

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



ORIGINAL



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ARIZONA CORPORATION COMMISSION

RECEIVED

DIRECTOR

2002 SEP 13

SECURITIES DIVISION
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AZ CORP COMMISSION
DOCUMENT CONTROL

MEMORANDUM

OPEN MEETING ITEM

TO: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer

Arizona Corporation Commission

DOCKETED

FROM: Mark Sendrow *MS*
Director of Securities

SEP 13 2002

DATE: September 13, 2002

DOCKETED BY

CAR

RE: Docket No. S-03150A-02-0000, Netgo, et al.
Proposed Order To Cease And Desist, Order Of Restitution and Order For
Administrative Penalties Re: M-Corp International and Norman Michael Miller

CC: Brian C. McNeil, Executive Secretary

Attached is a proposed Order to Cease and Desist, Order of Restitution and Order for Administrative Penalties for Respondents Norman Michael Miller ("Miller") and M-Corp International ("M-Corp"). The Order requires Miller and M-Corp to cease and desist their activity, to pay the remaining restitution, \$1,500,000, to all investors and to pay a penalty of \$30,000. Miller and M-Corp have tendered the penalty amount to the Commission. Additionally, \$3,000,000, constituting the principal amount of the investment, has been paid by Miller. The remaining restitution is interest. Four other Respondents in this action have entered into consent orders which are also scheduled for this Open Meeting, while one Respondent has a default order set for the Open Meeting.

From 1996 forward, Respondents raised \$2,785,000 from 102 investors across the world. The investments were allegedly to invest in a high yield debenture trading program. Such operations are commonly known as prime bank schemes. Some of the Respondents actually solicited investments in two such schemes, the first beginning in 1996. After it was apparent that the first scheme was not operating, the participants obtained return of their funds, raised additional funds and in 1998 invested in a second scheme. Respondents SDIC Partnership ("SDIC") and Neil Lewis ("Lewis"), with assistance from Miller, raised the funds from investors, informing investors that there was no risk to any principal invested in the program. They informed investors that the money already invested was held in Certificates of Deposit and were pledged as collateral in the program. The funds were transmitted to Respondent M-Corp International, Ltd. ("MCIL"), M-Corp, and Miller who were to be responsible for placing the

funds into the program. Lewis then formed Respondent Netgo in 1998. It ostensibly was created to replace Lewis as an investment administrator for the prime bank scheme. Netgo had the SDIC investors issue powers of attorney to it to act as the administrator of the investment and the investment proceeds. Some of the money for the scheme went through the Netgo bank account.

In December 1998, Respondents proposed that the investors exchange their partnership interests in SDIC to stock interests in Respondent Camelback, Ltd. ("Camelback"). Investors were told that to remain with the program they had to become a Camelback stockholder, otherwise their principal would be returned to them. The investors were also told that their investment was now worth over \$96,000,000. All investors then agreed that their partnership interests in SDIC would be exchanged for stock in Camelback.

During operation of the program, investors continued to be told trading was going well and that large profits were being made. However, no trading market for discounted debt instruments from major banks that generated very high profits with no risk to the investor exists.

In 2001, Lewis filed a lawsuit against Miller. Subsequent to the lawsuit, Lewis solicited funds from the investors, ostensibly to fund the lawsuit.

This Order finds that Miller and M-Corp violated A.R.S. §§ 44-1841, 44-1842 and 44-1991. After filing this Notice, and in compromise of the claims, Respondents, through funds from Miller, have paid \$3,000,000 in restitution. Those funds have already been distributed to all investors. Thus, at this time, all investors have received back their principal. Miller and M-Corp have also agreed to pay investors \$1,500,000, to be paid in the amount of \$250,000 on March 26, 2003, and each anniversary of March 26, commencing on March 26, 2004, until either all investors are paid all principal and interest on their investment or until investors have received total payments of \$4,500,000. The Order also imposes a penalty of \$30,000, which has been tendered to the Commission.

The Division recommends approval of the Order. The investors' principal has been returned to them, with Miller and M-Corp, responsible for the remaining interest. The penalty has also been paid. Additionally, the Order serves as a deterrent to other entities that seek to sell prime bank schemes in Arizona.

Originator: Mark Dinell

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL

3 Chairman

JIM IRVIN

4 Commissioner

MARC SPITZER

5 Commissioner

6 In the matter of:)

) DOCKET NO. S-03150A-02-0000

7 NETGO, INC.)

8 4300 N. Miller Road, Suite 230)

9 Scottsdale, AZ 85251)

) DECISION NO. _____

10 SDIC PARTNERSHIP)

11 4300 N. Miller Road, Suite 230)

12 Scottsdale, AZ 85251)

) **ORDER TO CEASE AND DESIST,**

) **ORDER OF RESTITUTION, ORDER**

) **FOR ADMINISTRATIVE PENALTIES**

) **AND CONSENT TO SAME BY:**

) **RESPONDENTS NORMAN MICHAEL**

) **MILLER AND M-CORP**

) **INTERNATIONAL**

13 M-CORP INTERNATIONAL)

14 5221 Southern Hills)

15 Frisco, Texas 75034)

16 M-CORP INTERNATIONAL, LTD.)

17 A Turks and Caicos corporation)

18 5221 Southern Hills)

19 Frisco, Texas 75034)

20 CAMELBACK, LTD.)

21 A Turks and Caicos corporation)

22 4300 N. Miller Road, Suite 230)

23 Scottsdale, AZ 85251)

24 NEIL DENNIS LEWIS)

25 7680 East Mariposa)

26 Scottsdale, AZ 85251)

NORMAN MICHAEL MILLER)

5221 Southern Hills)

Frisco, Texas 75034)

Respondents.)

24 **RESPONDENTS NORMAN MICHAEL MILLER and M-CORP INTERNATIONAL**

25 ("MILLER RESPONDENTS") elect to permanently waive their right to a hearing and appeal

26

1 under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.* ("Securities
2 Act") with respect to this Order to Cease and Desist Order of Restitution, Order for Administrative
3 Penalties and Consent to Same ("Order"). MILLER RESPONDENTS admit the jurisdiction of the
4 Arizona Corporation Commission ("Commission"); solely for purposes of this proceeding, neither
5 admit nor deny the Findings of Fact and Conclusions of Law contained in this Order but agree that
6 they shall not challenge the validity of the Findings of Fact and Conclusions of Law in any present
7 or future administrative proceeding before the Commission or any other Arizona agency; and
8 consent to the entry of this Order by the Commission.

9
10 **I.**

11 **FINDINGS OF FACT**

12 1. M-CORP INTERNATIONAL ("M-CORP.") is a dba of RESPONDENT
13 NORMAN MICHAEL MILLER, who is located at 5221 Southern Hills, Frisco, Texas 75034.

14 2. NORMAN MICHAEL MILLER ("MILLER") whose last known address is 5221
15 Southern Hills, Frisco, Texas 75034, is the "Registered Agent" of MCIL pursuant to a power of
16 attorney.

17 3. These Respondents shall be collectively known as the "MILLER
18 RESPONDENTS."

19 4. From on or about April 15, 1996 through present, the MILLER RESPONDENTS,
20 along with Respondents M-CORP INTERNATIONAL, LTD., NETGO, INC., SDIC
21 PARTNERSHIP ("SDIC"), CAMELBACK, LTD. ("CAMELBACK") and NEIL DENNIS LEWIS
22 (collectively "RESPONDENTS") offered for sale and sold interests in SDIC and CAMELBACK
23 within or from Arizona to investors. The offering materials indicated that the invested funds were
24 to be pooled and used in a program directed by RESPONDENTS alleged to create very high
25 profits. At present, RESPONDENTS have obtained funds from at least 100 investors, in the
26 principal amount of \$2,785,000.

1 6. LEWIS created a marketing organization known as International Mergers and
2 Acquisitions ("IMA"). IMA recruits members for a fee. Once a person becomes a member of
3 IMA, it can attend training seminars and obtain referrals for work in the area of the members'
4 expertise. The referrals come from other IMA representatives or through LEWIS. IMA alleges
5 that it has at least 55 members throughout the world.

6 7. RESPONDENTS sent numerous materials regarding investment programs to IMA
7 members. The materials regarding the investments stated that all investors' funds would be
8 completely safe, with a guaranteed rate of return, as the funds would be backed by a guarantee
9 from a "Prime Bank." The materials stated that those funds would remain in a bank or brokerage
10 account and be used to generate a line of credit that would then be traded, returning profits. The
11 materials claimed that the investor had no risk and would be in control of their investment at all
12 times. RESPONDENTS claimed that due to weekly trading and compounding, returns would start
13 at 60%. RESPONDENTS called the program a Credit Enhancement Loan Program, although
14 these programs were also known as roll programs or prime bank loan programs.

15 8. Between April 1996 and June 18, 1996, SDIC and LEWIS had raised \$300,000
16 from members of IMA to invest in a high return loan program. Subsequently, on September 25,
17 1996, SDIC and LEWIS placed the \$300,000 in funds into another alleged high return loan
18 program. SDIC and LEWIS promised investors that there would be a 100% annual return, with
19 collateral of 110% invested in "U.S. Treasuries." SDIC and LEWIS also promised that the funds
20 would be deposited with "a major accounting firm." MILLER also joined in that program, and
21 assisted SDIC and LEWIS in arranging the investment. On October 16, 1996, SDIC, LEWIS and
22 MILLER wired \$300,000 from the bank account in Arizona to a Texas bank to invest in a prime
23 bank program. On July 30, 1997, SDIC and LEWIS requested that the \$300,000 be returned. The
24 funds were then refunded to SDIC.

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

4 10. MILLER appeared at IMA meetings in 1997 and 1998 which he discussed the
5 program and informed the potential investors about it. MILLER informed investors that there was
6 no risk to any principal invested in the program. He informed investors that the money already
7 invested was held in Certificates of Deposit and were pledged as collateral in the program. That
8 was untrue as in fact funds were misused for other purposes.

9 11. SDIC, LEWIS, MILLER, MCIL and M-CORP. put the \$300,000 they had raised
10 from investors into that program, plus \$200,000 more that RESPONDENTS had solicited from
11 investors. RESPONDENTS informed investors that they were "piggy-backed" with a
12 \$650,000,000 investor. LEWIS informed investors that the program would continue until January
13 or February 1999. RESPONDENTS then sent a report to the investors promising that the
14 \$300,000 invested, if compounded, would yield \$164,829,450 in one year.

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

19 13. SDIC, LEWIS, MILLER, NETGO, MCIL and M-CORP. continued to raise money
20 from investors. Between December 15, 1997 and April 13, 1998, RESPONDENTS raised
21 \$1,659,000 from investors, many of whom were members of IMA or referred by other IMA
22 members. That sum was deposited in SDIC and NETGO bank accounts, and then wired to a M-
23 CORP. bank account in Texas. From that account, the funds were wired to a foreign bank account.

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

1 15. Investors then received materials from RESPONDENTS and signed an agreement,
2 amending their previous agreement described *supra*, that stated:

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

11 Each transaction (contract) shall be for 120% of the principal amount in 90-
12 day Treasury Bills, which will be immediately liquidated on a discount yield to
13 maturity basis for 96.5%. 50% of the profit yield will be retained by S.D.I.C.
14 Partnership and utilized along with the principal into another contract. The profit
15 yields and principal will be compounded into approximately 40 contracts over a
16 12-month period. (NOTE: the other 50% will go to the Facilitator/Program.)”

17 16. RESPONDENTS sent out weekly updates to program members, informing them
18 that they were receiving a return of 9.67% per contract. Each contract lasted one week according
19 to the reports to investors. RESPONDENTS stated that the investment was receiving an
20 annualized return of over 500% per annum.

21 17. In December 1998, RESPONDENTS proposed that the investors exchange their
22 partnership interests in SDIC to stock interests in CAMELBACK. Investors were told that to
23 remain with the program they had to become a CAMELBACK stockholder, otherwise their
24 principal would be returned to them. The investors were also told that the \$2,159,000 invested in
25 SDIC was now worth over \$96,000,000. That information was false. All investors then agreed
26 that their partnership interests in SDIC would be exchanged for stock in CAMELBACK.

1 Payment shall be made to the trust fund of David T. Bonfiglio, to be distributed by that
2 attorney to the investors. The MILLER RESPONDENTS shall provide evidence of payment to the
3 Commission within 24 hours of transmittal of payment to the trust fund of David T. Bonfiglio. In
4 the event any required payment is not received by David T. Bonfiglio within five business days of
5 the date due, any outstanding balance of principal and accrued interest may be deemed in default
6 and shall be immediately due and payable to the state of Arizona.

7 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that the MILLER
8 RESPONDENTS, jointly and severally, and on behalf of M-Corp International, Ltd., shall pay an
9 administrative penalty in the amount of \$30,000, payable to the "State of Arizona." Payment shall
10 be made in full by cashier's check or money order on the date of this Order. If the MILLER

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1 RESPONDENTS do not comply with this Order for administrative penalties, any outstanding
2 balance may be deemed in default and shall be immediately due and payable.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
Executive Secretary of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this _____ day of
_____, 2002.

BRIAN C. McNEIL
Executive Secretary

DISSENT

This document is available in alternative formats by contacting Shelly M. Hood, Executive
Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail
shood@cc.state.az.us.

(md)

CONSENT TO ENTRY OF ORDER

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2 1. RESPONDENTS NORMAN MICHAEL MILLER AND M-CORP
3 INTERNATIONAL ("MILLER RESPONDENTS"), admit the jurisdiction of the Commission
4 over the subject matter of this proceeding. The MILLER RESPONDENTS acknowledge that they
5 have been fully advised of their right to a hearing to present evidence and call witnesses and the
6 MILLER RESPONDENTS knowingly and voluntarily waive any and all rights to a hearing before
7 the Commission and all other rights otherwise available under Article 11 of the Securities Act and
8 Title 14 of the Arizona Administrative Code. The MILLER RESPONDENTS acknowledge that
9 this Order to Cease and Desist, Order Of Restitution, Order For Administrative Penalties And
10 Consent To Same ("Order") constitutes a valid final order of the Commission.

11 2. The MILLER RESPONDENTS knowingly and voluntarily waive any right they may
12 have under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal,
13 or extraordinary relief resulting from the entry of this Order.

14 3. The MILLER RESPONDENTS acknowledge and agree that this Order is entered into
15 freely and voluntarily and that no promise was made or coercion used to induce such entry.

16 4. The MILLER RESPONDENTS acknowledge that they have been represented by
17 counsel in this matter, they have reviewed this Order with their attorneys and understand all terms
18 it contains.

19 5. The MILLER RESPONDENTS neither admit nor deny the Findings of Fact and
20 Conclusions of Law contained in this Order but agree that they shall not challenge the validity of
21 the Findings of Fact and Conclusions of Law in any present or future administrative proceeding
22 before the Commission or any other Arizona agency.

23 6. By consenting to the entry of this Order, the MILLER RESPONDENTS agree not to
24 take any action or to make, or permit to be made, any public statement denying, directly or
25 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
26

1 this Order is without factual basis. The MILLER RESPONDENTS will undertake steps necessary
2 to assure that all of their agents and employees understand and comply with this agreement.

3 7. While this Order settles this administrative matter between the MILLER
4 RESPONDENTS and the Commission, the MILLER RESPONDENTS understand that this Order
5 does not preclude the Commission from instituting other administrative proceedings based on
6 violations that are not addressed by this Order.

7 8. The MILLER RESPONDENTS understand that this Order does not preclude the
8 Commission from referring this matter to any governmental agency for administrative, civil, or
9 criminal proceedings that may be related to the matters addressed by this Order.

10 9. The MILLER RESPONDENTS understand that this Order does not preclude any other
11 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or
12 criminal proceedings that may be related to matters addressed by this Order.

13 10. The MILLER RESPONDENTS agree that they will not apply to the state of Arizona
14 for registration as a securities dealer or salesman or for licensure as an investment adviser or
15 investment adviser representative at any time in the future.

16 11. The MILLER RESPONDENTS agree that they will not exercise any control over any
17 entity that offers or sells securities or provides investment advisory services, within or from
18 Arizona.

19 12. The MILLER RESPONDENTS agree that until restitution and penalties are paid in
20 full, they will notify the Director of the Securities Division within 30 days of any change in home
21 address or any change in their ability to pay amounts due under this Order.

22 13. The MILLER RESPONDENTS understand that default shall render them liable to the
23 Commission for its costs of collection and interest at the maximum legal rate.

24 14. RESPONDENT NORMAN MICHAEL MILLER agrees that, subject to the protections
25 afforded under the federal and Arizona constitutions, he will continue to cooperate with the
26 Securities Division including, but not limited to, providing complete and accurate testimony

Docket No. S-03150A-02-0000

1 against any third party at any hearing in this matter and cooperating with the state of Arizona in
2 any related investigation of any third party arising from the activities described in this Order.

3 15. The MILLER RESPONDENTS consent to the entry of this Order and agree to be fully
4 bound by its terms and conditions. If the MILLER RESPONDENTS breach any provision of this
5 Order, the Commission may vacate this Order and restore this case to its active docket.

6 16. RESPONDENT NORMAN MICHAEL MILLER represents that he is authorized to
7 execute this Consent on behalf of RESPONDENT M-CORP INTERNATIONAL.

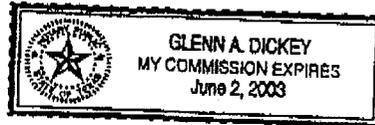
8
9 Norman Michael Miller
10 NORMAN MICHAEL MILLER

11 SUBSCRIBED AND SWORN TO BEFORE me this 12 day of September, 2002.

12
13 [Signature]
14 NOTARY PUBLIC

14 My Commission Expires:

15 June 2, 2003



17 M-CORP INTERNATIONAL

18
19 Norman Michael Miller
20 By: Norman Michael Miller

21 SUBSCRIBED AND SWORN TO BEFORE me this 12 day of September, 2002.

22
23 [Signature]
24 NOTARY PUBLIC

24 My Commission Expires:

25 June 2, 2003

