



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

1 WORLD CENTER CORPORATION	)	ORDER TO CEASE & DESIST
4080 Paradise Road, Suite 15-902	)	Order No. CD-99-44
Las Vegas, Nevada 89109;	)	
	)	
INTERNET & WEB SERVICES	)	
CORPORATION	)	
9740 Scranton Road, Suite 300	)	
San Diego, California 92121;	)	
	)	
JOHN EMORY	)	
4080 Paradise Road, Suite 15-902	)	
Las Vegas, Nevada 89109;	)	
	)	
MIKE WALKINGTON	)	
4080 Paradise Road, Suite 15-902	)	
Las Vegas, Nevada 89109; and	)	
	)	
STEVE MORAN	)	
4080 Paradise Road, Suite 15-902	)	
Las Vegas, Nevada 89109,	)	
	)	
Respondents.	)	

Respondents offered to sell investment units in an Internet "store" to Missouri residents. One Missouri resident was told that an investor could recoup their entire investment within 12 months. This Missouri resident was also told to expect profits of \$100,000 to \$125,000 annually after the first year. The securities were not registered in the State of Missouri. Respondents were not registered to sell securities in the State of Missouri. The State of California issued a Desist and Refrain Order against Internet & Web Services Corporation on June 3, 1998. These facts were not disclosed to the Missouri residents.

The Missouri Commissioner of Securities is empowered to issue such orders as are necessary to protect the public interest. Section 409.408, RSMo 1994.

The Commissioner has received a Petition for a Cease and Desist Order and issues the following Findings of Fact and Conclusions of Law.

### FINDINGS OF FACT

1. 1 World Center Corporation purports to be an Internet "shopping mall" and has an address of Suite 15-902, 4080 Paradise Road, Las Vegas, Nevada 89101.
2. Internet & Web Services Corporation ("IWSC") purports to be in the business of offering web site hosting technology and has an address of 9740 Scranton Road, Suite 300, San Diego, California 92121.
3. John Emory purports to be a representative of 1 World Center and has a business address of Suite 15-902, 4080 Paradise Road, Las Vegas, Nevada 89101.
4. Mike Walkington purports to be a representative of 1 World Center and has a business address of Suite 15-902, 4080 Paradise Road, Las Vegas, Nevada 89101.
5. Steve Moran purports to be a representative of 1 World Center and has a business address of Suite 15-902, 4080 Paradise Road, Las Vegas, Nevada 89101.
6. As used in this Cease and Desist Order, the term "Respondents" refers to 1 World Center, IWSC, Emory, Walkington and Moran.
7. On March 19, 1998, Emory telephoned a Missouri resident ("MR") and told MR among other things, the following:
  - a. Emory was with 1 World Center and "had a serious and exciting opportunity for a serious business partner" with 1 World Center.
  - b. 1 World Center was an Internet business that allowed customers to go to one web site and shop from brand name stores.
  - c. IWSC was the company backing 1 World Center and had already spent three years and millions of dollars building the "infrastructure."
  - d. "IBM has just helped us launch our first major ad campaign and IWSC is featured on IBM's web site."
  - e. IWSC would be offering MR the opportunity to purchase a fractionalized interest in a 1 World Center Internet store.

8. On or about June 9, 1998, Walkington telephoned MR on behalf of 1 World Center and gave 1 World Center's Internet address to MR and told MR that Walkington would telephone the following day.
9. On or about June 10, 1998, Walkington telephoned MR and spoke with MR's spouse ("MR2"). Walkington told MR2, among other things, the following:
  - a. "Our company, with our 15-year successful track record and our award-winning technology, along with our business partnership with IBM, can help you profit substantially from this new industry."
  - b. 1 World Center would be the ultimate Internet shopping location.
  - c. "There are only twenty people that are able to own and profit from each of these brand name stores. Would you like to be one of these twenty people?"
  - d. "IBM recently helped us launch a major ad campaign."
  - e. IWSC was featured on IBM's web site.
  - f. The minimum investment in 1 World Center was two units at \$6,000 each.
  - g. IWSC was barely able to keep up with inquiries from interested investors.
10. On or about June 16, 1998, Walkington again telephoned MR2 and told MR2 that the minimum investment in 1 World Center was two units at \$12,000 each, with each "store" having between forty and fifty units.
11. During this June 16, 1998 telephone conversation, Walkington put Moran, who purported to be 1 World Center's marketing director, on the telephone. Moran discussed the risks of the investment with MR2 and stated, "The risk might be that it might take you a little bit longer to make money, but I really don't see that there's much risk that you're going to lose your money in it. . . . I really don't see that you're going, that you've got much chance of losing your money long-term."
12. During this June 16, 1998 telephone conversation, Moran also told MR2, among other things, the following:
  - a. MR2 could buy into two name-brand stores, Audiovox and Callaway Golf.
  - b. MR2 would have to come up with \$750 per quarter for the first year to be used for an advertising budget.

- c. "In the first twelve months you could recoup your entire investment. Then, from there on out, look what you are doing. . . . If you've got this thing, that's cash flowing to you at \$100,000-\$125,000 a year, right?"
13. Approximately five minutes after MR2's telephone conversation with Moran, Walkington telephoned MR2 and stated, among other things, the following:
  - a. "In my eyes, it's really not a matter of if you get your return, it's a matter of how long it will take."
  - b. MR2 should get a computer for the business and have email access at MR2's home.
  - c. "We are basically a paperless office. Everything we do is on the Internet and we do that intentionally. If you get involved with us, okay, all of our communications and transactions and all of that is going to be handled over the Internet."
14. On or about June 22, 1998, Walkington again telephoned and told MR2, among other things, the following:
  - a. MR2 could only be involved with the 1 World Center investment if MR2 had a home computer system.
  - b. The 1 World Center investment documents could only be faxed or electronically mailed to MR2.
15. In March 1998, the Missouri Securities Division received information that indicated that Respondents had offered to sell securities in the State of Missouri.
16. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration or granted exemption for the securities as offered by Respondents in the State of Missouri.
17. A check of the records maintained by the Commissioner confirmed no registration for Respondents to sell securities in the State of Missouri.
18. On September 23, 1998, the Securities Division sent letters of inquiry to 1 World Center and IWSC requesting information about the above-addressed offer of securities. These letters also requested that 1 World Center and IWSC file a claim of exemption from registration or exception from definition for the securities offered by Respondents in the State of Missouri.
19. On October 22, 1998, IWSC, through its attorney, sent a letter to the Division stating, among other things, the following:

- a. "IWSC has never, at any time, sold 'investment contracts' or any other form of security in 1 World Center Corporation."
  - b. "IWSC has never, at any time, acted as broker-dealer of securities in Missouri or any other jurisdiction."
  - c. "IWSC filed a Voluntary Petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of California on August 31, 1998, Case No. 98-12055 b (11)."
20. On April 29, 1999, a second letter identical to the Division's September 23, 1998 letter was sent to 1 World Center.
21. On May 11, 1999, IWSC's attorney responded on behalf of 1 World Center and sent a facsimile to the Division requesting an additional week to respond to the April 29, 1999 letter. This facsimile stated, among other things, the following:
  - a. "... my client has been under the impression that this matter had been resolved as a result of my letter to you dated October 22, 1998. Also, I wish to memorialize that the conduct which you are investigating, that is the solicitation of single owner Internet stores by Internet & Web Services Corporation, ceased in approximately January of 1998."
  - b. "Further, IWSC has been liquidated in a Chapter 7 bankruptcy, 1 World Center Corporation and IWSC are two distinct entities, and finally, 1 World Center has never engaged in the solicitation of the sale of the type of Internet stores which you are investigating."
22. On June 3, 1998, the California Department of Corporations issued a Desist and Refrain Order against IWSC, among others, for the offer and sale of unregistered securities in the form of investment contracts for Internet web site stores.
23. In connection with the offer to sell the above-mentioned securities to a Missouri resident, Respondents omitted to state the following material facts:
  - a. The Internet store investments offered by Respondents were not registered as securities in the State of Missouri.
  - b. Respondents were not registered to sell securities in the State of Missouri.
  - c. The California Department of Corporations issued a Desist and Refrain Order against IWSC on June 3, 1998.
24. In connection with the offer to sell the above-mentioned securities to a Missouri resident, Respondents misrepresented the following material facts:

- a. That MR2 could recoup MR2's entire investment within 12 months.
  - b. That an investment in 1 World Center would yield profits of \$100,000 to \$125,000 annually after one year.
25. This Order is in the public interest.

### CONCLUSIONS OF LAW

1. The investments in Internet stores through 1 World Center as offered by Respondents constitute investment contracts.
2. A security is defined as ". . . any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; **investment contract**; limited partnership interest; voting-trust certificate; certificate of deposit for a security; [or] certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease[.]" (Emphasis added.) Section 409.401, RSMo Cumulative Supp. 1998.

The investments in Internet stores through 1 World Center as offered by Respondents constitute securities.

3. It is unlawful for any person to transact business in this state as a broker-dealer unless he is registered as a broker-dealer under Sections 409.101 to 409.419. Section 409.201(a), RSMo Cumulative Supp. 1998.

IWSC's conduct described in the Section entitled "Findings of Fact" constitutes a violation of Section 409.201(a), RSMo Cumulative Supp. 1998.

4. It is unlawful for any person to transact business in this state as an agent unless he is registered as an agent under Sections 409.101 to 409.419. Section 409.201(a), RSMo Cumulative Supp. 1998.

Emory, Walkington and Moran's conduct described in the Section entitled "Findings of Fact" constitutes a violation of Section 409.201(a), RSMo Cumulative Supp. 1998.

5. "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." Section 409.301, RSMo Cumulative Supp. 1998.

Respondents' offer of unregistered securities, as described in the above "Findings of Fact," constitutes a violation of Section 409.301, RSMo Cumulative Supp. 1998.

6. "It is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly
  - (1) to employ any devise, scheme, or artifice to defraud,
  - (2) 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, or
  - (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person." Section 409.101, RSMo 1994.

Respondents' omissions of material facts in connection with the offer of securities, as described in the above "Findings of Fact," constitute violations of Section 409.101, RSMo 1994.

Respondents' misrepresentations of material facts in connection with the offer of securities, as described in the above "Findings of Fact," constitute violations of Section 409.101, RSMo 1994.

7. The Commissioner may, if he believes from the evidence satisfactory to him that a person is engaged or about to engage in any fraudulent or illegal practice or transaction, issue an order prohibiting such person from engaging in or continuing such fraudulent or illegal practice. Section 409.408(b), RSMo 1994.

Transacting business as an unregistered broker-dealer constitutes an illegal practice under the statute.

Transacting business as an unregistered agent constitutes an illegal practice under the statute.

Offering unregistered securities constitutes an illegal practice under the statute.

Omitting to state a material fact in connection with the offer of securities constitutes an illegal practice under the statute.

Misrepresenting a material fact in connection with the offer of securities constitutes an illegal practice under the statute.

8. "[T]he burden of proving an exemption or an exception from a definition is upon the person claiming it." Section 409.402(f), RSMo 1994.

Respondents have failed to sufficiently prove an exemption from registration or an exception from the definition of a security.

9. Sufficient evidence exists to conclude that Respondents have engaged in willful violations of Sections 409.101, RSMo 1994, and 409.201 and 409.301, RSMo Cumulative Supp. 1998.
10. Sufficient evidence exists to conclude that Respondents will continue such fraudulent and illegal practices.

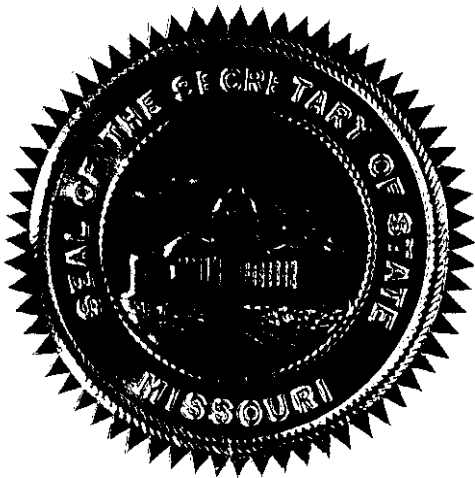


**NOW, THEREFORE**, the Commissioner of Securities Orders that 1 World Center Corporation, Internet & Web Services Corporation, John Emory, Mike Walkington and Steve Moran, their agents, employees and servants CEASE AND DESIST the offer and sale of securities in violation of Sections 409.101, RSMo 1994, and 409.201 and 409.301, RSMo Cumulative Supp. 1998.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 10<sup>th</sup> DAY OF December, 1999.

REBECCA MCDOWELL COOK  
SECRETARY OF STATE



  
\_\_\_\_\_  
DOUGLAS F. WILBURN  
COMMISSIONER OF SECURITIES

**NOTICE:**

Respondents and any unnamed representatives aggrieved by this Order may request a hearing in this matter. Any request for a hearing should be sent, in writing to Douglas F. Wilburn, Commissioner of Securities, Office of the Secretary of State, Missouri State Information Center, Room 229, 600 West Main Street, Jefferson City, Missouri, 65102, within thirty (30) days of the receipt of this Order. Section 409.412(a), RSMo 1994 and MO 15 CSR 30-55.020.