

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

INTERNATIONAL COSMETIC COMPANY,
RICHARD ATTAS, PHILIP LEITNER and
ALL PERSONS IN CONTROL OF,
EMPLOYED BY OR OTHERWISE
AFFILIATED WITH THOSE PERSONS OR ENTITIES

No. 00-15-S

AMENDED AND SUBSTITUTED
CEASE AND DESIST ORDER

In this order, originally entered as Cease and Desist Order No. 98-73-S on 12 December 1998, P.D.M., INC. (PDM) and BEVERLY SASSOON (Sassoon) were named as respondents and found to have been complicit with the other respondents, INTERNATIONAL COSMETICS COMPANY (ICC), RICHARD ATTAS (Attas), PHILIP LEITNER (Leitner) and others not named in the violations of the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101, *et seq.* (Repl. 1994) (the Act), found to have been committed. It has since been determined that the evidence in the possession of the Staff of the Arkansas Securities Department (the Staff) does not show PDM's and Sassoon's complicity in these violations or warrant the inclusion of PDM and Sassoon in this order. Further, Sassoon and Elan Sassoon, the owner of PDM, who are now involved with the start up of a different company, International Cosmetics Marketing Co., while denying any legal liability or responsibility to do so, have agreed to assist ICC investors as per the attached undertaking. Accordingly, PDM and Sassoon are hereby removed as respondents.

The remaining respondents, ICC, Attas and Leitner, remain subject to this order.

FINDINGS OF FACT

1. ICC purports to be a corporation incorporated in the British Virgin Islands. In a document entitled Confidential Private Placement Memorandum and in a subscription agreement attached thereto ICC is referred to as the International Cosmetic Company, Inc. Inquiry with the Registry of Companies, Trade Marks and Patents of the Government of the British Virgin Islands showed that an International Cosmetic Company Limited had been incorporated on 1 May 1998, but the Staff has been unable to verify if ICC and this company are the same. In attachments to the Confidential Private Placement Memorandum and the subscription agreement attached thereto, both referred to above, ICC lists its address as 18580 Ventura Boulevard, Suite 200, Encino, California 91356. Delivery at this address by Federal Express proved to be impossible because ICC had moved from that location as of 25 November 1998.

2. According to the Confidential Private Placement Memorandum (PPM), which was produced by persons unknown to Sassoon, PDM and Elan and with no input from either Sassoon, PDM or Elan, ICC was formed to finance a cosmetic line titled "Beverly Sassoon Cosmetics" for PDM. It was represented in the PPM that PDM would run the day-to-day operations of this cosmetics line. Sassoon's expertise in the field of cosmetics and her supposed name recognition were set out as assets of ICC in the PPM. In fact none of this information was gathered from Sassoon or Elan, and the PPM was never shown to Sassoon or Elan before it was used to sell shares of stock in ICC. Most significantly, the formation of ICC to raise capital was not authorized by Sassoon, Elan or PDM.

3. Richard Attas is a person who attempted to sell stock in ICC by telephone, as set out in detail below. On 9 November 1994 the United States District Court for the Southern District of Florida entered a permanent injunction against Attas for violation of the Federal Trade Commission Act. Specifically, Attas was found to have engaged in deceptive trade practices in connection with the telemarketing of animation art and art prints as investments. The court found that Attas misrepresented the value and investment potential of the animation art and art prints in question. As part of the order, Attas was ordered to pay \$497,898 to the Federal Trade Commission for restitution to defrauded consumers and to post a \$500,000 bond before engaging in any telemarketing in the future.

4. Philip Leitner was also involved in the offer for sale of stock in ICC, as detailed below. On 27 May 1998 Leitner consented to the entry of a permanent injunction against him by the United States District Court for the Southern District of Florida in connection with a complaint filed by the United States Securities and Exchange Commission (SEC) alleging that Leitner and others violated the antifraud provisions of the securities laws by making misrepresentations and material omissions in the offering for sale of undivided, fractional working interests in three oil well drilling programs. Leitner and his cohorts were found to have raised some \$654,770 from sixty-five investors. Leitner consented to the entry of the permanent injunction against him, but did not admit or deny the allegations of the complaint filed by the SEC.

5. ICC is not registered with the Arkansas Securities Department (the Department) as a registered broker-dealer and has not filed any proof of exemption with the Department.

6. Neither Attas, nor Leitner is registered with the Department as an agent of a broker-dealer,

issuer, or in any other way in which the offer and sale of securities in this state by either of them would be permitted.

7. The stock of ICC is not registered with the Department, nor is there a proof of exemption filed in regard to the sale of ICC stock.

8. Theodore Holder (Holder), an Arkansas resident, was sent the Confidential Private Placement Memorandum referred to above and other sales literature on 7 October 1998 after a telephone conversation with an unidentified ICC agent on the day before. Another Arkansas resident in northwest Arkansas was sent these same materials on 16 October 1998 and was later solicited by several telephone calls. On the afternoon of 29 October 1998, Holder received a telephone call from an individual claiming to be Attas. The following is a summary of the significant portions of that telephone conversation. The parts that are italicized are notes as per the Staff's investigation of this matter.

a) Attas stated that he was with New Century Services, a company based in North Miami Beach, Florida, and that he raises money for different ventures. Attas stated that he did not work for ICC, but said he was putting primarily existing clients and associates into this investment, implying that Holder was lucky to be offered this opportunity to invest.

According to the Confidential Private Placement Memorandum referred to above, the preferred stock being offered was being offered on a best efforts basis by ICC's officers and employees and possibly members of the National Association of Securities Dealers, Inc.

The Staff found no broker-dealer registration for a New Century Services in the Miami,

Florida, area.

The Staff found no registration for Attas as a registered agent of a broker-dealer.

b) Attas told Holder that ICC was seeking to raise \$3,000,000 through the sale of 3,000,000 shares of preferred stock that is convertible to common stock at the purchaser's option. ICC's goal, Attas said, was to market cosmetics under the name of Beverly Sassoon by means of multi-level marketing beginning 1 December 1998. According to Attas, it was expected that there would be an initial public offering (IPO) on the National Association of Securities Dealers Automated Quotation System (NASDAQ). To qualify for an IPO on NASDAQ, Attas explained that ICC had to have \$6,000,000 in net revenue, which meant \$15,000,000 in gross revenue. Attas represented that this level of revenue would be reached in six to eight months from 1 December 1998, the date the multi-level marketing of the products was to begin. After that, Attas stated, the stock would sell at retail anywhere from fifteen to seventeen dollars (\$15 to \$17) per share, and Holder could then convert his preferred shares to common stock and sell it for fifteen to seventeen dollars.

According to the Confidential Private Placement Memorandum referred to above, no initial public offering of ICC's common stock had been considered and was not expected.

c) Attas told Holder that Sassoon owned ICC, even though Michael D. Ivener was listed as the sole director and president of the company.

According to the Confidential Private Placement Memorandum referred to above, Michael D. Ivener was the owner of all of the common stock issued at that time and would have 60% of the voting rights even if all the preferred stock being issued were converted by its owners

into common stock, which was allowed at the rate of one share of preferred stock to one share of common stock at no premium. Sassoon was not mentioned as an owner.

d) Attas told Holder that ICC's corporate headquarters was in California.

As noted in ¶ 1, above, ICC's headquarters was not at the address given for it on the return envelope and in the Subscription Agreement in Encino, California.

e) Attas told Holder that Beverly Sassoon was the former wife of Vidal Sassoon, whose hair care product company was sold to Proctor & Gamble for almost a billion dollars and that after ICC was three or four years old, it was likely that Proctor & Gamble would buy ICC.

According to the Confidential Private Placement Memorandum, the cosmetics industry is "highly speculative and inherently risky," and success was dependent on the acceptance of the cosmetics by the public, which was also dependent on the public's acceptance of other cosmetics and could not be predicted. Success was also said in the memorandum to depend on such things as the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, "all of which can change and cannot be predicted with certainty."

f) Attas did not inform Holder that he had been the subject of an injunction sought by the Federal Trade Commission for telemarketing fraud, as set out above in ¶ 4.

g) Toward the end of the conversation, Attas had Philip Leitner, who he said was part of the compliance section of his firm, talk to Holder. In his relatively brief conversation with Holder, Leitner did not disclose that a permanent injunction sought by the SEC had been entered against him for

violation of the anti-fraud provisions of the securities laws by making misrepresentations and material omissions in the offering for sale of undivided, fractional working interests in three oil well drilling programs, as set out in ¶ 5 above.

The Staff found no registration for Leitner as a registered representative of a broker-dealer.

9. According to the Confidential Private Placement Memorandum, the shares of preferred stock being offered for sale “have not been approved or disapproved” by the SEC or any state securities regulatory authority and are being offered and sold in reliance upon unnamed exemptions from the registration provisions of the federal and state securities laws. No filing of any kind has been made with the Department, and it is not stated how the offer and sale of this stock is exempted from registration under the Act by any federal law or how the Act is preempted by virtue of the stock’s status as a covered security.

CONCLUSIONS OF LAW

10. Ark. Code Ann. § 23-42-102(15)(A)(ii) (Supp. 1997) defines a security as stock.

11. Ark. Code Ann. § 23-42-501 (Repl. 1994) provides that it is unlawful for any person to offer or sell any security which is not registered or which is not exempt from registration under the terms of the Act.

12. Ark. Code Ann. § 23-42-301(a) (Repl. 1994) prohibits as unlawful the transaction of business as a broker-dealer or an agent of a broker-dealer or issuer by any person who is not

registered with the Department as such.

13. Ark. Code Ann. § 23-42-507(2) (Repl. 1994) provides that it is unlawful for any person in connection with the offer or sale of any security to make any untrue statement or omit to state a material fact necessary in order to make the statements made not misleading in light of the circumstances under which they are made.

OPINION

14. This matter has been properly brought before the Arkansas Securities Commissioner in accordance with Ark. Code Ann. §§ 23-42-201 and 209 (Repl. 1994).

15. The respondents have offered to sell preferred stock without prior registration of those securities or the persons and entities offering to sell them in violation of Ark. Code Ann. § 23-42-501 (Repl. 1994).

16. Attas and Leitner offered to sell securities in the form of preferred stock without being registered with the Department as a broker-dealer or the agent of a broker-dealer in violation of Ark. Code Ann. § 23-42-301(a) (Repl. 1994).

17. Attas and Leitner made misrepresentations of fact in connection with the offer to sell ICC preferred stock in violation of Ark. Code Ann. § 23-42-507(2)

18. The respondents failed to inform Arkansas investors that the Federal Trade Commission had taken action against Attas as set out in ¶ 4, above, or that the SEC had taken action against Leitner as set out in ¶ 5. The failure to inform investors was the omission of a material fact in violation of Ark.

Code Ann. § 23-42-507(2) (Repl. 1994).

19. Pursuant to Ark. Code Ann. § 23-42-209(a)(1) (Supp. 1997), the Arkansas Securities Commissioner can and should order the respondents to immediately cease and desist from the further solicitation and sale of the securities described above, to immediately cease and desist from the collection of additional funds from any current investors and to immediately cease and desist from further violations of the Arkansas Securities Act.

20. This order is in the public interest.

ORDER

IT IS THEREFORE ORDERED that INTERNATIONAL COSMETIC COMPANY , RICHARD ATTAS and PHILIP LEITNER, as well as others whose identities are not yet known who are in positions of control of ICC and who are employed by or otherwise affiliated with ICC, or enterprises associated with RICHARD ATTAS or PHILIP LEITNER, directly or through other companies, **CEASE AND DESIST** from any further actions in the State of Arkansas in connection with the offer and sale of the securities described above until such time as the securities are properly registered or exempted from registration pursuant to the Arkansas Securities Act and the persons offering them for sale are properly registered pursuant to the Arkansas Securities Act.

WITNESS MY HAND AND SEAL this 2nd day of June, 2000.



Mac Dodson
ARKANSAS SECURITIES COMMISSIONER

STATE OF ARKANSAS
SECURITIES DEPARTMENT

IN THE MATTER OF

INTERNATIONAL COSMETIC COMPANY, P.D.M. INC.,
BEVERLY SASSOON, RICHARD ATTAS, PHILIP LEITNER and No. 00-15-S
ALL PERSONS IN CONTROL OF,
EMPLOYED BY OR OTHERWISE
AFFILIATED WITH THOSE PERSONS OR ENTITIES

UNDERTAKING

WHEREAS, it appears that after the original cease and desist order (No. 98-73-S) was issued in this matter, evidence was brought forward showing that Beverly Sassoon (Sassoon) and P.D.M., Inc.(PDM) engaged a third party for the raising of capital and that party, unbeknownst to Sassoon and PDM, took action that led to the securities law violations set out in the cease and desist order, and Sassoon and PDM were not culpable in connection with those securities law violations; and

WHEREAS, Elan Sassoon, the owner of PDM, which is now defunct, (Elan) and Sassoon have become involved in a new business, International Cosmetics Marketing Co. (ICM), whose development is hindered by the cease and desist order; and

WHEREAS, Sassoon and Elan, while denying any legal liability or responsibility to do so, have agreed to assist ICC investors in the manner set forth below; and

WHEREAS, the Arkansas Securities Commissioner (Commissioner) is willing to amend the cease and desist order to acknowledge the lack of culpability of Sassoon and Elan and to delete Sassoon and PDM as respondents under these circumstances;

IT IS THEREFORE AGREED:

1. Following the receipt of notification from any ICC investor of such investor's investment in ICC and the amount thereof, Sassoon and Elan will transfer, collectively and in the aggregate, one share of common stock in ICM to such investor in ICC for each ten dollars (\$10.00) of investment that investor made in ICC, provided that: 1) the investor provides satisfactory evidence that the investment was actually made, including, but not limited to, cancelled checks, receipts, copies of subscription agreements and stock certificates; 2) the investor provides evidence that the investor has received no return of


his or her investment in any form, including, but not limited to, dividends or income of any kind; and 3) the investor waives and releases any and all claims the investor has or might have against Sassoon, PDM, Elan, Beverly Sassoon International, L.L.C., and ICM and any and all related affiliates, members, officers, directors, attorneys and employees, through documentation satisfactory to counsel for Sassoon and Elan.

1. Under no circumstances shall Sassoon and Elan be obligated to transfer any more than 100,000 shares of ICM stock to aggrieved ICC investors in the aggregate upon meeting the conditions precedent set out immediately above on a “first come, first served” basis.
1. The transfer of any ICM stock pursuant to this agreement shall be subject to such additional restrictions, limitations and conditions as may be required to cause such transfer to comply with all federal and state securities laws applicable as determined by counsel for Sassoon and Elan.
1. Sassoon and Elan reserve the right to resolve the claim of any ICC investor in a manner different from that set forth above so long as such resolution is not materially less beneficial to that ICC investor than the provisions set forth herein. Should any ICC investor demand more favorable terms than those set forth herein, Sassoon and Elan reserve the right to refuse any settlement with that investor.
1. Should there be a dispute between an ICC investor on the one hand and Sassoon and Elan on the other as to the adequacy of the evidence submitted by the ICC investor pursuant to ¶ 1, *supra*, the matter shall be submitted to the Commissioner for resolution, albeit subject to the 100,000 share of ICM limit set out in ¶ 2, *supra*. Although all the parties to any such dispute will have the right to be heard and present evidence and argument, the dispute will be resolved informally, without a hearing, and any decision of the Commissioner will be final. Should Sassoon and Elan decide not to honor a decision of the Commissioner in such a case, they understand that the Commissioner could reinstate them as respondents in the cease and desist order. Any ICC investor who is dissatisfied with a decision of the Commissioner would have no recourse other than any cause of action the investor might have had against Sassoon and PDM.

The parties signify their acceptance and agreement with this undertaking by affixing their respective signatures below.

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Beverly Sassoon Date Signed: May 17, 2000


Elan Sassoon Date Signed: May 15, 2000


Mac Dodson Date Signed: 6-2-00
ARKANSAS SECURITIES COMMISSIONER