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## Texas State Securities Board

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### SSB Docket No. 03-035

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IN THE MATTER OF  
SOFTNET COMMUNICATIONS CARIBBEAN LTD.  
AND STEWART WARNER

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§  
§

Order No. CDO-1527

TO: Softnet Communications Caribbean Ltd.  
Office Unit #2 - Woods Centre  
St. John's, Antigua, West Indies  
and  
Box W1227  
Woods Centre  
St. John's, Antigua, West Indies

Stewart Warner  
Office Unit #2 - Woods Centre  
St. John's, Antigua, West Indies  
and  
Box W1227  
Woods Centre  
St. John's, Antigua, West Indies

### EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

### FINDINGS OF FACT

1. Softnet Communications Caribbean Ltd. ("Respondent SCC") purports to be an Antiguan company located at Office Unit #2 - Woods Centre, St. John's, Antigua, West Indies and Box W1227, Woods Centre, St. John's, Antigua, West Indies.

2. Stewart Warner ("Respondent Warner") is a natural person whose last known address is the same as SCC. Respondent Warner purports to be a Vice-President of SoftnetGaming, Inc. and a stockbroker.
3. On or about August 19, 2003, Respondent Warner sent, via telephone facsimile transmission ("the fax") to a Texas resident ("the offeree"), information regarding Respondent SCC. The fax set forth the addresses provided above for Respondent SCC. The fax described Respondent SCC as "...offering shares, in blocks of 7500 with each block selling for \$5,000.00 U.S...In addition, for each \$5000.00 invested, you will receive 7,500 warrants to purchase additional shares at \$0.85 each..."
4. The fax set forth that a company called SoftnetGaming, Inc. maintains four "Internet Gaming"-related web sites that "operate as E-Magazines." The fax indicated that on May 3, 2003, SoftnetGaming's Board of Directors voted to accept a plan "...that allowed for Softnet Communications Caribbean Ltd. to issue one and one-half (1 ½) shares of stock in Softnet Communications Caribbean Ltd. in exchange for each share of SoftnetGaming, Inc. stock..."
5. The fax further indicated that Respondent SCC intends to enhance the four Internet magazine sites with "access to Internet wagering and sports picks" and provide "a world of gambling to a world of gamblers."
6. The fax further stated, "Limited offer. SOFTNET COMMUNICATIONS CARIBBEAN LTD. shares and warrants. Our plans call for the SOFTNET COMMUNICATIONS CARIBBEAN LTD. stock to open between \$1.50 to \$2.50 (now projected over \$3.00) when we launch the IPO, and these additional warrants should enable you to realize an additional profit when we go public."
7. Thereafter, Respondent Warner telephoned the offeree indicating he was "Stewart Warner from SoftnetGaming." He stated that, "We're swamped over here regarding the stock...If I had another, probably 10 million shares, I think we could move it in probably a week or two." He said, "It is a really strong company. Their balance sheet is unbelievable and they are making money like crazy. They're being called the Microsoft of the gaming software industry." He indicated that, for every thousand shares purchased, the offeree will receive 500 shares for free; an overall cost of \$0.66 per share. He stated that the company is doing this for all its existing clients and they stand to make a "fortune" on this stock, but he would make this offer available to the offeree. He said they were going to "take it public at \$5.00 per share." Respondent Warner indicated that the offeree's shares would be unrestricted and could be sold on the "day of the IPO" but that Respondent Warner would not do that because he thinks it is a "\$20.00 to \$40.00 a share stock." Respondent Warner also indicated that the company would make available warrants that would permit the purchase of Respondent SCC shares at \$0.85 per share within six months of the IPO.
8. When the offeree requested more information on Respondent SCC, Respondent Warner stated that SCC was a "...privately-held company and they don't disclose

that information..." and that the fax was all the information he had available. Respondent Warner indicated that he could be reached at the telephone number and address provided on the fax for Respondent SCC.

9. The faxed materials fail to disclose the identities of any of the principals of Respondent SCC. They also fail to disclose any information regarding the financial condition of Respondent SCC and any of the risks associated with the investment.
10. Accompanying the above-described fax were "Bank Wire Instructions" directing funds to be wired to Bank of America International, Routing Number - 026009593, Account Number - 6550-6-52034, for further credit to Antigua Barbuda Investment Bank Ltd., High Street & Corn Alley, P.O. Box 1679, St. Johns, Antigua W.I., Swift # ANBIAGAG, for further credit to Softnet Communications, Ltd., Account Number 5805135.
11. For the period from January 1, 1998, to the present, the records of the Securities Board fail to reflect that any securities issued by Respondent SCC have been registered by qualification, notification or coordination and no permit has been granted for the sale of such securities in Texas.
12. For the period from January 1, 1998, to the present, Respondents have not been registered to offer or sell securities or registered or notice-filed to render investment advice within Texas.

#### CONCLUSIONS OF LAW

1. The stock and warrants made available by Respondents are securities, as defined by Section 4.A of the Texas Securities Act.
2. The above-referenced solicitation by Respondents constitutes the offer for sale of securities in Texas, as the term "offer for sale" is defined in Section 4.E of the Texas Securities Act.
3. Respondents violated Section 7 of the Texas Securities Act by offering for sale the above-described securities without the securities being registered with the Securities Commissioner.
4. Respondents are acting as dealers or agents, as those terms are defined in Sections 4.C and 4.D of the Texas Securities Act.
5. Respondents violated Section 12 of the Texas Securities Act by offering for sale securities in Texas without being registered or notice-filed pursuant to the provisions of Section 12 of the Texas Securities Act.
6. Respondents have made offers of securities in Texas that contain statements that are materially misleading or otherwise likely to deceive the public by: (a) offering securities without disclosure of relevant risks, the identities of the principals of the

company and the financial condition of the company; (b) stating in written materials that the price of the shares in the initial public offering would be "\$1.50 to \$2.50 (now projected over \$3.00)" but stating to the offeree that the price would be \$5.00 per share; and (c) projecting a value of the stock at up to \$40.00 per share without providing the basis for that projection.

7. Respondents' conduct, acts, and practices threaten immediate and irreparable harm to the investing public.
8. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

#### ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering and selling securities in Texas until the securities have been registered with the Securities Commissioner or an available exemption from registration is utilized.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities agents or dealers in Texas until they are registered or an available exemption from registration is utilized.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from making offers in Texas containing statements that are materially misleading or otherwise likely to deceive the public.

#### NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 26<sup>th</sup> day of August, 2003.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner