



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
)  
ORGANIC SYSTEMS & WASTE )  
SOLUTIONS, INC.; ) Case No. AP-04-05  
LAWRENCE L. BATEMAN; and )  
ANDREW BATEMAN, )  
)  
Respondents. )

Serve Respondents at:  
6550 S. Pecos Road, Building B, Unit 119  
Las Vegas, NV 89120

**FINAL ORDER TO CEASE AND DESIST**

On the 30th day of December 2003, Mary Hosmer, Assistant Commissioner for Enforcement, on behalf of the Enforcement Section submitted a petition for a cease and desist order. The Commissioner issued a summary order to cease and desist on January 20, 2004. On January 27, 2004, the Enforcement Section submitted a motion seeking to revise the identification of "Andrew J. Bateman" to "Andrew Bateman." The motion is sustained.

Respondents did not request a hearing after receiving notice by certified mail and the Commissioner issues the following findings of fact, conclusions of law and final order:

**FINDINGS OF FACT**

1. Organic Systems and Waste Solutions, Inc. ("OSWS") is a company operating in the State of Nevada with an address of 1731 Millstream Way, Henderson, Nevada 89074. OSWS's internet website lists the company's address as 6550 S. Pecos Road, Building B, Unit 119, Las Vegas, Nevada 89120. OSWS purportedly engages in the business of offering and selling "Set-Up Programs" for raising and breeding of earthworms.
2. Lawrence L. Bateman ("Larry Bateman") is the President of OSWS and has a last known business address of 6550 S. Pecos Road, Building B, Unit 119, Las Vegas, Nevada 89120.

3. Andrew Bateman ("Andrew Bateman") is a sales representative of OSWS and has a last known business address of 6550 S. Pecos Road, Building B, Unit 119, Las Vegas, Nevada 89120.
4. As used in this Cease and Desist Order, the term "Respondents" refers to OSWS, Lawrence Bateman and Andrew Bateman.
5. Respondents Organic Systems & Waste Solutions, Inc. and Andrew Bateman were served by certified U.S. Mail on January 29, 2004 at the address of 8913 Crooked Shell Avenue, Las Vegas, Nevada 89143.
6. The time limitation for Respondents to request a hearing has passed.
7. On or about June 2003, a Missouri resident ("MR") telephoned OSWS in response to an advertisement in a farm magazine regarding an investment opportunity in OSWS. During the conversation, Andrew Bateman told MR about OSWS and asked MR to invest in OSWS. MR stated that MR was "not interested in investing at this time."
8. Andrew Bateman promised MR that an investment in OSWS "would be highly profitable" if the new breeder's vermiculture operation was successful.
9. After several weeks, MR received more calls from Andrew Bateman and Larry Bateman. In these calls the Batemans' solicited MR to invest in OSWS. MR stated that MR was not interested in investing.
10. On or about July 16, 2003, MR received in the mail a "Vermiculture Agreement" from OSWS. This agreement was sent to MR by Andrew Bateman along with directions on how to send payment when investing. The agreement stated, among other things, that:
  - a. OSWS wanted to secure a future supply of worms for OSWS' use in its composting and fertilizer business.
  - b. For \$2,500 OSWS would "set-up" MR with breeder worms and supplies to raise these worms.
  - c. OSWS agreed to purchase up to \$10,000 worth of worms from MR during the next 3 years.
11. On or about July 28, 2003, the Missouri Securities Division received information, which indicated that Respondent offered and/or sold unregistered securities in the State of Missouri.
12. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by the Respondents in the State of Missouri.

13. On November 18, 2003, the Division sent a letter of inquiry via certified mail to Respondents requesting a claim of exemption from registration, exception from definition of a security upon which Respondents relied in offering and/or selling unregistered securities in or from the State of Missouri or whether Respondents were offering and selling a federal covered security. The letter also requested additional information about the offers, and advised Respondents that failure to respond constituted proper ground for the entry of an order by the Commissioner.
14. On December 1, 2003, the United States Postal Service returned the certified letter to the Division stating that the postal service was "unable to forward; moved, left no forwarding address."
15. On December 2, 2003, the Division sent a second letter of inquiry, similar to the November 18, 2003 letter, via certified mail addressed to "Andrew Bateman, Organic Systems & Waste Solutions, Inc., at 8913 Crooked Shell Ave., Las Vegas, NV 89143."
16. On December 8, 2003, a representative of the Division received a phone call; the caller identified himself as "Andrew Bateman." Andrew Bateman verified his residential address as 8913 Crooked Shell Ave., Las Vegas, NV 89143. Andrew Bateman stated, among other things, that: "I don't know anything about Organic Systems and Waste Solutions, Inc. and your office must have the wrong Andrew Bateman."
17. When questioned by a representative of the Division about his identity, Andrew Bateman provided his social security number and his date of birth.
18. The social security number and date of birth provided by Andrew Bateman during the December 8, 2003 telephone call matched information received by the Division relating to the social security number and the date of birth for the Andrew Bateman involved with OSWS.
19. Respondents failed to adequately respond to the Division's letters of inquiries that were dated November 18, 2003 and December 2, 2003.
20. On June 5, 2003, the Mississippi Secretary of State issued an order against OSWS, Lawrence Bateman and Andrew Bateman for selling unregistered securities.
21. The agreements offered by Respondents are investment contracts for the following reasons:
  - a. Investment of money: Investors were asked to pay \$2,500 for the worms and the supplies to breed the worms.
  - b. Common enterprise: Both the investor and OSWS profit from the investment, the investor can earn up to 10,000 and OSWS is supplied with worms for its fertilizer and composting business.
  - c. Expectation of profit: The investors are told to expect profits of over \$7,000 during the 3 years of the contract.

- d. From the significant managerial or entrepreneurial efforts of others: While some efforts were required of the investor to raise the worms and send the worms to OSWS, the efforts that were significant were those of OSWS which would supply the worms, supply the materials and purchase the worms from the investor for its composting and fertilizer business. The potential investors would rely on the unique entrepreneurial abilities of the promoters and managers of OSWS. And any profits from the investment would be derived from their significant managerial or entrepreneurial efforts.
22. Respondents offered and/or sold unregistered, non-exempt securities, in the form of "investment contracts" in Organic Systems & Waste Solutions, Inc., to Missouri residents.
  23. Respondents were not registered to offer and/or sell securities in the State of Missouri.
  24. The securities offered and/or sold by Respondents were not federal covered securities.
  25. This Order is in the public interest.

#### CONCLUSIONS OF LAW

1. §409.401(o), RSMo, Cumulative Supp. 2002, includes "investment contracts" within the definition of a security. "Investment contract" within the definition of a security is an investment of money in a common enterprise with the expectation of profit from the significant managerial efforts of others. *State v. Reber*, 977 S.W.2d 934 (Mo.App.S.D. 1998); *State v. Kramer*, 804 S.W.2d 845 (Mo.App.E.D. 1991). The interests offered and/or sold by Respondents as described in the above findings of fact constitute securities.
2. §409.201(a), RSMo 2000, provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under Sections 409.101 to 409.419. The conduct described in the above findings of fact constitutes a violation of this section.
3. §409.301, RSMo 2000, provides that it is unlawful for any person to offer or sell any security in this state unless (1) it is registered under this act; (2) the security or transaction is exempted under section 409.402; or (3) it is a federal covered security. The conduct described in the above findings of fact constitutes a violation of this section.
4. §409.402(f), RSMo, Cumulative Supp. 2002, provides that the burden of proving an exemption, qualification as a federal covered security, or an exception from a definition is upon the person claiming it.
5. §409.408(b), RSMo 2000 provides, in part, that:

[I]f the commissioner shall believe, from evidence satisfactory to him, that such person is engaged or about to engage in any of the fraudulent or illegal practices or transactions above in this subsection referred to, he

may issue and cause to be served upon such person and any other person or persons concerned or in any way participating in or about to participate in such fraudulent or illegal practices or transactions, an order prohibiting such person and such other person or persons from continuing such fraudulent or illegal practices or transactions or engaging therein or doing any act or acts in furtherance thereof.

6. Transacting business as an unregistered agent, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
7. The offer or sale of unregistered securities, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
8. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. §409.408(b), RSMo 2000.

### **ORDER**

**NOW, THEREFORE,** it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from:

- A. Offering or selling investments in Organic Systems & Waste Solutions, Inc.;
- B. Violating §409.201(a), RSMo 2000, by transacting business as a broker-dealer or agent without an effective registration; and
- C. Violating §409.301, RSMo 2000 by offering or selling any security that is not registered with the commissioner, unless the security is a federal covered security or has an effective exemption from registration.

### **SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 17<sup>th</sup> DAY OF May, 2003.

MATT BLUNT  
SECRETARY OF STATE



A handwritten signature in black ink, appearing to read 'Douglas M. Ommen', is written over a horizontal line.

DOUGLAS M. OMMEN  
COMMISSIONER OF SECURITIES