

There is reason to believe that the following facts will be proven true and, therefore, justify and support immediate issuance of an order requiring Respondent to cease and desist his activity in violation of the Montana Securities Act.

ALLEGATIONS

1. A complaint was filed by K.B. with the Flathead County Sheriff's Office, which was referred to the Securities Department, Montana State Auditor's Office. The Department determined the following facts:

2. On August 15, 2002, Quist induced K.B., a Kalispell, Montana, resident, to invest \$5,000 in "The Project". K.B. wrote a check for the investment to John C. Quist, who personally cashed the check. In exchange, Quist provided documentation that was evidence of indebtedness to K.B. The documentation indicated The Project was an investment program with an annual rate of return.

3. Investment in The Project is a security as defined by 30-10-103(22).

4. The Project was not registered with the Department as required by statute

5. Quist was not registered to sell securities in Montana or any other jurisdiction.

6. Quist failed to provide required disclosure to K.B. including but not limited to the following facts:

a. Quist was not registered to sell securities

b. The Project was not a registered security

c. There was a high probability of loss of funds due to the nature of the investment

d. The investment was not guaranteed

4. The Project and/or John Quist failed to repay any funds to K.B.

5. On March 8, 2002, Quist induced J.B., a Kalispell Montana resident, to invest \$1000 in The Project. In exchange, Quist provided to J.B. a document that was

evidence of indebtedness to J.B. The documentation indicated that The Project was an investment program with an annual rate of return.

6. Quist failed to provide required disclosure to J.B. including but not limited to the following facts:

- a. Quist was not registered to sell securities
- b. The Project was not a registered security
- c. There was a high probability of loss of funds due to the nature of the investment
- d. The investment was not guaranteed

7. The Project and/or Quist failed to repay any of the funds.

8. On April 23, 2001, John C. Quist induced J.B. to invest \$7,000 into Tri-West Investment Club.

7. Tri-West Investment Club called itself a "bank debenture trading program" which guaranteed a return of 120% per annum (10% per month)

8. The SEC subsequently filed an action against Tri-West Investment Club. Northern District of California federal court determined that the Tri-West Investment Club was promoted as investment club but actually traded in fictitious "prime bank" securities. The funds paid by investors actually went directly to the enrichment of the founder of the program.

9. The ringleaders of the Tri-West scheme were subsequently criminally prosecuted for their involvement with Tri-West Investment Club and are serving criminal sentences including prison time and disgorgement of funds received through the scheme.

10. Quist failed to provide disclosure to J.B. regarding, at a minimum:

- a. Quist was not registered to sell securities
- b. TriWest was not a registered security

c. Tri-West was a prime bank scheme whereby the investor funds were not invested but instead used for personal gain.

11. John Quist was or should have been aware of the requirements of registration of securities and registration of a salesperson due to prior actions filed against him by the Securities Commissioner in Arizona.

12. The Arizona Securities Department on September 13, 1992, found that John Quist has sold unregistered securities, acted as unregistered securities salesman and performed securities fraud in violation of Arizona law. The Arizona Securities Department also recognized that a Cease and Desist Order had been filed against Quist in 1986. Judgment was filed against Quist, enjoining him from further violations of Arizona Securities laws, and order to pay restitution and damages jointly and severally with other Respondents in the amount of \$7,214,579.80.

CONCLUSIONS

1. The Commissioner has jurisdiction over this matter by reason of Respondent's offer and sale of securities to persons in Montana. § 30-10-107; 30-10-201, 30-10-301, and 30-10-305, MCA.

2. The evidence of indebtedness is a security pursuant to § 30-10-103(22), MCA.

3. An investment contract is a security pursuant to § 30-10-103(22).

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

5. Quist is salesperson pursuant to § 30-10-103(20), MCA.

6. In connection with the above offer and sale of securities relating to The Project, Respondent violated § 30-10-301(1)(b), MCA by failing to disclose, at a

minimum, the following material facts, which facts were necessary to disclose in order to make the statements made about the investment, in light of the circumstances under which they were made, not misleading:

- a. he was not registered to sell securities
- b. The Project was not a registered security
- c. there was a high probability of loss of funds due to the nature of the investment
- d. the investment was not guaranteed

7. In connection with the above offer and sale of securities relating to Tri-West Investment Club, Respondent violated § 30-10-301(1)(b), MCA by failing to disclose, at a minimum, the following material facts, which facts were necessary to disclose in order to make the statements made about the investment, in light of the circumstances under which they were made, not misleading:

- a. Quist was not registered to sell securities
- b. TriWest was not a registered security
- c. Tri-West Investment Club was a prime bank scheme whereby the investor funds were not invested but instead used for personal gain.

PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Montana investors to:

1. Issue a cease and desist order barring Respondent from further violations of the Act;
2. Order Respondents to pay an administrative fine in an amount and upon such terms and conditions as supported by the evidence and determined at hearing of this matter; and

- 3 Take such other actions which may be in the public interest and necessary and appropriate for the protection of Montana investors.

RELIEF SOUGHT

The Department seeks the following

1. A finding as fact the allegations set forth in paragraphs 1 through 12 of the Facts and paragraphs 1 through 7 of the Conclusions.
2. Issuance of an immediate Order to Cease and Desist from committing further violations of the Act.
3. For violating § 30-10-201, MCA, the agency seeks imposition of a fine against Respondent for each such violation not to exceed the sum of \$5,000.00 pursuant to § 30-10-305(3), MCA;
4. For violating § 30-10-202, MCA, the agency seeks imposition of a fine against Respondent for each such violation not to exceed the sum of \$5,000.00 pursuant to § 30-10-305(3), MCA,
5. For violating § 30-10-301, MCA, the agency seeks imposition of a fine against each Respondent for each such violation not to exceed the sum of \$5,000.00 pursuant to § 30-10-305(3), MCA;
6. The agency seeks restitution pursuant to § 30-10-309.
7. The agency further seeks reasonable attorney fees and costs, pursuant to § 30-10-309, MCA for violations of the Act as hereinabove described.
8. The Department seeks a finding that all sanctions and remedies detailed and described here are in the public interest and necessary for the protection of Montana investors.
9. Any further action as deemed just and appropriate for the protection of Montana investors

STATEMENT OF RIGHTS

You are entitled to a hearing to respond to this notice, present evidence and arguments on all issues involved in this case. You have a right to be represented by an attorney at any and all stages of this proceeding. You may demand a formal hearing before a hearing examiner appointed by the Commissioner pursuant to the Montana Administrative Procedure Act, §§ 2-4-601, MCA, and following, including § 2-4-631, MCA. If you demand a hearing, you will be given notice of the time, place and the nature of the hearing. Pursuant to § 33-1-701(2), MCA, the hearing shall be held within a reasonable time after the Commissioner receives a demand for hearing, unless postponed by mutual consent.

If you want to contest the proposed action under the jurisdiction of the Commissioner, you must advise the Commissioner within fifteen (15) days of the date you received this notice. You must advise the Commissioner of your intent to contest the proposed action by writing to Karen E. Powell, Legal Counsel, State Auditor's Office, 840 Helena Avenue, Helena, Montana 59601. Your letter to Ms. Powell must clearly indicate whether you demand a hearing, or whether you waive formal proceedings and, if so, what informal proceedings you prefer for disposition of this case. Pursuant to § 2-4-603(2), MCA., you may not request to proceed informally if the action could result in suspension, revocation or any other adverse action against a professional license.

Should you request a hearing, you have the right to be accompanied, represented, and advised by counsel. If the counsel you choose has not been admitted to practice law in the State of Montana, he or she must comply with the requirements of Application of American Smelting and Refining Co., (1973), 164 Mont.139,520 P.2d

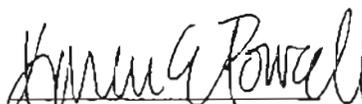
POSSIBILITY OF DEFAULT

Failure to give notice or to advise of your demand for a hearing or form of informal procedure within fifteen (15) days will result in the entry of a default order imposing the disciplinary sanctions against you, without further notice to you, pursuant to 6 2.101, Administrative Rules of Montana and the Attorney General's Model Rule 10, 1.3.214.

DATED this 24 day of Sept, 2004.

JOHN MORRISON
State Auditor and
Commissioner of Securities

By:

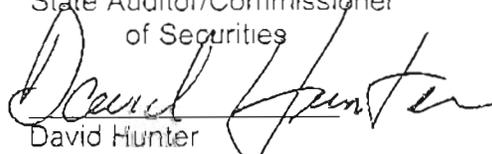

Karen E. Powell
Legal Counsel

CEASE AND DESIST ORDER

Pursuant to § 30-10-305(1)(a), MCA, it appears to the Commissioner that the above named Respondents have engaged or are about to engage in an act or practice constituting a violation of the Securities Act of Montana and therefore hereby orders Respondents to cease and desist engaging in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person, in violation of § 30-10-301, MCA, and to cease and desist from offering and selling unregistered securities by unregistered salespersons in violation of § 30-10-201 and § 30-10-202, MCA.

§ 30-10-306(1), MCA, provides that any willful violation of this cease and desist order, upon conviction, may be punished by imprisonment for not more than ten (10) years and/or a fine not exceeding five thousand dollars (\$5,000.00).

JOHN MORRISON
State Auditor/Commissioner
of Securities



David Hunter
Deputy State Auditor

CERTIFICATE OF SERVICE

I hereby certify that I mailed a true and correct copy of the foregoing TEMPORARY CEASE AND DESIST ORDER AND NOTICE OF PROPOSED AGENCY ACTION AND OPPORTUNITY FOR HEARING to the following persons by depositing the same in the U.S. Mail, certified, return receipt requested, on this 24 day of SEPT, 2004

TO. John Quist
 22 Lakeview Drive
 Bigfork, MT 59911

John Quist
PO Box 1482
Bigfork, MT 59911



State Auditor's Office