



BEFORE THE ARIZONA CORPORATION COMMISSION

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NEW ARIZONA CORPORATION COMMISSION CONTROL

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WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

In the matter of:

NETGO, INC.
4300 N. Miller Road, Suite 230
Scottsdale, AZ 85251

SDIC PARTNERSHIP
4300 N. Miller Road, Suite 230
Scottsdale, AZ 85251

M-CORP INTERNATIONAL
5221 Southern Hills
Frisco, Texas 75034

M-CORP INTERNATIONAL, LTD.
A Turks and Caicos corporation
5221 Southern Hills
Frisco, Texas 75034

CAMELBACK, LTD.
A Turks and Caicos corporation
4300 N. Miller Road, Suite 230
Scottsdale, AZ 85251

NEIL DAVID LEWIS
7680 East Mariposa
Scottsdale, AZ 85251

NORMAN MICHAEL MILLER
5221 Southern Hills
Frisco, Texas 75034

Respondents.

) DOCKET NO. S-03150A-02-0000
)
) NOTICE OF OPPORTUNITY FOR
) HEARING REGARDING PROPOSED
) ORDER TO CEASE AND DESIST,
) ORDER FOR RESTITUTION AND FOR
) OTHER AFFIRMATIVE ACTION

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NOTICE: RESPONDENTS HAVE 10 DAYS TO REQUEST A HEARING

The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges that Respondents have engaged in acts, practices and transactions, which constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*, (“Securities Act”).

I.

JURISDICTION

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

II.

RESPONDENTS

2. NETGO, INC. (“NETGO”), whose last known address is 4300 N. Miller Road, Suite 230, Scottsdale, AZ 85251, is an Arizona corporation.

3. SDIC, PARTNERSHIP (“SDIC”) whose last known address is 4300 N. Miller Road, Suite 230, Scottsdale, AZ 85251, is a South Dakota partnership, headquartered in Scottsdale, Arizona.

4. CAMELBACK LTD. (“CAMELBACK”), is a Turks and Caicos corporation, doing business at 4300 N. Miller Road, Suite 230, Scottsdale, AZ 85251.

5. NEIL DAVID LEWIS (“LEWIS”), whose last known address is 7680 East Mariposa, Scottsdale, AZ, is president of NETGO and general partner of SDIC.

6. M-CORP INTERNATIONAL (“M-CORP.”) is a dba of RESPONDENT NORMAN MICHAEL MILLER, who is located 5221 Southern Hills, Frisco, Texas 75034.

7. M-CORP INTERNATIONAL, LTD. (“MCIL”) is a Turks and Caicos corporation, located at 5221 Southern Hills, Frisco, Texas 75034.

1 RESPONDENTS called the program a Credit Enhancement Loan Program, although these
2 programs were also known as roll programs or prime bank loan programs.

3 13. Between April 1996 and June 18, 1996, SDIC and LEWIS had raised \$300,000 from
4 members of IMA to invest in a high return loan program. Subsequently, on September 25, 1996,
5 SDIC and LEWIS placed the \$300,000 in funds into another alleged high return loan program.
6 SDIC and LEWIS promised investors that there would be a 100% annual return, with collateral of
7 110% invested in "U.S. Treasuries." SDIC and LEWIS also promised that the funds would be
8 deposited with "a major accounting firm." MILLER also joined in that program, and assisted SDIC
9 and LEWIS in arranging the investment. On October 16, 1996, SDIC, LEWIS and MILLER wired
10 \$300,000 from the bank account in Arizona to a Texas bank to invest in a prime bank program. On
11 July 30, 1997, SDIC and LEWIS requested that the \$300,000 be returned. The funds were then
12 refunded to SDIC.

13 14. MILLER then suggested that SDIC and LEWIS join in another high yield
14 investment program. SDIC signed a "Private Placement Agreement" with MCIL on July 29, 1997.
15 MILLER signed on behalf of MCIL as its Registered Agent.

16 15. MILLER appeared at IMA meetings in 1997 and 1998 which he discussed the
17 program and informed the potential investors about it. MILLER informed investors that there was no
18 risk to any principal invested in the program. He informed investors that the money already invested
19 was held in Certificates of Deposit and were pledged as collateral in the program.

20 16. SDIC, LEWIS, MILLER, MCIL and M-CORP. put the \$300,000 they had raised
21 from investors into that program, plus \$200,000 more that RESPONDENTS had solicited from
22 investors. RESPONDENTS informed investors that they were "piggy-backed" with a
23 \$650,000,000 investor. LEWIS informed investors that the program would continue until January
24 or February 1999. RESPONDENTS then sent a report to the investors promising that the \$300,000
25 invested, if compounded, would yield \$164,829,450 in one year.

1 17. LEWIS formed NETGO in 1998. It ostensibly was created to replace LEWIS as an
2 investment administrator for the prime bank scheme. NETGO allegedly had the SDIC investors
3 issue powers of attorney to it to act as the administrator of the investment and the investment
4 proceeds. Some of the money for the scheme went through the NETGO bank account.

5 18. SDIC, LEWIS, MILLER, NETGO, MCIL and M-CORP. continued to raise money
6 from investors. Between December 15, 1997 and April 13, 1998, RESPONDENTS raised
7 \$1,659,000 from investors, many of whom were members of IMA or referred by other IMA
8 members. That sum was deposited in SDIC and NETGO bank accounts, and then wired to a M-
9 CORP. bank account in Texas. From that account, the funds were wired to a foreign bank account.

10 19. On April 13, 1998, SDIC and LEWIS entered into an Amendment to the Private
11 Placement Agreement with MCIL, with MILLER signing as the "Registered Agent" of MCIL,
12 acknowledging that SDIC had now put \$2,159,000 into the program.

13 20. Investors then received materials from RESPONDENTS and signed an agreement,
14 amending their previous agreement described *supra*, that stated:

15 "The sole business objective of the Agreement [with MCIL] is the investment of
16 funds into a high yield trading program involving the trading of instruments of U.S.
17 Government Security. The Security is a 90-day Treasury Bill that will be for the
18 principal amount of the funds, plus twenty-percent (20%)." The agreement went on
19 to state, "Participant shall be entitled, on a best efforts basis, to receive a projected
20 profit yield based on the [amount] invested which will be utilized with the other
21 S.D.I.C. Partnership funds to purchase 90-day U.S. Treasuries as follows:

22 Each transaction (contract) shall be for 120% of the principal amount in 90-
23 day Treasury Bills, which will be immediately liquidated on a discount yield to
24 maturity basis for 96.5%. 50% of the profit yield will be retained by S.D.I.C.
25 Partnership and utilized along with the principal into another contract. The profit
26

1 yields and principal will be compounded into approximately 40 contracts over a 12-
2 month period. (NOTE: the other 50% will go to the Facilitator/Program.)”

3 21. RESPONDENTS sent out weekly updates to program members, informing them
4 that they were receiving a return of 9.67% per contract. Each contract lasted one week according to
5 the reports to investors. RESPONDENTS stated that the investment was receiving an annualized
6 return of over 500% per annum.

7 22. In December 1998, RESPONDENTS proposed that the investors exchange their
8 partnership interests in SDIC to stock interests in CAMELBACK. RESPONDENTS were told that to
9 remain with the program they had to become a CAMELBACK stockholder, otherwise their principal
10 would be returned to them. The investors were also told that the \$2,159,000 invested in SDIC was
11 now worth over \$96,000,000. All investors then agreed that their partnership interests in SDIC would
12 be exchanged for stock in CAMELBACK.

13 23. According to LEWIS, all communication of the program came through MILLER,
14 including the location of the funds, allegedly somewhere in Europe, the bank involved, which
15 LEWIS claimed was unknown by him, and the returns. RESPONDENTS in turn disseminated this
16 information to the investors. According to the information that RESPONDENTS have
17 disseminated, the investors have received astronomical returns. No investor has received any actual
18 principal or profit since this program began in 1997. No investor has received any documentation
19 sufficient to independently verify the returns actually exist.

20 24. In 2001, LEWIS filed a lawsuit against MILLER. Subsequent to the lawsuit, he
21 solicited funds from the investors, ostensibly to fund the lawsuit. Upon information and belief, he
22 informed investors that those investors who provided him with those additional funds would receive
23 priority in any recovery from the investment and/or the lawsuit.

24 25. MILLER was convicted in Texas in 1991 of securities fraud and theft. He did not
25 inform investors of his criminal record.

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IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

1. From on or about 1997, RESPONDENTS offered or sold securities in the form of investment contracts, within or from Arizona.
2. The securities referred to above were not registered pursuant to the provisions of Articles 6 or 7 of the Securities Act.
3. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

4. RESPONDENTS offered or sold securities within or from Arizona, while not registered as dealers or salesmen pursuant to the provisions of Article 9 of the Securities Act.
5. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

6. In connection with the offer or sale of securities within or from Arizona, RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes, but is not limited to, the following:

- 1 a) RESPONDENTS made the untrue statement that there was a trading market for
2 discounted debt instruments from major banks that generated very high profits
3 with no risk to the investor, while in fact no such market exists;
- 4 b) RESPONDENTS made the untrue statement that investor funds would be held in
5 escrow or in Certificates of Deposit for safekeeping until transfer to the trading
6 bank, while in fact funds were misused for other purposes;
- 7 c) RESPONDENTS misrepresented the risk of the program to investors;
- 8 d) RESPONDENTS made untrue statements as to the return that investors could expect
9 from their investments.
- 10 e) RESPONDENTS failed to disclosed MILLER's criminal history for securities fraud
11 and theft.
- 12 7. This conduct violates A.R.S. § 44-1991.

13 **VII.**

14 **REQUESTED RELIEF**

15 The Division requests that the Commission grant the following relief against
16 RESPONDENTS:

- 17 1. Order RESPONDENTS to permanently cease and desist from violating the Securities
18 Act pursuant to A.R.S. § 44-2032;
- 19 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
20 from their acts, practices or transactions, including a requirement to make restitution pursuant to
21 A.R.S. § 44-2032;
- 22 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
23 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 24 and
- 25 4. Order any other relief that the Commission deems appropriate.
- 26

VIII.

HEARING OPPORTUNITY

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. A request must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. Each RESPONDENT must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must accompany the request. A cover sheet form and instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made, the Commission may, without a hearing, enter an order against each RESPONDENT granting the relief requested by the Division in this Notice of Opportunity for Hearing.

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

Dated this 26th day of February, 2002.



Mark Sendrow
Director of Securities

Memorandum

DATE: February 26, 2002
TO: Nancy Cole
Docket Control
FROM: Mark Dinell
Securities Division
RE: Netgo, et al.
Docket No. S-03150A-02-0000
Assigned Staff
CC: Mabel Aldridge

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AZ CORP COMMISSION
DOCUMENT CONTROL

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

- Mark Sendrow
- LeRoy Johnson
- Matthew Neubert

Mark Dinell (Staff Attorney)

Gary Clapper (Staff Investigator)

Note: The Assistant Attorney General assigned to this matter is: Moira McCarthy.