

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER  
CASE NO S-08-059  
ORDER NO. S-08-059-11-OR02**

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**IN THE MATTER OF:  
TIQARI TRADING COMPANY, LLC,  
WALTER "JACK" YOUNGBLOOD,  
AND JAMES C. HARVEY**

**RESPONDENTS**

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**CEASE AND DESIST ORDER**

On March 1, 2011, the Staff of the Arkansas Securities Department ("Staff") filed its Request for a Cease and Desist Order ("Request"), stating that it has information and certain evidence that indicates Tiqari Trading Company, LLC, Walter "Jack" Youngblood, and James C. Harvey have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 through § 23-42-509. The Arkansas Securities Commissioner ("Commissioner") has reviewed the Request, and based upon representations made therein, finds that:

**FINDINGS OF FACT**

The Staff's Request asserts the following representations of fact:

1. Tiqari Trading Company, LLC ("Tiqari") was a Texas limited liability company. The corporate records of the State of Texas indicate that Tiqari's corporate charter was forfeited in June 2007. Tiqari was never authorized to conduct business in Arkansas by the Arkansas Secretary of State's office. Further, Tiqari has never been registered with the Arkansas Securities Department ("Department") in any capacity.

2. Walter “Jack” Youngblood (“Youngblood”) is a resident of the State of Arkansas. Youngblood is an organizer and manager of Tiqari. Youngblood has not been registered with the Department in any capacity.

3. James C. Harvey (“Harvey”) is a resident of the State of Texas. Harvey is an organizer and manager of Tiqari. Harvey has not been registered with the Department in any capacity.

4. From March 2005 to October 2010, thirty-four Arkansas residents made an investment in or were sold securities in the form of an investment contract in Tiqari by Youngblood on fifty separate occasions.

5. On six occasions from May 2005 to January 2006, Arkansas residents received an equity interest in Tiqari in exchange for making a specific dollar investment in or contribution of services to Tiqari. The formal investment agreement or contract entered into by each of the Arkansas residents and Tiqari was titled “Memorandum of Agreement” or “Memorandum of Understanding and Agreement.” Copies of the memoranda of agreement or understanding for these Arkansas investors are attached to the Request as Exhibits 1a-f. All six of the equity interest memoranda of agreement or understanding were signed by Youngblood as a director of Tiqari.

6. On or about September 20, 2006, Harvey sent form letters to five Arkansas investors concerning their investment in Tiqari. Copies of these letters are attached to the Request as Exhibits 2a-e. In these letters Harvey lists himself as a co-founder and co-managing member of Tiqari. Also in these letters, Harvey lists the equity ownership interest in Tiqari held by each Arkansas resident receiving the letter.

7. On seventeen occasions from March 2005 to March 2007, Arkansas residents made a specific dollar investment with Tiqari for the expressed purpose of purchasing Iraqi dinars

pooled in a fund controlled and operated by the management of Tiqari. The seventeen formal investment agreements or contracts entered into by these Arkansas residents and Tiqari were titled "Memorandum of Agreement." Copies of the seventeen memoranda of agreement for the Arkansas residents investing in the pool of Iraqi dinars are attached to the Request as Exhibits 3a-q. All seventeen memoranda of agreement were signed by Youngblood as a director and on behalf of the management of Tiqari.

8. On sixteen occasions during 2005, Arkansas residents made a specific dollar investment with Tiqari for the purchase of both Iraqi dinars pooled in a fund controlled by Tiqari and "shares of in-country companies listed on the Iraqi Stock Exchange," otherwise known as the ISX. The sixteen formal investment agreements or contracts entered into by each of these Arkansas residents and Tiqari were titled "Memorandum of Agreement." Copies of the memoranda of agreement are attached to the Request as Exhibits 4a-p. All sixteen memoranda of agreement were signed by Youngblood on behalf of the management of Tiqari.

9. On eleven occasions from 2005 to 2010, four Arkansas residents made a specific dollar investment with Tiqari for the purchase of Iraqi dinars pooled in a fund controlled by Tiqari and/or "shares of in-country companies listed on the Iraqi Stock Exchange," otherwise known as the ISX. While the Staff does not possess any formal investment agreements or contracts entered into by any of these four Arkansas residents and Tiqari, the Staff does have copies of cancelled checks concerning each of the eleven investments with Tiqari.

10. The Staff has found that in 2006 on two occasions investment money from two Arkansas residents was deposited in the operating account of Tiqari without any indication that any of the money from either of these investors was sent to Iraq for investment as required by the memoranda of agreement. The memoranda of agreement discussed in paragraphs seven and

eight specifically state that “it is my understanding that the above sum, less wire and transfer charges, banking fees and other administrative costs, charges and expenses, will be transmitted to an international bank, wherein Management has established accounts for the purpose of expediting US DOLLAR deposits to facilitate the immediate purchase for my account” of a specified amount of new Iraqi Dinars. The failure of Tiqari, Youngblood, and Harvey to properly transfer this investor money to Iraq for immediate investment clearly violated their contractual obligations under the memoranda of agreement with Arkansas investors.

11. Youngblood told some Arkansas investors that their investments were intact, but Tiqari was unable to transfer or withdraw any of their investment money due to the political conditions in Iraq. However, the Staff has found that investment money in the total approximate amount of \$56,600.00 was transferred and withdrawn from a bank in Iraq, Warka Investment Bank, and deposited into the operating account of Tiqari in June and September 2009, three times in May 2010, and in September 2010. The Staff has found no indication that any of the money was transferred or returned to any investor. Warka Investment Bank is the Iraqi bank into which Arkansas investor money was deposited by Tiqari, Youngblood, and Harvey. Further, most Arkansas investors have reported to the Staff that the investors have seen no return of any kind on their various investments with Tiqari. The misrepresentations by Youngblood on behalf of Tiqari as to the availability of funds invested with Tiqari in Iraq, as well as the failure of Tiqari, Youngblood, and Harvey to properly transfer or return investor money received from Warka Investment Bank to any investor, operated as a fraud on Arkansas investors.

12. The Staff has found that personal living expenses of Youngblood were regularly paid for out of the Tiqari operating accounts. These are the same accounts into which Arkansas investor money and money transferred or withdrawn from Warka Investment Bank was

deposited. The personal bills of Youngblood that were paid include, but are not limited to, the following businesses: Lowe's, Gander Mountain, Leather Connection, Harry and David, Spiegel Catalog, Goody Goody Liquor, Nieman Marcus, Netflix.com, Steele' Shoe, Ashdown Veterinary Clinic, National Sporting, Ltd., DeQueen Animal Hospital, True Value Hardware, Ace Hardware, various medical care providers, Davis Feed Co., Glass Shop, Ashdown Hardware, Books a Million, J.C. Penny Store, Goody's, Old Navy, Target, The Party Factory, Radio Shack, American Express, Etzi's Market & Bakery, S.W. Arkansas Electric (REA), Brookshire's, Scott's Construction Equipment, Pender Water Wells, Park Plaza Mall, Dillard's, Bank of America, HSBC Credit Services, AM Christian Academy, Walden Books, FIA Card Services, Department of Finance and Administration, Sevier County Farmer's Co-op, and Bakers SW Shop. None of the memoranda of agreement, attached to the Request as Exhibits 1, 3, and 4, state that investor money would be used to support or pay for any of the personal living expenses of Youngblood or any other manager of Tiqari.

13. No officer, manager, or employee of Tiqari ever made any exemption filing with the United States Securities and Exchange Commission requesting that any Tiqari securities offered and sold by Youngblood and Harvey in Arkansas be exempt under Regulation D of the Securities Act of 1933.

14. No officer, manager, or employee of Tiqari required any Arkansas investor to provide any information concerning the Arkansas investor's net worth, annual income, or investment experience. Further, Arkansas investors were not asked to fill out any paperwork with information necessary for anyone at Tiqari to determine, if the Arkansas investors were qualified investors.

15. No officer, manager, or employee of Tiqari ever made any registration or exemption filing with the Department for any securities offered and sold by Youngblood and Harvey on behalf of Tiqari in Arkansas.

### **CONCLUSIONS OF LAW**

16. All thirty-nine of the memoranda of agreement signed by Arkansas residents and Youngblood for Tiqari, as detailed in paragraphs four to eight, constitute securities as defined by Ark. Code Ann. § 23-42-102(15)(A)(xi).

17. The eleven investments by four Arkansas residents represented by cancelled checks, as detailed in paragraph number nine, constitute investments in securities as defined by Ark. Code Ann. § 23-42-102(15)(A)(xi).

18. Ark. Code Ann. § 23-42-501 makes it unlawful for any person to offer or sell any security in Arkansas unless the security is registered under the Act, is exempt from the registration requirement, or is a covered security as defined in the Act.

19. Tiqari, Youngblood, and Harvey violated Ark. Code Ann § 23-42-501, as detailed in paragraphs four through nine, by selling unregistered and non-exempt securities to thirty-four Arkansas residents on fifty separate occasions.

20. Ark. Code Ann. § 23-42-507(3) makes it unlawful for any person, in connection with the sale of any security, directly or indirectly, to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. Youngblood and Tiqari violated this provision by inducing investments through promises that Youngblood and Tiqari had no intention of fulfilling. Youngblood and Tiqari promised investors that investors' funds would be used to purchase Iraqi dinars or interests in ISX-listed companies. Not only did Youngblood and Tiqari fail to invest any portion of the money collected from two Arkansas

residents on two separate occasions (as detailed in paragraph ten), they fraudulently used investor money to support and pay for the living expenses of Youngblood (as detailed in paragraph twelve). Tiqari and Youngblood placated investors by claiming that investors' funds were intact but not accessible due to political conditions in Iraq. In fact, the funds were being accessed by Tiqari and Youngblood, but the funds were not being returned to investors.

21. Pursuant to Ark. Code Ann. § 23-42-209, whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. The conduct, acts, and practices of Tiqari, Youngblood, and Harvey threaten immediate and irreparable public harm. Based upon the seriousness of the violations, the recurrent nature of the violations, the opportunity to commit future violations, the degree of harm to investors resulting from the violations, and the remedial function to be served by this Cease and Desist Order, this Cease and Desist Order is in the public interest and appropriate pursuant to Ark. Code Ann. § 23-42-209.

### **ORDER**

22. Tiqari, Youngblood, and Harvey shall immediately cease and desist from activity violating Ark. Code Ann. § 23-42-501, by ceasing to solicit, offer, and/or sell securities in Arkansas until the securities are properly registered under the Arkansas Securities Act or exempt from such registration requirement.

23. Tiqari and Youngblood immediately cease and desist from violating Ark. Code Ann. § 23-42-507(3) by ceasing to engage in any act, practice, or course of business, in connection with

the sale of any security, directly or indirectly, which operates or would operate as a fraud or deceit upon any person.

24. A hearing on this Cease and Desist Order shall be held if requested by Tiqari, Youngblood or Harvey in writing within thirty days of the date of the entry of this Cease and Desist Order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner  
201 East Markham, Suite 300  
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this Cease and Desist Order will remain in effect until it is modified or vacated by the Commissioner. Ark. Code Ann. § 23-42-209(a)(2).

Dated: March 11, 2011

A handwritten signature in black ink, appearing to read "A. Heath Abshure", written over a horizontal line.

A. Heath Abshure  
Arkansas Securities Commissioner