

STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF:)
)
EXCHANGEMALL.COM, INC.)
MILLENNIUM ASSOCIATES)
)
 RESPONDENTS)

ADMINISTRATIVE ORDER
NO. CD-2001- 0017

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

RESPONDENTS

1. EXCHANGEMALL.COM, INC. ("RESPONDENT EXCHANGEMALL") is represented to be a California entity, with a business address of 6917 Valjean Avenue, Van Nuys, CA 91406.

2. MILLENNIUM ASSOCIATES ("RESPONDENT MILLENNIUM"), is represented to be a Florida entity, with a business address of 7100 West Camino Real, #401, Boca Raton, FL 33433.

STATEMENT OF FACTS

3. On October 18, 2000, a notice filing, pursuant to Rule 506 of Regulation D, was filed with the Commission on behalf of RESPONDENT EXCHANGE by the law firm of Richardson & Associates, Santa Monica, CA ("Richardson"). Review of the Form D reflected indications that sales totaling \$70,500 had been made to 2 Alabama investors, and that there were expenses of \$1,140,000 for offering costs and finder's fees.

4. On October 23, 2000, a deficiency letter was dispatched to Richardson requesting that the Commission be furnished with the names of those individuals to whom finder's fees were rendered for sales to Alabama investors. Additionally, Richardson was requested to furnish a list reflecting the names and addresses of Alabama investors; the dates of their purchase; the amounts of their purchase; amount of finder's fees earned, and the names and addresses of those individuals/entities to whom finder's fees were rendered. No response was received to this request, and on December 6, 2000 an additional deficiency letter was dispatched to Richardson who was additionally requested to advise the Commission as to whether the filing had been abandoned and whether any sales had been made in the state of Alabama.

5. By letter, dated January 4, 2001, Richardson advised the Commission staff that RESPONDENT EXCHANGEMALL's offering was marketed by RESPONDENT MILLENNIUM, a third-party entity based in Florida, which allegedly had a pre-existing relationship with all potential investors. RESPONDENT MILLENNIUM is paid a marketing fee for its services but is not paid a "finder's fee" per se. Richardson also furnished documentation which reflected that sales totaling \$271,200 were made to 4 Alabama investors, during the period March 29, 2000 to October 3, 2000. The foregoing response resulted in another letter being dispatched to Richardson on January 8, 2001. This letter advised Richardson that the Form D reflected payments as "finder's fees", and requested additional information concerning the following:

- (a) Are finder's fees noted as an expense of the offering the fees paid to Millennium?
- (b) What are the specific duties of Millennium with respect to the issuer?
- (c) How are the fees determined and what type of pre-existing relationship does Millennium have with Alabama investors?
- (d) The identity of the entity or individual responsible for the Alabama transactions and how remuneration was afforded.

NOTE: Richardson furnished advice on January 17, 2001 that it was assembling the requested information. However, response was not received and was traced on March 14, 2001.

6. By letter, dated March 16, 2001, Richardson furnished advice that only 4 Alabama residents participated in RESPONDENT EXCHANGEMALL's offering, each is accredited and furnished subscription agreements for each. Further, it is their understanding that they had a pre-existing relationship with RESPONDENT EXCHANGEMALL's marketing company/investment adviser, RESPONDENT MILLENNIUM, through prior transactions unrelated to RESPONDENT EXCHANGEMALL. Also, to their knowledge, no general solicitations were made in Alabama; they do not know which particular individual(s) at RESPONDENT MILLENNIUM were responsible for which investors, and roughly 40% of the offering proceeds were designated for the payment of costs and fees associated with the offering, including those related to marketing the offering. Each month RESPONDENT MILLENNIUM provides RESPONDENT EXCHANGEMALL with an invoice for such fees and expenses, which is then paid, with the amounts varying each month, with the largest portion of such expenses being incurred at the beginning stages of the offering. RESPONDENT MILLENNIUM is also reimbursed for its other expenses such as postage and telephone charges.

7. Review of the files of the Alabama Securities Commission disclosed no record of the registration of RESPONDENT MILLENNIUM as a dealer or agent in the state of Alabama, and a review of the files of the National Association of Securities Dealers, Central Registration Depository ("NASDCRD") disclosed no record of the registration of RESPONDENT MILLENNIUM in any locale. However, the files of NASDCRD did disclose that on April 29, 1999 the Indiana Securities Division entered into a Consent Agreement with RESPONDENT MILLENNIUM for the sale of unregistered securities/sale of securities by unregistered agent, in that state. RESPONDENT MILLENNIUM was fined \$4,500 and ordered to pay investigative fees of \$1,000 for the offense.

CONCLUSIONS OF LAW

8. RESPONDENT MILLENNIUM, without benefit of registration as a dealer or agent in the state of Alabama, sold the securities of RESPONDENT EXCHANGEMALL to at least 4 residents of the state of Alabama; and as stated in the Form D, and letters from Richardson, realized remuneration for these sales. RESPONDENT EXCHANGEMALL has hired and allowed the sale of its securities by RESPONDENT MILLENNIUM, an unregistered dealer or agent.

9. The sale of securities by an unregistered dealer or agent in the state of Alabama is a violation of Section 8-6-3(a), Code of Alabama 1975, which cites **"It is unlawful for any person to transact business in this state as a dealer or agent for securities unless he is registered under this article. It is unlawful for any dealer or issuer to employ an agent unless the agent is registered."**, and a violation of the Commission policy statement concerning Rule 506 Limited Offering Exemption filings which states **"No commission, finders fee or other remuneration shall be paid or given, directly or indirectly, to any person for soliciting any prospective purchaser in this state, unless such person is registered as a broker-dealer agent in this state pursuant to Code of Alabama 1975, Section 8-6-3."**

This Order does not prevent the Alabama Securities Commission from seeking such other civil or criminal remedies that are available to it under the Alabama Securities Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Alabama Securities Act.

ACCORDINGLY, IT IS HEREBY ORDERED that RESPONDENTS EXCHANGEMALL and MILLENNIUM, immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 18th day of April, 2001.



ALABAMA SECURITIES COMMISSION
770 Washington Avenue, Suite 570
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(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "Joseph P. Borg", is written over a horizontal line. The signature is stylized and extends significantly to the left and right of the line.

JOSEPH P. BORG
Director