

STATE AUDITOR'S OFFICE
SECURITIES DEPARTMENT
HELENA, MONTANA

IN THE MATTER OF:) Case No.: I 02-03-00-055
)
WOMEN HELPING WOMAN, SHARING) TEMPORARY CEASE AND DESIST
EQUALLY, PIT STOP GIFTING) ORDER
PROGRAM, THE GIFTING PROGRAM,)
PEOPLE HELPING PEOPLE, DINNER)
PARTY, CONNIE ANDERS,)
)
and their agents and representatives,)
)
Respondents.)

The Montana Securities Commissioner (Commissioner), pursuant to the authority of the Securities Act of Montana, section 30-10-101, et seq., Montana Code Annotated (1999) [hereinafter cited as MCA], and section 30-10-305, MCA, hereby issues the following allegations of fact, proposed conclusions of law, order and notice of right to a public hearing:

ALLEGATIONS OF FACT

1. Women Helping Women, Sharing Equally, the Gifting Program, Pit Stop, People Helping People, Dinner Party (also referred to hereinafter as "gifting programs") are sales plans, operations or investment programs which Montanans have been solicited to join. These sales plans, operations or investment programs are not registered as a security with the Securities Department of the Montana State Auditor's Office.

2. Connie Anders (Anders), ²³⁸⁷2470 York Road, Helena, Montana, is a participant in the sales plans, operations or investment programs and has received at least \$6,000 through her participation in the programs. Anders is not registered as a salesperson with the Securities Department of the Montana State Auditor's Office.

1 3. In early February, a Helena resident (Complainant 1) was solicited to participate
2 in the Pit Stop program by a friend. The Complainant 1 received a form letter, addressed to
3 "Friends," which explains the program and explains how participants in the program can collect
4 \$16,000 for "giving" \$2,000. In addition, Complainant 1 received a "Pit Stop Report," a diagram in
5 the rough shape of a pyramid. The "Pit Stop Report" has 15 spots on the pyramid for the names of
6 participants. As individuals join the program, their names are added to the bottom level of the
7 pyramid. Participants in the program often refer to the diagram as "boards."

8 4. The letter received by Complainant 1 begins, "How would you like to be among
9 several individuals who gave \$2,000 and in return, made \$16,000 and sometimes in less than a
10 week's time?" The letter claims that the program is "absolutely legal because it is a gifting and not
11 buying, selling or investing and is not considered a 'pyramid' because no products or services are
12 exchanging hands."

13 5. The letter states the following:

14 "Each individual begins as a Pit Crew Member by giving a gift of \$2000 to the
15 Lead Driver. Once the Lead Driver has collected from all 8 Pit Crew Members
16 (i.e. \$16,000), he/she falls off the Board. At this point, everyone moves up a level
17 and the Board Splits [sic] into two new Boards. You remain at each level until
18 the 8 new Pit Crew positions are filled again. Everyone moves up another level
19 and the Board splits again and this cycle continues to repeat until you reach Lead
20 Driver, the last 8 Pit Crew Members are filled, and you collect \$16,000."

21 "The key to making this all work is cooperation and sharing. As long as people
22 remain excited about the process, the cycle will continue over and over again.
23 That's why it's important that everyone who participates on a Board takes the
24 initiative and tries to recruit new members, especially members who are as
25 excited and positive as you are. Although recruiting is not a requirement to join,
you can see how it benefits everyone, especially you, by ensuring the board
continues to fill!"

 "Money has to be in the form of cash, money order, or cashier's check to ensure the
process doesn't stall because of a 'bounced' check and must be sent next day UPS or
Fed Ex. (Note: You can not use the US Postal Service because 'chain letters' are
not legal to go through the mail.)"

1 6. On or about February 7, 2000, another Helena resident (Complainant 2) executed
2 a cashiers check to Connie Anders. Complainant 2 said she joined the program to make money,
3 not to give Anders a gift.

4 7. Anders solicited Complainant 2 to join the program during a telephone call and a
5 face-to-face meeting. Anders gave Complainant 2 a copy of the aforementioned letter explaining
6 the program and claiming that it is legal.

7 8. As of the date of this order, Complainant 2 has not received any money as a result
8 of participating in the program.

9 9. On or about February 4, 2000, a Helena couple (Complainants 3) made their first
10 payment into the program. The couple sent a check for \$4,000 to a Bozeman resident so that
11 both husband and wife could join the program.

12 10. Anders solicited the husband to join the program Complainants stated that Anders
13 spoke with the husband on the telephone and also visited their home to explain the program
14 Anders gave Complainants 3 a Pit Stop board and a copy of the letter explaining the program.

15 11. On or about February 9, 2000, the couple invested more money into the program
16 by sending a check for \$2,000 to Anders for the purpose of getting their son on the board.

17 12. As of the date of this order, Anders has not repaid the Helena couple.

18 13. On or about February 8, 2000, a Helena resident (Complainant 4) joined the
19 program by paying Anders \$2,000. On or about that date, Complainant met Anders at the Town
20 Pump in East Helena to give her the cashiers check.

21 14 Complainant 4 said he received a copy of a Pit Stop board on which Anders was
22 the "Lead Driver." Complainant 4 also received a copy of the letter explaining the program and
23 stating that it was legal.
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1 15. In a telephone conversation with Anders, a Securities Department investigator
2 informed Anders that gifting programs operate as pyramid promotional schemes and are illegal
3 in Montana.

4 16. Two Helena women have identified Anders as an organizer and a main participant
5 of a plan or operation called Women Helping Women.

6 17. Women Helping Women is structured in the same manner as Pit Stop, however,
7 the amount required to participate ranges from \$100 to \$400.

8 18. In a telephone conversation on September 5, 2000, Anders told an investigator
9 with the Montana Securities Department that she is or has participated in gifting programs and
10 acknowledged that she has received consideration as a result of her participation.

11 19. Women Helping Women, Sharing Equally, the Gifting Program, Pit Stop, People
12 Helping People, Dinner Party are each a sales plan or operation in which a participant gives
13 consideration for the opportunity to receive compensation derived primarily from obtaining the
14 participation of other persons in the sales plan or operation rather than from the sale of goods or
15 services by the participant or the other persons induced to participate in the sales plan or
16 operation by the participant.

17 20. Although promoters of Women Helping Women, Sharing Equally, the Gifting
18 Program, Pit Stop, People Helping People, Dinner Party refer to the monetary payment as a "gift,"
19 those participating in the program are doing so in exchange for the programs' claims that by
20 making the payment, the participants will receive similar payments in the future through the
21 program. Hence, any monetary payments made to the programs by participants constitute
22 consideration.

23 PROPOSED CONCLUSIONS OF LAW

24 1. The Commissioner has jurisdiction over this matter by reason of Respondents'
25 offer and sale of securities to persons in Montana. §30-10-107, MCA.

1 2. The Commissioner has jurisdiction over this matter by reason of Respondents'
2 operation of a pyramid promotional scheme in Montana. §30-10-107, MCA.

3 3. Respondents' programs are securities within the meaning of the Securities Act of
4 Montana, §30-10-103(22), MCA.

5 4. Respondents' programs are a pyramid promotional schemes within the meaning of
6 the Securities Act of Montana, §30-10-324(6), MCA.

7 5. Offer or offer to sell includes "every attempt to offer to dispose of or solicitation of
8 an offer to buy a security or interest in a security for value." §10-30-103(15), MCA.

9 6. Respondents Anders is a salesperson as defined by the Securities Act of Montana,
10 § 30-10-103(20), MCA.

11 7. In connection with the above offers of securities to persons in Montana,
12 Respondent violated §30-10-201(1), MCA, by transacting business as a salesperson in Montana
13 without registering as such.

14 8. In connection with the above offers of securities to persons in Montana,
15 Respondents violated §30-10-202, MCA, by transacting business in unregistered securities.

16 9. In connection with the above offers of securities to persons in Montana,
17 Respondents violated § 30-10-301(1)(b), MCA, by failing to disclose the following material
18 facts, which facts were necessary to disclose in order to make the statements made about the
19 investment, in light of the circumstances under which they were made, not misleading:

20 a. the market for the programs will eventually become saturated as the supply of
21 new members declines and individuals recruited at the bottom of the pyramid structure or later in
22 time may be unable to generate promised returns;

23 b. at all times material hereto, the programs were not registered as securities in the
24 state of Montana.

1 10. In connection with the above offers of securities to persons in Montana.
2 Respondents violated § 30-10-301(1)(c), MCA, by engaging in an act, practice, or course of
3 business which operates or would operate as a fraud or deceit upon any person in that the gifting
4 program constitutes a pyramid scheme.

5 11. Respondents violated §30-10-325, MCA. by conducting or promoting or causing
6 to be conducted or promoted a pyramid promotional scheme in Montana.

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1 ORDER

2 Pursuant to §30-10-305(1)(a), MCA, it appears to the Commissioner that the above
3 named Respondents have engaged or are about to engage in an act or practice constituting a
4 violation of the Securities Act of Montana and therefore hereby orders Respondents to cease and
5 desist conducting, promoting or causing to be conducted or promoted the following pyramid
6 promotional schemes in violation of section 30-10-325, MCA: Women Helping Women, Sharing
7 Equally, the Gifting Program, Pit Stop, People Helping People, Dinner Party, as well as any
8 other sales plan, operation or investment program that operates or would operate as a pyramid
9 promotional scheme. Further, the Commissioner orders Respondents to cease and desist from
10 engaging in any act, practice, or course of business that operates or would operate as a fraud or
11 deceit upon any person, in violation of §30-10-301, MCA, and to cease and desist from offering
12 and selling unregistered securities by unregistered salespersons in violation of §30-10-201 and
13 §30-10-202, MCA.

14 Section 30-10-306(1), MCA, provides that any willful violation of this cease and desist
15 order, upon conviction, may be punished by imprisonment for not more than ten (10) years
16 and/or a fine not exceeding five thousand dollars (\$5,000).

17 NOTICE

18 Respondents are notified that the Commissioner has issued this temporary cease and
19 desist order. If Respondents wish to contest the allegations herein, they shall make a written
20 request for a hearing within fifteen (15) days of receipt of this order to Brenda K. Elias, Staff
21 Attorney, State Auditor's Office, 840 Helena Ave., P.O. Box 4009, Helena, MT 59604-4009.
22 The hearing shall then be held within thirty (30) days of the Commissioner's receipt of the
23 hearing request unless otherwise agreed by the parties. If no hearing is requested within fifteen
24 (15) days of receipt of this order by Respondents, and the Commissioner orders none, this order
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