respondents and any amusement park in or outside of Horry County.

10. The Business Plan represented that a number of companies had committed to advertising their businesses in or on taxicabs operated by the Respondents, which would serve as an additional source of revenue.
11. On information and belief, the Respondents lacked formal contracts or agreements with some or all of the advertising businesses listed in the Business Plan.
12. The Business Plan projected first year net income of over \$2 million for the Respondents business venture. Second year and third year net income was projected at over \$5 million and \$8 million, respectively.
13. The Business Plan represented that a \$12,500 stock purchase in the company would result in an estimated first year return on investment of \$10,682 (approximately an 85% return), and a three year net return of \$68,277.
14. On information and belief, no reasonable basis existed for either the Business Plan's projected net income or estimated return on investment.
15. On or about February 21, 2008, the Respondents, by and through Respondent Grand Strand, issued shares of stock in Grand Strand Enterprises to a South Carolina resident ("Investor A").
16. Investor A invested in Grand Strand Enterprises in part due to promises allegedly made by Respondent Bish that the investment would make a 20% return at the end of the business year.
17. Investor A also received a copy of the Business Plan.

18. Pursuant to a certificate issued by the Respondents to Investor A, three shares of Grand Strand Enterprises Stock were sold in February, 2008. Investor A paid \$12,500 for these shares.¹
19. Investor A received no return from the stock investment, nor was his principal repaid.
20. On or about September 18, 2008, the Respondents, by and through Respondent Grand Strand, issued a promissory note (“September 2008 Note”) to Investor A in the amount of \$17,000. The note promised \$3,000 in interest within 90 days.
21. The principal from the September 2008 Note was not deposited in any business account belonging to Respondent Grand Strand, nor was any record made in any of the business records for Respondent Grand Strand regarding this investment.
22. Investor A did not receive the promised interest, nor was any of his principal from this investment returned to him.
23. On or about March 23, 2009 the Respondents, by and through Respondent Grand Strand, issued a promissory note (“March 2009 Note”) to a South Carolina resident (“Investor B”) for \$25,000.
24. The March 2009 Note promised 9% annual interest for sixty months, with quarterly principal payments back to Investor B.
25. Investor B received two “interest” payments of \$187.50 each, before interest payments ceased. Investor B did not receive any portion of the principal from his investment.
26. The Respondents spent investor funds on personal expenses and in a manner designed to enrich themselves personally at the expense of investors. Specifically:

¹ Corporate minutes contemporaneous with this stock sale indicate that the shares were sold for \$12,500 *each*. Investor A’s records indicate the purchase was for \$12,500 *total*.

- a. Respondent Bish made payments on a personal home equity line of credit out of Respondent Grand Strand's bank accounts where investor funds were deposited.
 - b. Several payments were made from Respondent Grand Strand's bank accounts to other businesses owned by Respondent Bish for no obvious business purpose benefitting Respondent Grand Strand.
 - c. Car payments were made on behalf of Respondent Bish personally out of Respondent Grand Strand's bank accounts.
 - d. Utility bills for Respondent Pikaart's residence were paid out of Respondent Grand Strand's bank accounts.
 - e. Despite the Respondents' failure to make all promised interest payments and to return principal to Investors A and B, Respondents Pikaart and Mitchell received repayment on personal loans to Respondent Grand Strand out of investor funds.
27. On information and belief, the Respondents did not inform investors of the intended or actual use of the investment funds.
28. The shares of stock issued by the Respondents were not registered as securities with the Division, nor are they federal covered securities, and no exemption from registration was claimed by any party.
29. No promissory notes issued by the Respondents were registered as securities with the Division, nor are they federal covered securities, and no exemption from registration was claimed by any party.
30. The Respondents were not registered, at any time material herein, as broker-dealers or broker-dealer agents, nor has any exemption from registration been claimed on their behalf.

31. The Respondents are responsible for claiming and proving any applicable exemption from registration.

WHEREAS, the Respondents are offering “securities” within the meaning of S.C. Code Ann. § 35-1-102(29); and

WHEREAS, the Respondents’ securities offerings are not registered, exempt from registration, or federal covered securities; and

WHEREAS, Respondents as described above, acted as agents by effecting and/or attempting to effect sales of securities in or from this State; and

WHEREAS, Respondents were not registered in South Carolina or exempt from registration as agents within the meaning of the Act; and

WHEREAS, the Respondents, in connection with the solicitation of investors described above, made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

WHEREAS, based on the foregoing, the Division has determined that the Respondents have engaged, are engaging, and/or are about to engage in acts and practices which violate S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501; and

WHEREAS, after due deliberation, the Division finds that it is necessary and appropriate, in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act to issue the following Order:

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), IT IS HEREBY ORDERED that Respondents and every successor, affiliate, control person, agent, servant, and employee of Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents:

- a. Immediately cease and desist from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301, 35-1-402(a) and (d), and 35-1-501 thereof; and
- b. Pay a civil penalty in the amount of \$10,000 per Respondent plus \$2,000 in investigative costs if this Order becomes effective by operation of law, or, if any Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000 for each violation of the Act by that Respondent, and the actual cost of the investigation and proceeding.

REQUIREMENT OF ANSWER AND NOTICE OF OPPORTUNITY FOR HEARING

The Respondents are hereby notified that they have the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days after the date of service of this Order a written Answer specifically requesting that a hearing be held to consider rescinding the Order.

In the written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation of the Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the

Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty (30) day period stated above shall be deemed a waiver by that Respondent of his right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty, becoming final as to that Respondent by operation of law.

CONTINUING TO ENGAGE IN ACTS DETAILED BY THIS ORDER AND/OR SIMILAR ACTS MAY RESULT IN THE DIVISION'S FILING ADDITIONAL ADMINISTRATIVE ACTIONS AND/OR SEEKING FURTHER ADMINISTRATIVE FINES. WILLFUL VIOLATION OF THIS ORDER COULD RESULT IN CRIMINAL PROSECUTION. REGARDING MATTERS DESCRIBED HEREIN, THIS ORDER DOES NOT PRECLUDE THE FILING OF PRIVATE CAUSES OF ACTION OR THE FILING OF CRIMINAL CHARGES UNDER S.C. CODE ANN. § 35-1-508 OR ANY OTHER APPLICABLE CODE SECTION.

SO ORDERED, this 21st day of September, 2011.



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