

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

CEASE & DESIST ORDER

COMMUNICORP, TEAM CR LIMITED,
BILL HAYWOOD, DARYN S. BOZEK

NO. 99 - 029 - S

CEASE AND DESIST ORDER

The Arkansas Securities Department ("Department") has received information and has in its possession certain evidence which indicates that CommuniCorp, Team CR Limited ("Team CR"), Bill Haywood ("Haywood"), and Daryn S. Bozek ("Bozek") 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, CommuniCorp is a Delaware corporation and an Arkansas limited partnership with administrative offices located at 415 North McKinley, Suite 660, Little Rock, Arkansas.
2. According to documents and information received by the Department, Haywood is the managing partner of CommuniCorp with an office located at 415 North McKinley, Suite 660, Little Rock, Arkansas. Additional documents indicate that Haywood is a resident of Malvern, Arkansas.
3. According to documents and information received by the Department, Bozek is the president and funds manager of CommuniCorp. Bozek is also the representative for Team CR. Documents indicate that the address for Bozek and Team CR is 1990 Voyageur Circle, Suite 307, Orillia, Ontario L3V7L3, Canada.
4. In addition to the Canadian address, Team CR also has an address located at 14/15 Parliament Street, Dublin 2 Ireland, and additional information indicates that financial records for Team CR are located on the Isle of Man in the British Isles.
5. According to documents and information received by the Department, representatives of an Arkansas non-profit organization ("ANO") were contacted in December, 1998, by Haywood, as the managing partner of CommuniCorp, who represented he could provide funding for a building project of the ANO.
6. Upon meeting with the ANO representatives, Haywood represented that CommuniCorp provides financing for humanitarian projects and that the ANO project would qualify. Haywood initially discussed providing a loan in the amount of \$7.25 million with an interest rate of 5.5%. In February, 1999, Haywood reduced his initial proposal to writing within a document styled "Proposal and Funding Plan" (attached as Exhibit "A"). In discussions with the ANO, Haywood represented that the balance of the loan would be forgiven upon a review finding that the funds had been utilized for the humanitarian project for which they were intended. The principal obligation to the ANO would be to make a deposit of refundable collateral.
7. At a later date, Haywood submitted a second "Proposal and Funding Plan" additionally titled "Seven Year Funding Plan" (attached as Exhibit "B") in which he proposed two deposits by the ANO, each in the amount of \$1 million to be used as collateral for loans of \$8.5 million and \$12 million respectively. The first paragraph of the seven year plan references a funding relationship with TCR and CommuniCorp.

8. In further discussions with ANO, Haywood explained that the funding CommuniCorp offered was created through trading \$100 million securities in international markets. He explained that the securities are sold through a series of discounted transactions resulting in profits that are available for humanitarian projects. He further explained that he and Bozek through CommuniCorp and Team CR pooled funds of several humanitarian project groups in order to acquire sufficient funds to participate in the international markets. In order to more fully explain the international source of funds, Haywood provided to ANO a document styled "A Perspective for Understanding" (attached as Exhibit "C").
9. On April 15, 1999, Haywood presented the final terms of the transaction within a document styled "Secured Loan Agreement"(attached as Exhibit "D") to representatives of the ANO to be executed through the signature of the ANO authorized representative. The ANO representative signed the document and Haywood represented that he would forward the document to Daryn S. Bozek for his signature on behalf of Team CR.
10. Terms of the agreement reflect that Team CR a/k/a TCR represented by Daryn S. Bozek will provide funds in the amount of \$8,670,000 to the ANO for a term of twenty-five years with interest of four and one-half percent (4.5%) per annum. The ANO was to receive \$8,670,000 in twelve incremental advances over a fourteen-month period beginning with a \$500,000 advance on April 30, 1999. The agreement contains provisions to forgive the repayment of funds provided to the ANO. The agreement also provided that the ANO deposit collateral by making a good faith deposit of \$1,000,000 into an account opened in the name of CommuniCorp at EBI Securities Corporation ("EBI"), CRD 16184, Downtown Denver, Colorado, prior to close of business April 15, 1999.
11. Pursuant to the agreement the ANO authorized the transfer of \$1,000,000, which the ANO borrowed from an Arkansas bank, to EBI in Denver, Colorado. It was the understanding of the ANO through representations made by Haywood that their deposit would be held in a secured money market account at EBI. Bozek opened an account, ("account number 22283218"), in the name of CommuniCorp at EBI with Steven Charles Signer ("Signer"), CRD 719368. The ANO deposit funds were transferred into the Signer account and a series of transactions involving United States Treasury Bonds were executed by Signer. Confirmations of transactions were mailed to Bozek in Canada and Haywood in Little Rock, Arkansas.
12. On or about April 30, 1999, representatives of the ANO contacted Haywood when they did not receive the first \$500,000 advance pursuant to the agreement. The ANO was told by Haywood and Bozek that there was a delay, but those funds would be delivered as promised.
13. Further research and investigation of the nature of their transaction raised additional concerns of the ANO. Haywood and Bozek arranged for a meeting in Denver so that the ANO representatives could meet Bozek and Signer and become more informed about the transaction.
14. On or about May 20, 1999, ANO representatives traveled to Denver, Colorado and met with Bozek and Signer. At a luncheon meeting Bozek introduced two other parties to the transaction, a man from Germany and a woman from South Africa. The three individuals, led by Bozek, expounded on the virtues of providing money for humanitarian efforts around the globe. The ANO representatives accompanied by Bozek, the German and South African went to a second meeting at the EBI office of Signer. At this meeting the ANO first became aware that their \$1,000,000 deposit was at risk. Signer discussed trading securities in their account. Signer advised the ANO representatives to rely on his judgment to make appropriate transactions in their account. Signer related that he had experienced a great deal of success while trading the accounts of his other customers. Signer further related that only one customer had experienced a loss and that was a customer who insisted on directing his own trades and had closed his account prematurely after experiencing short term losses. The ANO

representatives, through conversations with the parties in Denver, were led to believe that their \$1,000,000 deposit had increased in value by as much as \$250,000.

15. On May 21, 1999, representatives of the ANO were notified by EBI that their account, held in the name of CommuniCorp, had decreased in value so that a deposit of additional funds was necessary in order to meet the margin requirement. On May 24, 1999, the ANO learned from EBI that their account held securities valued at approximately \$10,000,000 and had suffered losses of approximately \$168,000. The ANO instructed EBI to cease any additional transactions in the account and take steps to liquidate and close the account. After liquidating all positions at EBI the ANO realized total losses exceeding \$245,000 as a result of the actions of Haywood, Bozek, Signer and EBI.

CONCLUSIONS OF LAW

16. 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.
17. 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.
18. Ark. Code Ann. § 23-42-301 (b) provides that it is unlawful for any issuer to employ an unregistered agent.
19. 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.
20. 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.

OPINION

21. From the findings of fact set forth herein, it is the opinion of the Arkansas Securities Commissioner that:
- (a) This matter has been properly brought before the Commissioner.
 - (b) The Secured Loan Agreement (Exhibit "D") is a security subject to the registration requirements of the Act.
 - (c) Team CR and Bozek issued the Secured Loan Agreement for offer and sale to Arkansas residents through its agents, CommuniCorp and Haywood.
 - (d) Bozek, Team CR, CommuniCorp, and Haywood acted in concert for the purpose of effecting, or attempting to effect, the offer and sale of the Secured Loan Agreement to

Arkansas residents.

- (e) The Secured Loan Agreement has not been registered for offer and sale in Arkansas.
- (f) CommuniCorp, through its agent Haywood, transacted business in Arkansas as an unregistered broker-dealer in violation of Ark. Code Ann. § 23-42-301(a). Haywood transacted business in Arkansas as an unregistered agent for CommuniCorp and Team CR in violation of Ark. Code Ann. § 23-42-301(a).
- (g) Bozek transacted business in Arkansas as an unregistered agent for Team CR in violation of Ark. Code Ann. § 23-42-301(a).
- (h) Team CR violated Ark. Code Ann. § 23-42-301(b) by employing Bozek and Haywood for the purpose of effecting, or attempting to effect, the offer and sale of the Secured Loan Agreement in Arkansas.
- (i) Haywood, Bozek, Team CR and CommuniCorp 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 Secured Loan Agreement in Arkansas was lawful and that the investment by the Arkansas residents of a \$1 million deposit was guaranteed and not subject to risk of loss with a promise of substantial, future profits.
- (j) Haywood, Bozek, Team CR and CommuniCorp should immediately cease and desist from the further solicitation and sale of the Secured Loan Agreements and any other security to Arkansas residents.
- (k) This Order is in the public interest.

ORDER

IT IS THEREFORE ORDERED THAT CommuniCorp, Team CR Limited, Bill Haywood, and Daryn S. Bozek 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 25th DAY OF JUNE 1999.

MAC DODSON
SECURITIES COMMISSIONER