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ARKANSAS SECURITIES DEPT.

STATE OF ARKANSAS  
SECURITIES DEPARTMENT

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IN THE MATTER OF  
NORMAN HATCHETT,  
d/b/a LUCA FUND

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Case No. S-08-007  
No. S-08-007-08-CD01

**CEASE AND DESIST ORDER**

On March 7, 2008, the Staff of the Arkansas Securities Department (Staff) filed its Request for Cease and Desist Order (Request) stating that it has received information and has in its possession certain evidence which indicates that Norman Hatchett (Hatchett), d/b/a the Luca Fund, and others unknown to the Staff connected with Hatchett and/or business entities owned and/or controlled by him have violated provisions of the Arkansas Securities Act (Act), codified at Ark. Code Ann. §§ 23-42-101, *et seq.* The Arkansas Securities Commissioner (Commissioner) has reviewed the Request, and upon the representations made therein, finds:

**Findings of Fact**

1. The Staff's Request asserts the following representations of fact:
  - A. Hatchett was at all times discussed herein a resident of Rogers, Arkansas. His last known address is 1921 North Stone Manor, Rogers, Arkansas 72758-8208.
  - B. The Luca Fund appears to be an unregistered fictitious name by which Hatchett has done business online at a website, lucafund.net. The domain name, lucafund.net, was apparently rented by Hatchett. As of March 10, 2008, the website lucafund.net is no longer available.

- C. James Luca originally registered the domain name, lucafund.net, in November 2005. His last known address was in Des Moines, Iowa. The Staff has not been able to verify Luca's involvement in Hatchett's enterprise.
- D. From April 2007 until early 2008, Hatchett operated the website, lucafund.net, on which Hatchett conducted a High Yield Investment Program (HYIP). It appears that before April 2007, the lucafund.net website was used by someone else, possibly James Luca, as a HYIP. When accessible, the website stated that the Luca Fund was established in March 2004 and "launched" in September 2005. The transfer of the website to Hatchett in April 2007 would seem to most people using the website to have been seamless and unnoticeable.
- E. Through trading in commodities and foreign currencies on the foreign currency exchange, or forex, market, Hatchett claimed on his website that investors could make phenomenal returns:
- What we will provide you with is a steady and stable return of 6% weekly with payments made every Monday. This allows 212% in the first year (after 100% for principle [sic] recovery) and 312% each year after.
- F. There was to be no time limit on the amount of money one could make. According to the website, payments on any investment were to go on forever:
- There is no length of term, you receive payments for life. When we have additional capital to work with, we make more money than we would have otherwise through our trading efforts. When we make money, you make money, and we see no reason to place a time limit on a win/win situation.
- G. According to a section of the website entitled, Rules, because investments in Luca Fund were "a private transaction," the Luca Fund was exempt from all federal

securities regulation of any kind “and all other rules, regulations and amendments thereof.”

- H. According to several online sites that monitor online HYIP programs, the Luca Fund was paying investors from December 2006, before Hatchett apparently had control of it, and continued paying investors until the latter part of July 2007. Since that date, the monitoring sites reflect that investors have not been paid any returns. At least one of the monitoring websites has blacklisted the Luca Fund.
- I. Since approximately July 2007, there have been no communications posted by the Luca Fund, and emails sent to the website have not been answered.
- J. Neither Hatchett, nor anyone connected with the Luca Fund, is registered with the Arkansas Securities Department (Department) in any capacity.
- K. A check of the records of the Department shows that no security issued by the Luca Fund is registered in accordance with the Act.
- L. A check of the records of the Commodity Futures Trading Commission (CFTC) shows that neither Hatchett, nor anyone connected with the Luca Fund has ever been registered with the CFTC in any capacity.

### **Applicable Law**

2. The definition of “security” includes an investment contract. Ark. Code Ann. § 23-42-102(15)(A)(xi).

3. 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. Ark. Code Ann. § 23-42-501.

4. 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. Ark. Code Ann. § 23-42-507(2).

5. Whenever it appears to the Commissioner that any person has engaged or is about to engage in an act or practice constituting a violations 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. Ark. Code Ann. § 23-42-209.

### **Conclusions of Law**

6. Investors making an investment in the Luca Fund would only invest money. All other activities that could result in making money were to be performed by Hatchett, d/b/a the Luca Fund, who represented that he could achieve phenomenal returns. The investor would and could play only a passive role and not be involved in the day-to-day operations of the enterprise in which he or she had invested. It stands to reason that any prospective investor who had knowledge of the foreign exchange and commodities markets could and would do business elsewhere. The typical Luca Fund investor was dependent on Hatchett, d/b/a the Luca Fund, to manage and operate this business. It does not appear that individual investors had any meaningful input into the management of these investments. The investors in the Luca Fund would be involved in a common enterprise with the expectation of profits to be produced only from the managerial efforts of others. Therefore, the investment sold in the Luca Fund is an investment contract and therefore a security as defined at Ark. Code Ann. § 23-42-102(15)(A)(xi).

7. Because these investment contracts were not registered with the Department, or exempt from registration, their sale was the sale of unregistered securities, a violation of Ark. Code Ann. § 23-42-501.

8. The representations set out in Paragraph 1.G, the statement that because these investments are private transactions, they were exempt from all federal regulations and rules, is a false statement made in connection with the offer or sale of a security in violation of Ark. Code Ann. § 23-42-507(2). Further, the representations set out in Paragraph 1.E, the representation that investors could reasonably expect to realize gains on their investments of 6% a week, 212% in the first year and 312% for every year thereafter, ad infinitum, was a false statement made in connection with the sale or offer of a security in violation of Ark. Code Ann. § 23-42-507(2).

### **Opinion**

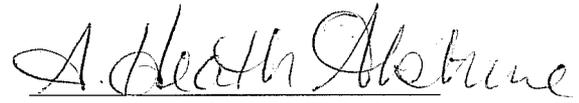
It appears to the Commissioner that Hatchett, d/b/a the Luca Fund, has violated the Act as set forth above and that this Order is in the public interest.

IT IS THEREFORE ORDERED that Norman Hatchett, d/b/a the Luca Fund, as well as others whose identities are not yet known who are employed by or otherwise affiliated with Norman Hatchett, d/b/a the Luca Fund, directly or through other business entities owned or controlled by Norman Hatchett, CEASE AND DESIST from the acts or practices set forth above which violate the Arkansas Securities Act and the rules and orders promulgated pursuant to the Arkansas Securities Act;

BE IT FURTHER ORDERED, that a hearing on this Order shall be held upon the written request of Norman Hatchett if such request is received by the Commissioner within thirty days of the date of this Order; and

BE IT FURTHER ORDERED, that if no hearing is requested or ordered by the Commissioner, this Order will remain in effect until it is modified or vacated by the Commissioner.

WITNESS MY HAND AND SEAL, March 10, 2008.

A handwritten signature in cursive script that reads "A. Heath Abshire". The signature is written in black ink and is positioned above the printed name and title.

A. Heath Abshire  
Arkansas Securities Commissioner