

STATE OF ARKANSAS
SECURITIES DEPARTMENT

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ARKANSAS SECURITIES DEPT.

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

Case No. S-08-007

REQUEST FOR 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 NORMAN HATCHETT, the TRANSPACIFIC GROUP, LTD., the LUCA FUND, and others unknown to the Staff connected with those persons and entities have violated provisions of the Arkansas Securities Act (the Act), codified at Ark. Code Ann. §§ 23-42-101, *et seq.* (Repl. 2000).

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of sections of the Arkansas Securities Act, §§ 23-42-101, *et seq.* (Repl. 2000) (Act), and is therefore properly before the Arkansas Securities Commissioner (Commissioner) in accordance with Ark. Code Ann. § 23-42-209 (Repl. 2000).

RESPONDENTS

2. NORMAN HATCHETT (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.

3. Although not technically respondents, the proposed cease and desist order includes two other names:

- a. 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.
- b. James Luca originally registered the domain name, lucafund.net, in November, 2005. His last known address was in Des Moines, Iowa. At this point, the Staff has not been able to verify Luca's involvement in HATCHETT's enterprise.

FACTS SUPPORTING CEASE AND DESIST ORDER

4. From April, 2007 until the present, HATCHETT has run a the website, lucafund.net, on which HATCHETT conducted what is known as 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. The website as it presently exists states 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.
5. 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.

6. 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.

7. 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.”
8. 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.
9. Since approximately July, 2007, there have been no communications posted by the LUCA FUND, and emails sent to the website have not been answered.
10. Neither HATCHETT, nor anyone connected with the LUCA FUND is registered with the Arkansas Securities Department (Department) in any capacity.
11. 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

12. Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2007) in pertinent part defines a security as an investment contract.
13. 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.
14. The Commodities Exchange Act, as amended by the Commodity Futures Modernization Act of 2000, makes it unlawful to offer commodities and foreign currency futures and option contracts to retail customers unless the offeror is a regulated financial entity, such as a financial institution, a broker-dealer, a futures commission merchant, an insurance company, a financial holding company or an investment bank holding company and registered with the Commodities Futures Trading Commission. *See* 7 U.S.C. § 6.
15. 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.

VIOLATIONS OF LAW

16. The facts set out in ¶¶ 4-6 clearly show the offer of an investment contract, as that term is defined in Ark. Code Ann. § 23-42-102(15)(A)(xi) (Supp. 2007), whereby investors were led to expect to make money based on HATCHETT's efforts in trading in commodities and in forex transactions involving foreign currencies.

17. The facts set out in ¶¶ 8-10 show the actual unregistered sales of investment contracts in violation of Ark. Code Ann. § 23-42-501 (Repl. 2000).
18. The facts set out in ¶ 7, 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, a violation of Ark. Code Ann. § 23-42-507(2) (Repl. 2000).
19. In light of the absence of any registration with the CFTC in any capacity by HATCHETT or the LUCA FUND, 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) (Repl. 2000).

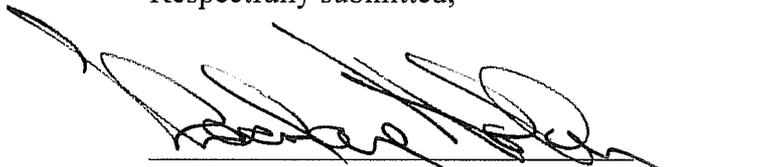
LEGAL AUTHORITY TO ISSUE CEASE AND DESIST ORDER

20. Ark. Code Ann. § 23-42-209(a)(1)(A) (Repl. 2000) provides that whenever it appears 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 the Act, he may summarily order the person to cease and desist from the act or practice.

WHEREFORE, the Staff respectfully requests that the Commissioner summarily issue a cease and desist order against 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, ordering them to 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.

Respectfully submitted,



Theodore Holder
ASSISTANT SECURITIES COMMISSIONER

Attorney for the Staff
Arkansas Securities Department