



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

KLMAX.COM; )  
JERRY WONG; ) AP-05-33  
)  
Respondents. )

Serve Both Respondents at: 21, Jalan Rahman  
Taman Kalat  
Kuala Lumpur, WP, Malaysia 43000

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

**I. FINDINGS OF FACT**

The Commercial Affairs Department in Singapore, received a complaint regarding a website at <http://www.klmax.com/powerincome.htm> which was promoting an investment opportunity. The Internet Service Provider (ISP) is located in Saint Louis, Missouri. Technical and Administrative support for the website is provided by Jerry Wong. The website constitutes a public offering of securities to Missouri residents. The website states that the investment is similar to a unit investment trust. KLMAX.com purportedly invests money from investors in shares, money market investments and bonds and promises a 4-year return of 209%.

1. KLMAX.com is an Internet website with an IP Address of 66.154.39.168. The American Registry for Internet Numbers (“ARIN”) lists the originator of the site as CP Cyber Wurx, with an address at 4334 Arrow Tree, Unit L, Saint Louis, Missouri 63128.
2. The administrative contact and technical contact person for KLMAX.com is Jerry Wong, 21, Jalan Rahman, Taman Kalat, Kuala Lumpur, Malaysia WP 43000
3. On May 11, 2005, the Missouri Secretary of State, Securities Division (“Division”) received an inquiry from the International Criminal Police Organization (INTERPOL) concerning a website at <http://www.klmax.com> that appeared to be offering and/or selling securities.

4. The website states, in part, as follows:

KLMAX: Investing, Saving, Protection, Financial Planning

Most Popular Plan

Taipan (Investment-Linked)...

#Pay One Time only [sic]

Minimum invest RM5000. [sic] You pay one time only.

#Invest in Shares, works like Unit Trust

We invest your money into shares, money market, bond, etc.

#High Performance, 4 Year Return 209%

Check performance by Personal Money... According to Personal Money magazine January 2005 edition. ... "Allianz Life Equity" 4 Year Return is 209%

Check performance by Lipper ... You can also check the Lipper Rating online ... Check for Allianz Life Equity & Allianz Life Managed Display Fund.

Singaporean and all other countries citizen are welcome too. [sic]

5. The representative at CP Cyber Wurx , the ISP for KLMAX.com, advised an investigator with this Division that it needed an order from the Securities Division or some other agency before it could remove the KLMAX.com website.
6. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration or granted exemption for the securities offered by Wong or KLMAX.com in the State of Missouri.
7. A check of the records maintained by the Commissioner confirmed no registration for Wong or KLMAX.com to offer or sell securities in the State of Missouri.
8. KLMAX.com unlawfully offered securities in Missouri via its website. The website at KLMAX.com omitted to state the following material facts:
- a. KLMAX.com is not registered in Missouri as a broker-dealer;
  - b. Wong is not registered in Missouri as a securities agent or broker dealer; and
  - c. The securities offered are not registered in Missouri or exempt from registration.

9. This Order is in the public interest.

## **II. STATUTORY PROVISIONS**

1. §409.6-601(a), RSMo Supp. 2004, reads in part as follows: “This act shall be administered by the commissioner of securities who shall be appointed by and under the direction of the secretary of state . . . .”
2. §409.1-102(26), RSMo Supp. 2004, 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.”
3. §409.1-102(28), RSMo Supp. 2004, defines a “security” to include stock, bond and an investment contract.
4. §409.3-301, RSMo Supp. 2004, provides that it is unlawful for any person to offer or sell any 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.
5. §409.4-401, RSMo Supp. 2004, provides, in part, that:

It is unlawful for a person to transact business in this state as broker-dealer unless the person is registered under this act as a broker-dealer or is exempt from registration as a broker-dealer under subsection (b) or (d).
6. §409.4-402, RSMo Supp. 2004, provides, in part, that:

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).
7. §409.5-501, RSMo Supp. 2004, provides that it is unlawful for a person, in connection with the offer, sale or purchase of any security, directly or indirectly (1) to employ a device, 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 an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.
8. §409.5-503, RSMo Supp. 2004, provides that the person claiming an exemption, exception, preemption or exclusion has the burden of proving its applicability.
9. §409.6-604(a,) RSMo Supp. 2004, provides:

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;
2. Issue an order denying, suspending, revoking, or conditioning the exemptions for a broker-dealer under section 409.4-401(b)(1)(D) or (F) or an investment advisor under section 409.4-403(b)(1)(C); or
3. Issue an order under section 409.2-204.

10. §409.6-604(d), RSMo Supp. 2004, provides:

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.

11. §409.6-604(e), RSMo Supp. 2004, provides:

In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

### **III. CONCLUSIONS OF LAW**

#### **Count I: Offering and Selling Unregistered, Nonexempt Securities**

1. Respondents violated § 409.3-301, RSMo Supp. 2004, when they offered a security as described in the above facts without the security being (1) a federal covered security, (2) exempt from registration under §§ 409.2-201 or 409.2-202, or (3) registered under the Missouri Securities Act.

**Count II: Transacting Business as an Unregistered Agent**

2. Respondent Wong violated § 409.402(a), RSMo Supp. 2004, when he transacted business in the state of Missouri while he was not registered as a securities agent as described above.

**Count III: Omitting to State Material Facts in Connection  
with the Offer or Sale of a Security**

3. Respondents violated § 409.5-501(2), RSMo Supp. 2004, when, in connection with the offer and or sale of a security, Respondents omitted to state the following material information:
- a. KLMAX.com was not registered in Missouri as a broker-dealer;
  - b. Wong was not registered in Missouri as a securities agent; and
  - c. The securities offered are not registered in Missouri or exempt from registration.
  - d. The financial condition of the issuer;
  - e. The risks involved with the investment;
  - f. The issuer's background and/or history, including but not limited to, any regulatory action issued against the issuer or its officers or directors;
  - g. Background information on the directors, officers or other persons having similar status or performing similar functions, including but not limited to, their:
    - i. Names;
    - ii. Principal occupation for the previous five years;
    - iii. Ownership or interest held by each person; and/or
    - iv. Remuneration paid to such persons during the previous twelve months and estimated to be paid during the next twelve months, directly or indirectly.

## ORDER

**NOW, THEREFORE, IT IS HEREBY ORDERED** that the Respondents and their agents, employees and servants with knowledge of this order are immediately prohibited from:

- A. Violating or materially aiding in the violation of §409.3-301, RSMo Supp. 2004, by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration.
- B. Violating or materially aiding in the violation of §409.4-401(a), RSMo Supp. 2004, by transacting business as a broker-dealer unless the person is registered under this act as a broker-dealer or is exempt from registration as a broker-dealer under (b) or (d);
- C. Violating or materially aiding in the violation of §409.4-402(a), RSMo Supp. 2004, by transacting business as an agent without an effective registration;
- D. Violating or materially aiding in the violation of §409.5-501(2), RSMo Supp. 2004, by omitting to state a material fact in connection with the offer and sale of this security as described above;

**IT IS FURTHER ORDERED** that the Enforcement Section has petitioned for civil penalties, and specifically, the award of \$10,000, jointly and severally, against the Respondents in this proceeding. The commissioner will issue a final order awarding this penalty, unless the Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that the Enforcement Section has petitioned for an award for costs of the investigation, jointly and severally, against the Respondents in this proceeding. The commissioner will issue a final order awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless the Respondents request a hearing and show cause why an award should not be made to the Enforcement Section.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 7th DAY OF November, 2005.



ROBIN CARNAHAN  
SECRETARY OF STATE

A handwritten signature in black ink, appearing to read "David B. Cosgrove", is written over a horizontal line.

DAVID B. COSGROVE  
COMMISSIONER OF SECURITIES