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CENTRAL DISTRICT OF CALIF.  
LOS ANGELES

1 Elaine M. Cacheris  
Sandra J. Harris  
2 Gregory C. Glynn  
Lisa A. Gok  
3 Janet R. Rich  
4 Attorneys for Plaintiff  
Securities and Exchange Commission  
5 5670 Wilshire Blvd., 11th Floor  
Los Angeles, CA 90036  
6 Telephone: (213) 965-3998

7  
8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 WESTERN DIVISION

11  
12 \_\_\_\_\_ :  
SECURITIES AND EXCHANGE COMMISSION, :  
13 :  
Plaintiff, :  
14 :  
v. :  
15 :  
AMERICAN INTERNET PARTNERS, INC., :  
16 AMERICAN INTERNET PARTNERS SAN JOSE, :  
CONNECTEL COMMUNICATIONS, INC., :  
17 STEVEN P. HEVELL, and :  
JIM D. JAMES, :  
18 :  
Defendants. :  
19 \_\_\_\_\_ :

Civil Action No.  
**98-1014 CAS** (AJWx)  
COMPLAINT FOR SECURITIES  
VIOLATIONS

20 Plaintiff Securities and Exchange Commission ("Commission")  
21 alleges:

22 JURISDICTION

23 1. This Court has jurisdiction over this action pursuant  
24 to Sections 20(b) and 22(a) of the Securities Act of 1933  
25 ("Securities Act") [15 U.S.C. §§ 77t(t)(b) and 77v(a)] and  
26 Sections 21(d)(1), 21(e), and 27 of the Securities Exchange Act  
27 of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d)(1), 78u(e), and  
28 78aa]. All of the Defendants have, directly or indirectly,

1 made use of the means or instrumentalities of interstate commerce  
2 and/or of the mails in connection with the securities  
3 transactions described in this Complaint.

4 SUMMARY

5 2. This is an action for fraud in the offer and sale of  
6 unregistered securities by American Internet Partners, Inc.  
7 ("AIP"), American Internet Partners San Jose ("AIP San Jose"),  
8 ConnectTel Communications, Inc. ("ConnectTel"), Steven P. Hevell  
9 ("Hevell"), and Jim D. James ("James") (collectively referred to  
10 herein as the "Defendants"). Since July 1997, Defendants have  
11 raised over \$1.06 million from at least 56 investors nationwide.

12 3. The offering documents represent that the entire  
13 proceeds of the offering will be used to purchase an Internet  
14 service provider. Defendants have misused most of the investor  
15 funds. Undisclosed to investors, most funds have been used for:  
16 (1) commissions to sales agents, (2) payments to Hevell,  
17 (3) payments to an unrelated company in which Hevell has an  
18 interest, (4) payments for Hevell's personal expenses, and  
19 (5) operation expenses.

20 4. The Commission seeks relief for AIP, AIP San Jose,  
21 Hevell, and James' violations of the registration and antifraud  
22 provisions of Sections 5(a), 5(c), and 17(a) of the Securities  
23 Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.  
24 The Commission also seeks relief for ConnectTel's violations of  
25 the antifraud provisions of Section 17(a) of the Securities Act,  
26 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

27 5. The Commission requests that this Court enjoin  
28 Defendants from any further violations of the securities laws and

1 order Defendants to disgorge all benefits obtained by their  
2 illegal conduct, together with prejudgment interest.

3 THE DEFENDANTS

4 6. American Internet Partners, Inc. is a California  
5 corporation with a mailing address and telephone number in  
6 Sunnyvale, California and with a physical location in Irvine,  
7 California. Certain offering documents represent that AIP is the  
8 managing general partner of AIP San Jose. AIP was incorporated  
9 in April 1997.

10 7. American Internet Partners San Jose is an  
11 unincorporated business entity with the same mailing address and  
12 physical location as AIP. AIP San Jose offers and sells  
13 investment contracts in order to purchase a one-third interest in  
14 an Internet service provider to be located in San Jose,  
15 California. It was formed in June 1997.

16 8. ConnectTel Communications, Inc. is a California  
17 corporation with the same physical location as AIP and AIP San  
18 Jose in Irvine. Certain offering documents represent that AIP  
19 San Jose has a contract with ConnectTel to manage AIP San Jose and  
20 to market the Internet service provider. It was incorporated in  
21 July 1997.

22 9. Steven P. Hevell resides in Newport Beach, California.  
23 He is a former president of AIP and the sole shareholder of AIP  
24 and ConnectTel. In 1989, Maryland denied his application to  
25 register in that state as an agent of a broker-dealer on the  
26 basis of his disciplinary history. In 1991, Illinois barred him  
27 from offering or selling securities in that state for committing  
28 fraud in connection with the sale of oil and gas limited

1 partnership interests. He is a defendant in SEC v. MicroWest  
2 Industries, Inc. et al., Civil Action No. 97-9150 (CAS) (CTx),  
3 filed in the Central District of California on September 17,  
4 1997.

5 10. Jim D. James resides in Fountain Valley, California.  
6 He is the president, secretary, and sole director of AIP. He was  
7 an AIP San Jose sales agent prior to his appointment as an  
8 officer and director of AIP. He is also a defendant in SEC v.  
9 MicroWest Industries.

#### 10 RELATED ENTITIES

11 11. Cyber Tech Marketing & Consulting, Inc. ("Cyber Tech")  
12 is a Florida corporation with offices in Florida and Arizona. It  
13 is a sales agent for AIP San Jose. Certain offering documents  
14 represent that Cyber Tech is the managing general partner of AIP  
15 San Jose.

16 12. Symetrix Communications, Inc. is a California  
17 corporation. Offering documents state that Symetrix will manage  
18 and market the services of the Internet service provider that AIP  
19 San Jose was created to fund.

#### 20 GENERAL ALLEGATIONS

##### 21 Related Case

22 13. On September 17, 1997, the Commission filed an  
23 injunctive action against Hevell, James, and other defendants  
24 alleging violations of the antifraud, securities registration,  
25 and broker-dealer registration provisions of the securities laws.  
26 SEC v. MicroWest Industries, Inc. et al., Civil Action No. 97-  
27 9150 (CAS) (CTx). The complaint alleges that from June 1993  
28 through May 1996, the defendants fraudulently raised over \$4.25

1 million from 190 investors through the sale of unregistered  
2 securities for investments in computer teleradiology equipment.

3 The AIP San Jose Investment Program

4 14. From July 1997 to the present, AIP San Jose has offered  
5 and sold an investment program to purchase an interest in an  
6 Internet service provider in San Jose, California.

7 15. AIP San Jose's first private placement memorandum,  
8 dated June 20, 1997 (the "June PPM"), has offered investment  
9 contracts described as general partnership interests, or "units,"  
10 at the price of \$5,000 a unit. The June PPM represents that  
11 investors will receive quarterly returns, when available,  
12 beginning six months after the closing of the offering. The June  
13 PPM states that the offering will close on December 31, 1997  
14 unless the managing general partner, identified as AIP, extends  
15 it for an additional period of up to three months.

16 16. AIP San Jose's second private placement memorandum,  
17 dated August 15, 1997 (the "August PPM"), offers investment  
18 contracts described as limited partnership interests, also termed  
19 "units," at the same price of \$5,000 a unit. The August PPM is  
20 nearly identical to the June PPM, except that it identifies Cyber  
21 Tech instead of AIP as the managing general partner and  
22 represents that investors will receive quarterly returns, when  
23 available, beginning one month after the closing of the offering.  
24 The August PPM states that the offering will close on  
25 December 31, 1997 unless the managing general partner extends it  
26 for an additional period of up to three months.

27 17. The AIP San Jose offering is on-going.

28 18. The investments offered by AIP San Jose have not been

1 registered with the Commission.

2 The Offer And Sale Of The AIP San Jose Investment Program

3 19. AIP San Jose offered and sold the investment program  
4 through a network of independent sales agents.

5 20. Cyber Tech was one of the sales agents.

6 21. James was a sales agent prior to his appointment as an  
7 officer and director of AIP.

8 22. AIP San Jose's sales agents cold called prospective  
9 investors.

10 23. After the initial telephone contact, AIP San Jose sent  
11 prospective investors a packet of materials that included the  
12 PPM, financial projections, and a glossy brochure describing AIP,  
13 the Internet, and the generation of income from the Internet.

14 24. AIP operates a website and placed an advertisement in  
15 the Wall Street Journal in September 1997.

16 Misrepresentations And Omissions Of Material Facts

17 In Connection With The Offer And Sale Of The

18 AIP San Jose Investment Program

19 25. The offering documents represent the following material  
20 facts to investors in connection with the offer and sale of the  
21 AIP San Jose investment program: (1) that all of the investor  
22 funds will be used to purchase an Internet service provider;  
23 (2) that investor funds will not be used to pay sales  
24 commissions; (3) that Cyber Tech and its officers, directors, and  
25 consultants control AIP San Jose; (4) that AIP San Jose has a  
26 contract with Symetrix to manage the Internet service provider  
27 and market its services; (5) that AIP San Jose has a contract  
28 with ConnectTel to manage AIP San Jose and to market the Internet

1 service provider; and (6) that the instruments AIP San Jose is  
2 offering and selling are interests in a California limited  
3 partnership located in Silicon Valley.

4 Not All Of The Investor Funds Were Used To  
5 Purchase An Internet Service Provider

6 26. The June PPM represents that all investor funds will be  
7 used to purchase an Internet service provider, except for  
8 \$100,000 to be spent on expenses. The August PPM represents that  
9 all investor funds will be used to purchase a one-third interest  
10 in an Internet service provider from Cyber Tech.

11 27. From July 1997 to January 30, 1998, Defendants raised  
12 over \$1.06 million from at least 56 investors nationwide.

13 28. From July 1997 to January 30, 1998, Defendants spent  
14 approximately \$300,000 of investor funds to purchase Internet  
15 service.

16 29. From July 1997 to January 30, 1998, Defendants misused  
17 the remaining investor funds for the purposes set forth in  
18 paragraphs 30 through 35.

19 30. From July 1997 to January 30, 1998, Defendants paid  
20 approximately \$558,000 to sales agents for sales commissions.

21 31. From July 1997 to January 30, 1998, Defendants paid  
22 \$76,000 to Hevell.

23 32. Defendants recorded the payments to Hevell on their  
24 books and records as "consulting expenses." Hevell has no  
25 consulting agreement with AIP, AIP San Jose, or Connectel.

26 Hevell determined when and how much he was paid from investor  
27 funds.

28 33. From July 1997 to January 30, 1998, Defendants paid

1 approximately \$46,000 to Consolidated Imaging Center Radiology  
2 Network, Inc. ("CIC"). Hevell has an equity interest in CIC.  
3 CIC has not provided any goods or services to AIP, AIP San Jose,  
4 or ConnectTel.

5 34. From July 1997 to January 30, 1998, Defendants paid at  
6 least \$4,300 for Hevell's personal expenses, including personal  
7 cellular telephone bills and payments to an organization related  
8 to his go-cart racing hobby.

9 35. From July 1997 to January 30, 1998, Defendants spent  
10 approximately \$76,000 on operating expenses, including rent,  
11 employee salaries and bonuses, overnight couriers, printing,  
12 legal fees, and office supplies.

13 Investor Funds Were Used To Pay Sales Commissions

14 36. Both the June PPM and the August PPM represent that  
15 investor funds will not be used to pay sales commissions.

16 37. Defendants used investor funds from each offering to  
17 pay sales agents commissions of as much as 50 percent.

18 Cyber Tech And Its Officers, Directors, And

19 Consultants Do Not Control AIP San Jose

20 38. The August PPM represents that Cyber Tech is the  
21 managing general partner of AIP San Jose and is located at the  
22 same address as AIP San Jose in Sunnyvale, California.

23 39. Cyber Tech is an association of sales agents with  
24 offices in Longwood, Florida and Scottsdale, Arizona. Cyber  
25 Tech's association with AIP San Jose is limited to offers and  
26 sales of the AIP San Jose investment program by its sales agents.

27 40. Cyber Tech does not have a Sunnyvale office.

28 41. The August PPM identifies two consultants to Cyber



1 Tech. They have never been consultants to or employees or agents  
2 of Cyber Tech, AIP San Jose, or AIP.

3 42. Hevell and James control AIP San Jose, AIP, ConnectTel,  
4 and the AIP San Jose investment program.

5 AIP San Jose Has Not Contracted With Symetrix To Market

6 The Internet Service Provider's Services

7 43. Both the June PPM and the August PPM represent that the  
8 Internet service provider that AIP San Jose was created to fund  
9 has formed a contract with Symetrix to manage the Internet  
10 service provider and market its services.

11 44. Symetrix has never contracted with AIP San Jose, AIP,  
12 or any Internet service provider.

13 45. Symetrix is a dormant entity that has never had any  
14 business activities.

15 AIP San Jose Has Not Contracted With ConnectTel To Manage

16 AIP San Jose Or To Market The Internet Service Provider

17 46. A supplement to the June PPM represents that AIP San  
18 Jose has entered into a contract with ConnectTel to manage AIP San  
19 Jose and to actively market the Internet service provider.

20 47. AIP San Jose has not entered into a contract with  
21 ConnectTel to market an Internet service provider.

22 48. AIP and Hevell, and not ConnectTel, manage AIP San Jose.

23 The Instruments AIP San Jose Is Offering Are Not

24 Interests In A Partnership Located In Silicon Valley

25 49. The August PPM represents that investors will receive a  
26 partnership interest in a California limited partnership.

27 50. AIP San Jose is not a California limited partnership.

28 51. Both the June PPM and the August PPM represent that AIP

1 San Jose and AIP are located in Sunnyvale, California.

2 52. AIP San Jose's only offices are located in Irvine. AIP  
3 San Jose's address in Sunnyvale is an executive office suite with  
4 which AIP has contracted to provide telephone answering and mail  
5 forwarding services. No AIP San Jose or AIP employees have ever  
6 worked at that location.

7 53. The August PPM also states that the offices of Cyber  
8 Tech are located at the same address in Sunnyvale. No Cyber Tech  
9 employees have ever worked at that location nor has the executive  
10 office suite ever provided any services to Cyber Tech.

11 FIRST CLAIM

12 FRAUD IN THE OFFER OR SALE OF SECURITIES

13 Section 17(a) of the Securities Act of 1933

14 (Against All Defendants)

15 54. Paragraphs 6 through 53 of this Complaint are realleged  
16 and incorporated herein by reference.

17 55. Defendants, and each of them, by engaging in the  
18 conduct described in Paragraphs 6 through 53, directly or  
19 indirectly, in the offer or sale of securities, by the use of  
20 means or instruments of transportation or communication in  
21 interstate commerce or by the use of the mails:

- 22 a. with scienter, employed devices, schemes, or  
23 artifices to defraud;
- 24 b. obtained money or property by means of untrue  
25 statements of material fact or by omitting to  
26 state material facts necessary in order to make  
27 the statements made, in the light of the  
28 circumstances under which they were made, not

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misleading; or

c. engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

56. By reason of the foregoing, Defendants, and each of them violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act of 1933 [15 U.S.C. § 77q(a)].

SECOND CLAIM

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 Thereunder  
(Against All Defendants)

57. Paragraphs 6 through 53 of this Complaint are realleged and incorporated herein by reference.

58. Defendants, and each of them, by engaging in the conduct described in Paragraphs 6 through 53, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange, with scienter:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not

1 misleading; or

2 c. engaged in acts, practices, or courses of business  
3 which operated or would operate as a fraud or  
4 deceit upon other persons.

5 59. By reason of the foregoing, Defendants, and each of  
6 them, violated, and unless restrained and enjoined will continue  
7 to violate, Section 10(b) of the Securities Exchange Act of 1934  
8 [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R.  
9 § 240.10b-5].

10 THIRD CLAIM

11 OFFER AND SALE OF UNREGISTERED SECURITIES

12 Sections 5(a) and 5(c) of the Securities Act of 1933

13 (Against AIP, AIP San Jose, Hevell, and James)

14 60. The allegations contained in paragraphs 6 through 53 of  
15 this Complaint are realleged and incorporated by reference.

16 61. AIP, AIP San Jose, Hevell, and James, and each of them,  
17 from July 1997 through the present, by engaging in the conduct  
18 described in paragraphs 6 through 53 above, directly or  
19 indirectly, through use of the means or instruments of  
20 transportation or communication in interstate commerce or the  
21 mails, offered to sell or sold securities in the form of  
22 investment contracts described to investors as limited  
23 partnership interests, or, directly or indirectly, carried or  
24 caused such securities to be carried through the mails or in  
25 interstate commerce, for the purpose of sale or delivery after  
26 sale.

27 62. No registration statement has been filed with the  
28 Commission or has been in effect with respect to these

1 securities.

2 63. By reason of the foregoing, AIP, AIP San Jose, Hevell,  
3 and James, and each of them, violated, and unless restrained and  
4 enjoined will continue to violate Sections 5(a) and 5(c) of the  
5 Securities Act of 1933 [15 U.S.C. §§ 77e(a) and 77e(c)].

6 PRAYER FOR RELIEF

7 WHEREFORE, the Commission respectfully requests that this  
8 Court:

9 I.

10 Issue findings of fact and conclusions of law that  
11 Defendants, and each of them, committed the violations charged  
12 and alleged herein.

13 II.

14 Preliminarily and permanently enjoin Defendants, and each of  
15 them, from violating Section 17(a) of the Securities Act and  
16 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

17 III.

18 Preliminarily and permanently enjoin AIP, AIP San Jose,  
19 Hevell, and James, and each of them, from violating Sections 5(a)  
20 and 5(c) of the Securities Act.

21 IV.

22 Issue a temporary restraining order:

23 A. enjoining Defendants, and each of them, from:

24 1. transferring, changing, wasting, dissipating,  
25 converting, concealing, or otherwise disposing of, in any manner,  
26 any funds, assets, claims, or other property or assets owned or  
27 controlled by, or in the possession or custody of them or their  
28 subsidiaries, successors, and affiliates;



VIII.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: February 10, 1998

Janet R. Rich  
Janet R. Rich  
Attorney for Plaintiff  
Securities and Exchange Commission

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