

State of Missouri
Office of Secretary of State

Case No. AP-07-08

IN THE MATTER OF:

JAN SKOLA,

Respondent.

Serve at:

346 E. Cross Fox Trail
Camdenton, Missouri 65020

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY CIVIL
PENALTIES AND COSTS SHOULD NOT BE IMPOSED**

On February 7, 2007, the Enforcement Section of the Securities Division of the Office of Secretary of State, through Assistant Commissioner of Securities, Mary S. Hosmer, filed an Amended Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should not be Imposed. After reviewing the petition, the Commissioner issues the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

A. Respondents and Other Entities

1. Respondent Jan Skola ("Skola"), is a managing member of West Coast Media One, LLC ("West Coast"), a Missouri limited liability company, and has a business address of 346 E. Cross Fox Trail, Camdenton, Missouri 65020.
2. OnSite Media Network, LLC ("OnSite"), is an Illinois limited liability company located at 320 West Ohio Street, Ste. 501, Chicago, Illinois 60610. OnSite sells advertising time through digital media technology. The members of OnSite are Inside Media, LLC ("Inside Media"), and West Coast.
3. Inside Media is a Nevada limited liability company located at 320 West Ohio Street, Ste. 501, Chicago, Illinois 60610.
4. As used here, the term "Respondent" refers to Skola.

***B. Prior Entities, Cease and Desist Orders Issued,
and Criminal Conviction***

5. On December 22, 2004, the Missouri Commissioner of Securities issued a cease and desist order against Respondent for selling unregistered securities. *In the matter of Varner Technologies Inc.*, File No. CD-05-100, December 22, 2004 (Mo.Div.Sec.).
6. On October 27, 2005, the Missouri Commissioner of Securities issued a second cease and desist order against Respondent for selling unregistered securities. *In the matter of Corefunds, Inc.*, File No. CD-05-39, October 27, 2005 (Mo.Div.Sec.).
7. In 1994 and 1995 Skola and his bank, Farmers Saving Bank in Iowa, were investigated by the FDIC. The FDIC issued a Final Order of Prohibition (FDIC-92-367e), which prohibited Skola from participating in the affairs of any financial institution or working for, or in, any financial institution. This Order of Prohibition, dated February 15, 1995, stated, among other things, that:
 - a. Skola had engaged in unsafe or unsound banking practices;
 - b. As a result of Skola's actions the bank had suffered or would probably suffer financial loss; and
 - c. These practices involved personal dishonesty on the part of Skola.
8. In September 1994, Skola was convicted of the felony of making false entries to books and records of an institution insured by the FDIC. In October 1994, Skola was sentenced to federal prison. (Iowa, Southern District, Docket # CR 94-24.)

C. Colorado Resident

9. In July or August 2006, Skola telephoned a Colorado resident ("CR") from Skola's Missouri telephone number and told CR, among other things, that:
 - a. Skola was a manager of West Coast Media;

- b. OnSite was planning on putting wide screen TV's in bars, restaurants and various locations free of charge to the owners. These TV's would include continual advertising in a corner or on some location alongside the viewers' program and the advertisers would pick up this cost;
 - c. In order for the bar or restaurant to participate in this venture, the business had to have a serving capacity of 600 customers;
 - d. OnSite had a deal arranged with Hooters to participate;
 - e. OnSite was going to merge with a company from California;
 - f. Skola was looking for investors in OnSite;
 - g. Skola was looking for investors who could invest \$2.5 to \$5 million and Skola wanted to know if CR was interested since CR owned a chain of restaurants; and
 - h. Skola thought that CR could get even more than a 100% return in 18 months.
10. In or around August 1, 2006, Skola sent CR an email that included among other things, a business plan for OnSite. Skola stated that Onsite was looking for a strategic partner to invest \$2.5 million. Skola asked CR to contact Skola in Missouri.
11. The business plan attached to Skola's email stated in part, the following:
- a. "OnSite Network, LLC, ("OnSite") is developing a national, content-based digital media network with free system installation in thousands of high traffic locations throughout the United States. Using a convergent technology which permits television and the internet to synchronize and communicate in real time, OSN will use its unique relationships in several industries to become a major private network in no more than two years."
 - b. "Existing relationships held by the principals of OnSite Network provide referral based contacts and access to liquor dispensing host venues such as bars, taverns and restaurants. Through a long term, professional relationship with liquor industry trade associations ("Associations") located in many states, which Associations serve the liquor dispensing community, as well as profession relationships with many beer and liquor distributors located in several states. OnSite has direct access and referrals to restaurants, bars and taverns which will be encouraged and expected to agree to installation of OnSite's entertainment Systems in their establishments."
 - c. "The five major liquor dispensing markets in the United States are Illinois, California, Florida, Texas and New York. OnSite is Distributor represented in each one of these key markets. The locations listed above have an estimated 150,000 liquor dispensing retail outlets available to the OnSite entertainment Network. OnSite believes that virtually all who sign Licensee agreements will want and need multiple screens in each Venue. Initially, the number of screens in any single location will be limited to three. Other Venues, including bank chains, shopping centers, beauty salons, religious book stores, hospitals, clinics and health clubs, have indicated a strong interest in having screens installed in their locations."
 - d. "OnSite's primary revenue source is from the sale of advertising on its Network."
 - e. Under **PRINCIPALS OF THE COMPANY:**

"Jan Skola is the organizer and developed the basic concepts leading to start up of the Company. Mr. Skola is a former bank owner. He is and has been involved in various enterprises as a principal, consultant and financier. During the past 20 years Mr. Skola has founded, organized, financed and managed several companies, both private and public. These companies were and are engaged in a variety of enterprise [*sic*] including high tech, real estate, golf, and marketing. Mr. Skola has invested in and assisted in raising several millions of dollars for these companies. Mr. Skola's real estate developments included land assembly master planning and construction of a 650+ acre golf and marina development located at Lake of the Ozarks, Missouri."
 - f. Under Summary of Financial Exhibits the business plan stated that the Projected Revenue for the first 12 months of operation was over seventy three million dollars (\$73,000,000).
12. In an August 1, 2006, email, Skola stated that Skola could set the investment up as a "loan to the company with a percent of screen revenue to guarantee a strong return of over 100% in about 18 months."
13. CR stated that although Skola stated Skola was looking for a strategic partner and asked if CR knew of others who would be interested in putting screens in their retail units, Skola did not ask or require CR to do anything as a result of this investment other than invest CR's money in OnSite.

D. Additional Findings of Fact

14. 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 Respondent in the State of Missouri.

15. In September 2006, an OnSite representative told a representative of the Missouri Division of Securities that OnSite had no contact with Hooters.
16. In connection with the offer of this investment to CR, Respondent omitted to state the following:
 - a. Skola was not registered to offer or sell securities in the State of Missouri;
 - b. Skola was the subject of two Cease and Desist Orders issued in the State of Missouri in 2004 and 2005;
 - c. Skola was the subject of an FDIC Order of Prohibition in 1995;
 - d. Skola had a felony conviction and had served time in a federal prison;
 - e. The risks associated with the investment;
 - f. The assumptions relied on to project that OnSite investors could receive more than 100% return on their investment in 18 months; and
 - g. OnSite had no contract with Hooters.
17. An order is in the public interest and consistent with the purposes intended by this act. See Section 409.6-605(b), RSMo. (Cum. Supp. 2005).

II. STATUTORY PROVISIONS

18. Section 409.1-102(28), RSMo. (Cum. Supp. 2005), includes “notes; stock . . . evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement . . . [and an] investment contract” within the definition of a security.
19. Section 409.1-102(26), RSMo. (Cum. Supp. 2005), defines “sale” to include, “every contract of sale, contract to sell, or disposition of, a security or interest in a security for value.” That same section defines “offer to sell” as “every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value.”
20. Section 409.3-301, RSMo. (Cum. Supp. 2005), reads as follows:

“It is unlawful for a person to offer or sell a security in this state unless:

 - (1) The security is a federal covered security;
 - (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
 - (3) The security is registered under this act.”
21. Section 409.5-501, RSMo. (Cum. Supp. 2005), reads as follows:

“It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

 - (1) To employ a device, scheme, or artifice to defraud;
 - (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
 - (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.”
22. Section 409.6-604(a), RSMo. (Cum. Supp. 2005), reads as follows:

“If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided, is materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act, the commissioner may:

 - (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act”

23. Section 409.6-604(b), RSMo. (Cum Supp. 2005), reads as follows:

“An order under subsection (a) is effective on the date of issuance [I]f a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law.”

24. Section 409.6-604(d), RSMo. (Cum Supp. 2005), reads as follows: “In a final order . . . the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.”

25. Section 409.6-604(e), RSMo. (Cum Supp. 2005), states that, “In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act [T]hese funds may be paid into the investor education and protection fund.”

26. Section 409.6-604(g), RSMo. (Cum Supp. 2005), provides that:

“If a person does not comply with an order under this section, the commissioner may petition a court of competent jurisdiction to enforce the order [I]f the court finds, after service and opportunity for hearing, that the person was not in compliance with the order, the court may adjudge the person in civil contempt of the order. The court may impose a further civil penalty against the person for contempt in an amount not less than five thousand dollars but not greater than one hundred thousand dollars for each violation and may grant any other relief the court determines is just and proper in the circumstance.”

27. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just pursuant to Section 409.6-604(a), RSMo. (Cum Supp. 2005).

III. CONCLUSIONS OF LAW

Multiple Violations of Offering Nonexempt, Unregistered Securities

28. Paragraphs 1 through 27 are incorporated by reference as though fully set forth herein.

29. The investment which Respondent offered as described above qualifies as a “security” under Section 409.1-102(28), RSMo. (Cum Supp. 2005).

30. At all times relevant to this Order, the records maintained by the Missouri Commissioner of Securities contained no registration, granted exemption or notice filing indicating status as a “federal covered security” for any of the securities allegedly offered by Respondent in Missouri.

31. Respondent repeatedly violated Section 409.3-301, RSMo. (Cum Supp. 2005), when he offered securities in Missouri without those securities being: (1) federal-covered securities; (2) exempt from registration under Sections 409.2-201 or 409.2-202, RSMo; or (3) registered under the Missouri Securities Act of 2003.

Multiple Violations of Omitting to State Material Facts in Connection with the Offer or Sale of a Security

32. Paragraphs 1 through 27 are incorporated by reference as though fully set forth herein.

33. In connection with the offer or sale of securities, Respondent omitted to state to CR the following material facts necessary in order to make certain statements that were made, in light of the circumstances under which they were made, not misleading, including, but not limited to:

- a. That Skola was not registered to sell securities in Missouri;
- b. That Skola was the subject of a 2004 Cease and Desist Order from the State of Missouri for selling unregistered securities;
- c. That Skola was the subject of a 2005 Cease and Desist Order from the State of Missouri for selling unregistered securities; or
- d. Any risks associated with the investment.

34. Respondent’s action in omitting to disclose material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, as described in the paragraph immediately above, constitute a violation of Section 409.5-501(2), RSMo. (Cum Supp. 2005).

IV. ORDER

NOW THEREFORE, it is hereby ordered that Respondent, his 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 any securities, including investment contracts, as defined by Section 409.1-102(28), RSMo. (Cum Supp.

2005), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-304; and

- B. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2005), by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against Respondent for more than one violation of Section 409.3-301, RSMo. (Cum. Supp. 2005), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2005), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of civil penalty of up to ten thousand dollars (\$10,000) against Respondent for more than one violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2005), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, as the Enforcement Section has petitioned for an award of the costs of the investigation against Respondent in this proceeding, the Commissioner will issue a final order pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2005), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondent requests a hearing and shows cause why an award should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 16TH DAY OF FEBRUARY, 2007.

ROBIN CARNAHAN
SECRETARY OF STATE

State of Missouri
Office of Secretary of State

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Case No. AP-07-08

IN THE MATTER OF:

JAN SKOLA,

Respondent.

Serve:

346 E. Cross Fox Trail
Camdenton, Missouri 65020

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to § 409.6-604(b), RSMo Supp. 2005, and 15 CSR 30-55.020.

A request for a hearing must be mailed or delivered, in writing, to:

**Matthew Kitzi
Commissioner of Securities
Office of the Secretary of State
Missouri State Information Center, Room 229
600 West Main Street
Jefferson City, Missouri, 65102**

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of February, 2007, a copy of the foregoing Order filed in the above styled case was mailed certified U.S. Mail, postage prepaid to Respondent at the below listed addresses.

Jan Skola
346 E. Cross Fox Trail
Camdenton, Missouri 65020

John Hale
Specialist