



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
)  
REBATES INTERNATIONAL, INC., ) Case No. AP-04-26  
TERRY MAHON, and )  
DENVER LARGE, )  
)  
Respondents. )

Serve all at: 101 State Drive, Suite C  
Hollister, Missouri 65672

**ORDER TO CEASE AND DESIST**

On the 15<sup>th</sup> day of March 2004, Omar D. Davis, Enforcement Counsel for the Division of Securities, submitted a petition for a cease and desist order. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

**FINDINGS OF FACT**

1. Rebates International, Inc., ("RII"), is a Nevada corporation purportedly engaged in the business of operating a "Deferred Cashback Rebate Program" and has an address of 101 State Drive, Suite C, Hollister, Missouri, 65672.
2. Terry Mahon is the chief executive officer of RII and has an address of 101 State Drive, Suite C, Hollister, Missouri, 65672.
3. Denver Large is President of RII and has an address of 101 State Drive, Suite C, Hollister, Missouri, 65672.
4. As used in this Cease and Desist Order, the term "Respondents" refers to RII, Mahon, and Large.
5. In June 2000, Mahon formed RII in order to promote and operate a "Deferred Cashback Rebate Program."
6. From June 2000 to September 2001, RII entered into Licensing Agreements ("Agreements") with 24 retail merchants located in Missouri, as well as numerous

businesses located in other states. These Agreements provided for the following acts to take place:

- a. RII provided the Missouri merchants with cash back rebate coupons (“rebate coupons”). Each merchant determined the face value of the rebate coupons to be a minimum of \$300, and a maximum of the full cost of a product or service to be purchased by the customer.
  - b. Upon purchasing a product or service from the merchant, the customer received a rebate coupon as a “gift” from the merchant. The coupon was redeemable, for the face value of the coupon, within three to six years (time period has varied during the offering of these coupons) of the date of purchase. Rebate coupons were available only with the purchase of a product or service.
  - c. The merchants sent 12% to 18% of the face value of each rebate coupon to an entity called Amsterdam Fidelity Business Trust (“Amsterdam Trust”). Amsterdam Trust pooled the funds received from the merchants and purportedly invested them in “bank debenture programs” for the purpose of generating profits, a portion of which would be used to pay rebate claims.
  - d. The funds from which Missouri residents expected to be paid their rebates were to be generated solely by the efforts of Amsterdam and neither the Missouri merchants, nor their customers were privy to Amsterdam Trust’s investment plans.
7. During 2001, RII used an Internet website to market the deferred cash back rebate program to merchants as a sales tool. The website stated, “[Rebate] coupons were used to entice buyers to make purchasing decisions during their visit, while the coupon was offered. ...Obviously, rebate programs have become very successful as more and more merchandise is sold with cash back offers. As a marketing tool, its prominence is unsurpassed. The rebate Program creates a win/win situation. The merchant makes the sale today with less discounting. The purchaser also receives the amount shown on the Rebate Coupon.”
8. On January 20, 2004 the Division received a complaint from a Missouri resident (“MR”) in which MR stated, among other things, the following:
- a. In October 2001, MR vacationed in Branson, MO and attended a presentation by WorldWide Dream Vacations (“WorldWide”), a company purportedly operated by Bill Large.
  - b. During the presentation attendees were told that they could buy a vacation club membership and receive a Cash Back coupon. Whatever amount of money that MR spent on a vacation package would be guaranteed by RII and would be returned after two years when the rebate coupon matured and was redeemed. Attendees were also told that only cash purchases would be accepted.

- c. On October 5, 2001, MR signed a contract and went to a local bank with a sales representative of WorldWide and obtained \$5,644. This amount was charged to MR's credit card as a "cash advance" and was used to purchase a vacation club package. WorldWide provided a receipt that indicated all credit card cash advance fees would be paid by WorldWide.
  - d. MR received a rebate coupon with MR's purchase. The WorldWide sales representative told MR to submit the first part of the coupon to RII immediately and to return the second part of the coupon in two years and MR would receive a full return of MR's initial payment of \$5,644.
  - e. MR's coupon stated, "Guarantor of this CashBack Rebate Coupon, hereinafter referred to a 'CashBack Coupon', is Rebates International, Inc., located at 101 Suite Drive, Suite B, Hollister, Missouri 65672."
  - f. Upon maturation of the coupon in November of 2003, MR attempted to receive the promised return of MR's initial purchase price by redeeming the coupon. MR has attempted repeatedly to obtain a return of MR's investment with no success.
9. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration or granted exemption for any of the securities offered by the Respondents in the State of Missouri.
  10. A check of the records maintained by the Commissioner confirmed no registration for Respondents to sell securities in the State of Missouri.
  11. On January 21, 2004, the Securities Division sent a letter of inquiry to Respondents RII and Mahon that requested a claim of exemption from registration or exception from definition upon which Respondents relied in offering unregistered securities or any claim that the securities were federal covered securities. The letter also requested additional information about the offers to Missouri residents and advised Respondents that failure to respond within a reasonable time as set by the Commissioner constituted proper grounds for the entry of an order suspending the right to offer and sell securities in the State of Missouri.
  12. On February 3, 2004 the Division's letter was returned stamped "refused".
  13. Respondents offered and sold unregistered, non-exempt securities in the form of "investment contracts" to Missouri residents.
  14. Respondents were not registered to offer and sell securities in the State of Missouri.
  15. The rebate coupons offered by Respondents are investment contracts for the following reasons:
    - a. Investment of money: Missouri merchants are required to send 12% to 18% of the

face value of each rebate coupon directly to an entity named Amsterdam Fidelity Business Trust. The value of each coupon was determined by the price of the merchandise with which it was offered, but each coupon was required to have a minimum face value of \$300. Amsterdam Trust received this money for the benefit of Respondents.

- b. Common enterprise: Amsterdam Trust pooled a portion of the funds received from the merchants and purportedly invested these funds in “bank debenture programs” for the purpose of generating large investment returns. A portion of the funds collected by Amsterdam Trust was not invested, but instead was paid directly to Respondents as compensation for their marketing efforts. Another portion of the collected funds was retained by Amsterdam Trust and paid to the trustee. A review of the “bank debenture programs”, in which Amsterdam Trust purportedly invested, reveals that they were prime bank schemes.
  - c. Expectation of profit: Respondents expected the purported investments made by Amsterdam Trust to generate exceedingly large returns, which would be more than adequate to pay all rebate claims when they matured and still leave a substantial profit for Respondents. Respondents also expected a regular payment from Amsterdam Trust as compensation for Respondents’ marketing efforts. Respondents led Missouri merchants to believe that the 12%-14% payments the merchants sent to Amsterdam Trust would be used by Respondents to redeem the rebate coupons when they matured. This belief led the merchants that participated in the rebate plan to use the rebate coupons with the expectation that the coupons would allow them to sell their products to consumers without substantial discounts, thus resulting in greater profit to the merchants.
  - d. From the significant managerial or entrepreneurial efforts of others: The funds from which Respondents expected to earn a profit and from which Respondents expected Missouri residents rebates to be paid were to be generated solely through the investment efforts of Amsterdam Trust and its trustee. Additionally, each merchant’s profits were derived from the efforts of Respondents. Respondents created the rebate coupons, marketed the rebate coupons, distributed the rebate coupons and set all terms and conditions for the redemption of the rebate coupons. The merchant merely delivered the coupon to a consumer as a “gift” at the time of purchase of some other product sold by the merchant.
16. The securities distributed by Respondents were not federal covered securities.
17. On November 19, 2003, the District court for Oklahoma County, Oklahoma ordered that several named defendants, including Respondents, were to cease and desist offering or selling any security and immediately cease the offer and/or sale of any interest in an international or domestic high-yield investment program, rebate program, coupon program or any other similar program in and/or from the State of Oklahoma and also prohibited them from committing various other securities violations in the State of Oklahoma. Additionally, a receiver was appointed to take custody, control and possession

of all the assets of Respondents.

18. In connection with the offer, sale or purchase of a security to Missouri residents, Respondents omitted to state the material fact that Respondents were not registered to sell securities in the State of Missouri.
19. In connection with the offer, sale or purchase of a security to Missouri residents, Respondents omitted to state the material fact that the securities offered and sold by Respondents were not registered in the State of Missouri.
20. This Order is in the public interest.

### **CONCLUSIONS OF LAW**

1. §409.401(o), RSMo, Cumulative Supp. 2002, includes “investment contract” within the definition of a security. “Investment contract” 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. §409.101(2), RSMo 2000, provides that it is unlawful, in connection with the offer, sale or purchase of any security, for any person to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading. The conduct described in the above findings of fact constitutes a violation of this section.
3. §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.
4. §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.
5. §409.402(f), RSMo 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. As described in the above findings of fact, in refusing to respond to an investigative request, Respondents failed to claim or prove an exemption from registration, qualification as a federal covered security, or an exception from the definition of a security.

6. §409.408(b), RSMo 2000 provides, in part, that:

If 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.

7. Omitting to state a material fact necessary to make the statement made not misleading, in connection with the offer or sale of a security, constitutes an illegal practice under §409.408(b), RSMo 2000.
8. Transacting business as an unregistered agent as described in the above findings of fact constitutes an illegal practice under §409.408(b), RSMo 2000.
9. 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.
10. 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 investment contracts in a Deferred Cashback Rebate Program;
- B. Violating §409.101(2), RSMo 2000, by omitting to state, in connection with the offer or sale of these securities to Missouri residents, the material fact that:
  - i. Respondents were not registered to sell securities in the State of Missouri; and
  - ii. The securities offered and sold by Respondents were not registered in the State of Missouri;
- C. Violating §409.201(a), RSMo 2000, by transacting business as an agent without an effective registration;

- D. Violating §409.301, RSMo 2000 by offering or selling any unregistered security, unless it is either 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 30<sup>th</sup> DAY OF April 2004.



MATT BLUNT  
SECRETARY OF STATE

DOUGLAS M. OMMEN  
COMMISSIONER OF SECURITIES