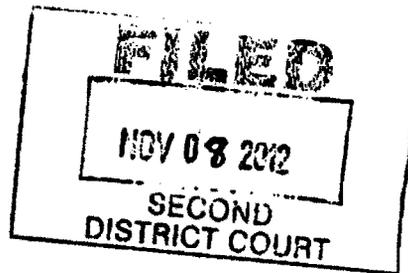


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IN THE SECOND JUDICIAL DISTRICT COURT IN AND FOR  
WEBER COUNTY, STATE OF UTAH

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THE STATE OF UTAH, : Warrant Requested: \$50,000.00  
 :  
 Plaintiff, :  
 : **CRIMINAL INFORMATION**  
 vs. :  
 :  
 **CHAD BENNETT REID** : Case No: 12190 2455  
 DOB: July 13, 1955 :  
 : Judge: EWS  
 Defendant. :

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The undersigned, states on information and belief that the defendant has committed the following crimes:

- SECURITIES FRAUD**  
a second degree felony, 3 counts
- PATTERN OF UNLAWFUL ACTIVITY**  
a second degree felony, 1 count

**COUNT 1**  
**SECURITIES FRAUD**  
**a second degree felony**  
**(Eric Litster)**

Commencing on or about November 2005 and continuing until at least January 2009, in the State of Utah, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **Eric L. Litster**, 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 misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 2**  
**SECURITIES FRAUD**  
**a second degree felony**  
**(Scott Geertsen)**

Commencing on or about November 2005 and continuing until at least February 2009, in the State of Utah, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **Scott A. Geertsen**, 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 misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 3**  
**SECURITIES FRAUD**  
**a second degree felony**  
**(Brooks Rashid)**

Commencing on or about July 2007 and continuing until at least November 2008, in the State of Utah, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **Brooks J. Rashid**, 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 misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

**COUNT 4**  
**PATTERN OF UNLAWFUL ACTIVITY**  
**a second degree felony**

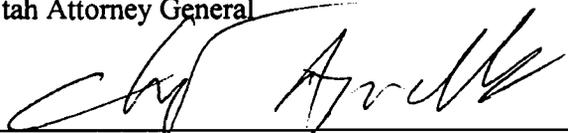
Commencing in or about March 2005 and continuing through at least February 2009, the defendant has engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1601. The defendant: (1) received any proceeds derived, directly or indirectly, from a pattern of unlawful activity in which he participated as a principal, to use or invest, directly or indirectly, any part of that income, or the proceeds of the income, or the proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or the establishment or operation of, any enterprise; (2) through a pattern of unlawful activity, acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by or associated with any enterprise to conduct or

participate, directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The alleged unlawful acts which constitute the pattern of unlawful activity include, but are not limited to: (1) the acts as described above in counts 1 through 3; (2) acts related to complainants Terry J. "TJ" Black, Corey A. Brownson, Christopher G. Crossett, Kirk R. Johnson and Greg Webber; and (3) acts related to over 20 additional individuals who invested funds with Reid/NetFundz. These acts include three or more acts of unlawful activity as defined Utah Code Ann. §76-10-1601, § 76-10-1602(4) and § 76-10-1603.5, et seq. a second degree felony.

AUTHORIZED FOR PRESENTMENT AND FILING this 8<sup>th</sup> day of November, 2012.

MARK L. SHURTLEFF  
Utah Attorney General

By:

  
CHÉ ARGUELLO  
Assistant Attorney General

This CRIMINAL INFORMATION is based upon evidence from the following witnesses:

1. Terry Black
2. Corey Brownson
3. Christopher Crossett
4. Scott Geertsen
5. Kirk Johnson
6. Eric Litster
7. Brooks Rashid
8. Greg Webber
9. and others.

STATE OF UTAH }  
COUNTY OF WEBER } SS

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL ON FILE IN MY OFFICE.

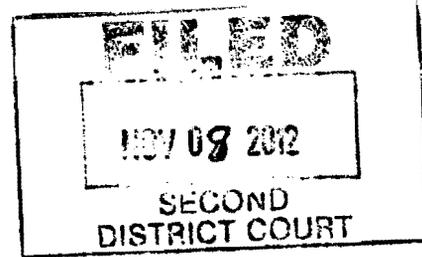
DATED THIS 8 DAY OF Nov 2012

CLERK OF THE COURT

BY Korinne Stenger DEPUTY



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NOV 08 2012

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IN THE SECOND JUDICIAL DISTRICT COURT IN AND FOR  
WEBER COUNTY, STATE OF UTAH

---

THE STATE OF UTAH, :  
 :  
 Plaintiff, : **AFFIDAVIT OF PROBABLE CAUSE**

vs. :  
 :  
 **CHAD BENNETT REID** : Case No: 121902455  
 DOB: July 13, 1955 :  
 : Judge: EWJ  
 Defendant. :

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The undersigned, ADAM SWEET, states on information and belief, as follows:

1. I am currently employed as a securities compliance investigator with the Utah Division of Securities. I am currently investigating possible violations of securities fraud statutes and related criminal code violations by CHAD BENNETT REID ("Reid").
2. The facts set forth in this affidavit are based upon the results of an investigation during which I have collected and reviewed records from witnesses and other sources. I have

received information from Terry Black, Corey Brownson, Christopher Crossett, Scott Geertsen, Kirk Johnson, Eric Litster, Brooks Rashid, Greg Webber, and others.

### **PARTIES**

3. CHAD BENNETT REID, at all relevant times, resided in Utah. Reid's last known address is 969 East Ben Lomond Avenue, South Ogden, UT. At all relevant times, Reid was the CEO of NetFundz, LLC. Reid has never held a securities license.
4. NETFUNDZ, LLC., was registered with the Utah Department of Commerce, Division of Corporations on May 4, 2004, as a Utah limited liability company. Sawgrass Management Group, Inc. (WY) is listed as the Manager and Sawgrass Management Group, Inc. (UT) is listed as the Registered Agent. Sawgrass Management Group, Inc. (WY) was registered in the State of Wyoming on January 21, 2005, with Chad B. Reid listed as the President. Sawgrass Management Group, Inc. (UT) was registered in the State of Utah on March 11, 2005, with Chad B. Reid listed as the President. The status of the registration for NetFundz, LLC was listed as expired as of September 1, 2009.

### **BACKGROUND**

5. From approximately March 2005 to February 2009, while conducting business in Utah, Chad Bennett Reid (Reid) offered and sold investments to multiple Utah residents. Reid offered investors the opportunity to purchase membership interest in his company, NetFundz, LLC (NetFundz). Reid told the investors a small portion of their investment

amount would be kept as an LLC capital contribution. Through an “Equity Investment Agreement” and “Promissory Note” Reid promised the investors he would pay their funds back that were not earmarked as an LLC capital contribution. Reid told the investors they could continue to maintain their ownership percent of the company, even after their funds were returned back to them. Reid told the investors that when he sells NetFundz, they will receive a payout equal to their ownership percent. Promissory notes are defined as securities under Utah law. U.C.A. § 61-1-13-(1)(ee)(i)(A). The offer or sale of an interest in a limited liability company is also defined as a security under Utah law. U.C.A. § 61-1-13(1)(ee)(i)(Q). Additionally, the investments offered and sold by Reid may qualify as investment contract securities under Utah law. U.C.A. §§ 61-1-13(1)(ee)(i)(K) & 61-1-13(1)(s). Reid made misstatements and omissions of material facts in connection with the offer and sale of the securities to investors, and Reid engaged in an act practice or course of business which would operate as a fraud or deceit upon another person. The investors gave Reid approximately \$270,500 and received back in return approximately \$38,294.93, which includes a \$25,000 payment to a single investor after investing \$75,000 with Reid.

6. Reid represented two major business models to the investors. Different investors were offered different business models. Some investors were informed after their investment that the original business model they had been pitched had changed or was different than

the model upon which they invested. The following descriptions represent summaries of the two business models as recalled by the investors:

7. NetFundz, LLC: NetFundz' purported business model was to offer large companies (e.g., Wal-Mart, Wells Fargo, or Comcast) the service of handling and operating the corporations' charitable giving operations. NetFundz would operate as a type of contractor or provider for businesses that wanted to contract out their charitable giving functions. For those businesses that would partner with NetFundz, NetFundz would operate a website, in which the businesses' customers could visit and log into, and for their most recent purchase at the business, the customer could select which charitable organization would receive the percentage of their purchase that the business had earmarked for charity. NetFundz would serve businesses in helping them build good will with customers, by allowing customers to determine where the earmarked portion of their purchase for charity should go, so as not to offend customers who might be upset if the business donated to an otherwise controversial charitable organization.
8. Saveclick, LLC: Saveclick was affiliated with NetFundz. Reid purported to be in negotiations with, and close to signing deals with, student lending institutions. These institutions were going to approve billions of dollars in student loans to be administered by or managed by Saveclick. The concept also involved an ability for students to make a purchase at a participating businesses/vendors and these businesses/vendors would, in

turn, earmark a small portion of the student's purchase to be donated back to the lending institution and ultimately applied to that student's outstanding loan.

### **OVERVIEW**

9. In the mid-to-late 2000s Reid served as bishop of an LDS young single adults ward at Weber State University in Ogden, UT. The following complainants attended Reid's congregation or came to know Reid through a shared acquaintance in his church. Some investors served closely with Reid in church callings and said Reid often spoke about the investment opportunity while they worked together at church. In the course of my investigation, I have been provided a list of approximately 31 individuals and entities that invested with Reid.

### **COUNT 1**

#### **SECURITIES FRAUD, a second degree felony**

#### **Complainant Eric L. Litster**

10. Litster indicated he was in the Weber State University LDS young single adult's 14<sup>th</sup> ward and served as executive secretary to the bishop, Chad Bennett Reid. Litster said Reid spoke frequently about the following investment opportunity over the course of two or three visits while they worked in Reid's church office. Litster said he trusted Reid implicitly due to Reid's church position and their association.

Initial Offer/Sale:

11. Litster said in November 2005, Reid spoke about NetFundz and the opportunity for Litster to make an investment. Litster said Reid made numerous statements and representations about a potential investment with NetFundz including, but not limited to, the following:

- The investment was a way for the little guys to have something to invest in and be part of a big reward;
- Reid was purposefully targeting those he felt were the little guys because they were the ones that could benefit most;
- Big time investors already have millions and don't need this opportunity/benefit;
- Reid wanted to allow the little guys the opportunity to invest and benefit;
- Alan Hall (CEO of Marketstar at the time) opened up his check book and wanted to write a check, but Reid said no, because he wanted to give the little guys the opportunity;
- In all Reid's years of trying to raise money this had been the easiest;
- It was presented as a once in a lifetime opportunity. These opportunities usually only exist for people who have tremendous resources or years of experience and connections;
- Others in the ward had also invested;
- For a \$50,000 investment, Litster could have 1% membership interest (ownership) in the company;
- One year after investing, Litster would receive his \$50,000 investment back;

- For his investment, Litster would receive: quarterly dividends equal to his percent of ownership, investor reports, financials, and tax information;
  - For his investment, Litster would receive his percentage ownership share of the funds that would come as a result of the sale of the company;
  - It was a 100% guaranteed return - Litster would at least get his money back in a year;
  - Companies similar to NetFundz have sold for more than \$100 million.
12. Litster said Reid did not disclose any financial or other problems, issues, or concerns related to Reid's prior personal or business endeavors. Litster said he was enthused by the opportunity to be part of something that could bless the lives of so many people, including his family.
13. Litster was told by Reid that NetFundz would offer large companies (e.g., Wal-Mart, Wells Fargo, or Comcast) their services in handling and operating the corporation's charitable giving operations. NetFundz would operate as a type of contractor or provider for businesses that wanted to contract out their charitable giving functions. For those businesses that would partner with NetFundz, NetFundz would operate a website, in which the businesses' customers could visit and log into, and for their most recent purchase at the business, the customer could select which charitable organization would receive the percentage of their purchase that the business had earmarked for charity. NetFundz would serve businesses in helping them build good will with customers, by allowing customers to determine where the earmarked portion of their purchase for

charity should go, so as not to offend customers who might be upset if the business donated to an otherwise controversial charitable organization.

14. Based on Reid's representations and statements, Litster invested \$50,000 in NetFundz. On January 24, 2006, Litster delivered a \$47,000 check, made payable to NetFundz, LLC, to Reid at Reid's home in South Ogden. Litster said he gave Reid a \$3,000 check representing the remainder of his investment, made payable to NetFundz, LLC, at church in Ogden on May 23, 2006. Litster indicated the source of the funds was from his savings, selling stock he had purchased and earned through his employer, his 401K, and a signature loan from America First Credit Union. In exchange for the \$50,000 investment, Litster received an "Equity Investment Agreement" dated January 23, 2006, listing NetFundz, LLC as "Company" and Litster as the "Investor". The "Equity Investment Agreement" was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Litster (Investor). The "Equity Investment Agreement" identified the sale of 1% of membership interest in NetFundz to Litster for \$50,000. It further stated that, ". . . Investor shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investor of \$50,000 USD on or before January 24, 2007." Litster also received an "Amended and Restated Operating Agreement of NetFundz, LLC."

15. Litster said he enjoyed continued communication with Reid after his investment. Excitement drove him to discuss the opportunity with two friends, Scott Geertsen, in February 2006, and Brooks Rashid, in November 2007. Litster said he asked Reid if he was looking for other investors and Reid responded by asking, "Do they fit what we're trying to do? Do they need it? Could they benefit from this? Are they the little guys?" Litster said he assured Reid they were and Reid agreed to accept their investment.
16. Litster said on March 3, 2006, there was a NetFundz launch party at Reid's office. Litster said there were never any formal meetings held, or any information or documentation provided, such as dividend reports, tax reports or financials.
17. Litster said he moved from Roy to Draper, UT in July 2006, but continued communication with Reid primarily by telephone.
18. In connection with the offer and sale of the security to Litster, Reid made numerous material misstatements and omissions including, but not limited to the following:
  - The investment was 100% guaranteed and Litster would get all his principal investment back in one year;
  - Litster would receive quarterly dividends equal to his percent of ownership (1%);
  - Litster would receive investor reports, financials, and tax information;
  - It was a 100% guaranteed return - Litster would at least get his money back in a year;
  - Reid failed to disclose approximately \$210,144.90 in pre-existing tax lien judgments;

- Reid failed to disclose approximately \$30,591.47 in pre-existing debt collection judgments;
- Reid failed to provide any audited or other financials prior to Lister's investment;
- Reid failed to disclose the risk factors associated with the investment;
- Reid failed to disclose whether the investment was a registered security or exempt from registration; and
- Reid failed to disclose whether Reid was or was not licensed to sell securities.

Subsequent Offer/Sale:

19. Reid did not return Lister's \$50,000 when it was due January 24, 2007. In or about the time Lister's \$50,000 was to be returned, Reid made additional statements and representations about Lister's investment with NetFundz including, but not limited to, the following:
  - Reid stated that if Lister would extend his investment with Reid for one more year, Reid would issue Lister an additional 1% of membership interest in NetFundz for his original \$50,000 investment. Lister's total share of membership interest would be 2%.
20. Based on Reid's previous and additional representations and statements, Lister decided to leave his \$50,000 investment in NetFundz. In exchange for leaving the \$50,000 investment with NetFundz, Lister received another "Equity Investment Agreement", dated January 24, 2007. The Agreement lists NetFundz, LLC as "Company" and Lister

“Investor”. The “Equity Investment Agreement” was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Litster (Investor). The “Equity Investment Agreement” identified the sale of 1% of membership interest in NetFundz to Litster for \$50,000. It identified Litster’s total shares of membership interest as 2%. It stated “. . . Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of \$500, and a loan to Company secured by a Promissory Note of \$49,500. Terms of the Promissory Note shall include a provision for repayment on or before January 25, 2008.”

21. Litster also received a “Promissory Note” dated January 24, 2007, listing NetFundz, LLC as the “borrower” and Litster as the “lender”. The note was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager of NetFundz, LLC, Borrower). Litster said he asked Reid for a copy of the countersigned 2<sup>nd</sup> Agreement that he signed, and although Reid promised to provide a copy of the signed Agreement, he did not. The note said NetFundz promised to pay Litster \$49,500 on January 25, 2008.
22. Litster said he asked Reid what his original investment money was used for, or an accounting of his investment, which was never provided.
23. In connection with the offer and sale of the security to Litster, Reid made numerous material misstatements and omissions including, but not limited to, those set forth above in paragraph 18 and the following:

- Litster would receive a 2% ownership/equity interest in the company;
- Litster would get his principal investment back in a year;
- Litster would receive copies of all signed agreements and notes;
- Litster would receive an accounting for how his initial investment funds were used.

3<sup>rd</sup> Offer/Sale:

24. After Litster continued his investment in January of 2007, Litster said Reid continued to speak to Lister about Litster's investment. Reid indicated some great things were happening which would result in Litster getting his principal investment funds back timely, but also provide Litster with a sizeable return based on Litster's ownership percentage. Reid made additional statements and representations about Lister's investment with NetFundz including, but not limited to, the following:
- A bank from Washington wanted to acquire NetFundz for \$50 million;
  - Reid did not feel they should take the Washington bank offer since Reid had been told companies like NetFundz had recently sold for \$200–\$500 million.
25. Reid did not return Litster's \$49,500 when it was due January 25, 2008. In or about the time Lister's \$49,500 was to be returned, Reid made additional statements and representations about Lister's investment with NetFundz including, but not limited to, the following:
- If Litster would extend his investment funds with Reid for one year, Reid would issue Litster an additional 1% membership interest in NetFundz for his original \$50,000

investment, making Litster's total membership interest 3%;

- It would really help Reid out if Litster left his funds in for another year.

26. Based on Reid's previous and additional representations and statements, Lister decided to leave his \$50,000 in NetFundz. In exchange for the \$50,000 funds Lister received an "Equity Investment Agreement" dated January 24, 2008, listing NetFundz, LLC as "Company" and Litster as the "Investor". The "Equity Investment Agreement" was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC). The "Equity Investment Agreement" identified the sale of 1% of membership interest in NetFundz to Litster for \$50,000. It identified Litster's total shares of membership interest as 3%. It stated ". . . investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of \$500, and a loan to Company secured by a Promissory Note of \$49,500. Terms of the Promissory Note shall include a provision for repayment on or before January 25, 2009."
27. Litster also received a "Promissory Note" dated January 24, 2008, listing NetFundz, LLC as the borrower and Litster as the lender. The note was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager of NetFundz, LLC, Borrower). Litster said he asked Reid for a copy of the countersigned 3<sup>rd</sup> Agreement that he signed, but never received it. The note said NetFundz promised to pay Litster \$49,500 on January 25, 2009.

28. Litster said at some point after his initial investment, Reid's business model changed. Reid explained that a new company called Saveclick, would provide/manage student loans for college students. In connection with Saveclick, Reid indicated he was in negotiations with, and close to signing deals with, student lending institutions. These institutions were going to approve billions of dollars in student loans to be administered by or managed by Saveclick. The concept also involved an ability for students to make a purchase at participating businesses/vendors and these businesses/vendors would, in turn, earmark a small portion of the student's purchase to be donated back to the lending institution and ultimately applied to that student's outstanding loan.
29. Reid told Litster that companies similar to Saveclick were selling for \$50 million or more. Reid asked Litster to be patient and he would get his promised return. Reid stated that the company was in negotiations with New York City banks, such as Deutsch Financial. Reid told Litster things were coming together and that he felt strongly that the company would sell for more than \$50 million. Litster said he asked several times what he could do to help and how they could come together to make this happen. Litster said he was told to be patient. Litster said he continued to ask for financial records and tax returns. Additionally, Litster inquired as to when the company was going to have quarterly dividend meetings with shareholders, but received no information. Toward the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2008 Reid stopped returning Litster's phone calls and stopped

responding to Litster's emails.

30. Litster said Reid did not return Litster's \$49,500 to him when it was due back on January 25, 2009. Litster said he has never received dividends or a share of any funds from the company.
31. Litster tried for months to contact Reid with no response. Litster then made contact with Reid's business partner, Brian Tobler. Tobler indicated to Litster that Reid couldn't communicate with Litster anymore because of the ecclesiastical position that Reid held when the investment was made. Litster said he later learned that Reid continued corresponding with other investors, including those from his church regarding NetFundz.
32. In connection with the offer and sale of the security to Litster, Reid made numerous material misstatements and omissions including, but not limited to, those set forth above in paragraphs 18 and 23, and the following:
  - Litster would receive a 3% ownership/equity interest in the company;
  - Litster would get his principal investment back in a year;
  - Litster would receive copies of all signed agreements and notes.

**COUNT 2**  
**SECURITIES FRAUD, a second degree felony**  
**Complainant Scott A. Geertsen**

Initial Offer/Sale:

33. Geertsen said he and Eric Litster served as missionary companions on their LDS church mission and became good friends. In November of 2005 Geertsen was contacted by Litster regarding an investment opportunity with Litster's LDS church bishop, Chad Bennett Reid. At the time Litster was serving as Reid's executive secretary in their ward. Geertsen said Litster made various statements about a potential investment with Reid including, but not limited to, the following:
- Reid did not want to open the investment up to just anyone because it was almost a sure hit and would be a great success;
  - Reid wanted to retain most of his ownership with a small percentage going to family and a few close friends in order to help them;
  - Litster spent a lot of time with Reid at the church in meetings, so Reid wanted to give Litster, a young guy who completely trusted and admired Reid, the opportunity of a lifetime;
  - Reid's first or second counselor in his church bishopric invested, as had many other ward members.
34. Geertsen said he wanted the same opportunity and was thrilled at the chance. Geertsen indicated that Litster discussed with Reid the fact that Geertsen was a close friend and wanted to know more. Geertsen said he met Reid on February 16, 2006, at Reid's office in Layton. Geertsen, his father Leonard Geertsen and Reid were present for the meeting.

Geertsen said Reid made numerous statements and representations about a potential investment including, but not limited to, the following:

- The investment opportunity was only open to family and very close friends;
- Because Geertsen was a close personal friend of Litster, because they served together on their mission, and because Litster was in the bishopric, then Reid would allow Geertsen to invest;
- Because Litster thought so highly of Geertsen and Reid thought so highly of Litster, then Reid would allow him to invest;
- Reid had interest from someone in his stake presidency that was ready and willing to write a check for the amount of money Reid needed to raise, but Reid wanted to reserve the opportunity for the little guys, close family, and friends, rather than for someone already financially well off;
- The company, Netfundz had an estimated value of \$5,000,000;
- \$50,000 buys 1% ownership/equity interest in the company;
- \$25,000 buys 0.5% ownership/equity interest in the company;
- Geertsen could invest whatever he could afford, and the portion of percentage would be based on what he invested;
- Geertsen's return on his investment would be in 12 months;
- Geertsen would retain equity ownership in the company even after a return on initial capital investment;
- Geertsen would be investing in NetFundz. NetFundz's purported business model was to offer large companies (e.g., Wal-Mart, Wells Fargo, or Comcast) the service of handling and operating the corporations' charitable giving operations. NetFundz would operate as a type of contractor or provider for businesses that wanted to contract out their charitable giving functions. For those businesses that would partner with NetFundz, NetFundz would operate a website, in which the businesses'

customers could visit and log into, and for their most recent purchase at the business, the customer could select which charitable organization would receive the percentage of their purchase that the business had earmarked for charity. NetFundz would serve businesses in helping them build good will with customers, by allowing customers to determine where the earmarked portion of their purchase for charity should go, so as not to offend customers who might be upset if the business donated to an otherwise controversial charitable organization.

35. Based on Reid's representations and statements, Geertsen invested \$25,000 in NetFundz. On February 16, 2006, Geertsen gave Reid a \$25,000 check made payable to NetFundz, LLC. Geertsen said he borrowed the money from his father, Leonard R. Geertsen. In exchange for the \$25,000 funds Geertsen received an "Equity Investment Agreement" dated February 16, 2006, listing NetFundz, LLC as "Company" and Geertsen as the "Investor". The "Equity Investment Agreement" was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Geertsen (Investor). The "Equity Investment Agreement" identified the sale of 0.50% of membership interest in NetFundz to Geertsen for \$25,000. It further stated that, ". . . Investor shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including a distribution of Company capital to Investor of \$25,000 USD on or before February 17, 2007." Geertsen also received an "Amended and Restated Operating Agreement of NetFundz, LLC."

36. In connection with the offer and sale of the security to Geertsen, Reid made numerous material misstatements and omissions including, but not limited to, the same or similar misstatements and omissions set forth above in paragraph 18, and the following:

- Geertsen would get all his principal investment back in one year;
- Geertsen would receive a percent ownership of the company (0.50%);

Subsequent Offer/Sale:

37. Geertsen said after he invested there was a NetFundz launch party at 299 South Main Street, 13<sup>th</sup> Floor, in Salt Lake City. Geertsen said communication with Reid was terrible after his check was cashed. When the one year investment anniversary date of February 17, 2007 was reached, Geertsen's \$25,000 investment was not paid back as agreed upon. Geertsen did not receive quarterly dividend statements, tax returns, company financials, shareholders notices, or participate in any meetings. Geertsen called Reid just prior to the one year anniversary date, wondering about the return of his initial investment. Reid explained he did not have the money to pay Geersten back as promised. Reid continued to represent the company was doing great, but going through some growing pains. Geertsen said Reid made additional statements and representations about Geertsen's investment with NetFundz including, but not limited to, the following:

- If Geertsen would leave his investment funds with Reid for another year, Reid would issue Geertsen an additional 0.50% of membership interest in NetFundz for his \$25,000 investment;

- Geertsen's total share of membership interest would be 1%;
  - Reid had received offers to purchase NetFundz at ten times the original valuation;
  - Reid would have the money shortly to pay Geertsen back, but could double his investment if he left the money in for another year.
38. Based on Reid's previous and additional representations and statements, Geertsen decided to leave his \$25,000 in NetFundz. In exchange for the \$25,000 funds, Geertsen received an "Equity Investment Agreement" dated February 17, 2007, listing NetFundz, LLC as "Company" and Geertsen as the "Investor". The "Equity Investment Agreement" was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Geertsen (Investor). The "Equity Investment Agreement" identified the sale of 0.50% of membership interest in NetFundz to Geertsen for \$25,000. It identified Geertsen's total share of membership interest as 1%. It stated ". . . Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of \$250, and a loan to Company secured by a Promissory Note of \$24,750. Terms of the Promissory Note shall include a provision for repayment on or before February 17, 2008."
39. Geertsen also received a "Promissory Note" dated February 17, 2007, listing NetFundz, LLC as the borrower and Geertsen as the lender. The note was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager of NetFundz, LLC, Borrower) and Geertsen (Lender). The note said NetFundz promised to pay Geertsen

\$24,750 on February 17, 2008.

40. In connection with the offer and sale of the security to Geertsen, Reid made numerous material misstatements and omissions including, but not limited to, the same or similar misstatements and omissions set forth above in paragraphs 18, 23, 32, 36, and the following:

- That despite some growing pains, the company was doing great;
- Geertsen's total share of membership interest would be 1%;
- Reid had received offers to purchase NetFundz at ten times the original valuation;

3<sup>rd</sup> Offer/Sale:

41. Geertsen said Reid did not pay him the \$24,750 due on February 17, 2008. Geertsen said he did not receive quarterly dividend statements, tax returns, company financials, shareholders notices, or participate in any meetings. Leading up to the due date, Geertsen said he had breakfast in either Centerville or Layton with Litster and Reid. Geertsen said Reid made additional statements and representations about Geertsen's investment with NetFundz including, but not limited to, the following:

- Several large banks had offered to purchase NetFundz for \$50 million, but Reid did not accept these offers because Reid had independent analysis that estimated NetFundz to be worth \$500,000,000 or more;
- Reid would be doing everyone a disservice if they accepted offers less than the company was worth;
- This would be an opportunity of a lifetime;

- If Geertsen would leave his investment funds with Reid for another year, Reid would issue Geertsen an additional 0.50% of membership interest in NetFundz for his \$25,000 investment;
  - Geertsen's total share of membership interest would be 1.50%.
42. Based on Reid's previous and additional representations and statements, Geertsen decided to leave his \$25,000 in NetFundz. In exchange for the \$25,000 funds Geertsen received an "Equity Investment Agreement" dated February 17, 2008, listing NetFundz, LLC as "Company" and Geertsen as the "Investor". The "Equity Investment Agreement" was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Geertsen (Investor). The "Equity Investment Agreement" identified the sale of 0.50% of membership interest in NetFundz to Geertsen for \$25,000. It identified Geertsen's total shares of membership interest as 1.50%. It stated ". . . Investor acknowledges that said investment in Company shall be regarded as an LLC capital contribution of \$250, and a loan to Company secured by a Promissory Note of \$24,750. Terms of the Promissory Note shall include a provision for repayment on or before February 17, 2009."
43. Geertsen also received a "Promissory Note" dated March 25, 2008, listing NetFundz, LLC as the borrower and Geertsen as the lender. The note was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager of NetFundz, LLC,

Borrower) and Geertsen (Lender). The note said NetFundz promised to pay Geertsen \$24,750 on February 17, 2009.

44. Geertsen said he reached out to Litster for updates on the company after numerous failed attempts of trying to contact Reid in early 2009. Geertsen said Litster was in a similar situation. Geertsen and Lister were shortly thereafter contacted by Reid's business partner, Brian Tobler. Tobler explained that due to legal reasons Reid could not communicate with them and Tobler was responsible for giving updates on NetFundz. Geertsen said he, Litster, and a third investor, Brooks J. Rashid, met a few times to hear Tobler's updates/excuses as to why Reid had not paid them as promised.
45. Geertsen states that over the course of his investment, he repeatedly asked for tax returns, financials, and other documents he believed shareholders/investors should be privy to. Geertsen said Reid consistently denied his requests and provided nothing over the years of his investment.
46. Geertsen said at some point during his second or third investment, Reid's business model changed. Reid explained that a new company called Saveclick, would provide/manage student loans for college students. In connection with Saveclick, Reid indicated he was in negotiations with, and close to signing deals with, student lending institutions. These institutions were going to approve billions of dollars in student loans to be administered by or managed by Saveclick. The concept also involved an ability for students to make a

purchase at participating businesses/vendors and these businesses/vendors would, in turn, earmark a small portion of the student's purchase to be donated back to the lending institution and ultimately applied to that student's outstanding loan.

47. In connection with the offer and sale of the security to Geertsen, Reid made numerous material misstatements and omissions including, but not limited to, the same or similar misstatements and omissions set forth above in paragraphs 18, 23, 32, 36, 40 and the following:

- That leaving Geertsen's money in for a 3<sup>rd</sup> year would open him up to the opportunity of a lifetime;
- Geertsen's total share of membership interest would be 1.5%;
- That Reid's company had an estimated worth \$500,000,000 or more.

**COUNT 3**  
**SECURITIES FRAUD, a second degree felony**  
**Complainant Brooks J. Rashid**

48. Rashid said his friend Eric Litster told him about an investment opportunity with Chad Bennett Reid over the phone in July 2007. Rashid said he met with Reid and that Reid made numerous statements and representations about a potential investment with NetFundz including, but not limited to, the following:

- If Rashid invested \$50,000, \$49,500 would be returned November 13, 2008;
- Rashid would own 0.70% of Netfundz, LLC;

- Rashid would receive future dividends of Netfundz;
- Rashid would receive a share of the funds that would come as a result of the sale of the company or its associated assets;
- Reid more or less described NetFundz in the following manner: NetFundz' purported business model was to offer large companies (e.g., Wal-Mart, Wells Fargo, or Comcast) the service of handling and operating the corporations' charitable giving operations. NetFundz would operate as a type of contractor or provider for businesses that wanted to contract out their charitable giving functions. For those businesses that would partner with NetFundz, NetFundz would operate a website, in which the businesses' customers could visit and log into, and for their most recent purchase at the business, the customer could select which charitable organization would receive the percentage of their purchase that the business had earmarked for charity. NetFundz would serve businesses in helping them build good will with customers, by allowing customers to determine where the earmarked portion of their purchase for charity should go, so as not to offend customers who might be upset if the business donated to an otherwise controversial charitable organization;
- Reid also told Rashid about Saveclick, describing it as a type of division of NetFundz. With respect to Saveclick, Reid purported to be in negotiations with, and close to signing deals with, student lending institutions. These institutions were going to approve billions of dollars in student loans to be administered by or managed by Saveclick. The concept also involved an ability for students to make a purchase at participating businesses/vendors and these businesses/vendors would, in turn, earmark a small portion of the student's purchase to be donated back to the lending institution and ultimately applied to that student's outstanding loan.

49. Based on Reid's representations and statements, Rashid invested \$50,000 in NetFundz. On or about November 12, 2007, Rashid met Reid at Reid's office in Clearfield and gave Reid a \$50,000 check made payable to NetFundz, LLC. In exchange for the \$50,000 funds, Rashid received a "Membership Agreement" dated November 12, 2007, listing NetFundz, LLC as "Company" and Rashid as the "Member". The "Membership

Agreement” was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager, NetFundz, LLC) and Rashid (Member). The “Membership Agreement” identified the sale of 0.70% of membership interest in NetFundz to Rashid for \$50,000. It stated “. . . capital contribution shall be in the form of an LLC capital contribution of \$500 and a loan to the LLC secured by a promissory note for \$49,500.” It further stated, “. . . Investor shall have all rights of membership in the LLC entitled to members as specified in the Company Operating Agreement including payment of the promissory note in the amount of \$49,500 USD to Member in accordance with the terms and conditions of the promissory note referenced herein.”

50. Rashid also received a “Promissory Note” dated November 12, 2007, listing NetFundz, LLC as the borrower and Rashid as the lender. The “Promissory Note” was signed and executed by Reid (President of Sawgrass Management Group, Inc., Manager of NetFundz, LLC, Borrower) and Rashid (Lender). The “Promissory Note” said NetFundz promised to pay Rashid \$49,500 on November 13, 2008. Rashid also received an “Amended and Restated Operating Agreement of Netfundz, LLC.”
51. Rashid states that Reid did not pay him the \$49,500 due on November 13, 2008. Rashid said he has never received dividends or a share of any funds from the company.
52. In connection with the offer and sale of the security to Rashid, Reid made numerous material misstatements and omissions including, but not limited to, the same or similar

misstatements and omissions set forth above in paragraphs 18, 23, 32, 36, 40, 47 and the following:

- Rashid's investment would be returned in one year;
- Rashid would own 0.70% of Netfundz, LLC;
- Rashid would receive a share of the funds that would come as a result of the sale of the company or its associated assets.

**COUNT 4**  
**PATTERN OF UNLAWFUL ACTIVITY**  
**a second degree felony**

53. Commencing in or about March of 2005 and continuing through at least February of 2009, Reid engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1603. The unlawful activity included three or more violations of Utah Uniform Securities Act. The alleged unlawful acts which constitute the pattern of unlawful activity include, but are not limited to: (1) the above-listed acts alleged in counts 1 through 3; (2) acts related to complainants Terry J. "T.J." Black, Corey A. Brownson, Christopher G. Crossett, Kirk R. Johnson, and Greg Webber; and (3) acts related to over 20 additional individuals who invested funds with Reid/Netfundz. With respect to the alleged acts related to complainants Terry J. "T.J." Black, Corey A. Brownson, Christopher G. Crossett, Kirk R. Johnson, Greg Webber, and any other investors not specifically listed in this Affidavit, a summary of the

alleged acts constituting part of the charged pattern of unlawful activity shall be provided in a separate pleading.

**SUMMARY**

Based on my review of the evidence, there is probable cause to believe that CHAD BENNETT REID committed the crime(s) of:

**SECURITIES FRAUD**  
a second degree felony, 3 counts

**PATTERN OF UNLAWFUL ACTIVITY**  
a second degree felony, 1 count

PURSUANT TO UTAH CODE ANN. § 78B-5-705(2008), I DECLARE UNDER CRIMINAL PENALTY OF THE STATE OF UTAH THAT THE FOREGOING IS TRUE AND CORRECT TO THE BEST OF MY BELIEF AND KNOWLEDGE.

Executed On this 7 day of November, 2012.

Adam Sweet  
ADAM SWEET, Declarant

AUTHORIZED FOR PRESENTMENT AND FILING on this 8<sup>74</sup> day of November, 2012.

MARK L. SHURTLEFF  
Utah Attorney General

By: Ché Arguello  
CHÉ ARGUELLO  
Assistant Attorney General

STATE OF UTAH }  
COUNTY OF WEBER } ss.

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL ON FILE IN MY OFFICE.

DATED THIS 8 DAY OF Nov, 2012

CLERK OF THE COURT

BY Bonnie Stimpert DEPUTY



CHÉ ARGUELLO, Bar No. 12412  
Assistant Attorney General  
MARK L. SHURTLEFF, Bar No. 4666  
Utah Attorney General  
5272 South College Drive, #200  
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Facsimile: (801) 281-1224

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IN THE SECOND JUDICIAL DISTRICT COURT IN AND FOR  
WEBER COUNTY, STATE OF UTAH

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THE STATE OF UTAH,	:	Bail \$ <u>40,000<sup>00</sup></u>
Plaintiff,	:	
vs.	:	<b>WARRANT OF ARREST</b>
<b>CHAD BENNETT REID,</b>	:	Case No: <u>121902455</u>
DOB: July 13, 1955	:	Judge: <u>EWJ</u>
Defendant.	:	

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THE STATE OF UTAH TO ANY PEACE OFFICER IN THE STATE OF UTAH,

GREETINGS:

An Information, upon oath, having been this day made before me by Investigator Adam Sweet, and it appearing from the Information, or affidavit filed with the Information, that there is probable cause to believe that the public offense(s) of: **Securities Fraud, a second degree felony, 3 counts; and, Pattern of Unlawful Activity, a second degree felony, 1 count,** has

been committed, and that the defendant, CHAD BENNETT REID, has committed these offenses,

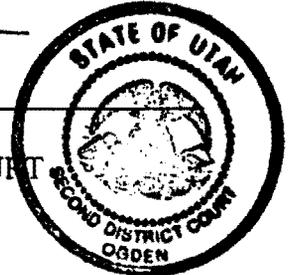
**YOU ARE THEREFORE COMMANDED** to arrest the above named defendant forthwith and bring the defendant before this court, or before the nearest or most accessible magistrate for setting bail. If the defendant has fled justice, you shall pursue the defendant into any other county of this state and there arrest the defendant. The offenses listed above are felonies.

Bail is set in the amount of \$ 40,000<sup>00</sup> MBW.

DATED this 8<sup>th</sup> day of NOVEMBER, 2012.



HONORABLE,  
JUDGE, SECOND DISTRICT COURT



Defendant's Last Known Address:

969 Ben Lomond Avenue  
South Ogden, UT

STATE OF UTAH }  
COUNTY OF WEBER } 00

I HEREBY CERTIFY THAT THIS IS A TRUE COPY OF THE ORIGINAL ON FILE IN MY OFFICE

DATED THIS 8 DAY OF Nov 2012

CLERK OF THE COURT

By Deanna S. Bergquist

