INITIAL DECISION RELEASE NO. 286
ADMINISTRATIVE PROCEEDING
FILE NO. 3-11573

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

In the Matter of	:	
	:	
HAROLD F. HARRIS,	:	INITIAL DECISION
and RONALD E. CREWS	:	June 1, 2005
	:	
	:	

APPEARANCES: Lawrence C. Renbaum and Kenneth J. Guido for the Division of Enforcement, Securities and Exchange Commission

Harold F. Harris, pro se

Ronald E. Crews, pro se

BEFORE: Lillian A. McEwen, Administrative Law Judge

SUMMARY

Respondents Harold F. Harris (Harris) and Ronald E. Crews (Crews) (collectively, Respondents) were permanently enjoined from committing future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder. This Initial Decision bars Respondents from participating in an offering of penny stock.

PROCEDURAL HISTORY

The Securities and Exchange Commission (Commission or SEC) issued its Order Instituting Proceedings (OIP) on August 3, 2004, pursuant to Section 15(b) of the Exchange Act. On November 3, 2004, I issued a Default Order against Respondents for failure to file Answers. See Exchange Act Release No. 50623. Respondents appealed by letter dated November 10, 2004, and on February 3, 2005, the Commission remanded the proceeding, ordering that Respondents' November 10 letter be considered as a motion to set aside the default. See Exchange Act Release No. 51130. On May 6, 2005, I granted Respondents' motion and vacated the Default Order. See Exchange Act Release No. 51662.

I held a two-day public hearing on March 29 and 30, 2005, in Jacksonville, Florida. Five witnesses, including Harris and Crews, testified. Twelve exhibits from the Division of Enforcement (Division) and sixteen exhibits from Respondents were admitted into evidence. The Division and Respondents filed Post-Hearing Briefs and Proposed Findings of Fact and Conclusions of Law on April 19 and May 6, 2005, respectively.[1]

ISSUES PRESENTED

The OIP alleges that on March 13, 2003, the United States District Court for the Southern District of New York entered a final judgment of default against Harris and Crews, permanently enjoining them from committing future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

The OIP alleges that the Commission's complaint in the underlying action charged Harris and Crews, as officers and directors of U.N. Dollars Corp. (U.N. Dollars), with manipulating the price and trading volume of U.N. Dollars' common stock in violation of the registration and antifraud provisions of the federal securities laws. According to the OIP, the complaint alleged that Harris and Crews improperly provided 10 million shares of unrestricted stock to pay a manipulator to affect the price and trading of U.N. Dollars' shares, and also drafted materially false and misleading press releases to deceive investors and create an artificial market for U.N. Dollars' stock. Finally, the OIP alleges that Harris and Crews participated in an offering of U.N. Dollars' common stock, which was a penny stock.

If I conclude that the allegations in the OIP are true, I must then determine, pursuant to Section 15(b) of the Exchange Act, whether remedial sanctions against Harris and Crews are appropriate in the public interest.

FINDINGS OF FACT

The findings and conclusions herein are based on the entire record. I applied preponderance of the evidence as the standard of proof for the Division's case. See Steadman v. SEC, 450 U.S. 91, 102 (1981). I have considered and rejected all arguments and proposed findings and conclusions that are inconsistent with this Initial Decision.

Background

[1] Citations to the hearing transcript will be noted as "(Tr. __.)." Citations to the Division's and Respondents' exhibits will be noted as "(Div. Ex. __.)," and "(Resp. Ex. __.)," respectively. Citations to the Division's and Respondents' Post-Hearing Briefs will be noted as "(Div. Post-Hearing Br. __.)," and "(Resp. Post-Hearing Br. __.)," respectively.

Crews, a fifty-four-year-old resident of Jacksonville, was chairman of the board of directors and chief executive officer of U.N. Dollars. (Answer at 3, 12; Tr. 160, 302, 341-43, 358; Div. Ex. 6 at 5.) Harris, a sixty-three-year-old resident of Jacksonville, was executive vice president and a director of U.N. Dollars. (Answer at 3, 12; Div. Ex. 6 at 5.) Both men resigned in April 2001. (Answer at 3; Div. Ex. 6 at 5.)

U.N. Dollars, based in Jacksonville, was not engaged in any revenue-producing business activities, and its common stock was quoted on the Over-the-Counter (OTC) Bulletin Board. (Answer at 5; Div. Ex. 6 at 4-5.) All of U.N. Dollars' assets and operations were spun off to Global Reserve Corporation (Global), an existing company quoted on the Pink Sheets. (Tr. 48-49, 303-12, 361-62, 368; Div. Ex. 4; Resp. Exs. 11, 12.) Harris is Global's executive vice president and a member of its board of directors, while Crews is Global's chairman of the board and chief executive officer. (Tr. 304-05, 358, 361-63, 368, 370, 388, 415; Div. Ex. 3; Resp. Exs. 11, 12 at 8-9.) Global, with more than 2,000 shareholders, has approximately 293 million shares outstanding. (Tr. 304-05, 395; Div. Ex. 4.) Respondents have offered Global shares to others in exchange for assets. (Tr. 305-12, 373.) Global acts as its own transfer agent and has never filed a registration statement for its shares. (Tr. 395-96.) Until shortly before the hearing in this matter, a Web site described Global's business activities. (Tr. 381-84; Resp. Exs. 11, 12.) The company is currently seeking funding to finance additional acquisitions. (Tr. 305-12, 373.)

The Civil Injunction

In August 1999, Harris began discussions with Edward Durante (Durante), a stock promoter, concerning financing and stock promotion for U.N. Dollars. (Answer at 5-7; Tr. 254-55; Div. Exs. 1 at 34, 6 at 6-7, 9 at 2-3.) Durante, who owned and operated Carib Securities Ltd. (Carib), offered to raise U.N. Dollars' stock price to around $5.00 per share with an average daily trading volume of 250,000, at a time when it sold for $0.01 per share with little or no trading volume. (Answer at 2, 5-6; Div. Exs. 6 at 5-7, 9 at 3.) In September 1999, U.N. Dollars and Carib reached an agreement, providing Durante with 10 million shares of U.N. Dollars stock to facilitate Durante's manipulation scheme and possibly finance U.N. Dollars. (Answer at 1-2, 6; Div. Exs. 1 at 34, 6 at 6-7, 9 at 3; Resp. Ex. 4 at 2.)

On October 11, 2001, the Commission filed a complaint against Harris, Crews, and others in the United States District Court for the Southern District of New York entitled SEC v. U.N. Dollars Corp., 01 Civ. 9059 (AGS). (Div. Ex. 6.) The Commission's complaint alleged that from December 1999 through March 2000, Respondents engaged in a fraudulent scheme designed to manipulate the public market for U.N. Dollars' stock, in violation of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. (Div. Ex. 6.)

The complaint alleged that, on or about September 23, 1999, Harris, who also was U.N. Dollars' transfer agent, issued 10 million shares to Carib and other entities controlled by Durante, as directed by Durante. (Div. Exs. 6 at 7, 9 at 3.) Crews ratified this unregistered stock issuance. (Div. Exs. 6 at 7, 9 at 3.) Subsequently, Durante returned most of the 10 million shares to U.N. Dollars through Depository Trust Corporation to be cleared or reissued in street name, so the shares could be sold on the OTC Bulletin Board. (Div. Exs. 6 at 8, 9 at 3.) These

shares were never registered with the Commission. (Div. Ex. 6 at 8.) After issuing these new shares to Durante's entities, Harris knew or recklessly disregarded that Durante and his affiliates controlled more than eighty percent of the outstanding shares of U.N. Dollars in the market. (Div. Exs. 6 at 8, 9 at 3.)

The complaint next alleged that between December 1999 and February 2000, Durante transferred 5.8 million shares of U.N. Dollars from accounts held in the name of the entities he controlled to brokerage accounts at Union Securities, Ltd. (Union). (Div. Exs. 6 at 8, 9 at 3-4.) In December 1999, Durante began buying U.N. Dollars' stock in the Union accounts to create an artificial market for U.N. Dollars' stock. (Div. Exs. 6 at 8, 9 at 4.) Between January and March 2000, Durante bought U.N. Dollars' stock in the Union accounts at artificially inflated prices, creating the appearance of a demand for the stock and rising prices. (Div. Exs. 6 at 8-9, 9 at 4.) This caused market-makers to raise the price of U.N. Dollars' stock. (Div. Ex. 9 at 4.) Also between January and March 2000, Durante bought and sold U.N. Dollars' stock in the Union accounts, creating the appearance of a market for its securities. (Div. Exs. 6 at 8, 9 at 4.) He was responsible for the majority of buy and sell orders on multiple days of trading. (Div. Exs. 6 at 8-9, 9 at 4.) Many of the trades were directly offsetting purchases and sales between Durante's brokerage accounts at Union and were designed to create a larger reported trading volume. (Div. Ex. 6 at 8-9.)

These activities caused an increase in the trading volume and price of U.N. Dollars' stock. (Div. Exs. 6 at 8-9, 9 at 4.) By March 13, 2000, when the Commission suspended trading in U.N. Dollars' stock, Durante had created artificial volume by purchasing more than 3 million shares of U.N. Dollars' stock in the Union accounts, and by selling more than 3.2 million shares from the Union accounts. (Answer at 2; Div. Exs. 6 at 8-9, 9 at 4, 12; Resp. Ex. 4 at 2.) Durante also successfully moved the stock price from a low of $0.01 per share in September 1999 to $1.25 per share on March 13, 2000. (Div. Exs. 6 at 8-9, 9 at 5.)

The complaint alleged that Respondents participated in all actions taken by Durante and Carib, and knew or recklessly disregarded the fact that U.N. Dollars had contracted with Carib to increase the price and trading volume of U.N. Dollars' stock. (Div. Ex. 6 at 9.)

The complaint alleged that, to support the manipulative scheme, Durante in February 2000 contracted for investor relations services on U.N. Dollars' behalf to publish U.N. Dollars press releases. (Div. Exs. 6 at 9, 9 at 5.) Durante instructed Harris to issue press releases that would generate positive publicity about U.N. Dollars. (Div. Exs. 6 at 9, 9 at 5.) Harris wrote or dictated the initial drafts of the press releases, provided all substantive information, and personally approved the final versions prior to distribution. (Div. Exs. 6 at 9, 9 at 5.) Crews ratified what Harris had written. (Tr. 79; Div. Exs. 6 at 9, 9 at 5.) In total, the company issued approximately six press releases. (Answer at 2; Div. Ex. 6 at 2, 9-11; Resp. Ex. 4 at 2.)

The complaint alleged that each of the U.N. Dollars press releases contained materially false and misleading information. (Div. Exs. 6 at 9-10, 9 at 5.) For example, U.N. Dollars stated that it was "in the process of acquiring a major gypsum deposit in the western United States" and that it "sign[ed] a letter of intent for funding of $400 million for acquisition of major gypsum deposit in Wyoming." (Div. Exs. 6 at 10, 9 at 5-6.) However, U.N. Dollars did not have any

funding for that acquisition, nor had any lenders signed a letter of intent to fund the acquisition. (Div. Exs. 6 at 10, 9 at 6.) Additionally, U.N. Dollars claimed that it "received a signed letter of intent for the acquisition of [a West Virginia oil and gas company] with reserves in excess of $2 billion." (Div. Exs. 6 at 11, 9 at 7.) In reality, U.N. Dollars never had a copy of a signed letter of intent from that company, and no agreement was ever reached. (Div. Exs. 6 at 11, 9 at 7.) Harris and Crews knew the releases contained false and misleading statements, and recklessly disregarded or intentionally omitted contrary facts, which, if disclosed, would have made the releases less misleading. (Div. Exs. 6 at 9-10, 9 at 5.) In February 2000, the investor relations service distributed the U.N. Dollars press releases to Business Wire, and several Internet financial news Web sites reprinted the releases. (Div. Exs. 6 at 9, 9 at 5.)

U.N. Dollars also maintained a Web site that described its business activities. (Answer at 10-11; Div. Exs. 6 at 12, 9 at 7.) According to the complaint, that Web site, authored by Harris and Crews, contained several materially false and misleading statements and omissions about the company's prospects. (Div. Exs. 6 at 12, 9 at 7.) The site claimed that U.N. Dollars was operating as a holding company and misrepresented that, from an investing point of view, U.N. Dollars was "functioning as both a diversified holding company and a composite of the best mutual funds." (Div. Exs. 6 at 12, 9 at 7-8.) In reality, an investment in U.N. Dollars was not comparable to an investment in any mutual fund, and U.N. Dollars had no revenue-producing subsidiaries during the relevant time period. (Div. Exs. 6 at 12, 9 at 8.) Through some earlier stock issuances, it had acquired a handful of inactive companies, real estate, and business plans that the company had not yet executed. (Div. Exs. 6 at 12, 9 at 8.) The Web site also misrepresented that U.N. Dollars would achieve "an average annual return on assets in excess of 25%." (Div. Exs. 6 at 12, 9 at 8.) This return was never achieved, and U.N. Dollars owned no actual investments to generate such a return. (Div. Exs. 6 at 12, 9 at 8.) Between January and March 2000, the concerted effort to artificially increase the price of U.N. Dollars stock generated profits of $1,937,698.38. (Div. Ex. 9 at 8.)

Harris and Crews were served with the complaint through their attorney on November 6, 2001. (Tr. 14; Div. Exs. 7 at 2, 8 at 1-2.) On February 21, 2002, nearly three months after the deadline for Harris and Crews to answer the complaint, the district court clerk issued a Certificate of Default against both Respondents. (Div. Exs. 7 at 3, 19-20, 8 at 2.) The Commission filed a motion for default judgment against Respondents on September 18, 2002. (Div. Exs. 7, 8 at 2.) Respondents, proceeding pro se, filed answers and opposition papers on October 22, 2002. (Answer at 3, 14; Div. Ex. 8 at 2.)

On January 28, 2003, the district court issued a Memorandum Order, granting the Commission's motion for default judgment against Harris and Crews. (Answer at 4, 17; Div. Ex. 8.) The district court found that Respondents' "failure to make any perceptible effort to inform the Court of their intentions with respect to the claims asserted against them" indicated that their default was willful. (Div. Ex. 8 at 2-3.) The district court further found that Respondents had not presented any meritorious defenses to the complaint's allegations. (Div. Ex. 8 at 3-4.) More specifically, Respondents asserted that: (1) the misleading press releases contained forward-looking statements covered by the statutory safe harbor; and (2) when they issued shares of U.N. Dollars to Durante, they were under the mistaken impression that the shares did not need to be registered. (Tr. 251-55; Div. Ex. 8 at 3-4.) The district court rejected the first defense, because

the statutory safe harbor does not apply to SEC enforcement actions, or to penny stocks, like U.N. Dollars' stock. (Div. Ex. 8 at 3-4.) The court also rejected the second defense, because scienter is not an element of a Section 5 violation. (Div. Ex. 8 at 4.)

On March 11, 2003, the district court entered a final judgment of default against Harris and Crews: (1) permanently enjoining them from committing future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; (2) barring them from acting as officers or directors of any issuer having a class of securities registered with the Commission pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act; (3) ordering them to disgorge $1,937,698.38, plus prejudgment interest of $412,868.61; and (4) ordering each to pay a third-tier civil penalty of $110,000. (Answer at 4; Tr. 15, 372, 394; Div. Ex. 9 at 11-14.) On May 13, 2004, the United States Court of Appeals for the Second Circuit affirmed the district court's default judgment against Respondents for substantially the same reasons set forth in the district court's Memorandum Order of January 28, 2003. (Answer at 5; Tr. 31; Div. Ex. 10.) On August 2, 2004, the court of appeals denied Respondents' petition for a rehearing en banc. (Answer at 5; Tr. 116; Div. Ex. 11.)

CONCLUSIONS OF LAW

The Permanent Injunction

The United States District Court for the Southern District of New York found Harris and Crews liable for engaging in a fraudulent scheme to manipulate the market for U.N. Dollars' stock. The district court entered a final judgment by default against Respondents on March 11, 2003, permanently enjoining them from committing future violations of Section 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. (Div. Ex. 9.) Based on the foregoing, I conclude that Respondents were enjoined by a court of competent jurisdiction in connection with the purchase and sale of a security within the meaning of Sections 15(b)(4)(C) and 15(b)(6)(A) of the Exchange Act.

Penny Stock

Under Section 15(b)(6)(C) of the Exchange Act, the term "person participating in an offering of penny stock" includes any person acting as a promoter, finder, consultant, agent, or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of penny stock. At the time of the misconduct alleged in the complaint, U.N. Dollars' stock was a penny stock and Harris and Crews were persons "participating in an offering of penny stock." (Answer at 1-7; Tr. 251-55, 341-43, 358; Div. Exs. 1 at 34-35, 6 at 4-12, 8 at 3-4, 9 at 2-8; Resp. Ex. 4 at 2.)

SANCTIONS

Pursuant to Section 15(b) of the Exchange Act, the Commission may bar a respondent from participating in an offering of penny stock if: (1) the respondent has been enjoined in

connection with the purchase or sale of a security and, at the time of the misconduct alleged in the injunctive action, the respondent was participating in a penny stock offering; and (2) a bar is in the public interest. I have already concluded that Respondents were enjoined in connection with the purchase and sale of a security. I have also concluded that, at the time of the misconduct alleged in the injunctive proceeding, Respondents were participating in a penny stock offering. Therefore, the only remaining issue is what sanction, if any, is in the public interest.

In determining whether a sanction is in the public interest, the Commission considers the following factors:

> [T]he egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979) (citation omitted), aff'd on other grounds, 450 U.S. 91 (1981).

The Commission has noted that the fact that a person has been enjoined from violating the antifraud provisions has especially serious implications for the public interest. See Michael T. Studer, 83 SEC Docket 2853, 2861 (Sept. 20, 2004); Marshall E. Melton, 80 SEC Docket 2812, 2822-26 (July 25, 2003). The existence of such an injunction can, in the first instance, indicate the appropriateness in the public interest of revocation of registration or a suspension or bar from participation in the securities industry. See Michael Batterman, 84 SEC Docket 1349, 1359 (Dec. 3, 2004); Melton, 80 SEC Docket at 2822-26.

Respondents issued the press releases and the U.N. Dollars shares to Durante and his entities, as identified in the Commission's complaint. (Answer at 1-2, 5-11, 21-24; Tr. 79, 272; Div. Exs. 6, 8, 9; Resp. Post-Hearing Br. at 4-12.) Their actions were, at a minimum, willful. See Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000); Arthur Lipper Corp. v. SEC, 547 F.2d 171, 180 (2d Cir. 1976). Respondents' misconduct was also recurrent, spanning several months.

At the hearing, Respondents introduced testimony and letters attesting to their good character and honesty. (Tr. 153-59, 170-72; Resp. Exs. 6-9, 13-16.) Respondents also stated that they have made mistakes or errors in judgment, but are trying to do the right thing. (Answer at 23; Tr. 374: Resp. Post-Hearing Br. at 9.) While this testimony constitutes some mitigating evidence of remorse and rehabilitation, I find it is insufficient to merit a lower sanction. Much of Respondents' proof consists of collateral attacks on issues resolved against them in the underlying proceeding. In particular, Respondents raise the same defenses here that the district court rejected in granting the Commission's motion for default judgment. (Answer at 8, 24, 30; Tr. 9, 37-41, 78-80, 126-27, 136, 147-48, 251-54, 292, 299, 413-15; Resp. Post-Hearing Br. at 5-12, 16.) They also incredibly assert that they did not willfully default in the underlying proceeding. (Answer at 14, 17-21; Tr. 9, 38-41, 413-14; Resp. Post-Hearing Br. at 13-20.)

Respondents also repeatedly contend incredibly that the U.N. Dollars shares were issued pursuant to a valid exemption from registration and that they did not know of, condone, or participate in any fraudulent conduct. (Answer at 6-12, 15-16, 21-24, 29-30; Tr. 9, 251-54, 272, 413, 445-47; Resp. Post-Hearing Br. at 5-12.) Consequently, I conclude that Respondents have not offered adequate assurances against future violations, nor have they recognized the wrongfulness of their conduct.

Respondents both currently serve as officers and directors of Global, a spin-off of U.N. Dollars with stock quoted on the Pink Sheets. Essentially, Global appears to be a continuation of U.N. Dollars; it owns many of the same assets and Respondents hold the same titles. (Tr. 48-49, 303-12, 361-62, 368; Resp. Ex. 12.) Respondents have expressed a desire to continue operating Global, seek additional funding, and proceed with acquiring assets. (Tr. 305-12, 373-74; Resp. Post-Hearing Br. at 32-35.) Accordingly, I conclude that Respondents will have ample opportunities to commit future violations. After considering the Steadman factors in their entirety, I conclude that it is in the public interest to bar Respondents from participating in an offering of penny stock.

RECORD CERTIFICATION

Pursuant to Rule 351(b) of the Commission's Rules of Practice, 17 C.F.R. § 201.351(b), I hereby certify that the record includes the items set forth in the record index issued by the Secretary of the Commission on May 16, 2005.

ORDER

Based on the findings and conclusions set forth above:

IT IS ORDERED THAT, pursuant to Section 15(b) of the Securities Exchange Act of 1934, Harold F. Harris be and he hereby is BARRED from participating in an offering of penny stock;

IT IS FURTHER ORDERED THAT, pursuant to Section 15(b) of the Securities Exchange Act of 1934, Ronald E. Crews be and he hereby is BARRED from participating in an offering of penny stock.

This Initial Decision shall become effective in accordance with and subject to the provisions of Rule 360 of the Commission's Rules of Practice, 17 C.F.R. § 201.360. Pursuant to that Rule, a party may file a petition for review of this Initial Decision within twenty-one days after service of the Initial Decision. A party may also file a motion to correct a manifest error fact within ten days of the Initial Decision, pursuant to Rule 111 of the Commission's Rules of Practice, 17 C.F.R. § 201.111. If a motion to correct a manifest error of fact is filed by a party, then that party shall have twenty-one days to file a petition for review from the date of the undersigned's order resolving such motion to correct a manifest error of fact. The Initial Decision will not become final until the Commission enters an order of finality. The Commission will enter an order of finality unless a party files a petition for review or a motion to correct a manifest error of fact or the Commission determines on its own initiative to review the

Initial Decision as to a party. If any of these events occur, the Initial Decision shall not become final as to that party.

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Lillian A. McEwen
Administrative Law Judge