

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

FENMORE INTERNATIONAL, LTD.;

ANWAR HEIDARY; ROBERT POVEY;

LIBERTY FINANCIAL PRODUCERS,

LTD.; JERRY VOSSSELMAN; AND

RAYMOND E. MOORE

CEASE AND DESIST ORDER

ORDER NO. 98-052-S

CEASE AND DESIST ORDER

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence which indicates that Fenmore International LTD.; Anwar Heidary; Robert Povey; Liberty Financial Producers, LTD.; Jerry Vosselman; and Raymond E. Moore have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 *et seq.*

FINDINGS OF FACT

1. According to documents and information received by the Department, Fenmore International LTD., (hereinafter referred to as "Fenmore"), is a company with administrative offices located at 3385 Harvester Road, Suite 250, Burlington, Ontario L7N 3N2, Canada.
2. According to documents and information received by the Department, Anwar Heidary, (hereinafter referred to as "Heidary"), is an "authorized signatory" for Fenmore.
3. According to documents and information received by the Department, Robert Povey, (hereinafter referred to as "Povey"), is an "authorized signatory" for Fenmore.
4. According to documents and information received by the Department, Liberty Financial Producers, LTD., ("Liberty"), is a company with administrative offices located at 36181 East Lake Road, Suite 123, Palm Harbor, Florida 34685.
5. According to documents and information received by the Department, Jerry Vosselman, (hereinafter referred to as "Vosselman"), is the Managing Director and authorized signatory for Liberty who acted as the "Introducing Party" between Fenmore and Arkansas residents who invested with Fenmore.
6. According to documents and information received by the Department, Raymond E. Moore, (hereinafter referred to as "Moore") is an attorney with offices at 4401 South Noland Road, Independence, Missouri 64055, who held the positions of Escrow Agent and signatory over Roosevelt Financial Services Account #026971465, (hereinafter referred to as "Account".)
7. According to documents and information received by the Department, beginning in August, 1997, Fenmore, through Vosselman, offered investment contracts, each labeled "Leveraged Asset Management Agreement", to several Arkansas residents. A copy of the "Leveraged

Asset Management Agreement", (hereinafter referred to as the "LAM Agreement"), is attached hereto as **Exhibit 1**. (For purposes of confidentiality, the identity of any Arkansas resident who has been offered the "Leveraged Asset Management Agreement" has not been disclosed in this Cease and Desist Order.)

8. According to the LAM Agreement, Arkansas residents (identified within the LAM Agreement as "Client") were to place "clean and cleared funds" under the management of Fenmore, (identified within the LAM Agreement as the "Administrator"), which was to oversee the purchase and resell of financial instruments, (identified as "internationally conformable bank debt obligations or debentures"), by "international banking firms" and "recognized and regulated security dealers."
9. According to the LAM Agreement, the Client's funds would be used to leverage funds from a provider under a separate escrow agreement.
10. According to documents and information received by the Department, Clients' funds were placed into the Account over which Moore acted as escrow agent and signatory. The Account was closed on March 30, 1998.
11. According to the LAM Agreement, Clients would receive earnings totaling 54% of the amount of money invested.
12. According to the LAM Agreement, the term of the LAM Agreement was ninety (90) days from the date of execution.
13. One of the Arkansas Clients received an amendment to the LAM Agreement which provided that the "Administrator shall provide the Client with 100% return on their funds invested within 15 days after the funds are exchanged against a guarantee for no less than 100% of the principal."
14. According to the LAM Agreement, Liberty was a party to the LAM Agreement that introduced the Arkansas Clients to Fenmore and arranged for the provision of bank information of the Clients to Fenmore. According to the LAM Agreement, in return for Liberty's services, the Arkansas Clients were required to pay Liberty commissions totaling 5% of the amount invested.
15. A document entitled "INTRODUCTION: BANK DEBENTURE TRADING PROGRAMS", was distributed to the Arkansas Clients in association with their investment with Fenmore. The document makes representations such as:

"The principal is managed and invested to give a guaranteed high return to the investor on a periodic basis. There is no risk of losing the investor's principal investment."

". . . [T]he investment funds principal is fully secured by a BANK ENDORSED GUARANTEE (or safekeeping receipt) which is issued by the trading bank at the time the funds are deposited. The investor is designated as the Beneficiary of the Guarantee, which is issued to secure the principal for the contract period."

"All elements of risk have been addressed. It must be stressed that before an instrument is purchased, a contract is already in place for the resale of the Bank Debenture Instrument. Consequently, the Investor's funds are never put

at risk. The trust account will always contain either funds or bank instruments of equal or greater value. After each transaction period the profits are distributed according to the agreement, and the process repeats for the duration of the contracts."

A copy of this document is attached hereto as **Exhibit 2**.

16. According to documents and information received by the Department, the Arkansas Clients have not been paid back their principal investments and have not received any earnings or distributions on their principal investments, as contracted for under the terms of the LAM Agreement and attendant documents.
17. Letters received from Fenmore and signed by Heidary or Povey, attached hereto as **Exhibit 3**, document that Fenmore has not performed its obligations under the terms of the LAM Agreement.
18. On June 19, 1998, one of the Arkansas Clients was offered a separate "Contractual Trade Agreement" by Liberty through Vosselman. A copy of the Contractual Trade Agreement is attached hereto as **Exhibit 4**.
19. According to the Contractual Trade Agreement, Liberty is to provide financial investments on behalf of the Client by entering into private placements.
20. According to the Contractual Trade Agreement, Liberty has "investments and money management facilities involving the purchase and sale of senior bank notes."
21. According to the Contractual Trade Agreement, the Arkansas Client activated an investment with Liberty by transferring \$170,000 "as may be agreed upon from time to time by the Parties to the Agreement." In actuality, no money has been transferred by the Arkansas Client to Liberty pursuant to the Contractual Agreement.
22. The purported purpose of the Contractual Trade Agreement is set forth in its paragraph 12 head noted as "MORAL ISSUE". That paragraph provides:

"12.1 LFP (LFP denotes Liberty Financial Producers, LTD.) hereto shall not be held liable for the past performance, failure, non-performance, or misconduct of Anwar Heidary and/or Fenmore International, a Bahama-based Corporation. LFP is hereby released from any moral or judicial issues that would arise concerning Heidary and/or Fenmore International.

"12.2 Let it also be known that no funds (USD) or assets have been made available to, nor forwarded to, LFP by this contracted investor, or by Fenmore International to LFP toward the profit or principle (sic) investment of said CLIENT. But because of LFP's moral and ethical stance, LFP is attempting to redeem any loss, or theft, that has taken place by the above mentioned parties."

23. The LAM Agreements, offered to the Arkansas residents by Fenmore, are securities as that term is defined by the Act, to-wit: an "investment contract." Ark. Code Ann. § 23-42-102(15)(A) (xi). According to the records of the Arkansas Securities Commissioner, the LAM Agreements are not registered with the Commissioner, nor exempt from that registration, for sale in Arkansas. The LAM Agreements are not "covered securities" as defined by the Act, to-wit:

"any security described as a covered security in Section 18(b) of the Securities Act of 1933." Ark. Code Ann. § 23-42-102(4).

24. Fenmore is an "issuer" as that term is defined by the Act, to-wit: "every person who issues or proposes to issue any security. . ." Ark. Code Ann. § 23-42-102(9).
25. Liberty is a "broker-dealer" as that term is defined by the Act, to-wit: "any person engaged in the business of effecting transactions in securities for the account of others or for his own account." Ark. Code Ann. § 23-42-102(3). According to the records of the Arkansas Securities Commissioner, Liberty is not registered with the Commissioner pursuant to Ark. Code Ann. § 23-42-302(a).
26. Heidary, Povey, Vosselman, and Moore are each an "agent" as that term is defined by the Act, to-wit: "any individual . . . who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities." Ark. Code Ann. § 23-42-102(2)(A). According to the records of the Arkansas Securities Commissioner, neither Heidary, Povey, Vosselman, nor Moore is registered with Commissioner pursuant to Ark. Code Ann. § 23-42-302(a).

CONCLUSIONS OF LAW

27. Ark. Code Ann. § 23-42-201 gives the Arkansas Securities Commissioner authority to administer the provisions of the Act.
28. Ark. Code Ann. § 23-42-209(a)(1) provides that, when it appears to the Commissioner that sufficient grounds or evidence exists that any person has violated or is about to violate any provision of the Act, the Commissioner may summarily order the person to cease and desist from the act or practice.
29. Ark. Code Ann. § 23-42-301(a) provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under this chapter.
30. Ark. Code Ann. § 23-42-301(b) provides that it is unlawful for any issuer to employ an unregistered agent.
31. Ark. Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security in this state unless the security is registered in accordance with the Act; exempt from that registration; or a covered security.
32. Ark. Code Ann. § 23-42-507 states:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:

- (1) To employ any device, scheme, or artifice to defraud;
- (2) To make any untrue statement of material fact or to 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; 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.

OPINIONS

33. From the findings of fact set forth herein, it is the opinion of the Arkansas Securities Commissioner that:
34. This matter has been properly brought before the Commissioner.
35. The LAM Agreements are securities subject to the registration requirements of the Act.
36. Fenmore, issued the LAM Agreements for offer and sale to Arkansas residents through its agents Heidary, Povey, Liberty, Vosselman and Moore.
37. Fenmore, Heidary, Povey, Liberty, Vosselman, and Moore acted in concert for the purpose of effecting, or attempting to effect, the offer and sale of the LAM Agreements to Arkansas residents.
38. The LAM Agreements have not been registered for offer and sale in Arkansas.
39. Liberty, through its agent Vosselman, transacted business in Arkansas as a unregistered broker-dealer in violation of Ark. Code Ann. § 23-42-301(a). Vosselman transacted business in Arkansas as an unregistered agent for Liberty and Fenmore in violation Ark. Code Ann. § 23-42-301(a).
40. Heidary, Povey, Liberty, Vosselman and Moore are not registered as agents with the Commissioner in violation of Ark. Code Ann. § 23-42-301(a).
41. Fenmore violated Ark. Code Ann. § 23-42-301(b) by employing Heidary, Povey, Liberty, Vosselman and Moore for the purpose of effecting, or attempting to effect, the offer and sale of the LAM Agreements in Arkansas.
42. Fenmore, Heidary, Povey, Liberty, Vosselman and Moore, have in concert with one another engaged in fraud, in violation of Ark. Code Ann. § 23-42-507, in that they engaged in a course of business which deceived Arkansas residents into believing the offer and sale of the LAM Agreements in Arkansas was lawful and that the investments by the Arkansas residents were guaranteed and not subject to risk of loss with the promise of substantial, future earnings.
43. Fenmore, Heidary, Povey, Liberty, Vosselman and Moore should immediately cease and desist from the further solicitation and sale of the LAM Agreements, and any other security, to Arkansas residents. Further, Fenmore, Heidary, Povey, Liberty, Vosselman and Moore should immediately cease and desist from the further collection of funds from any Arkansas resident investor.
44. This Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED THAT Fenmore International LTD.; Anwar Heidary; Robert Povey; Liberty Financial Producers, LTD.; Jerry Vosselman and Raymond E. Moore CEASE AND DESIST from any further actions in the State of Arkansas in connection with the offer and sale of securities.

WITNESS MY HAND AND SEAL this 2nd day of October, 1998.

MAC DODSON

SECURITIES COMMISSIONER