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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

JUL 22 2004

DOCKETED BY

In the matter of:

) Docket No. S-03561A-04-0000

) PARKLANE INTERNATIONAL
) CORPORATION
) 1985 Queens Avenue
) Vancouver, British Columbia
) Canada V7V2X8

) **TEMPORARY ORDER TO CEASE AND
) DESIST AND NOTICE OF OPPORTUNITY
) FOR HEARING**

) SYNDICATED GOLD DEPOSITORY S.A.
) Fort Nassau Centre-West Wing
) Malborough St., Suite N-4875
) Nassau, Bahamas

) Respondents.
)

RECEIVED
JUL 22 2004
ARIZONA CORPORATION COMMISSION

NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY

EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that RESPONDENTS PARKLANE INTERNATIONAL CORPORATION and SYNDICATED GOLD DEPOSITORY S.A. engaged in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act ("Securities Act") and that the public welfare requires immediate action.

1 **I.**

2 **JURISDICTION**

3 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
4 Arizona Constitution and the Securities Act.

5 **II.**

6 **RESPONDENTS**

7 2. Respondent Parklane International Corporation (“PIC”) is a Canadian company,
8 located at 1985 Queens Avenue, Vancouver, British Columbia, Canada V7V2X8.

9 3. Respondent Syndicated Gold Depository S.A. (“SGD”) is a Bahamian registered
10 corporation, located at Fort Nassau Centre-West Wing, Malborough St., Suite N-4875, Nassau,
11 Bahamas.

12 4. Respondents may be collectively referred to as “Respondents.”
13

14 **III.**

15 **FACTS**

16 **The Investment Program**

17 5. Respondents have, directly or indirectly, offered securities for sale, in or from the
18 state of Arizona. PIC has solicited investors to invest their money into an investment program
19 operated by SGD. Investors enter into a written contract with SGD to invest between \$10,000 to
20 \$500,000 with it. SGD will allegedly pay investors a return of 19.5% on their investment.
21 Respondents claim that SGD will use the money it raises from investors to loan to a mining
22 company for that company to use as capital. SGD will then pay investors their returns from the
23 profits it earns from the mining company.
24

25 6. Respondents have informed investors that SGD has entered into an agreement with
26 Merendon De Honduras, S.A. de C.V. (“Merendon”) and Merendon Mining Corp. Ltd. of Canada

1 (“Merendon-Canada) to provide capital. Merendon is alleged to be a wholly own subsidiary of
2 Merendon-Canada. This capital is to be used to purchase gold and silver by Merendon. According
3 to Respondents, Merendon owns a gold and metal refinery in Tegucigalpa, Honduras. Respondents
4 claim that the Merendon refinery refines gold and silver from Central, North and South America.
5 Although the literature states that there are no mining risks as Merendon processes other producers’
6 gold, in telephone conversations Respondents told an investor that Merendon owned its own mine
7 in Honduras.

8
9 7. Respondents’ sales literature provided to prospective investors states that all funds
10 SGD places into Merendon will be secured by a collateral bond covering all assets of Merendon,
11 with SGD passing on this security to the investor. However, Respondents failed to provide
12 investors with any financial statements in order to determine the risk of their investment or the
13 amount of collateral of Merendon that would allegedly secure their investment. Investors are told
14 that they will have no participation in the operation or management of SGD or Merendon.

15
16 8. Respondents state that the SGD program has been running successfully since 1999.
17 Respondents claim that they will pay investors 1.5% per month, or 19.5% compounded monthly.
18 Respondents’ sales literature states that after 25 years of compounding, a \$100,000 investment will
19 be worth \$8,700,000, with monthly income of \$130,000. Respondents inform investors that they
20 can afford to pay such returns as Merendon’s profit margins are 10% per each ounce that is refined.

21 The Offshore Entities

22
23 9. Investors are required to organize an International Business Corporation (“IBC”) in
24 order to make the investment in SGD. Respondents require the IBC to have an offshore bank
25 account. The IBC is organized by Respondents’ “associates” at an entity known as International
26 Privacy Corporation. Investors are charged \$4500 to set up the IBC, plus a fee of \$700 per year for

1 maintenance of the IBC. The application and fee is sent to Respondents. The IBC is organized
2 under the laws of Belize or St. Vincent. Respondents promise that the IBC will be provided to the
3 investor within three business days. Respondents also charge investors a 5% fee for every
4 investment.

5 10. Investors are also given the option of investing through their Individual Retirement
6 Account (“IRA”). In order to do that, investors are required to open an IRA account at a custodian
7 to be chosen by Respondents, although Respondents do not identify the custodian. Respondents
8 claim that they have determined a way to maximize returns from the IRA and thus require investors
9 to set up a LLC in the IRA, to make the investment in SGD. Respondents require a fee of between
10 \$7000 - \$10,000 to set up the LLC, which is to be organized under the laws of Arizona or Nevada.
11 Elsewhere, respondents’ sales literature states that the LLCs will be set up under the laws of
12 Arizona or Nevis. Respondents also charge an annual fee of \$200 for the IRA, and a fee of between
13 \$50 to \$700 to maintain the LLC. Once the LLC is formed, the investor then forms the IBC as
14 described *supra*, in order to make the SGD investment.
15

16 11. Respondents also provide applications for an offshore bank account, which they
17 require the IBC to have in order to make the SGD investment. The application is for the Provident
18 Bank & Trust of Belize Ltd, where investors are instructed to open the account in the name of the
19 IBC, with themselves as the general manager.
20

21 12. On December 24, 2003, the Pennsylvania Securities Commission issued a summary
22 order to cease and desist against PIC and SGD for violations of the Pennsylvania Securities Act.
23 Upon information and belief, Respondents did not inform Arizona investors solicited after
24 December 24, 2003 of that order.
25
26

1 operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not
2 limited to, the following:

3 a) Informing investors that they would receive a return of 19.5% on their
4 investment, while failing to include the costs of the investment in that return, including the
5 5% upfront fee, the costs of setting up and maintaining an IBC and, if the investor makes an
6 IRA investment, the costs of setting up and maintaining the LLC and the IRA;

7 b) Failing to provide any financial information regarding Respondents,
8 Merendon-Canada and Merendon, including disclosure statements, prospectuses or
9 financial statements including but not limited to past operations, balance sheets,
10 statements of income, retained earnings, cash flows and uses of proceeds that would
11 reflect the financial position of these entities;

12 c) Failing to provide full descriptions of any assets or other collateral that
13 secure the investment, including any evidence that adequate collateral exists to secure
14 each investors' investment;

15 d) Informing potential investors in sales literature that there are no mining risks
16 as Merendon processes other producer's gold, while in telephone conversations telling an
17 investor that Merendon owned its own mine in Honduras therefore giving it a secure
18 source of gold; and

19 e) Failing to disclose after December 24, 2003, the existence of an order from
20 the Pennsylvania Securities Commission, finding that Respondents' offerings were
21 securities and ordering them to stop their sale.

22 7. This conduct violates A.R.S. § 44-1991.

23 **VII**

24 **TEMPORARY ORDER**

25 **Cease and Desist from Violating the Securities Act**

26

1 and received by the Commission within 20 days after service of this Temporary Order to Cease and
2 Desist. Each Respondent must deliver or mail the request for hearing to Docket Control, Arizona
3 Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control
4 cover sheet must also be filed with the request for hearing. A cover sheet form and instructions may
5 be obtained from Docket Control at (602) 542-3477 or on the Commission's Internet web site at
6 www.cc.state.az.us/utility/forms/index.htm.

7 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10
8 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,
9 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**
10 **Order shall remain effective from the date a hearing is requested until a decision is entered.**
11 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order,
12 with written findings of fact and conclusions of law. A permanent Order may include ordering
13 restitution, assessing administrative penalties or other action.

14 If a request for hearing is not timely made, the Division will request that the Commission
15 make permanent this Temporary Order, with written findings of fact and conclusions of law, which
16 may include ordering restitution, assessing administrative penalties or other relief.

17 Persons with a disability may request a reasonable accommodation such as a sign language
18 interpreter, as well as request this document in an alternative format, by contacting Yvonne L.
19 McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-
20 mail ymcfarlin@cc.state.az.us. Requests should be made as early as possible to allow time to
21 arrange the accommodation.

22 **X.**

23 **ANSWER REQUIREMENT**

24 Pursuant to A.A.C. R14-4-305, if any Respondent requests a hearing, the Respondent must
25 deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona
26 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days

1 after the date of service of this Temporary Order to Cease and Desist and Notice of Opportunity
2 for Hearing,. A Docket Control cover sheet must accompany the Answer. A cover sheet form and
3 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
4 Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

5 Additionally, the Respondent must serve the Answer upon the Division. Pursuant to
6 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
7 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix Arizona,
8 addressed to Mark Dinell.

9 The Answer shall contain an admission or denial of each allegation in this Temporary
10 Order and Notice and the original signature of each Respondent or the Respondent's attorney. A
11 statement of a lack of sufficient knowledge or information shall be considered a denial of an
12 allegation. An allegation not denied shall be considered admitted.

13 When a Respondent intends in good faith to deny only a part or a qualification of an
14 allegation, the Respondent shall specify that part or qualification of the allegation and shall admit
15 the remainder. The Respondent waives any affirmative defense not raised in the answer. The
16 officer presiding over the hearing may grant relief from the requirement to file an Answer for good
17 cause shown.

18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 22nd day of July,
19 2004.

20 
21 _____
22 Matthew J. Neubert
23 Director of Securities
24
25
26

Memorandum

DATE: 7/22/04
TO: Nancy Cole
Docket Control
FROM: Mark Dinell
Securities Division
RE: Parklane International et. al.
Docket No. S-03561A-04-0000
CC: Emie R. Bridges

This is to notify you that the following individuals have been assigned to the above-mentioned case.

- Matthew Neubert
- LeRoy Johnson

Mark Dinell (Staff Attorney)

Gary Clapper (Staff Investigator)
