

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 75081 / June 1, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16565

In the Matter of

BARRY HAWK,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Barry Hawk (“Hawk” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) that 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, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

These proceedings arise out of a fraudulent scheme in which insiders of publicly traded penny stock companies paid secret kickbacks to a purported corrupt hedge fund manager, who was in fact an undercover agent with the Federal Bureau of Investigation (“Fund Manager”), in exchange for the Fund Manager’s purchase of restricted stock of the penny stock companies on behalf of his purported hedge fund (“the Fund”), which did not actually exist.

Respondent

1. Respondent, age 46, a resident of Woodmere, New York, was the Managing Director of Status Equities LLC, and was purportedly in the business of bringing private companies public and assisting public companies in finding sources of funding. He was also the President and Chief Executive Officer (“CEO”) of Arctic Enterprises, Inc. (“Arctic Enterprises”), a private company, and Strategic Rare Earth Metals, Inc. (“Strategic Rare Earth”), a publicly traded company. Respondent participated in offerings of Strategic Rare Earth and Connectyx Technologies Corp. (“Connectyx”) stock, which are penny stocks. Hawk was charged with one count of wire fraud on July 7, 2014 and pleaded guilty to that charge on August 13, 2014 in *U.S. v. Hawk*, 14-CR-10199-MLW (D. Mass.).

Other Relevant Entities and Individuals

2. Strategic Rare Earth Metals, Inc. is a Nevada corporation with its principal place of business in Henderson, Nevada. It is purportedly a holding company for businesses that engage in mining and processing granite in China. Its securities had been registered with the Commission under Exchange Act Section 12(g), but it filed a Form 15-12G on June 27, 2008 terminating its securities registration. Strategic Rare Earth’s common stock is publicly quoted on OTC Link under the symbol “SREH.”

3. Connectyx Technologies Corp. is a Florida corporation with its principal place of business in Palm City, Florida. Connectyx is in the business of providing medical technologies and supplies. Its stock is publicly quoted on OTC Link under the symbol “CTYX.”

4. Ronald Lawrence Schuman (“Schuman”), age 59, of Palm City, Florida was the President and CEO of Connectyx. Schuman was charged with one count of conspiracy to commit wire fraud on February 27, 2014 and pleaded guilty to that charge on May 20, 2014 in *U.S. v. Schuman*, 14-CR-10053-MLW (D. Mass.).

Background

5. On or about September 12, 2011, Hawk, Schuman, and an individual serving as a cooperating witness for the Federal Bureau of Investigation (“CW”) participated in a telephone conference call, during which they discussed the possibility of the Fund Manager

investing Fund monies in the stock of Hawk's client Connectyx in exchange for a secret fifty percent kickback of the invested monies.

6. On or about September 14, 2011, Hawk met alone with the Fund Manager and CW, during which the Fund Manager explained to Hawk that the Fund Manager would invest up to \$5 million in publicly traded companies, with fifty percent of that investment kicked back to the Fund Manager immediately, and that the Fund did not know about the kickback arrangement. Hawk inquired about his compensation for bringing companies to the Fund Manager, and the Fund Manager agreed to pay Hawk ten percent of the Fund Manager's kickback payments. Hawk told the Fund Manager that, in addition to Connectyx, Hawk had another client that might be interested in the Fund Manager's funding arrangement.

7. On or about September 14, 2011, after Hawk met with the Fund Manager and CW alone, Schuman joined them (the "September 14 Meeting"). During the meeting, the Fund Manager explained to Hawk and Schuman that the Fund Manager was prepared to invest Fund monies of up to \$5 million in Connectyx in exchange for a secret fifty percent kickback to the Fund Manager, enabling the Fund Manager to pocket half of the money he was supposedly investing on behalf of the Fund. Hawk and Schuman were informed that the Fund was not to be told of the kickback.

8. At the September 14 Meeting, the Fund Manager also explained the mechanics of the funding, informing Hawk and Schuman that while the Fund Manager could commit to an investment of \$5 million of the Fund's money with \$2.5 million being kicked back to the Fund Manager, the Fund Manager would not invest the entire amount at once. The Fund Manager told Hawk and Schuman that he would invest the money over time in tranches, or installments, of increasing amounts.

9. At the September 14 Meeting, the Fund Manager further discussed with Hawk and Schuman the mechanics of how monies would be kicked back to the Fund Manager. The Fund Manager told Hawk and Schuman that Connectyx would execute a consulting agreement with one or more nominee consulting companies that the Fund Manager purportedly controlled, but that the Fund Manager would not actually provide any consulting services. Hawk and Schuman were told that invoices would be issued by the Fund Manager's nominee company to Connectyx in order to disguise the kickbacks. Schuman agreed to the kickback arrangement.

10. In or about September and October 2011, Connectyx received two interstate wire payments – in the amounts of \$15,000 and \$30,000 respectively – purportedly from the Fund's bank account. Connectyx also made two interstate wire kickback payments in the amounts of \$7,500 and \$15,000 respectively to an account in the name of one of the Fund Manager's nominee companies.

11. On or about September 23, 2011, in accordance with wiring instructions provided by Hawk, \$750 was sent by wire transfer from a Citizens Bank account that was held in the name of one of the Fund Manager's purported nominee companies to a bank account in New

York. This wire transfer represented Hawk's ten percent portion of the Fund Manager's first kickback payment from Schuman.

12. On or about September 27, 2011, Schuman caused a stock certificate representing the purchase by the Fund of 500,000 Connectyx shares to be sent to the Fund Manager.

13. On or about October 20, 2011, in accordance with wiring instructions provided by Hawk, \$1,500 was sent by wire transfer from a Citizens Bank account which was held in the name of one of the Fund Manager's nominee companies in Massachusetts to a bank account in New York. This wire transfer represented Hawk's ten percent portion of the Fund Manager's second kickback payment from Schuman.

14. On or about October 18, 2011, Schuman caused a stock certificate representing the purchase by the Fund of 600,000 Connectyx shares to be sent to the Fund Manager.

15. In or about September 2011, Hawk introduced the Fund Manager to an individual ("SP") who was President and CEO of Company A to discuss funding for Company A, an entity whose common stock was publicly quoted on OTC Link. Hawk and SP met with CW and the Fund Manager on or about September 21, 2011, at which time the Fund Manager described the details and mechanics of the funding and kickback arrangement. SP agreed to the kickback arrangement.

16. In or about September and October, 2011, Company A received two wire payments – in the amounts of \$16,000 and \$32,000, respectively – purportedly from the Fund's bank account, and it made two wire kickback payments in the amounts of \$8,000 and \$16,000, respectively, to an account in the name of one of the Fund Manager's purported nominee companies.

17. On or about October 5, 2011, in accordance with wiring instructions provided by Hawk, \$800 was sent by wire transfer from a Citizens Bank account that was held in the name of one of the Fund Manager's purported nominee companies in Massachusetts to a bank account in New York. This wire transfer represented Hawk's ten percent portion of the Fund Manager's first kickback payment from SP.

18. On or about September 27, 2011, SP caused a stock certificate representing the purchase by the Fund of 11,429 Company A shares to be sent to the Fund Manager.

19. On or about October 26, 2011, in accordance with wiring instructions provided by Hawk, \$1,600 was sent by wire transfer from a Citizens Bank account that was held in the name of one of the Fund Manager's purported nominee companies in Massachusetts to a bank account in New York. This wire transfer represented Hawk's ten percent portion of the Fund Manager's second kickback payment from SP.

20. In or about October 2011, SP caused a stock certificate representing the purchase by the Fund of 20,000 Company A shares to be sent to the Fund Manager.

21. In or about October 2011, Hawk introduced the Fund Manager to an individual (“CG”) who was the President and CEO of Company B to discuss possible funding of Company B, whose common stock was publicly quoted on OTC Link. Hawk and CG met with CW and the Fund Manager on or about October 21, 2011, at which time the Fund Manager described the details and mechanics of the funding and kickback arrangement. CG agreed to the kickback arrangement, but no monies were sent to Company B by the Fund prior to the completion of the FBI’s undercover investigation.

22. In or about October 2011, in recorded telephone conversations and meetings, Hawk and the Fund Manager discussed using the funding/kickback arrangement for Strategic Rare Earth. Hawk intended to combine his Arctic Enterprises entity with the publicly-traded Strategic Rare Earth.

23. Thereafter, Hawk sent the Fund Manager documents related to the kickback transaction, including a fraudulent consulting agreement between Arctic Enterprises and one of the Fund Manager's nominee consulting companies, and a stock purchase agreement between Strategic Rare Earth and the Fund for the purchase of 300,000 shares.

24. On or about October 26, 2011, in accordance with wiring instructions provided by Hawk, \$15,000 was sent by wire transfer from a bank account maintained in Massachusetts, purportedly belonging to the Fund, to an Arctic Enterprises corporate bank account. This wire transfer represented the first tranche of funding to Strategic Rare Earth.

25. On or about November 4, 2011, Hawk caused \$7,500 to be sent by wire transfer from an Arctic Enterprises corporate bank account to a Citizens Bank account that was held in the name of one of the Fund Manager's nominee companies. This wire transfer represented Hawk's kickback to the Fund Manager from the first tranche of funding to Strategic Rare Earth.

26. As a result of the conduct described above, Hawk willfully violated Section 10(b) of the Exchange Act and Rule 10b-5(a) thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Hawk’s Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. Respondent Hawk shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Hawk be, and hereby is:

prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

barred from participating in any offering of a penny stock, including: 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 any penny stock.

By the Commission.

Brent J. Fields
Secretary