

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

CEASE AND DESIST
ORDER NO. 99-035-S

ARKANSAS CASINO CORPORATION, an Idaho Corporation; ARKANSAS CASINO CORPORATION, an Arkansas Corporation; ARKANSAS CASINO PARTNERS, a/k/a ARKANSAS CASINO COMPANY, an Arkansas General Partnership; ROBERT D. MAY, President; THOMAS L. GOODWIN, Former President; JAMES C. HARRIS, Former Chairman and Secretary; ROBERT C. MEANS, Vice-President; and PULASKI COUNTY CASINO PARTNERS

RESPONDENTS

**SUMMARY ORDER TO CEASE AND DESIST
AND FOR REVOCATION OF EXEMPTIONS**

The Arkansas Securities Department (the "Department") has received information and has in its possession certain evidence which indicates that ARKANSAS CASINO CORPORATION, an Idaho corporation, ARKANSAS CASINO CORPORATION, an Arkansas corporation, ARKANSAS CASINO PARTNERS, a/k/a ARKANSAS CASINO COMPANY, ROBERT D. MAY, THOMAS L. GOODWIN, JAMES C. HARRIS, ROBERT C. MEANS and PULASKI COUNTY CASINO PARTNERS either have already engaged in acts or are about to engage in acts that constitute violations of the provisions of the Arkansas Securities Act (the "Act"), codified at Arkansas Code Annotated §§ 23-42-101, *et seq.* This Order is entered into pursuant Arkansas Code Ann. §§ 23-42-209 and 23-42-505, Rule 504.02(B) of the Rules of the Arkansas Securities Commissioner, and the Arkansas Administrative Procedure Act, Arkansas Code Ann. §§ 25-15-201, *et seq.*

FINDINGS OF FACT

1. Arkansas Casino Corporation (the "Idaho Corp.") is a corporation organized and existing under the laws of the state of Idaho, and until April of 1997 was known as North Star, Inc. The Idaho Corp. maintains its principal place of business at 4000 Republic Center, Tower II, 325 North St. Paul Street, Dallas, Texas. The Idaho Corp. was registered with the Arkansas Secretary of State as a foreign corporation from on or about May 19, 1997 until on or about December 29, 1998, when its registration was withdrawn. For at least a significant portion of such period of time, the Idaho Corp. maintained its principal place of business in Little Rock, Arkansas.
2. Arkansas Casino Corporation (the "Ark. Corp.") is a corporation organized and existing under the laws of the state of Arkansas, with a principal place of business located at # 6 Ranch Valley, Little Rock, Arkansas. The Ark. Corp. was incorporated on or about December 29, 1998, and is a wholly owned subsidiary of the Idaho Corp.
3. Arkansas Casino Partners, also known as Arkansas Casino Company ("Partners") purports to be an Arkansas General Partnership, comprised of between 25 and 100 partners. However, there appears to be no Partnership Agreement or other organizational document, place of business for such group, or filing of any sort at the offices of the Arkansas Secretary of State.

4. Robert D. May ("May") is an individual residing in Marianna, Arkansas, and is the present President of the Idaho Corp.
5. Thomas L. Goodwin ("Goodwin") is an individual residing at # 6 Ranch Valley, Little Rock, Arkansas, and from on or about April 28, 1997 until at least January 28, 1998, was the President of the Idaho Corp.
6. James C. Harris ("Harris") is an individual residing in Dallas, Texas, and was the Chairman and Secretary of the Idaho Corp. during the period from June 30, 1994 until on or about April 28, 1997. In addition, Harris has been a paid consultant to the Idaho Corp., and presently is categorized by the Idaho Corp. as an advisor. Harris owns either directly or indirectly through other entities approximately 665,000 shares of the common stock of the Idaho Corp.
7. Robert C. Means ("Means") is an individual residing at 14600 Honey Bear Drive, Little Rock, Arkansas 72212, and has been Vice-President of the Idaho Corp. since approximately May of 1998. Means also currently is and has been since at least April of 1998 the Managing Partner of Pulaski County Casino Partners.
8. Pulaski County Casino Partners ("Pulaski Partners") purports to be an Arkansas general partnership composed of an indeterminate number of individuals, maintaining a principal place of business at 14600 Honey Bear Drive, Little Rock, Arkansas 72212.

I.

**ISSUANCE AND SALE OF UNREGISTERED,
NONEXEMPT SHARES BY UNREGISTERED PERSONS**

9. On or about March 19, 1996, the Idaho Corp. (then known as North Star, Inc.) filed a petition for reorganization pursuant to Chapter 11 of the United States Bankruptcy Code.
10. On or about November 5, 1996, the Idaho Corp. submitted a plan for reorganization and payment of its liabilities to its creditors. The proposed plan was never approved by the bankruptcy court.
11. On or about February 21, 1997, the Idaho Corp. and the creditors listed in its bankruptcy schedules setting forth its liabilities entered into a Settlement Agreement in full settlement and compromise of such liabilities.
12. As a result of the Settlement Agreement, the Idaho Corp.'s petition for reorganization was dismissed on or about March 14, 1997, without discharge of liabilities or confirmation of a plan.
13. Between March 15, 1997, and June 3, 1997, the Idaho Corp. issued a total of five million restricted shares of common stock to the following:
 - (a) Partners - 3,273,000 shares for the stated consideration of the assumption of contingent future liabilities valued by the Idaho Corp. at \$317,600.00;
 - (b) ATAP Financial Corporation, a corporation, 100% of the outstanding shares of which is owned by Jim C. Harris, the Chairman and Secretary of the Idaho Corp. at the time - 1,675,000 shares for the payment of an existing debt of \$162,540.00;
 - (c) Interwest Transfer Co., Inc., the transfer agent for the Idaho Corp. - 5,000 shares for the payment of an existing debt of \$498.00;
 - (d) S. W. Hatfield & Associates, CPA, the Idaho Corp.'s accounting firm - 26,500 shares for an existing debt of \$2,562.00; and

- (e) Buchholz & McCall, PC, the Idaho Corp.'s law firm - 20,500 shares for an existing debt of \$2,000.00.
14. Such shares were issued by or at the direction of Harris who has stated that they were intended to be issued pursuant to Rule 144 of the United States Securities and Exchange Commission. Rule 144 requires that any shares issued pursuant to such rule must be held by the recipient for at least one year from the date of issuance.
15. All of the restricted shares issued to ATAP Financial Corporation; Interwest Transfer Co., Inc.; S. W. Hatfield & Associates, CPA; and Buchholz & McCall, PC, were sold to Partners on or about April 17, 1997, for the following consideration:
- ATAP Financial Corporation, 1,675,000 shares for \$167,540.00
- Interwest Transfer Co., Inc., 5,000 shares for \$498.00
- S. W. Hatfield & Assoc., 26,500 shares for \$2,562.00
- Buchholz & McCall, PC, 20,500 shares for \$2,000.00
16. Records of the Arkansas Securities Department do not reflect that any registration of the shares of the Idaho Corp. has been filed with the Department, nor do the records reflect the filing of any proof of exemption for the sale of shares of the Idaho Corp. Furthermore, there appears to be no exemption available for the sale or issuance of such shares.
17. Records of the Arkansas Securities Department do not reflect that any individual has been designated or registered as the agent of the Idaho Corp. to effect sales of the Idaho Corp.'s stock in Arkansas.
18. The share certificate transfer history obtained from Interwest Transfer Co., Inc., the Idaho Corp.'s transfer agent, reflects that as of January 23, 1998, the Idaho Corp. and/or Partners has made at least eighty sales in Arkansas of 1,490,500 shares of unregistered restricted common stock, of which ten sales totaling 76,000 shares were resales by Partners of the restricted unregistered common stock in Arkansas.

II.

DISTRIBUTION OF FALSE AND INACCURATE INFORMATION TO STANDARD AND POOR'S CORPORATION RECORDS

19. Standard and Poor's Corporation Records ("Standard and Poor's") is a compilation of corporate data published on the basis of information submitted to it by "subscriber companies" who pay a fee in order to have information published. The information published contains basic data concerning the company such as shares authorized and outstanding, a brief description of the company, applicable history of the company, officers, directors, transfer agent, and other basic information. Standard and Poor's is widely used in the financial and securities industries to ascertain basic information concerning the companies' whose data is published in it. Publication in Standard and Poor's can also form the basis of a nonfiling exemption for sale of the particular company's securities under Ark. Code Ann. § 23-42-504(a) (2) provided the information specified in such provision and the other conditions of such provision are met.
20. It is the policy of the Editorial Board of Standard and Poor's to disallow for publication any company description unless it is demonstrated that the company engages in current business activities.

21. On or around June 1, 1997, Harris, on behalf of the Idaho Corp., made application to Standard and Poor's for a listing. Among the information furnished by Harris to Standard and Poor's was a copy of the Idaho Corp.'s Rule 15c2-11 Information Statement dated May 29, 1997, a copy of the Idaho Corp.'s unaudited Balance Sheet dated as of April 30, 1997, and a copy of the Idaho Corp.'s Financial Statement and Auditor's Report dated March 31, 1997 prepared by S. W. Hatfield & Associates indicating that the Idaho Corp. had no operations during a portion of 1997. Copies of those documents are attached hereto collectively as Exhibit "A".
22. The information collectively labeled as Exhibit "A" and furnished by Harris to Standard and Poor's contained the following material statements of fact which were false:
- (a) That the Idaho Corp. owned and operated a subsidiary, Targeted, and that the acquisition of Targeted had been closed during April of 1997, when in fact Targeted was not at any time acquired or owned by the Idaho Corp.;
 - (b) That a Plan of Reorganization had been approved by the Bankruptcy Court on March 14, 1997 in the Idaho Corp.'s Chapter 11 bankruptcy proceeding, resulting in a complete and total discharge from all liabilities, when in fact the Plan of Reorganization was never approved and the Chapter 11 bankruptcy proceeding was dismissed rather than closed through discharge of all liabilities; and
 - (c) That the accounting procedure referred to as a "fresh-start" in the American Institute of Certified Public Accountants' Statement of Position 90-7 was available to the Idaho Corp. as a result of the Chapter 11 bankruptcy proceeding, when in fact "fresh-start" accounting was not applicable to the Idaho Corp. because it did not receive a discharge in bankruptcy.
23. The information collectively labeled as Exhibit "A" and furnished by Harris to Standard and Poor's omitted to state material facts necessary in order to make the statements made therein not misleading. Among such omission of material facts were the following:
- (a) That the Idaho Corp. was a shell corporation with little or no assets;
 - (b) That the 5,000,000 shares of unregistered, restricted common stock issued during the period between March 15, 1997 and June 3, 1997 were issued and sold in violation of the Act, and quite possibly, federal securities laws;
 - (c) That the shares of stock were not eligible for trading on either a public or a private basis;
 - (d) That numerous individuals and companies affiliated with or related to the Idaho Corp., and other "insiders", including Harris, had received significant quantities of stock for little or no consideration;
 - (e) That the Idaho Corp. had little, if any, prospects of making profits for at least the next eighteen months;
 - (f) That no employee or officer of the Idaho Corp. had any expertise whatsoever in conducting a campaign for a constitutional referendum, maintaining or forming a ballot question committee, or operating a casino should the referendum pass; and
 - (g) That there had been attempts to amend the Arkansas Constitution in the past several general elections, none of which had passed.
24. On or about June 5, 1997, Standard and Poor's notified Harris of certain items of information needed to complete the application. Among the items identified were proof of an ongoing business, particularly as it related to Targeted, including a copy of an acquisition agreement, footnotes or breakout of the stockholder's equity in the April 30, 1997 Balance Sheet, samples of magazines distributed by Targeted, and more descriptive data concerning Targeted's business activities and method of distribution of publications.

25. On or between June 10, 1997, and June 20, 1997, in response to the notification mentioned above, Harris sent to Standard and Poor's information and documents including a chronological summary of major events in the Idaho Corp.'s history from March 14, 1997 through April 28, 1997; a summary of Current Business Operations of the Idaho Corp. dated June 10, 1997; a copy of the "acquisition Agreement" dated April 28, 1997 by which the Idaho Corp. purportedly obtained ownership of 80% of Targeted; various advertisements purportedly published by Targeted; a "Strategic (Business) Plan" for Targeted outlining its business philosophy and plans for business development; and a letter and revised footnotes to the April 30, 1997 Balance Sheet from Duane A. Harris, CPA, represented to be the Idaho Corp.'s accountant, even though he was not the accountant who performed the March 31, 1997 Audit. A copy of certain of these documents is attached hereto collectively as Exhibit "B".
26. The information set forth in the immediately preceding paragraph and in Exhibit "B" was false and inaccurate in that it further misrepresented the Idaho Corp.'s affiliation with Targeted by again representing that the Idaho Corp. had closed the acquisition of 80% of the outstanding stock of Targeted on April 28, 1997, when in fact, no such acquisition ever took place as shown by the last paragraph of Note E to the revised Financial Statements and Auditors Report of the Idaho Corp. for the years 1997, 1996, 1995, and 1994. A copy of such revised Financial Statement is attached hereto as Exhibit "C". Such information also omitted to state that Duane A. Harris was previously the President of the Idaho Corp. until on or about April 28, 1997, and is either the son or brother of James C. Harris.
27. The false and inaccurate information sent by Harris and set forth in Exhibits "A" and "B" was sent with the intent that it be relied upon by Standard and Poor's in determining whether to publish the corporate data on the Idaho Corp. Without evidence that the Idaho Corp. was engaged in business, either through "its subsidiary", Targeted, or otherwise, Standard and Poor's would not have included the Idaho Corp.'s corporate data in its publication.
28. The false and inaccurate information sent by Harris and set forth in Exhibits "A" and "B" was sent either with the intent that it be relied upon by the public in connection with the purchase or sale of securities after publication in Standard and Poor's, or in reckless disregard of the fact that such information would in fact be relied upon by the public in connection with the purchase or sale of securities after publication by Standard and Poor's.
29. On or about June 30, 1997, Standard and Poor's Corporation Records published the information submitted by Harris on behalf of the Idaho Corp. Such information is set forth in Exhibit " D" hereto which is an exact reproduction of the information contained at Page 7563 of the 1997 A-B Volume published October 9, 1997.
30. The information submitted by Harris on behalf of the Idaho Corp. that was published by Standard and Poor's Corporation Records was inaccurate in the following particulars:
- (a) The information reflects that a plan of reorganization was approved in the bankruptcy proceeding, when there was in fact no plan of reorganization approved by the court;
 - (b) The information reflects that the issuance of the unregistered unrestricted stock was concurrent with the bankruptcy proceeding, when in fact the issuance of such stock took place subsequent to the dismissal of the Idaho Corp.'s petition;
 - (c) The information reflects that the Idaho Corp. publishes and distributes magazines and periodicals in Texas, New Mexico and Arkansas;
 - (d) The information reflects that the Idaho Corp. owns 80% of Targeted.
31. The information published by Standard and Poor's was relied upon by the public and members of the securities industry in connection with the purchase and sale of shares of stock

of the Idaho Corp.

III.

DISTRIBUTION OF FALSE AND INACCURATE MATERIAL TO THE PUBLIC

32. From on or about June 1, 1997 through September 17, 1997, the Idaho Corp. and its officers and agents, including Harris, have distributed false and inaccurate promotional materials to the public through the press and otherwise, consisting of the Rule 15c2-11 Information Statement with attachments (Exhibit "A"), and a "Press Kit" consisting of a statement of the proposed amendment, history of the Idaho Corp., "Corporate Profile Third Quarter 1997" of the Idaho Corp., and a "question and answer" promotional flyer. A copy of the "Press Kit" is attached hereto as Exhibit "E". These promotional materials encourage potential investors to contact their securities broker to purchase shares of the Idaho Corp. or to contact the Idaho Corp. for a referral to a broker, and contain statements that are false and misleading, including:
- (a) That the Idaho Corp. has 9,572,733 shares outstanding which are available through most brokerage firms. In fact, at least 5,000,000 of these shares were restricted from further trading and are neither registered nor exempt from registration. In addition, the remaining shares are not subject to exemption based upon the availability of the most common secondary trading exemption, the so-called "Manual Exemption" codified at Arkansas Code Ann. § 23-42-504(a)(2);
 - (b) That the Idaho Corp. has more than 1,000 Arkansas Shareholders. In fact, the share transfer history supplied by the Idaho Corp.'s transfer agent reflects that the number of Arkansas shareholders as of February 9, 1998 was less than 150;
 - (c) That the shareholder base is rapidly growing and is predicted to reach 20,000 to 30,000 shareholders by election day. In fact, the number of shareholders never significantly increased from March 31, 1997, particularly if the shareholders of the nonregistered, restricted shares are excluded from the total number of shareholders; and
 - (d) That the Idaho Corp. owned and operated a subsidiary, Targeted, and that the acquisition of Targeted had been closed during April of 1997, when in fact Targeted was not at any time acquired or owned by the Idaho Corp.
33. The information furnished by the Idaho Corp. and its officers and agents, including Harris, to the public omitted to state material facts necessary in order to make the statements made therein not misleading. Among such omissions of material fact were the following:
- (a) That the Idaho Corp. was a shell corporation with little or no assets;
 - (b) That the 5,000,000 shares of unregistered, restricted common stock issued during the period between March 15, 1997 and June 3, 1997 were issued and sold in violation of the Act, and quite possibly, federal securities laws;
 - (c) That the shares of stock were not eligible for trading on either a public or a private basis;
 - (d) That numerous individuals and companies affiliated with or related to the Idaho Corp., and other "insiders", including Harris, had received significant quantities of stock for little or no consideration;
 - (e) That the Idaho Corp. had little, if any, prospects of making profits for at least the next eighteen months;
 - (f) That no employee or officer of the Idaho Corporation had any expertise whatsoever in conducting a campaign for a constitutional referendum, maintaining or forming a ballot

question committee, or operating a casino should the referendum pass;

- (g) That there had been attempts to amend the Arkansas Constitution in the past several general elections, none of which had passed;
- (h) The fact that shares obtained by shareholders in the over the counter market were purchased at a price greatly in excess of the price paid by those shareholders purchasing the unregistered restricted shares directly from the Idaho Corp. or from Partners;
- (i) The fact that the value of the shares existing prior to March 15, 1997, (which are the only shares available for purchase in the over the counter market) would be significantly diluted by the issuance of the five million shares of unregistered restricted stock;
- (j) The fact that the five million shares issued between March 15, 1997 and June 3, 1997 were neither registered nor exempt from registration; and
- (k) The fact that the five million shares issued between March 15, 1997 and June 3, 1997 were being sold by persons who were neither registered to sell securities in this state, nor exempt from registration.

34. The promotional materials furnished to the public by the Idaho Corp. and its officers and agents, including Harris, omit to disclose the possible risks associated with an investment in the Idaho Corp., including:

- (a) Risk that the failure of the Casino Ballot Amendment to pass at the 1998 general election might adversely affect the price and value of the shares;
- (b) Risk that the failure to seek registration or exemption of the restricted shares prior to their sale might expose the Idaho Corp. to regulatory and civil liabilities;
- (c) Risk that the market for such shares may be or become limited;
- (d) Risk that a shareholder purchasing restricted shares may be prohibited from transferring such shares;
- (e) Risk that the Idaho Corp. might have insufficient resources to mount an effective campaign since it was depending on commitments of shareholders for such funds;
- (f) Risk that the Idaho Corp. might have insufficient resources to construct or operate the casinos contemplated in the materials assuming the amendment passes; and
- (g) Risk that changes in the tax laws or other changes of law might adversely affect the price and value of the stock or the ability of the Idaho Corp. to realize a profit.

35. In addition, the promotional materials furnished to the public by the Idaho Corp. and its officers and agents, including Harris, omit to state adverse material information concerning certain of the officers and directors of the Idaho Corp., including:

- (a) Disclosure of the fact that Jim C. Harris, the Chairman and Secretary of the Idaho Corp. during at least a part of the period over which the unregistered, restricted shares were sold, was the Chairman and a director of a corporation, namely Global Productions, Inc., a corporation that was the subject of Cease and Desist Order No. 97-029-S dated May 9, 1997, issued for the sale of unregistered securities in Arkansas during the time when Harris was Chairman and a director;
- (b) Disclosure of the fact that Duane A. Harris, the President of the Idaho Corp. during at least a part of the period over which the unregistered, restricted shares were sold, was the President of a corporation, namely Global Productions, Inc., which was the subject of Cease and Desist Order No. 97-029-S dated May 9, 1997, issued for the sale of unregistered securities in Arkansas during the time he was President;

- (c) Disclosure of the fact that David R. Kane, a director of the Idaho Corp. during at least a part of the period over which the unregistered restricted shares were sold, has been the subject of prior disciplinary proceedings before the Department and has had his securities registration revoked by the FINRA. David R. Kane was as of January 1, 1997, the President of Global Productions, Inc.; and
 - (d) Disclosure of the fact that another of the directors of the Idaho Corp., was also a director of a corporation, namely Global Productions, Inc., which was the subject of Cease and Desist Order No. 97-029-S dated May 9, 1997, issued for the sale of unregistered securities in Arkansas during the time he was a director.
36. The false and inaccurate information disseminated to the public by the Idaho Corp., its officers and agents, including Harris, and set forth in Exhibits "A" and "E" was disseminated either with the intent that it be relied upon by public in connection with the purchase or sale of securities, or in reckless disregard of the fact that such information would in fact be relied upon by the public in connection with the purchase or sale of securities.

IV.

FAILURE TO ABIDE BY CONSENT ORDER

37. On February 9, 1998, based upon information known to the Staff of the Department at that time, the Commissioner and the Idaho Corp. entered into Consent Order No. 98-007-S (the "Consent Order"), directing the Idaho Corp. and its officers and agents to cease the offer and sale of all securities until such time as the securities were registered or the Commissioner made a determination that an exemption from registration was available, and that the Idaho Corp. comply with the undertaking set forth therein. A copy of Consent Order No. 98-007-S is attached hereto as Exhibit "F".
38. As part of the Consent Order, the Idaho Corp. voluntarily undertook to perform certain acts. Paragraph (e) of the Undertaking in such order provides:
- "(e) The Company will initiate and complete procedures designed to afford statutory rescission to all persons desiring rescission who have purchased the Company's securities subsequent to March 31, 1997. All documents proposed to be delivered to shareholders or prior shareholders in connection with the rescission offer shall contain full disclosure of all material facts concerning an investment in the securities of the Company, and shall, prior to delivery to shareholders, be approved by the Commissioner."
39. Subsequent to the entry of the Consent Order, the Staff of the Department discovered information and matters not addressed in the Consent Order which constituted either misrepresentations of material fact or omission to state material facts, and other potential violations of the Act. Although the Staff of the Department has requested information such as bank records, cancelled checks, dates of receipt of funds in exchange for securities, and corporate and partnership documents from the Idaho Corp. and its officers and agents, such information has not been provided.
40. On or about November 12, 1998, the attorney for the Idaho Corp. furnished to the Commissioner a draft of a Disclosure Document proposed to be sent in connection with the rescission offer required by the Consent Order.
41. On or about December 16, 1998, the draft of the Disclosure Document, with modifications and comments made in such a fashion as to render the draft acceptable to the Commissioner, was returned to the attorney for the Idaho Corp.

42. On or about May 14, 1999 the Commissioner received another draft of the Disclosure Document from a different attorney, Robert W. Buchholz ("Buchholz"), on behalf of the Idaho Corp, who advised that the previous attorney was no longer involved in the drafting and negotiations pertaining to the Disclosure Document. This draft was significantly different than the previous versions, and did not contain much of the information in the other versions or on which the Staff of the Department had commented. Specifically, it failed to contain material facts concerning the Idaho Corp., its officers and agents, and the circumstances surrounding the issuance of the unregistered, restricted shares of stock. Such information is necessary to allow those persons who might receive a rescission offer to make a fully informed decision as to whether to retain their stock in the Idaho Corp. or to accept rescission. Among the material facts which such version omitted to state are:
- (a) The fact that numerous individuals and companies affiliated with or related to the Idaho Corp., its officers, agents and other "insiders", including Harris, have received significant quantities of stock for little or no consideration, including who such persons are, the number of shares issued to each, and the consideration given. (A listing of the persons obtaining stock directly from the Idaho Corp. or from Partners and the consideration given by each is attached hereto as Exhibit "G");
 - (b) The fact that shares obtained by shareholders in the over the counter market were purchased at a price greatly in excess of the price paid by those shareholders purchasing the unregistered restricted shares directly from the Idaho Corp. or from Partners;
 - (c) The facts concerning the false and inaccurate information sent to Standard and Poor's by Harris; and
 - (d) The fact that out of the \$100,000 reported as received by the Idaho Corp. with the Arkansas Ethics Commission, approximately \$83,000 of such amount was paid to The Skyward Agency, which is a fictitious name for Skyward Publishing, Inc. According to records filed with the Arkansas Secretary of State, Robert Vaughn is the President of Skyward Publications, Inc., Laura Ford, Spokesperson for the Idaho Corp., is the Secretary of such Skyward Publications, Inc. and Harris is the contact person for Skyward Publications, Inc.
43. On or about June 18, 1998, the Staff of the Department advised Buchholz that the version of the Disclosure Document that he had sent was unacceptable to the Commissioner. However, the Staff incorporated as much of the draft as possible in the version that had been sent to the Idaho Corp. on December 16, 1998, advising that such a draft constituted that which was minimally acceptable. Buchholz was also advised that an escrow account containing the estimated \$215,000 necessary to fund the rescission offer should be established at the Idaho Corp.'s local bank by July 5, 1999.
44. On or about July 6, 1999 The Staff of the Department was advised that the Idaho Corp. did not accept the minimally acceptable version sent by the Staff. A further version sent by the Idaho Corp. remained unacceptable due to inadequate and incomplete disclosure.
45. As of July 16, 1999 the Idaho Corp. has failed to advise of the establishment of an escrow account as required at any bank.

V.

SALE OF SECURITIES SUBSEQUENT TO ENTRY OF THE CONSENT ORDER

46. On or about April 3, 1998, Means, the Vice President of the Idaho Corp., met with an individual resident of Pine Bluff, Arkansas and offered to such individual 1000 shares of stock in the

Idaho Corp. and 1% of all net operating profits to be derived from the operations of a casino to be built in Pulaski County, Arkansas, in exchange for a "political donation" of \$10,000 to The Fix Arkansas Now Committee, a division of the Idaho Corp. Such individual paid the \$10,000 to the Idaho Corp. on April 3, 1998.

47. As a part of the sale of the stock and interest in the casino to be located in Pulaski County, the individual became a "partner" in Pulaski Partners. Means was specified as the "Managing Partner" of Pulaski Partners, the address of which is the same as Means' residence. A copy of the Pulaski Partners Agreement is attached hereto as Exhibit "H".

VI.

PROSPECTIVE SALES OF SECURITIES

48. In the most recent version of the Disclosure Document sent by Buchholz to the Commissioner, the Idaho Corp. indicates that it is its intention to transfer or sell securities in the near future. This version indicates that the Idaho Corp. has withdrawn its application to conduct business in Arkansas with the Secretary of State and has incorporated a wholly owned subsidiary, the Ark. Corp., which will conduct all activities in regard to the political campaign for a constitutional amendment, and which the Idaho Corp. intends to merge into some other entity. The version states in part that:

"The Company's intention is to merge [the Ark. Corp.] with or otherwise transfer ownership to an existing company which is already qualified to sell and trade securities in Arkansas...If the New Company is formed, it is the [Idaho Corp.'s] intention that its current stockholders will hold an equivalent ownership interest in the New Company. The details of how this will be accomplished have yet to be determined."

It also provides:

"It is important to the overall success of the political effort for this merger/acquisition/pooling to occur at the earliest possible time".

49. In the July 4, 1999 Arkansas Democrat Gazette, May, the current President of the Idaho Corp., is reported as stating that the Idaho Corp. will sell stock in an initial public offering if the constitutional amendment is passed.

APPLICABLE LAW

50. Arkansas Code Ann. § 23-42-209(a) provides in part that 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 this chapter, or any rule or order under this chapter, he may summarily order the person to cease and desist from the act or practice.
51. Arkansas 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.
52. Arkansas Code Ann. § 23-42-501 provides that it is unlawful for any person to offer or sell any security in this state unless it is registered, the security or transaction is exempted under Ark. Code Ann. §§ 23-42-503 or 23-42-504, or it is a covered security.
53. Arkansas Code Ann. § 23-42-505(a) provides that the Commissioner may, by order, revoke any exemption specified in Arkansas Code Ann. § 23-42-504(a) with respect to a specific security or transaction.

54. Arkansas Code Ann. § 23-42-507 provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to employ any device, scheme, or artifice to defraud; or to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

CONCLUSIONS OF LAW

55. The sale by the Idaho Corp., its officers and agents, including Harris and Means, and Partners of shares of the Idaho Corp. to Arkansas residents as set forth in paragraphs 13 through 18 and paragraphs 46 and 47 above constitutes a violation Arkansas Code Ann. § 23-42-501 in that such securities are not registered under the Act, are not exempt from the registration provisions of the Act, and are not covered securities.

56. The sale by the Idaho Corp., its officers and agents, including Harris and Means, and the sale by Partners of shares of the Idaho Corp. in Arkansas and to Arkansas residents as set forth in paragraphs 13 through 18 and paragraphs 46 and 47 above constitutes a violation of Arkansas Code Ann. § 23-42-301(a) in that no agent is registered for or on behalf of the Idaho Corp. to offer or sell securities in this state.

57. The sale by the Idaho Corp., its officers and agents, including Means, of interests in Pulaski Partners or interests in the profits of a casino to be built in the future as set forth in paragraphs 46 and 47 above constitutes a violation of Arkansas Code Ann. § 23-42-501 in that such securities are not registered under the Act, are not exempt from the registration provisions of the Act, and are not covered securities.

58. The sale by the Idaho Corp., its officers and agents, including Means, of interests in Pulaski Partners or interests in the profits of a casino to be built in the future as set forth in paragraphs 46 and 47 above constitutes a violation of Arkansas Code Ann. § 23-42-301(a) in that no agent is registered for or on behalf of the Idaho Corp. or Pulaski Partners to offer or sell securities in this state.

59. The delivery of false, inaccurate and misleading information by the Idaho Corp., its officers and agents, including Harris, to Standard and Poor's as set forth in paragraphs 19 through 31 above constitutes a violation of Arkansas Code Ann. § 23-42-507 and constitutes grounds for the revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers and agents, including Harris and Means, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).

60. The dissemination of false, inaccurate and misleading information by the Idaho Corp., its officers and agents, including Harris, to the public at large and to the press as set forth in paragraphs 32 through 36 above constitutes a violation of Arkansas Code Ann. § 23-42-507 and constitutes grounds for the revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers and agents, including Harris and Means, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).

61. The failure to complete a rescission offer to all persons desiring to rescind their purchase of shares in the Idaho Corp., specifically by failing to prepare a Disclosure Document that provided full disclosure of all material facts concerning an investment in the Idaho Corp. that met with the approval of the Commissioner, as set forth in paragraphs 37 through 45 above constitutes a violation of the Consent Order and constitutes grounds for the revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of

securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers and agents, including Harris and Means, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).

62. The sale by the Idaho Corp., its officers and agents, including Harris and Means, and Partners of shares of the Idaho Corp. in Arkansas as set forth in paragraphs 13 through 18 and paragraphs 46 and 47 above constitutes grounds for the revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers and agents, including Harris and Means, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).
63. The sale by the Idaho Corp., its officers and agents, including Means, of interests in Pulaski Partners or interests in the profits of a casino to be built in the future as set forth in paragraphs 45 and 46 above constitutes a violation of the Consent Order and constitutes grounds for revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers or agents, including Means, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).
64. The proposed transfer of securities of the Ark. Corp. by the Idaho Corp. to some unknown entity, whether by sale, merger, or other mechanism, without first providing full disclosure to those purchasers of shares of the Idaho Corp. and an offer to rescind those shares in conformity with the Consent Order as set forth in paragraphs 48 and 49 above constitutes grounds for revocation of all exemptions specified under Arkansas Code Ann. § 23-42-504(a) as to the transfer of securities of the Idaho Corp. and the Ark. Corp. by the Idaho Corp., the Ark. Corp., and their officers or agents, including Harris, Means, May, or any other person pursuant to Arkansas Code Ann. § 23-42-505(a).
65. It is in the public interest that the Idaho Corp., the Ark. Corp., Partners, Pulaski Partners, and their officers and agents, specifically including Harris, Means, and May, cease and desist from the offer or sale of any security in Arkansas or to any Arkansas resident, and specifically the securities of any of the companies or partnerships mentioned in this order.

OPINION

The provisions of the Act governing registration and exemption of securities, as well as those provisions governing registration of agents, exist for the protection of the investor so that informed investment decisions may be made based upon full disclosure of all pertinent information. When the provisions of the Act are circumvented, this goal is thwarted. Especially serious is the case in which a portion of an issuer's securities trade on an established market, because such failure to adequately provide disclosure affects many more people than those contacted directly by the issuer or those acting on its behalf. Such is the case in this instance where the Idaho Corp. has encouraged potential investors to purchase shares in the over the counter market, representing, at least tacitly, that such activity is in conformity with the law.

This problem is exacerbated when the information provided to the public by the issuer and its agents is false, inaccurate and misleading. This type of activity is the hallmark of so-called "pump and dump" schemes in which insiders obtain shares for little or no consideration, disseminate inaccurate and misleading information to the public in an attempt to "pump" up the market price of the shares, and then "dump" the shares, which in reality have little or no intrinsic value, at the higher price, netting the difference. In this instance, many of those affiliated with the issuer received shares for mere pennies or less per share. However, when trading was halted, the market price had reached as high as \$3.50 per share at times.

An additional cause for concern in the instant matter is the continuation of sales after issuance of the Consent Order, not only of the Idaho Corp.'s securities, but also of new securities in the form of interests in Pulaski Partners and investment contracts by the Idaho Corp. and its Vice-president, Means. Such sales in violation not only of the registration and exemption provisions of the Act, but also of the Consent Order agreed to by the Idaho Corp., blatantly ignore not only the expectation of good faith implicit in the Consent Order, but also the prohibitions of the Act.

Likewise troubling is the Idaho Corp.'s stated intentions to attempt to accomplish by a sale or merger that which they could not themselves accomplish due to the illegal conduct of some of the officers and agents. The withdrawal of the Idaho Corp. from this state with the concurrent establishment of the Ark. Corp. of the same name can hardly be calculated to do much other than confuse. When coupled with the transfer of whatever value existed in the Idaho Corp. by reason of its qualification as a ballot question committee to the Ark. Corp. with the stated intent to sell or merge the Ark. Corp. with what is likely another shell corporation, the conclusion that the Idaho Corp. and its officers and agents are attempting to circumvent the provisions of the Act is inescapable.

Also of concern is the statement by President May that the Idaho Corp. intends in the future to conduct an initial public offering of securities, which certainly can never come about given the illegal activities that have taken place and the apparent lack of a desire to rectify the situation displayed by the persons responsible. Such a statement may result only from a lack of understanding of securities law, but certainly continues to mislead those persons who have placed money with the Idaho Corp. in hopes of a return.

Such activities cannot be allowed to continue without action. In such an instance, it is appropriate that all sales of the securities of the entities that are based upon the exemptions set forth in Ark. Code Ann. § 23-42-504 cease and that the persons involved be prohibited from the sale of all securities.

ORDER

It is therefore ORDERED that, ARKANSAS CASINO CORPORATION, an Idaho corporation, ARKANSAS CASINO CORPORATION, an Arkansas corporation, ARKANSAS CASINO PARTNERS a/k/a ARKANSAS CASINO COMPANY, ROBERT D. MAY, THOMAS L. GOODWIN, JAMES C. HARRIS, ROBERT C. MEANS and PULASKI COUNTY CASINO PARTNERS, and each of their officers and agents, immediately cease and desist from any offers to sell, sales, or promotion of sales of securities in or stock of Arkansas Casino Corporation, an Idaho corporation, Arkansas Casino Corporation, an Arkansas corporation, Arkansas Casino Partners a/k/a Arkansas Casino Company, Pulaski County Casino Partners, or any other company or entity in this state until such time as the securities are registered, or the Commissioner determines in writing that an exemption from registration is available.

It is further ORDERED that all transactional exemptions which might otherwise be available for the sale of securities of ARKANSAS CASINO CORPORATION, an Idaho corporation, ARKANSAS CASINO CORPORATION, an Arkansas corporation, ARKANSAS CASINO PARTNERS a/d/a ARKANSAS CASINO COMPANY, or PULASKI COUNTY CASINO PARTNERS under Arkansas Code Ann. § 23-42-504(a) are hereby revoked pursuant to Arkansas Code Ann. § 23-42-505(a) until such time as the Commissioner otherwise directs.

IT IS SO ORDERED this 20th day of July, 1999.

MAC DODSON

SECURITIES COMMISSIONER