

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 8584 / July 6, 2005**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2402 / July 6, 2005**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-11973**

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<b>In the Matter of</b>	:	<b>ORDER INSTITUTING</b>
	:	<b>CEASE-AND-DESIST AND</b>
	:	<b>ADMINISTRATIVE</b>
<b>CORCOM COMPANIES, INC.,</b>	:	<b>PROCEEDINGS, MAKING</b>
<b>dba BLUEFIRE PARTNERS, INC.,</b>	:	<b>FINDINGS, AND IMPOSING</b>
<b>BLUEFIRE RESEARCH, INC., AND</b>	:	<b>CEASE-AND-DESIST ORDERS</b>
<b>WILLIAM P. BARTKOWSKI,</b>	:	<b>AND REMEDIAL SANCTIONS</b>
	:	<b>PURSUANT TO SECTION 8A</b>
<b>Respondents.</b>	:	<b>OF THE SECURITIES ACT</b>
	:	<b>OF 1933 AND SECTION 203(f)</b>
	:	<b>OF THE INVESTMENT</b>
	:	<b>ADVISERS ACT OF 1940</b>

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**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against CorCom Companies, Inc., dba BlueFire Partners, Inc., BlueFire Research, Inc., and William P. Bartkowski (collectively the “Respondents”). The Commission further deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against William P. Bartkowski.

**II.**

In anticipation of the institution of these proceedings, Respondents CorCom Companies, Inc., dba BlueFire Partners, Inc., BlueFire Research, Inc., and William P. Bartkowski have each submitted Offers of Settlement (“Offers”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the

Commission's jurisdiction over the Respondents and the subject matter of these proceedings, which are admitted, the Respondents consent to the entry of this Order Instituting Cease-and-Desist and Administrative Proceedings, Making Findings, and Imposing Cease-And-Desist Orders and Remedial Sanctions Pursuant to Section 8A of the Securities Act of 1933 and Section 203(f) of the Investment Advisers Act of 1940 ("Order"), as set forth below.

### III.

On the basis of this Order and the Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Respondents

1. **CorCom Companies, Inc., dba BlueFire Partners, Inc. ("BlueFire Partners")** was, during the relevant period, a privately-held Minneapolis-based investor relations and business process consulting provider that owned all of BlueFire Research, Inc.'s stock. BlueFire Partners and its predecessors have been in the investor relations business since 1959.

2. **BlueFire Research Inc. ("BlueFire Research")**, a wholly-owned subsidiary of BlueFire Partners, was incorporated in August 1999 to provide research coverage for micro, small and mid-cap public companies. In February 2000, BlueFire Research registered with the Commission as an investment adviser and held itself out to the investing public as an SEC-registered investment adviser. BlueFire Research withdrew its investment advisory registration in 2003.

3. **William P. Bartkowski ("Bartkowski")**, age 53, has, at various times, been BlueFire Partners' Chief Executive Officer ("CEO"), Managing Director and Chairman of the Board. He has also been BlueFire Research's CEO, Chief Financial Officer and Chairman of the Board. In 1995 Bartkowski became an equity owner and managing director of CorCom Companies, Inc. By 1999 Bartkowski owned 35 percent of the company. During the relevant period, Bartkowski was CEO of BlueFire Research.

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<sup>1</sup> The findings herein are made pursuant to the Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

## **Relevant Entity**

4. **First Call Direct Research Service (“First Call”)**, owned by Thomson Financial, Inc., aggregates research reports into a computer database, extracts sales and earnings estimates from the research reports, and calculates consensus estimates on the companies featured in the reports. First Call makes available to its on-line subscribers both the research reports and the consensus estimates. First Call subscribers are typically “buy-side” institutional money managers who pay a fee to First Call. In return, the subscribers receive access, on their computer terminals, to First Call’s database.

## **Background**

5. BlueFire Partners, operating under various names, was in the investor relations business from 1959 through the period relevant to this Order. Its investor relations clients were, in general, micro, small and mid-cap public companies. One of the tasks for which these clients often hired BlueFire Partners was to increase institutional ownership of their stock. To achieve this, BlueFire Partners provided an array of services to its investor relations clients that included, among other things, contacting money managers to encourage them to look at BlueFire Partners’ clients as potential investments; sponsoring investor conferences; assisting with media coverage; and assisting with the drafting of client press releases and annual reports.

6. Equity research was an important component of BlueFire Partners’ investor relations program for certain of its small and mid-cap public company clients. BlueFire Partners relied heavily on research reports to disseminate information about its clients to institutional investors. In the late 1990s many of the clients of BlueFire Partners had little or no research coverage. Thus, Bartkowski and BlueFire Partners’ co-owners decided that BlueFire Partners needed to provide research reports on their investor relations clients. In 1999 Bartkowski and BlueFire Partners’ co-owners incorporated BlueFire Research, a wholly-owned subsidiary of BlueFire Partners, to prepare research reports on BlueFire Partners’ clients.

7. In February 2000, BlueFire Research registered with the Commission as an investment adviser. In BlueFire Research’s press releases and in its research reports, it held itself out to the investing public as an SEC-registered investment adviser. BlueFire Research withdrew its investment advisory registration in 2003.

8. Certain prospective clients of BlueFire Partners emphasized the importance of getting research coverage that would be disseminated through First Call, and Bartkowski and BlueFire Partners’ co-owners decided that BlueFire Research should prepare research reports that would be disseminated by First Call.

9. Bartkowski knew that First Call had a policy against disseminating research that had been paid for by the featured companies. By issuing research reports through BlueFire Research, the Respondents created the impression that BlueFire Research

reports were being issued by an entity that was not being compensated for the reports, and that the reports complied with First Call's policy against disseminating paid-for research.

10. In actuality there was no difference between BlueFire Partners and BlueFire Research—they were operated as one business. Bartkowski was CEO of both BlueFire Partners and BlueFire Research; the two companies occupied the same office; client payments to BlueFire Partners were deposited into BlueFire Partners' sole bank account; and this account was used to pay salaries of the BlueFire Research report authors. BlueFire Research was not an operating entity and it had no employees.

11. In July 2000, BlueFire Research entered into an agreement with First Call to have BlueFire Research reports disseminated on First Call's electronic system, and to have BlueFire Research's forecasts included in First Call's consensus estimates.

12. From 2000 through August 2003, BlueFire Research provided research coverage on approximately 36 public companies, all but one of which were clients of BlueFire Partners. The research reports were mostly highly favorable buy recommendations. They included investment opinions, revenue and earnings projections, and stock price targets. First Call included the BlueFire Research reports in its database, and First Call included BlueFire Research's revenue and earnings forecasts in its consensus estimates.

13. BlueFire Partners' clients paid it for research coverage. Most of the written service agreements between BlueFire Partners and its clients specifically show that the clients paid BlueFire Partners to have BlueFire Research prepare research reports on them and disseminate the research reports through First Call. Bartkowski signed client service agreements that expressly provided that the clients would pay for research coverage. Additionally, BlueFire Partners used payments from public companies featured in BlueFire Research reports to pay BlueFire Research's salaried research report authors.

14. From 2000 until September 2003, BlueFire Research issued approximately 250 research reports (or research updates) on approximately 36 public companies. The research reports did not disclose that the featured companies had paid for the research. The BlueFire Research reports also failed to disclose the amount of the past or prospective consideration BlueFire Partners received for the research reports. Some of the research reports disclosed the historical dollar amount clients paid, on average, to BlueFire Partners for advisory and consulting services, and others were silent on the subject.

15. For example, an October 2002 BlueFire Research report contained the following disclaimer: "Unless otherwise noted, BlueFire Partners provides capital markets advisory and other consulting services to the subject company of this report. However, the subject company of BlueFire Research coverage pays no direct fees or compensation to BlueFire Research or BlueFire Partners for coverage. In calendar year

2001, companies covered by BlueFire Research paid an average of \$60,000 in various fees to BlueFire Partners for advisory and consulting services.” BlueFire Research included a similar disclaimer in other research reports.

16. Securities Act Section 8A authorizes the Commission to enter a cease-and-desist order against any person that causes a violation of any provision of the Securities Act.

17. As a result of the conduct above, BlueFire Research violated, BlueFire Partners caused violations of, and Bartkowski willfully<sup>2</sup> aided and abetted and caused violations of Section 17(b) of the Securities Act, which makes it unlawful to publish any communication that describes a security for consideration received, directly or indirectly, from an issuer (or underwriter or dealer), without fully disclosing the receipt and amount of the past or prospective consideration.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions specified in the Respondents’ Offers.

**Accordingly, it is hereby ORDERED:**

A. That Respondents, pursuant to Section 8A of the Securities Act, cease and desist from committing or causing any violations and any future violations of Section 17(b) of the Securities Act; and

B. That Respondent Bartkowski shall pay a civil money penalty in the amount of \$50,000 to the United States Treasury. Bartkowski shall pay \$25,000 to the United States Treasury within ten (10) days of the entry of this Order. Bartkowski shall pay the remaining \$25,000 to the United States Treasury by January 31, 2006. Bartkowski shall pay postjudgment interest on any portion of the \$50,000 that he does not pay within ten days of the date of entry of the Order, computed pursuant to 28 U.S.C. §1961, except that postjudgment interest shall be calculated from the tenth day after the date of entry of the Order. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier’s check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under a cover letter that identifies Bartkowski as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Fredric D. Firestone, Division of Enforcement, Securities and Exchange Commission,

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<sup>2</sup> “Willfully” as used in this Order means intentionally committing the act that constitutes the violation. *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000); *Tager v. SEC*, 344 F. 2d 5, 8 (2d Cir. 1965). There is no requirement that the actor also be aware that he is violating one of the Rules or Acts.

100 F Street NE, Washington, DC 20549. Respondent Bartkowski agrees that if the full amount of any payment described above is not made within ten (10) days following the date the payment is required by this Order, the entire amount of civil penalties, \$50,000, minus payments made, if any, is due and payable immediately without further application.

By the Commission.

Jonathan G. Katz  
Secretary