

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

July 7, 2004

ADMINISTRATIVE PROCEEDING

File No. 3-11536

In the Matter of

JOSE P. ZOLLINO,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Jose P. Zollino (“Respondent” or “Zollino”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. From at least January 1997 to September 1999, Zollino was chairman of InverWorld, Inc. (“IW, Inc.”), formerly a Commission-registered investment adviser, and InverWorld Securities, Inc. (“IW Securities”), formerly a Commission-registered broker-dealer (collectively “InverWorld”). Zollino controlled the policies of InverWorld and exercised ultimate decision-making authority over the corporate structure and business practices of InverWorld.

B. OTHER RELEVANT ENTITIES

1. IW, Inc. was an investment adviser based in San Antonio, Texas. IW Inc. was registered with the Commission until 1997, when it registered with the Texas State Securities Board, as an investment adviser. Its clients were predominantly Mexican nationals.

2. IW Securities was a broker-dealer based in San Antonio, Texas. It was registered with the Commission from 1987 through 1999.

C. CIVIL INJUNCTION AND CRIMINAL CONVICTION

1. On January 7, 2004, the U.S. District Court for the Western District of Texas entered a judgment against Zollino permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and aiding and abetting violations of Sections 206(1) and 206(2) of the Advisers Act. *Securities and Exchange Commission v. Inverworld, Inc., et al.*, Civil Action Number SA-99-CV-0822 (W.D. Tex.).

2. The Commission's complaint alleged that since January 1, 1997, InverWorld, at the direction of Zollino, managed approximately \$433 million on behalf of at least 1,000 Mexican and other Latin American investors. Contrary to representations that client funds would be primarily invested in safe, secure investments, InverWorld instead recommended and/or invested a substantial portion of client funds in extremely risky and undisclosed investments. In addition, InverWorld grossly misrepresented the true value of client investments in monthly account statements. Further, InverWorld created a complex web of affiliated offshore entities, such as IWG Services, Ltd. and IG Services, Ltd., to disguise the true nature of InverWorld's investment activities.

3. On May 15, 2002, Zollino plead guilty to conspiracy to commit fraud in violation of 18 U.S.C. § 371 and conspiracy to launder monetary instruments in violation of 18 U.S.C. § 1956. *United States v. Zollino*, Criminal Action Number SA-01-CR-180 (W.D. Tex.). The object of the conspiracy was to commit securities fraud, among other things. Zollino's plea agreement arose out of his involvement in the fraudulent activities of InverWorld. On October 9, 2002, the court sentenced Zollino to 144 months imprisonment and ordered him to pay criminal restitution of \$341,787,496. Zollino is currently incarcerated at Forrest City Federal Correctional Facility in Forrest City, Arkansas.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate and in the public interest that public administrative proceedings be instituted to determine:

A. whether the allegations set forth in Section II are true and, in connection therewith, to afford Zollino the opportunity to establish any defenses to such allegations; and

B. what, if any, remedial action against Zollino is appropriate in the public interest, pursuant to Section 15(b) of the Exchange Act.

C. what, if any, remedial action against Zollino is appropriate in the public interest, pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 200 of the Commission's Rules of Practice, 17 C.F.R. § 201.200.

IT IS FURTHER ORDERED that Respondent file an Answer to the allegations contained in this Order within twenty (20) days after service upon him of the Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer or fails to appear at a hearing after being duly notified, he may be deemed in default, and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed true, as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that an Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecutorial functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Jonathan G. Katz
Secretary