

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF
CLIFFORD WAYNE PITTS, and
DONNA K. BISHOP

No S-06-009-06-CD01

CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (the Staff) has received information and has in its possession certain evidence which indicates that CLIFFORD WAYNE PITTS, and DONNA K. BISHOP have violated provisions of the Arkansas Securities Act (the Act), codified at Ark. Code Ann. §§ 23-42-101, *et seq.* (Repl. 2000).

FINDINGS OF FACT

1. CLIFFORD WAYNE PITTS (PITTS) is a 55 year old white male whose present address is unknown. At all times mentioned herein, he resided in northern Arkansas, specifically Eureka Springs, and several places in Arizona, specifically Parker and Quartzsite.
2. DONNA K. BISHOP (BISHOP) is a white female of undetermined age whose present address is unknown. At all times mentioned herein, she is believed to have lived with PITTS in Arkansas and Arizona.
3. In the spring of 2005, AR1, a resident of Harrison, Arkansas, met PITTS while both were undergoing the same holistic health therapy. PITTS told AR1 that he had previously worked for a firm called Global Ventures in Springdale, Arkansas, but had retired. He sold investments while employed by or associated with Global Ventures, PITTS said, and was still selling investments, apparently on his own. On or about 2 July 2005, after having talked to AR1 for several months during therapy about his proficiency in making money, PITTS

told AR1 he could invest \$5,000 in a project in which PITTS was involved and receive back \$7,500 in six months. This investment, PITTS said, was a project to build a new cellular telephone system for the government of Grenada, an island country in the Caribbean. PITTS said the investment was guaranteed because it was a project of the government of Grenada. AR1's wife, Mrs. AR1, also invested \$5,000 in this project.

4. AR2, another person receiving this holistic therapy, also invested with PITTS, investing \$10,000 on or about 14 July 2005. When this investment in a purported cellular telephone system in Grenada matured in January, 2006, PITTS told AR2 about another investment opportunity in the Caribbean, an annuity based in the Caribbean, perhaps in the Virgin Islands, that paid 10% of the initial investment per month for 10 months, thus doubling the investment in 10 months. AR2 elected to roll over his investment in the Grenadian telephone system into this investment. Thinking he would make more money by taking less than 10% each month, AR2 told PITTS that he would take monthly payments of only \$500 per month. AR2 never received any payment from PITTS and never heard from PITTS again.
5. Although AR1, Mrs. AR1 and AR2 were all orally told that this investment in a cellular telephone system for the government of Grenada was an investment made through something called Global Ventures, the contract they received after having made the investment did not mention Global Ventures and stated that it was a loan contract/agreement with PITTS, only. The investment they made was in what was orally described to them and not in a contract that was delivered to them after the fact.
6. While PITTS was pitching the \$5,000 investment set out in ¶ 3, he was also telling AR1 and Mrs. AR1 about a woman PITTS said was his secretary. PITTS mentioned that his wife of

many years had died and he thought highly of his secretary. According to PITTS, she also sold exercise equipment. PITTS referred her to AR1 and Mrs. AR1, and an appointment was made with her several days later. She turned out to be BISHOP. BISHOP sold AR1 and his wife some exercise equipment and in the process of doing so built up PITTS. BISHOP said that PITTS owned a very nice house in Eureka Springs with grounds and a security gate in front. She said PITTS had another very nice gated home in Arizona, too. He was a millionaire, she said, and had made many other people millionaires. AR1 was a bit skeptical about the \$5,000 he had just invested, but this report from BISHOP served to erase all his doubts.

7. PITTS next told AR1 and Mrs. AR1 about a second investment opportunity, this one to invest in the Asian stock market. He was looking for pools of \$20,000 each to invest in the Asian stock market. He mentioned the Nikkei, which is not a stock market, but most likely a reference to the Nikkei 225, an index of Asian stocks calculated daily by the newspaper, *Nihon Keizai Shimbun*. These stocks are all traded on the Tokyo Stock Exchange. One could double one's money with this deal, PITTS said. The term of the investment was ten months. For each month, PITTS said, the investor would receive a payment of 10% of the initial investment. On the tenth month, the investor would receive a tenth 10% payment, plus his original investment back, thus realizing a 100% return in ten months. Believing he was investing in an Asian stock market, AR1 invested \$20,000 on or about 13 August 2005 and \$15,000 on or about 26 October 2005. Mrs. AR1, also believing she was investing in an Asian stock market, invested \$30,000 with PITTS on or about 21 October 2005.
8. AR1 began receiving checks from PITTS in September, 2005. He received \$1,000 check

dated 12 September 2005, another \$1,000 check dated 11 October 2005, another \$1,000 check dated 10 November 2005, a \$1,500 check dated 23 November 2005 and a \$1,000 check dated 1 December 2005. Several of AR1's friends and family knew of these investments and the checks AR1 had received back from PITTS. Believing that AR1 had made a good investment, they were interested. On or about 26 October 2005, AR1 had several of his friends and his daughter and son-in-law over to hear what PITTS had to say. PITTS gave his sales pitch for the Asian stock market, as detailed in ¶ 7, above. As with AR1's initial investment, detailed in ¶ 3, above, and purported to be in a project to build a cellular telephone system in Grenada, PITTS said this investment was guaranteed.

9. Based on these statements at AR1's home on or about 26 October 2005, AR3, a friend of AR1's, invested \$50,000 with PITTS, believing he was investing in an Asian stock market. Thinking he would make more money by getting a monthly payment of only 5% instead of 10%, he asked PITTS to be paid only \$2,500 a month. AR3 received a check for \$2,500 around the first of December, 2005.
10. Based on these statements at AR1's home on or about 26 October 2005, AR4, AR1's son-in-law, invested \$30,000. He received a check from PITTS dated 23 November 2005. This payment made AR4 more confident in PITTS, so confident that he made a second investment of \$20,000 on 28 November 2005.
11. IL, a resident of Illinois who is Mrs. AR1's son by a previous marriage, heard all of these statements of PITTS repeated to him and heard of the payments the investors were being made and decided to invest with PITTS, also. On or about 5 November 2005, IL invested \$20,000 with PITTS, believing he was investing in an Asian stock market.

12. All of these investments purportedly in an Asian stock market were made based on the oral representations of PITTS. Just as in the Grenada investment made by AR1, Mrs. AR1 and AR2 (see ¶ 3), the investors made their investments based on what PITTS told them and were delivered a contract later, after they had invested. This contract stated that it was a loan contract/agreement with PITTS, d/b/a Western Arizona Retirement Associates.
13. In early January, 2006, AR1 and Mrs. AR1 received a telephone call from PITTS. He said that they would not be getting a check that month because his office in Parker, Arizona had been raided, the computers confiscated and some or all of his bank accounts frozen. PITTS said this had happened to him before, but he would take care of it. He had several lawyers working on it. PITTS said his lawyers were filing suit against the governmental entity that had raided his office. AR1 and Mrs. AR1 thought this entity was either the Internal Revenue Service, or the Arizona state securities regulatory agency. Although several of the investors discussed herein attempted to contact PITTS and even left telephone messages with him, no one has heard from him since. The checks received by some investors around the end of November and the first of December, 2005 (see ¶¶ 8 and 9), were the last any of them ever received.
14. Neither of the investment opportunities PITTS touted to the investors set out in ¶¶ 3 and 7, above, were legitimate. PITTS took the investors' checks and simply cashed them and did not invest them in anything. There was no Global Ventures office in Springdale, Arkansas where PITTS used to work as any kind of entrepreneur or investment advisor. Western Arizona Retirement Associates was simply a fictitious name PITTS used but did not register in either Arizona, or Arkansas.

15. The checks PITTS gave to the investors as returns were not drawn on an account of any entity and were not funded with funds received from either investment opportunity set out in ¶ 3 or ¶ 7, but were all cashier's checks which were purchased by PITTS from a bank in Arizona.
16. PITTS had been convicted of armed bank robbery and served time in federal prison. He was released April, 1991. He was also convicted in Kansas of conspiracy to commit robbery and robbery. He served time in the Kansas prison system, also. He did not reveal these facts to any of the investors.
17. PITTS was not a self-made millionaire who had made many other people millionaires, as stated by BISHOP and detailed in ¶ 6.
18. BISHOP was not PITTS's secretary, but his wife, having been married to PITTS since 1999, and she knew that what she told AR1 and Mrs. AR1, as stated in ¶ 6, above, was false.
19. PITTS had no gated home in Eureka Springs, but had lived in an apartment there. Similarly, he owned no gated home in Arizona, either.
20. PITTS had no office in Arizona that was raided by either the Internal Revenue Service, or the Securities Division of the Arizona Corporation Commission, the agency that regulates securities in Arizona. Hence, PITTS's statement to AR1 and Mrs. AR1 that his Arizona office had been raided, set out above in ¶ 13 was false.
21. In regard to the investments set out in ¶¶ 3, 4 or 7, a search of the records of the Arkansas Securities Department shows no registration of these investments, no exemption from registration and no notice filing indicating these investments are exempt from registration under federal law as covered securities.

22. A search of the records of the Arkansas Securities Department shows no registration of PITTS as a broker-dealer or an agent of a broker-dealer or an issuer.

CONCLUSIONS OF LAW

23. Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2003) in pertinent part defines a security as an investment contract.

24. Ark. Code Ann. § 23-42-501 (Repl. 2000) provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.

25. Ark. Code Ann. § 23-42-301(a) (Repl. 2000) provides that it is unlawful for any person to transact business as a broker-dealer or agent of a broker-dealer or issuer without being registered with the Arkansas Securities Department.

26. Ark. Code Ann. § 23-42-507(1) (Repl. 2000) provides that it is unlawful for any person in connection with the offer or sale of any security to employ any device, scheme or artifice to defraud.

27. Ark. Code Ann. § 23-42-507(2) (Repl. 2000) provides that it is unlawful for any person in connection with the offer or sale of any security to make any untrue statement or omit to state a material fact necessary in order to make the statements made not misleading in light of the circumstances under which they are made.

OPINION

28. All the investments sold by PITTS, the one purportedly in the Grenadian cellular telephone system, set out in ¶ 3, the annuity based perhaps in the Virgin Islands, detailed in ¶ 4, and the one purportedly in an Asian stock market, set out in ¶ 7, involved the investment of money in

a common enterprise and the expectation of making money based on the efforts of another, to wit, PITTS, himself. Thus, under established legal precedent both of these investment opportunities were investment contracts, each a security as defined at Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2003).

29. PITTS's offer and sale of these securities when they were unregistered and not exempt from registration was the sale of unregistered securities in violation of Ark. Code Ann. § 23-42-501 (Repl. 2000).
30. Because PITTS was not registered as a broker-dealer or agent of a broker-dealer or issuer, his offer and sale of this securities was in violation of Ark. Code Ann. § 23-42-301(a) (Repl. 2000).
31. The statements describing these investment contracts, set out in ¶¶ 3, 4 and 7, above, were totally false, were designed to be relied upon and were in fact relied upon to the detriment of the investors. These statements were therefore untrue statements made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).
32. The checks PITTS sent to investors, purporting to be returns on their investments, were sent only to lull investors into a false sense of security. Those checks were not funded with the returns on the investments the investors had made with PITTS. PITTS's failure to inform the investors of this fact was misleading and the omission of material facts in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000). The use of these checks to lull investors into a false sense of security was also the employment of a device, scheme or artifice to defraud and a violation of Ark. Code Ann. § 23-42-507(1) (Repl. 2000).
33. The statements BISHOP made to AR1 and Mrs. AR1 that PITTS was a self-made millionaire

living in gated homes in Eureka Springs, Arkansas and Arizona who had made others millionaires, as detailed in ¶ 5, were false, were designed to be relied upon and were in fact relied upon to the detriment of AR1 and Mrs. AR1. These statements were therefore untrue statements made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

34. PITTS's statement to AR1 and Mrs. AR1 that BISHOP was his secretary and that his wife was deceased, as detailed in ¶ 6, above, was a false statement, designed to be relied upon and in fact was relied upon to the detriment of AR1 and Mrs. AR1. This was therefore a false and untrue statement made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

35. PITTS's and BISHOP's failure to reveal to AR1 and Mrs. AR1 that they were married was the omission of material fact in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

36. PITTS's statements to AR1 and Mrs. AR1 that his office in Arizona had been raided by some governmental entity, as set out in ¶ 13, above, was false because he had no such office in Arizona, and no governmental agency has raided any office or other structure owned or rented by PITTS. Thus, these statements were false statements designed to be relied upon and in fact were relied upon to the detriment of all the investors. Thus, these were false and untrue statements made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

37. PITTS's use of the names, Global Ventures and Western Arizona Retirement Associates, were not actual, registered fictitious business names or DBAs registered by PITTS in either Arkansas, or Arizona and were used only to instill in the investors a false sense of security.

Thus, these statements were false statements designed to be relied upon and in fact were relied upon to the detriment of all the investors. made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

38. PITTS's failure to reveal his prior convictions and prison sentences for armed bank robbery, armed robbery and conspiracy to commit bank robbery was the omission of material fact in violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).

39. In accordance with Rule 601.08, Rules of the Arkansas Securities Commissioner, it is found that the issuance of this order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that CLIFFORD WAYNE PITTS and DONNA K. BISHOP, **CEASE AND DESIST** from any further actions in the state of Arkansas in connection with the offer or sale of the securities described above and any other securities until such time as the securities are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act and the persons offering them for sale are properly registered or shown to be exempt from registration pursuant to the Arkansas Securities Act.

WITNESS MY HAND AND SEAL this 11th day of September, 2006.



Michael B. Johnson
ARKANSAS SECURITIES COMMISSIONER