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WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER



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ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
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AZ CORP COMMISSION
DOCUMENT CONTROL

MEMORANDUM

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

Arizona Corporation Commission

OPEN MEETING ITEM

DOCKETED 7/26/02

FROM: Mark Sendrow
Director of Securities

SEP 13 2002

DATE: September 13, 2002

DOCKETED BY CR

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: Netgo, Inc., SDIC Partnership, Camelback, Ltd.
and Neil Dennis Lewis

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 Netgo, Inc. ("Netgo"), SDIC Partnership ("SDIC"), Camelback, Ltd. ("Camelback") and Neil Dennis Lewis ("Lewis"). The Order requires Netgo, SDIC, Camelback and Lewis to cease and desist their activity, to pay the remaining restitution, \$1,500,000, to all investors and to pay a penalty of \$10,000. Additionally, restitution in the amount of \$3,000,000, constituting the principal amount of the investment, has been paid by Respondents. The remaining restitution is interest. Two 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. SDIC and Lewis, with assistance from Respondent Norman Michael Miller ("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 M-Corp, MCIL and Miller (the

"Miller Respondents") who were to be responsible for placing the funds into the program. Lewis then formed 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 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 Netgo, SDIC, Camelback and Lewis 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 the Miller Respondents, 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. Respondents 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. Netgo, SDIC, Camelback and Lewis's responsibility for payment of that restitution is contingent upon payment from Miller, M-Corp and MCIL.

The Division recommends approval of the Order. The investors' principal has been returned to them, with Respondents 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

BEFORE THE ARIZONA CORPORATION COMMISSION

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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 DENNIS LEWIS
7680 East Mariposa
Scottsdale, AZ 85251

NORMAN MICHAEL MILLER
5221 Southern Hills
Frisco, Texas 75034

Respondents.

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

) DECISION NO. _____

) **ORDER TO CEASE AND DESIST,**
) **ORDER OF RESTITUTION, ORDER**
) **FOR ADMINISTRATIVE PENALTIES**
) **AND CONSENT TO SAME BY:**
) **RESPONDENTS NETGO, INC., SDIC**
) **PARTNERSHIP, CAMELBACK, LTD.**
) **AND NEIL DENNIS LEWIS**

RESPONDENTS NETGO, INC., SDIC PARTNERSHIP, CAMELBACK, LTD. and NEIL DENNIS LEWIS ("NETGO RESPONDENTS") elect to permanently waive their right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.*

1 (“Securities Act”) with respect to this Order to Cease and Desist Order of Restitution, Order for
2 Administrative Penalties and Consent to Same (“Order”). NETGO RESPONDENTS admit the
3 jurisdiction of the Arizona Corporation Commission (“Commission”); admit only for purposes of
4 this proceeding the Findings of Fact and Conclusions of Law contained in this Order; and consent
5 to the entry of this Order by the Commission.

6
7 **I.**

8 **FINDINGS OF FACT**

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

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

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

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

18 5. These Respondents shall be collectively known as the “NETGO RESPONDENTS.”

19 6. From on or about April 15, 1996 through present, the NETGO RESPONDENTS,
20 along with Respondents M-CORP INTERNATIONAL (“M-CORP.”), M-CORP
21 INTERNATIONAL, LTD. (“MCIL”) and NORMAN MICHAEL MILLER (collectively
22 “RESPONDENTS”) offered for sale and sold interests in SDIC and CAMELBACK within or from
23 Arizona to investors. The offering materials indicated that the invested funds were to be pooled
24 and used in a program directed by RESPONDENTS alleged to create very high profits. At present,
25 RESPONDENTS have obtained funds from at least 100 investors, in the principal amount of
26 \$2,785,500.

1 7. LEWIS created a networking 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 8. 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 9. 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 and LEWIS
22 wired \$300,000 from the bank account in Arizona to a Texas bank to invest in a prime bank
23 program. In Spring, 1997, SDIC and LEWIS requested that the \$300,000 be returned. The funds
24 were then refunded to SDIC, with interest.

25 10. MILLER then suggested that SDIC and LEWIS join in another high yield
26 investment program. SDIC signed a "Private Placement Agreement" with MCIL on July 29, 1997.

1 MILLER signed on behalf of MCIL as its Registered Agent. The Private Placement Agreement
2 was prepared by Miller.

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

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

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

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

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

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1 16. 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 17. RESPONDENTS sent out periodic reports 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.

20 18. In December 1998, it was proposed that the investors exchange their partnership
21 interests in SDIC to stock interests in CAMELBACK. Investors were told that to remain with the
22 program they had to become a CAMELBACK stockholder, otherwise their principal would be
23 returned to them. The investors were also told that the \$2,159,000 invested in SDIC was now
24 worth over \$96,000,000. That information was false. All investors then agreed that their
25 partnership interests in SDIC would be exchanged for stock in CAMELBACK.
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1 26, 2004, until either all investors are paid all interest accrued at the legal rate on their investment
2 or until investors have received additional payments of \$1,500,000. The NETGO
3 RESPONDENTS' obligation to make further payments on restitution shall be contingent upon any
4 receipt of funds from M-CORP, MCIL or MILLER or any individual or entity affiliated with
5 MILLER as a result of settlement of this action or any other action. Within five days after any
6 disbursement, RESPONDENTS shall provide an accounting to the Commission of all funds
7 disbursed to investors.

8 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that the NETGO
9 RESPONDENTS, jointly and severally, shall pay an administrative penalty in the amount of
10 \$10,000, payable to the "State of Arizona." Payment shall be made by cashier's checks or money

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1 orders payable to the "State of Arizona" Any amount outstanding shall accrue interest at the
2 rate of 10% per annum from the date of this Order until paid in full.

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

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 CHAIRMAN

COMMISSIONER

COMMISSIONER

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

14 _____
15 BRIAN C. McNEIL
16 Executive Secretary

17 _____
18 DISSENT

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

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CONSENT TO ENTRY OF ORDER

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

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

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

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

20 5. The NETGO RESPONDENTS admit for purposes of this proceeding the Findings
21 of Fact and Conclusions of Law contained in this Order.

22 6. By consenting to the entry of this Order, the NETGO RESPONDENTS agree not to
23 take any action or to make, or permit to be made, any public statement denying, directly or
24 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
25 this Order is without factual basis. However, this Order is not intended to collaterally estop,
26 factually bind or preclude the NETGO RESPONDENTS from defending themselves in any

1 administrative, civil or criminal proceedings to which the Commission is not a party. The NETGO
2 RESPONDENTS will undertake steps necessary to assure that all of their agents and employees
3 understand and comply with this agreement.

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

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

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

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

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

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

23 13. The NETGO RESPONDENTS understand that default shall render them liable to
24 the State of Arizona for its costs of collection and interest at the maximum legal rate.

25 14. RESPONDENT NEIL DAVID LEWIS agrees that he will continue to cooperate
26 with the Securities Division including, but not limited to, providing complete and accurate

1 testimony at any hearing in this matter and cooperating with the state of Arizona in any related
2 investigation or any other matters arising from the activities described in this Order.

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

6 16. RESPONDENT NEIL DENNIS LEWIS represents that he is authorized to execute
7 this Consent on behalf of RESPONDENTS NETGO, INC., SDIC PARTNERSHIP and
8 CAMELBACK, LTD.

Neil Dennis Lewis

NEIL DENNIS LEWIS

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11 SUBSCRIBED AND SWORN TO BEFORE me this 10 day of SEPTEMBER, 2002.

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13 OFFICIAL SEAL
LAWD T. ECKENFELD
NOTARY PUBLIC - STATE OF ARIZONA
MARICOPA COUNTY
My Commission Expires: Expires Feb. 15, 2003

[Signature]
NOTARY PUBLIC

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17 NETGO, INC.

Neil Dennis Lewis

By: Neil Dennis Lewis

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21 SUBSCRIBED AND SWORN TO BEFORE me this 10 day of SEPTEMBER, 2002.

[Signature]

NOTARY PUBLIC

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25 My Commission Expires:
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SDIC PARTNERSHIP

Neil Dennis Lewis
By: Neil Dennis Lewis

SUBSCRIBED AND SWORN TO BEFORE me this 10 day of September, 2002.

[Signature]
NOTARY PUBLIC

My Commission Expires:

CAMELBACK, LTD.

Neil Dennis Lewis
By: Neil Dennis Lewis

SUBSCRIBED AND SWORN TO BEFORE me this 10 day of September, 2002.

[Signature]
NOTARY PUBLIC

My Commission Expires:
