Division of Securities
Utah Department of Commerce
160 East 300 South
P. O. Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

**BEFORE THE DIVISION OF SECURITIES**
**OF THE DEPARTMENT OF COMMERCE**
**OF THE STATE OF UTAH**

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| **IN THE MATTER OF:**<br><br>**VIDEO PROJECTS, INC.;**<br>**DIKE EDWARD WILLIAMS, aka DWIGHT WILLIAMS, aka D. E. WILLIAMS; and**<br>**ROBERT HOUSTON CALDWELL,**<br><br>**Respondents.** | **ORDER TO SHOW CAUSE**<br><br>**Docket no.** SD-06-0023<br><br>**Docket no.** SD-06-0024<br>**Docket no.** SD-06-0025 |

It appears to the Director of the Utah Division of Securities (Director) that Video Projects, Inc., Dike Edward Williams, aka Dwight Williams, aka D. E. Williams, and Robert Houston Caldwell (collectively, the Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

## STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents and subject matter is appropriate because the Division alleges that the Respondents violated § 61-1-1 (Securities Fraud) of the Act while engaged in the offer and sale of securities in Utah.

2. All of the acts alleged in this Order to Show Cause occurred in Salt Lake County, Utah.

## STATEMENT OF FACTS

### THE PARTIES AND ENTITIES

3. Video Projects, Inc. (Video Projects) was a Utah corporation, registered with the Utah Division of Corporations on May 4, 1990. Video Projects' corporate status expired on June 4, 2001. Video Projects' business address was 1365 E. 10600 South, Sandy, Utah. Dike Edward Williams was the registered agent, director, and president of Video Projects.

4. Dike Edward Williams, a.k.a. Dwight Williams, a.k.a. D. E. Williams (Williams) is a resident of Salt Lake County, Utah.

5. Robert Houston Caldwell (Caldwell) is a resident of Salt Lake County, Utah. Caldwell was employed by Video Projects as a salesperson, selling its computers in infomercials running on cable television.

### GENERAL ALLEGATIONS

6. Between November 1998 and December 1999, Williams offered and sold investments in the form of promissory notes, guarantees, and stock options in Video Projects, to three

Utah investors who invested a combined total of $550,000. Caldwell participated in the offer to one of the above-mentioned Utah investors.

7. Video Projects was purportedly in the business of computer sales, servicing, and training. Investors were told that Video Projects' stock was going to be offered to the public through an initial public offering (IPO[1]), and that investor funds would be used to complete the offering.

8. Investors were told that Williams and Video Projects needed the funds because Williams' cash was tied up in real estate; that Williams owned real estate with equity of over $7 million which would secure the investments; and that Williams would provide each investor with a personal guarantee of repayment.

(Investor R. U.)

9. In the Fall of 1998, Williams offered an investment opportunity in Video Projects to R. U.

10. Williams said he was the president, CEO, and owner of Video Projects, and that Video Projects sold computers via infomercials and had a call center where orders were processed. Williams said he planned to complete an IPO for Video Projects and was looking for an investor to invest $100,000 to help finance the offering. Williams also said that, if R. U. invested, Williams would provide a promissory note to him with an

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[1] An IPO is a corporation's first offering of stock to the public.

interest rate of 10-11% per year, a personal guarantee, and an option to purchase Video Projects' stock once its shares were for sale to the public.

11. Before R. U. invested in Video Projects, Williams provided an unaudited consolidated income statement (CIS) for Video Projects and related companies[2] for 1996 and 1997 to R. U. The CIS stated that Video Projects and its related companies earned a net income of $1,000,940 for 1996, and $6,504 for 1997.

12. On November 23, 1998, R. U. decided to invest $250,000 in Video Projects and sent the money via wire transfer to Video Projects' bank account at U.S. Bank.

13. As evidence of his investment, R. U. received a promissory note from Video Projects, with a face value of $250,000, an interest rate of 10% per year, and a maturity date of June 1, 2001. R. U. also received a written personal guarantee from Williams. Williams signed the promissory note and personal guarantee in R. U.'s presence.

14. Between January 14, 1999 and January 12, 2000, R. U. received thirteen interest payments of $2,083 from Video Projects, for a total of $27,083.

15. In early October 1999, Caldwell told R. U. that if he wanted to "protect" and "cover" his $250,000 investment, R. U. should invest another $100,000. Caldwell told R. U. things

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[2]Williams owned and operated three other companies, Red Post, LLC, Mountain West Video Productions, Inc., and Bell Canyon Shopping Center, LLC, which were included in the CIS.

were fine with Video Projects, but Williams and Video Projects needed more money to pay for the IPO.

16. Before making a second investment in Video Projects, Williams gave R. U. a personal finance statement, dated September 30, 1999, prepared by a certified public accountant. According to the financial statement, Williams had a net worth of $16,870,000.

17. On October 26, 1999, R. U. invested an additional $100,000 in Video Projects, by sending $100,000 via wire transfer to Video Projects' account at U.S. Bank.

18. As evidence of his second investment, Williams gave a promissory note from Video Projects to R. U., with a face value of $100,000, an interest rate of 11% per year, and a maturity date of November 1, 2000. R. U. also received a written personal guarantee from Williams. Williams signed the promissory note and personal guarantee in R. U.'s presence.

19. R. U. received only two interest payments on his second investment with Video Projects. R. U. received the first interest payment of $1,008.36 on December 28, 1999, and the second interest payment of $916.66 on January 12, 2000.

20. Since January 2000, R. U. has received no return of interest or principal from the Respondents.

21. On March 26, 2002, R. U. filed a lawsuit against Williams and Video Projects in an attempt to collect on his investment. R. U.'s lawsuit is currently pending in Utah's Third Judicial District Court.

(Investor J. W.)

22. In the Fall of 1998, J. W. met with Williams to discuss Video Projects' business and the investment opportunity.

23. In late September 1999, J. W. also met with Caldwell. Caldwell told J. W. that Williams was shifting Video Projects' focus from the sale of computers and instructional videos, to post-sale computer service centers. Video Projects planned to contract with computer manufacturers who would pay a fee to Video Projects for each computer they produced. Video Projects would then support the computer purchasers who experienced problems with the computer, or had complaints about the product. Caldwell gave J. W. a copy of a proposed promissory note, and Williams' personal finance statement. According to Williams' personal finance statement, Williams had a net worth $16,870,000. J. W. told Caldwell he would talk to Williams before making any investment decision.

24. On October 26, 1999, Williams met with J. W. and reconfirmed what Caldwell had said to J. W. in late September about Video Projects' new direction. Williams said there was no competition for Video Projects' call-in center because Williams could run the center better, faster, and cheaper than the computer manufacturers.

25. Williams also showed some property appraisals to J. W. Williams said he needed investor money for an IPO because all of his money was tied up in real estate. The appraisals showed that Williams' property was valued at approximately $13 million. Williams told J. W. there was $10 million in equity in the properties he owned, that the investment was a "no lose proposition," and that there was "no risk" because Williams could pay J. W. himself.

26. Williams told J. W. he was looking for a few investors to invest $200,000 to $250,000 each. When J. W. said he could only invest $100,000, Williams said he would accept that amount.

27. Later that same day, J. W. returned to Video Projects with a personal check for $100,000, written out to Video Projects, which he gave to Williams.

28. As evidence of his investment, Williams gave a promissory note from Video Projects dated October 26, 1999 to J. W., with a face value of $100,000, an interest rate of 10% per year, and a maturity date of May 1, 2002. J. W. also received a written personal guarantee from Williams. Williams signed the promissory note and personal guarantee in J. W.'s presence.

29. According to the promissory note, J. W. was to receive monthly interest payments from Video Projects. In late November 1999, when J. W.'s first interest payment did not arrive, he spoke to Williams about the non payment. Williams told J. W. it was

inconvenient to make monthly payments, and asked if J. W. would accept quarterly payments. J. W. agreed to accept quarterly payments.

30. J. W. has received no return of interest or principal on his investment with Video Projects.

(Investor R. A.)

31. In late November or early December 1999, Caldwell offered an investment opportunity to R. A.

32. Caldwell said Williams had a great plan for Video Projects and any investment R. A. made would involve no risk because it would be secured by real property. Caldwell told R. A. that Williams owned property with approximately $9 million in equity available.

33. Prior to investing, R. A. talked to Williams several times to reconfirm what he been told and to find out more information. Williams told R. A. that he was the president of Video Projects and Caldwell was an employee. Williams assured R. A. that any investment of money would be without risk because it would be secured by the equity in properties owned by Williams.

34. Sometime between late October and early December 1999, Caldwell told R. A. that Williams had equity of $10 million in property that he owned, and that Williams needed investor money because all of his money was tied up in the real estate. Caldwell also told R. A. that Williams planned on taking Video Projects public through an IPO .

35. On December 17, 1999, R. A. met with Williams at Video Projects' offices to discuss the investment opportunity in more detail. Williams told R. A. that Video Projects was moving into the computer service call-in center business and that there was a market for call-in centers of this type, but almost no competition.

36. At this meeting, R. A. invested $100,000 in Video Projects, by personal check made out to Video Projects, Inc. Williams gave a promissory note and principal terms agreement, a personal guarantee, a confidentiality agreement, and a stock option plan to R. A.

37. R. A.'s promissory note was dated December 17, 1999, with a face value of $100,000, an interest rate of 10% per year, and a maturity date of June 17, 2000. Williams signed the promissory note and personal guarantee in R. A.'s presence.

38. R. A. received no return of interest or principal from his investment in Video Projects.

## CAUSES OF ACTION

### COUNT I
### Securities Fraud under § 61-1-1 of the Act
### (Video Projects and Williams)

39. The Division incorporates and re-alleges paragraphs 1 through 38.

40. The promissory notes, guarantees, and stock options offered and sold by Video Projects and Williams are securities under § 61-1-13 of the Act. In connection with the offer and sale of securities to R. U., J. W., and R. A., Video Projects and Williams, directly and indirectly, made false statements, including, but not limited to, the following:

a. That investor money would be used to prepare Video Projects' initial public offering, when, in fact, investor money was used to pay interest payments to other investors, payroll, miscellaneous bills (AT&T / Questar), country club dues, and mortgage payments on properties owned by Williams;

b. That there was no risk involved in the investment because Williams had an abundance of equity in the property he owned, when, in fact, the investment involved many risks and Respondents had no reasonable basis on which to make such representations;

c. That Video Projects was a viable company, when, in fact, Video Projects was a financially distressed company with serious cash flow problems. Video Projects owed First Security Bank and Synnex Information Technologies $1.5 million and $972,522 respectively, and because of its inability to pay, Williams was forced to seek forbearance agreements[3] from these two creditors, which were executed on September 9, 1999 (Synnex), and March 21, 2000 (First Security). In addition, Video Projects was the sole source of income for three other companies ran by Williams, Red Post, LLC, Mountain West Video Productions, Inc., and the Bell Canyon Shopping Center, LLC. As a result of the cash flow problems, creditors

[3] A forbearance agreement is a written repayment agreement between a lender and a mortgagor, which contains a plan to reinstate a loan that is overdue and unpaid, in order to avoid foreclosure on collateral and a declaration of default.

were beginning the foreclosure process, filing law suits, and obtaining judgments against Video Projects;

d. Williams told R. A. that his investment would be secured by real property, when, in fact, R. A.'s investment was never secured by real property;

e. That Williams would personally guarantee any investment of money, when, in fact, Williams lacked net personal assets sufficient to make good on the guarantee;

f. That Video Projects had computer call-in service centers, when, in fact, former employees said Video Projects had no call-in centers for the sale of computers, or for customer service issues regarding computers sold by other computer manufacturers;

g. That Williams' property had appraised at $13 million, and had an abundance of equity, when, in fact, no investor received certified appraisals of Williams' properties, and based upon the desperate financial condition of the company, the Respondents had no reasonable basis on which to make these representations;

h. That the investment carried "no risk", and was a "no lose" proposition, when, in fact, the investment involved many risks and Respondents had no reasonable basis on which to make such representations; and

i. That Williams' net personal worth was $16 million, when, in fact, the CPA who prepared Williams' personal financial statement relied entirely upon Williams'

estimate of the value of his commercial and personal property, and saw no documentation to verify the property value. The Respondents, therefore, had no reasonable basis on which to make this representation.

41. In connection with the offer and sale of securities to R. U., J. W., and R. A., Video Projects and Williams, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. That Video Projects was experiencing cash flow problems;

b. That Williams had two outstanding civil judgments against him totaling $18,165;

c. That Williams and Video Projects were seeking a forbearance agreement from First Security Bank and a company called Synnex Information Technologies for unpaid loans of approximately $2.5 million;

d. Whether Video Projects had operating call centers, and if so, where they were located;

e. That income from Video Projects was being used to operate Red Post, LLC, Mountain West Video Productions, Inc., and the Bell Canyon Shopping Center, LLC, other businesses owned and operated by Williams;

f. The true amount of equity in properties owned by Williams and Video Projects;

g. Whether there were any contracts with computer manufacturers;

h. Some or all of the information typically provided in an offering circular or prospectus, regarding Video Projects, such as:

i. The business and operating history for the subject company;

ii. Identities of principals in the company along with their experience in this type of business;

iii. Financial statements for the company;

iv. The market for the product of the company;

v. The nature of the competition for the product;

vi. Current capitalization of the issuer;

vii. A description of how the investment would be used in the business;

viii. The track record of the company to investors;

ix. Risk factors for investors;

x. The number of other investors;

xi. The minimum capitalization needed to participate in the investment;

xii. The disposition of any investments received if the minimum capitalization were not achieved;

xiii. The liquidity of the investment;

xiv. Discussion of pertinent suitability factors for the investment;

xv. The proposed use of the investment proceeds;

xvi. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;

xvii. Agent commissions or compensation for selling the investment;

xviii. Whether the investment is a registered security or exempt from registration; and

xix. Whether the person selling the investment was licensed.

42. Based upon the foregoing, Video Projects and Williams willfully violated § 61-1-1 of the Act.

**COUNT II**
**Securities Fraud under § 61-1-1 of the Act**
**(Caldwell)**

43. The Division incorporates and re-alleges paragraphs 1 through 38.

44. The promissory notes and stock options offered by Caldwell are securities under § 61-1-13 of the Act.

45. In connection with the offer of securities to R. A., Caldwell made false statements, including, but not limited to, the following:

a. That investor money would be used to prepare Video Projects' initial public offering, when, in fact, investor money was used to pay interest payments to other investors, payroll, miscellaneous bills (AT&T / Questar), country club dues, and mortgage payments on properties owned by Williams;

b. That there was no risk involved in the investment because Williams had an abundance of equity in the property he owned, when, in fact, the investment involved many risks and Caldwell had no reasonable basis on which to make such representations;

c. That the investment would be secured by real property, when, in fact, R. A.'s investment was never secured by real property; and

d. That the investment involved "no risk", when, in fact, the investment involved many risks and Caldwell had no reasonable basis on which to make such representations.

46. In connection with the offer of securities to R. A., Caldwell failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. That Video Projects was experiencing cash flow problems;

b. That Williams had two outstanding civil judgments against him totaling $18,165;

c. That Williams and Video Projects were seeking a forbearance agreement from First Security Bank and a company called Synnex Information Technologies for unpaid loans of approximately $2.5 million;

d. Whether Video Projects had operating call centers, and if so, where they were located;

e. That income from Video Projects was being used to operate Red Post, LLC, Mountain West Video Productions, Inc., and the Bell Canyon Shopping Center, LLC, other businesses owned and operated by Williams;

f. The true amount of equity in properties owned by Williams and Video Projects;

g. Whether there were any contracts with computer manufacturers;

h. Some or all of the information typically provided in an offering circular or prospectus, regarding Video Projects, such as:

   i. The business and operating history for the subject company;

   ii. Identities of principals in the company along with their experience in this type of business;

   iii. Financial statements for the company;

   iv. The market for the product of the company;

   v. The nature of the competition for the product;

   vi. Current capitalization of the issuer;

   vii. A description of how the investment would make money;

   viii. The track record of the company to investors;

   ix. Risk factors for investors;

   x. The number of other investors;

   xi. The minimum capitalization needed to participate in the investment;

xii. The disposition of any investments received if the minimum capitalization were not achieved;

xiii. The liquidity of the investment;

xiv. Discussion of pertinent suitability factors for the investment;

xv. The proposed use of the investment proceeds;

xvi. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;

xvii. Agent commissions or compensation for selling the investment;

xviii. Whether the investment is a registered security or exempt from registration; and

xix. Whether the person selling the investment was licensed.

47. Based upon the foregoing, Caldwell willfully violated § 61-1-1 of the Act.

## ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on June 6, 2006, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. If Respondents fail to file an answer or appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10.

At the hearing, Respondents may show cause, if any they have:

1. Why Video Projects, Inc., Dike Edward Williams, and Robert Houston Caldwell, should not be found to have willfully engaged in the violations alleged by the Division in this Order to Show Cause;
2. Why Video Projects, Inc. should not be ordered to pay a fine of two hundred and fifty thousand dollars ($250,000) to the Division of Securities;
3. Why Dike Edward Williams should not be ordered to pay a fine of two hundred and fifty thousand dollars ($250,000) to the Division of Securities; and
4. Why Robert Houston Caldwell should not be ordered to pay a fine of fifty thousand dollars ($50,000) to the Division of Securities.

DATED this 3rd day of May, 2006.

WAYNE KLEIN
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

D.P.

Division of Securities
Utah Department of Commerce
160 East 300 South
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**BEFORE THE DIVISION OF SECURITIES**
**OF THE DEPARTMENT OF COMMERCE**
**OF THE STATE OF UTAH**

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| **IN THE MATTER OF:**<br><br>**VIDEO PROJECTS, INC.;**<br>**DIKE EDWARD WILLIAMS, aka DWIGHT WILLIAMS, aka D. E. WILLIAMS; and**<br>**ROBERT HOUSTON CALDWELL,**<br><br>**Respondents.** | **NOTICE OF AGENCY ACTION**<br><br>**Docket No.** SD-06-0023<br><br>**Docket No.** SD-06-0024<br>**Docket No.** SD-06-0025 |

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file a response and an Answer with the Division. The response must include at least the information required by Utah Code § 63-46b-6(1). In addition, to the extent not already included in your response under § 63-46b-6(1) you are required by § 63-46b-6(3) to file an Answer that identifies:

a) the facts alleged in the Order to Show cause which you dispute, b) the facts alleged in the Order to Show Cause that you do not dispute, c) any additional facts or documents which you assert are relevant in light of the allegations made, d) the extent to which you concede or dispute each allegation of violations in the Order to Show Cause, and e) any affirmative defenses (including exemptions or exceptions from definitions) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your response or Answer, they will be deemed admitted. If only a portion of an allegation is admitted or disputed, you should indicate the portion to which the admission or dispute applies.

Your response and Answer should be filed with the Division, attention Pam Radzinski, P.O. Box 146760, Salt Lake City, Utah 84114-6760. A copy of your response and Answer should also be mailed to the Division's attorney, Jeff Buckner, Assistant Attorney General in the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City Utah 84114-0872, telephone (801) 366-0310.

A hearing date has been set for June 6, 2006, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file a response and an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed

with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Wayne Klein, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

**DATED** this 3rd day of May, 2006.

WAYNE KLEIN
Director, Division of Securities
Utah Department of Commerce

**Certificate of Mailing**

I certify that on the 4TH day of May, 2006, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Video Projects, Inc.
1365 E. 10600 S.
Sandy, UT 84092

Certified Mail # 7004 2510 0006 1196 7496

Dike Edward Williams
369 E. 900 S.
Salt Lake City, UT 84111

Certified Mail # 7004 2510 0006 1196 7502

Robert Houston Caldwell
1773 E. Hidden Valley Club Drive
Sandy, UT 84092

Certified Mail # 7004 2510 0006 1196 5799

Pamela Radzinski
Executive Secretary