

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MARK RICHARD SENDO, and
INTERNET MONEY.COM, INC.,

Defendants.

01 - 73698

CIVIL ACTION
JOHN CORBETT O'MEARA

MAGISTRATE JUDGE VIRGINIA M. MORRIS

U.S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
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FILED

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission ("Commission"),
alleges as follows:

NATURE OF THE COMPLAINT

1. Defendants Mark Richard Sendo and Internet Money.com, Inc. made false and misleading statements to potential investors in the offer and sale of Internet Money.com common stock. Specifically, from at least December 1999 until March 2001, Sendo and Internet Money.com fraudulently raised at least \$440,500 through the sale of common stock to at least 23 investors.

2. By making false and misleading statements to potential investors, Sendo and Internet Money.com, directly and indirectly, have engaged, are engaged and are about to engage in transactions, acts, practices and courses of business which constitute violations of Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C.

§§77q(a)(1), 77q(a)(2) and 77q(a)(3)], Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. §240.10b-5].

3. The Commission brings this action to restrain and enjoin such transactions, acts, practices, and courses of business pursuant to Section 20(b) of the Securities Act [15 U.S.C. §77t(b)] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§78u(d) and 78u(e)].

JURISDICTION

4. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. §77v(a)] and Section 27 of the Exchange Act [15 U.S.C. §78aa].

5. Sendo and Internet Money.com, directly and indirectly, have made, and are making, use of the mails, and of the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

6. There is a reasonable likelihood that Sendo and Internet Money.com will, unless enjoined, continue to engage in the transactions, acts, practices and courses of business set forth in this Complaint, and transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

7. Sendo is 39 years old and resides in Ann Arbor, Michigan. He is a founder and former CEO of Internet Money.com and is its largest shareholder.

8. Internet Money.com is an Indiana corporation that is headquartered in Ann Arbor, Michigan. It was incorporated in December 1999. Internet Money.com is a start-up company that purportedly is developing a secure Internet payment device.

THE FACTS

A. The Business of Internet Money.com and Sendo's Involvement

9. Internet Money.com, which Sendo formed in December 1999, has sought to develop a device that would allow consumers to securely make payments on the Internet. Internet Money.com developed a prototype of a CD-ROM payment device, though it does not appear that Internet Money.com has developed the product sufficiently to be able to launch it to the public.

10. From December 1999 until around August 2000, Sendo was the Chief Executive Officer of Internet Money.com. In August 2000, Sendo began describing himself as the "Vice Chairman" of Internet Money.com. Regardless of how he describes himself, Sendo has stayed in charge of the day-to-day operations of Internet Money.com.

11. Sendo no longer describes himself as an officer of Internet Money.com. Sendo continues, however, to try to obtain start-up capital for Internet Money.com.

12. Sendo has spent most of his time at Internet Money.com trying to obtain start-up capital and trying to convince more established companies to enter into business relationships with Internet Money.com. Sendo also has tried to recruit individuals with experience in the Internet and payment services fields to join the management team of Internet Money.com. Other individuals besides Sendo have worked in various positions at Internet Money.com, but all of

them have reported to Sendo. As a result, Sendo has retained ultimate control of Internet Money.com since he founded it in December 1999.

B. Internet Money.com's Offering of Common Stock

13. Since its inception in 1999, Internet Money.com has attempted to raise the capital necessary to develop its payment device so that it can eventually distribute the device to consumers. In written materials provided to investors, Internet Money.com has stated that it seeks to raise between \$2.5 million and \$15 million in start-up capital. Internet Money.com has raised approximately \$440,500 by selling common stock to at least 23 investors at either \$0.10 or \$0.20 a share.

14. Sendo has directed Internet Money.com's offering of stock to investors. Internet Money.com solicited potential investors in several different ways. First, Sendo organized and led several meetings with groups of potential investors. Second, at Sendo's request, three individuals associated with Internet Money.com approached their personal contacts about investing in Internet Money.com's stock. Finally, Sendo spent time soliciting investments from and through various venture capital firms. Sendo continues to approach investment banking firms in an attempt to raise additional capital for Internet Money.com.

15. Before investing in Internet Money.com stock, investors were provided a copy of a business plan for Internet Money.com. The business plans provided information about the payment device under development, the plans Internet Money.com had for distributing the device to the public, the business alliances Internet Money.com had established with other companies, the management team of the company and the associations other people had with Internet

Money.com as advisors. Internet Money.com modified its business plan throughout the time period of the offering, supposedly to update the information about Internet Money.com's product, its management team and its business relationships. To draft the business plan, Sendo collaborated with the group of individuals he had recruited to work at Internet Money.com. Sendo approved the content of each version of Internet Money.com's business plan with the understanding that the business plans would be shown to potential investors in Internet Money.com's stock.

C. Internet Money.com and Sendo Made False and Misleading Statements to Investors

16. Internet Money.com and Sendo made false and misleading statements to investors about the people associated with Internet Money.com. Internet Money.com and Sendo tried to bolster the credentials of Internet Money.com by falsely claiming that individuals well known in the Internet industry and the payment processing industry had joined Internet Money.com's management team and invested in Internet Money.com. For example, in Internet Money.com's business plan dated May 1, 2000, four individuals are identified as directors of Internet Money.com. Each of the supposed directors boasts an impressive business pedigree, with experience in the area Internet Money.com hoped to pursue. The supposed directors included top executives with GE Capital, First USA Bank, Signio (an Internet payment company acquired by VeriSign) and CyberSource, another well-known Internet payment company. In fact, none of individuals identified as directors had joined the Internet Money.com Board of Directors. In addition, the May 1, 2000 business plan claimed that two of the individuals identified as directors had also invested in Internet Money.com, when neither ever invested in Internet Money.com.

17. Sendo also misled investors in Internet Money.com securities through the description of his background in the business plans. Sendo is described as “an economist and entrepreneur who worked as a stockbroker with Merrill Lynch and Shearson Lehman Brothers for eight years.” The business plan fails to disclose Sendo’s extensive history of discipline for his actions in the securities industry, which includes his conviction on charges of federal wire fraud brought in the US District Court for the Eastern District of Michigan in 1994 and a permanent injunction against future violations of the antifraud provisions of the federal securities laws entered by the US District Court for the Southern District of New York in October 1992.

18. Sendo knew that the business plans falsely described Internet Money.com’s management team because he recruited the team. Sendo also knew that the top executives described as investors had not actually invested because he was responsible for seeking investment capital from them. Finally, Sendo knew that the description of his background failed to disclose his record of fraud and dishonesty in the securities industry.

COUNT I

(Violations of Section 17(a)(1) of the Securities Act [15 U.S.C. §77q(a)(1)])

19. Paragraphs 1 through 18 are realleged and incorporated by reference.

20. From at least December 1999 to the present, Sendo and Internet Money.com, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud, all as more fully described in Paragraphs 1 through 19.

21. Sendo and Internet Money.com knew or were reckless in not knowing of the activities described in paragraphs 1 through 20.

22. By reason of the activities described in paragraphs 1 through 21 above, Sendo and Internet Money.com have violated and are violating Section 17(a)(1) of the Securities Act [15 U.S.C. §§77q(a)(1)].

COUNT II

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act
[15 U.S.C. §§77q(a)(2) and 77q(a)(3)]

23. Paragraphs 1 through 22 are realleged and incorporated by reference.

24. From at least December 1999 to the present, Sendo and Internet Money.com, in the offer and sale of securities, by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, have obtained and are obtaining money and property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and have engaged and are engaging in transactions, practices or courses of business which have operated and will operate as a fraud and deceit upon purchasers of securities, all as more fully described in Paragraphs 1 through 23.

25. By reason of the activities described in paragraphs 1 through 24 above, Sendo and Internet Money.com have violated and are violating Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§77q(a)(2) and 77q(a)(3)].

COUNT III

Violations of Section 10(b) of the Exchange Act [15 U.S. C. §78j(b)]
and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder

26. Paragraphs 1 through 25 are realleged and incorporated by reference.

27. From at least December 1999 to the present, Sendo and Internet Money.com, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, have employed and are employing devices, schemes and artifices to defraud; have made and are making untrue statements of material fact and have omitted and are omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and have engaged and are engaging in acts, practices and courses of business which have operated and will operate as a fraud and deceit upon investors and prospective investors, all as more fully described in paragraphs 1 through 26.

28. Sendo and Internet Money.com knew or were reckless in not knowing of the facts and circumstances described in Paragraphs 1 through 27.

29. By reason of the activities described in paragraphs 1 through 28, Sendo and Internet Money.com have violated and are violating Section 10(b) of the Exchange Act [15 U.S.C. §78j (b)] and Rule 10b-5 [17 C.F.R. §240.10b-5] thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Find that Sendo and Internet Money.com committed the violations alleged above.

II.

Grant an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, restraining and enjoining Sendo and Internet Money.com, their officers, agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of the Order of Permanent Injunction by personal service or otherwise, and each of them, from directly or indirectly engaging in the acts, practices or courses of business that violate Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§77q(a)(1), 77q(a)(2) and 77q(a)(3)], Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5], and from engaging in acts, practices, and courses of business of similar purport and object in connection with transactions in any securities.

III.

Grant an Order imposing appropriate civil penalties against Sendo in accordance with Section 20(d) of the Securities Act [15 U.S.C. §77t(d)] Section 21(d)(3) of the Exchange Act [15 U.S.C. §78u(d)(3)].

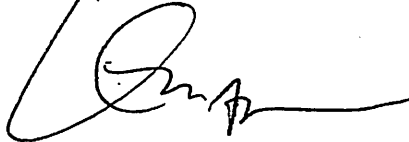
IV.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

V.

Grant Orders for such further relief as the Court may deem appropriate.

Respectfully Submitted,



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Dated: September 28, 2001.

DESIGNATION OF ASSISTANT U.S. ATTORNEY

Pursuant to Rule 83.20(g), Local Rules of the United States District Court for the Eastern District of Michigan, plaintiff hereby designates **Ellen Christensen, Esq. (Bar Number P29574)**, Assistant U.S. Attorney, 211 W. Fort Street, Suite 201, Detroit, Michigan, 48226, 313-226-9611, to receive service of all notices and papers.