

NANCY SWEENEY
CLERK DISTRICT COURT
FILED BY L. DOWELL
DEPUTY

2010 JAN 12 P 12:29

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7
8 MONTANA FIRST JUDICIAL DISTRICT COURT, LEWIS AND CLARK COUNTY
9

10 THE STATE OF MONTANA,

11 Plaintiff,

12 vs.

13 ARTHUR LEROY HEFFELFINGER,

14 Defendant.

Case No. CDC-2010-21

**AFFIDAVIT IN SUPPORT OF MOTION
FOR LEAVE TO FILE INFORMATION**

15 STATE OF MONTANA)
16 :ss.
17 County of Lewis and Clark)

18 After being duly sworn the undersigned deposes and states:

19 1. I am a Special Assistant Attorney General, by virtue of my employment with the
20 Commissioner of Securities and Insurance, Montana State Auditor's Office that is referred to herein
21 as the "DEPARTMENT." I am also a duly appointed, qualified, and acting Special Deputy Lewis
22 and Clark County Attorney for the purposes of prosecuting this case. I am familiar with the
23 investigation relating to ARTHUR LEROY HEFFELFINGER who is referred to as the
24 DEFENDANT.
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26 2. I request that the court determine probable cause exists to allow the state to file an
27 information alleging the Defendant committed offenses in Lewis and Clark, Jefferson, Broadwater,
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1 Missoula, Gallatin, Lake, Judith Basin, and Ravalli Counties, Montana, based upon information set
2 forth herein that was developed during an investigation conducted by the Department's criminal
3 justice investigator and securities examiners. More specifically, the information alleges the
4 Defendant committed the following offense: COUNT I: OPERATING A PYRAMID
5 PROMOTIONAL SCHEME (PONZI SCHEME), a FELONY, in violation of Mont. Code Ann. §§
6 30-10-325 and 30-10-324(6)(b); COUNT II: THEFT (Common Scheme), a FELONY in violation of
7 Mont. Code Ann. §§ 45-6-301(2)(B) and 45-2-101(8); and COUNT III: EXPLOITATION OF AN
8 OLDER PERSON (Common Scheme), a FELONY, in violation of Mont. Code Ann. §§ 52-3-825
9 and 45-2-101(8).
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12 3. Venue is proper in Lewis and Clark County pursuant to Mont. Code Ann. § 46-3-112(1),
13 because two or more acts that form the basis of the charges against the Defendant occurred in more
14 than one county all of them having a nexus to Lewis and Clark County; *See eg., State v. Cooney*, 271
15 Mont. 42, 894 P.2d 303 (1995).
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17 4. That criminal justice investigators and securities examiners made a full and careful
18 investigation of the facts and circumstances surrounding the commission of the offenses, so far as
19 they are known or ascertainable and Affiant believes it a proper case for the filing of Information
20 that accompanies this affidavit.
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22 5. The facts establishing probable cause are as follows:

23 This case was opened as the result of phone calls on or about September 24, 2009, between
24 P. F., a KMS Financial Services (KMS) client of the Defendant, and Eric Westberg, Chief
25 Compliance Officer for KMS. P.F. later told the Department that the Defendant had recently
26 telephoned her to report that he had converted to his personal use approximately \$409,000 of her
27 money that he had agreed to invest for her in a real estate investment trust (REIT) through KMS.
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1 Westberg told the Department that the Defendant had confessed to KMS's Chief Compliance
2 Officer, Tracy Forsyth, that he had taken at least \$900,000 from his KMS clients. Westberg told the
3 Department that Casey Dougherty, a KMS Compliance Officer, had flown to Helena to take
4 possession of the Defendant's KMS branch office in Jefferson County, Montana and Department
5 representatives also went to the Defendant's office to begin an extensive examination of the
6 Defendant's financial activities from 1998 to the present that included the examination of 17,362
7 financial instruments and 13 bank accounts at Montana City Bank and Wells Fargo Bank in Helena.
8

9 Defendant was registered with the Montana Securities Department as a broker/dealer
10 salesperson and investment adviser representative as follows:
11

Firm	Start Date	End Date
KMS Financial Services, Inc.	2/20/2001	9/23/2009
Citigroup Global Markets, Inc. (formerly Salomon Smith Barney, Inc.)	10/15/99	3/6/2001
KMS Financial Services, Inc.	9/20/1994	10/15/1999
Symetra Investment Services	2/24/1994	9/30/1994
A G Edwards & Sons Inc	12/4/1991	5/25/1993

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19 A "Ponzi scheme" is a fraudulent investment operation that pays returns to separate investors
20 from their own money or money paid by subsequent investors, rather than from any actual profit
21 earned. A Ponzi scheme usually entices new investors by offering returns other investments cannot
22 guarantee, in the form of short-term returns that are either abnormally high or unusually consistent.
23 The perpetuation of the returns that a Ponzi scheme represents and pays requires an ever-increasing
24 flow of money from investors to keep the scheme going.
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1 insufficient funds in her account that surprised her adult daughter, M.E.P., who believed her parents'
2 money was invested in a real estate investment trust through KMS Financial Services. P.R. thought
3 she would have to apply for Medicaid to care for her mother because the money had all been lost.
4
5 M.E. P. passed away in October of 2009 before a Medicaid application could be submitted.

6 In September 2009, Defendant told P.R., in person, that he had used M.E.P.'s money for his
7 personal use. According to Dr. Sherry Marx, M.E.P.'s primary care physician, M.E.P. suffered from
8 cognitive impairment, and advanced dementia, and did not have the cognitive ability to manage her
9 financial affairs during the entire time period her funds were used in the Defendant's scheme.
10

11 On March 12, 2001, M.P. and M.E.P., KMS clients, gave Defendant money from the
12 surrender of their tax qualified annuities that were held at State Farm, policies LF 1530-3604 and
13 LF15303599 in the total amount of \$96,537.68 (\$48,268.84 each) to invest on their behalf. These
14 funds should have been reinvested in a qualified plan but were not, causing unnecessary tax
15 consequences. Instead of investing their money in investments through KMS, Defendant deposited
16 the money into his Investment Strategies account. The following outlines the Defendant's use of
17 M.P.'s and M.E.P.'s money:
18

19	Recipient or Purpose of Funds	Description	Date	Amount
20	B.H.	Ponzi scheme payment	3/14/2001	\$22,818.81
21	M.D.	Ponzi scheme payment	3/20/2001	\$ 1,227.47
22	K.B.	Ponzi scheme payment	3/23/2001	\$ 6,216.38
23	R.M.	Ponzi scheme payment	3/24/2001	\$ 1,000.00
24	D.B.	Ponzi scheme payment	3/28/2001	\$ 2,000.00
25	G.S.	Ponzi scheme payment	3/30/2001	\$ 285.12
26	A.G. and J.G.	Ponzi scheme payment	4/6/2001	\$ 2,000.00
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Recipient or Purpose of Funds	Description	Date	Amount
L.A.S.	Ponzi scheme payment	4/9/2001	\$ 4,000.00
M.P.	Ponzi scheme payment	4/11/2001	\$20,000.00
K.B.	Ponzi scheme payment	4/11/2001	\$ 769.94
Various	Business expenses	Various	\$ 4,107.16
Cash out	Cash withdrawals	Various	\$ 884.50
Various	Personal debt payments	Various	\$ 515.00
Various	Personal expenditures	Various	\$30,713.30

On June 2, 2003, the Defendant received \$50,000.00 to invest on behalf of M.E.P.; instead, the Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment	2/18/2003	\$42,017.65
R.M.	Ponzi scheme payment	3/4/2003	\$ 500.00
Various	Business expenses	Various	\$ 1,277.28
Cash out	Cash withdrawals	Various	\$ 1,408.00
Various	Personal debt payments	Various	\$ 4,555.07
Various	Personal expenditures	Various	\$ 242.00

On June 3, 2003, the Defendant received M.E.P.'s federal income tax refund of \$28,776.00 to invest on her behalf with KMS. Instead, the Defendant deposited the money into his Investment Strategies account and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
K.B.	Ponzi scheme payment	6/4/2003	\$10,000.00
L.A.S.	Ponzi scheme payment – Payment to KMS	6/10/2003	\$10,347.19
Various	Business expenses	Various	\$ 32.30
Various	Personal debt payments	Various	\$ 3,396.51
Various	Personal expenditures – Check written to Montana State Council	Various	\$ 5,000.00

On February 25, 2004, the Defendant received \$50,000.00 to invest; instead, the Defendant deposited the money into his “Arthur L Heffelfinger PC d/b/a Client Trust Account” and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
K.B.	Ponzi scheme payment	3/1/2004	\$16,474.00
P.F.	Ponzi scheme payment	3/5/2004	\$ 1,612.52
A.G. and J.G.	Ponzi scheme payment	3/5/2004	\$28,074.37
L.A.S.	Ponzi scheme payment	3/1/2004	\$ 1,200.00
R.V.M	Ponzi scheme payment	3/5/2004	\$ 2,336.11
D.B.	Ponzi scheme payment	3/2/2004	\$ 303.00

On April 29, 2004, Defendant received \$50,000.00 to invest on behalf of M.E.P; instead the Defendant deposited the money into his “Arthur L Heffelfinger PC d/b/a Client Trust Account” and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment (To Stockman Bank)	5/4/2004	\$50,000.00

On June 7, 2004, Defendant received \$50,000.00 to invest; instead, the Defendant deposited the money into his “Arthur L Heffelfinger PC d/b/a Client Trust Account” and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
P.F.	Ponzi scheme payment	6/21/2004	\$50,000.00

On September 7, 2004, the Defendant received \$50,000.00 to invest; instead, the Defendant deposited the money into his "Arthur L Heffelfinger PC d/b/a Client Trust Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
J.K.	Ponzi scheme payment	9/8/2004	\$ 3,000.00
A.G.& J.G.	Ponzi scheme payment	9/16/2004	\$20,168.73
P.F.	Ponzi scheme payment	9/27/2004	\$ 4,550.00
L.A.S.	Ponzi scheme payment	9/28/2004	\$10,000.00
L.A.S.	Ponzi scheme payment	10/5/2004	\$ 1,200.00
Various	Business expenditures	Various	\$ 1,489.36
Various	Personal debt payments	Various	\$ 9,591.91

On February 18, 2005, Defendant received \$27,000.00 to invest; instead the Defendant deposited the money into his "Arthur L Heffelfinger PC d/b/a Client Trust Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
P.F.	Ponzi scheme payment	3/7/2005	\$ 4,550.00
L.A.S.	Ponzi scheme payment	3/9/2005	\$ 1,500.00
L.A.S.	Ponzi scheme payment	4/6/2005	\$ 1,000.00
R.M.	Ponzi scheme payment	4/6/2005	\$ 4,442.52
Various	Personal debt payments	Various	\$15,507.48

1 On July 9, 2009, Defendant received \$10,000.00 to invest; instead the Defendant deposited
2 the money into his "Arthur L. Heffelfinger POD Arthur L. Heffelfinger Revocable Trust" and used it
3 as follows:

4 Recipient or Purpose of Funds	Description	Date	Amount
5 S.N.	Ponzi scheme payment	8/13/2009	\$ 10,000.00

7 In sum, over the course of eight years the Defendant used \$412,303.68 of money belonging
8 to M.P. and M.E.P for his personal expenses and to promote and conduct a Ponzi scheme. The
9 Defendant did not pay them any interest on the funds, but occasionally he repaid some principal
10 when they requested funds to avoid detection of his fraudulent scheme. The source of money he
11 used to repay some of their money was from money taken from new investors in the Ponzi scheme.
12 The Estate of M.E.P. still has an outstanding remaining principal balance due of at least
13 \$225,578.27.
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16 **P.F.**

17 P.F. is a retired, 69-years-old and lives in Bozeman, Gallatin County, Montana. P.F.'s
18 investment objectives listed in her KMS new account form were safety of principal and income and
19 she invested for the purpose of earning income to pay for her day-to-day living expenses. P.F. told
20 the Department that Defendant personally called her and came to see her on or about September 22,
21 2009, to report he had converted approximately \$409,000 of her money for his own personal use and
22 that her money was all gone. P.F. told the Department she gave her money to the Defendant with the
23 understanding he would invest it into a real estate investment trust (REIT) through KMS that would
24 pay her 9% annually.
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27 On August 27, 2001, P.F., gave Defendant \$50,000.00 to invest with KMS; instead, the
28 Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
B.A.	Ponzi scheme payment	9/17/2001	\$12,512.79
R.M.	Ponzi scheme payment	8/29/2001	\$ 1,000.00
R.M.	Ponzi scheme payment	9/13/2001	\$ 475.00
G.S.	Ponzi scheme payment	8/31/2001	\$ 285.12
L.A.S.	Ponzi scheme payment – To Capital Bank & Trust	8/27/2001	\$ 2,000.00
L.A.S.	Ponzi scheme payment	8/29/2001	\$ 158.58
L.A.S.	Ponzi scheme payment – to Lincoln Benefit Life	8/30/2001	\$11,221.16
Various	Business expenditures	Various	\$ 6,225.55
Cash out	Cash withdrawals	Various	\$ 1,149.75
Various	Personal debt payments	Various	\$ 2,795.97
Various	Personal expenditures	Various	\$12,176.08

On September 13, 2001, P.F., gave Defendant \$25,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
R.M.	Ponzi scheme payment	10/1/2001	\$ 1,000.00
R.M.	Ponzi scheme payment	10/29/2001	\$ 1,000.00
P.F.	Ponzi scheme payment	10/10/2001	\$ 591.77
G.S.	Ponzi scheme payment	10/2/2001	\$ 285.12
G.S.	Ponzi scheme payment	10/10/2001	\$ 6,000.00
G.S.	Ponzi scheme payment – Payable to D&D RV Center	10/16/2001	\$ 4,000.00
Various	Business expenditures	Various	\$ 1,718.99
Cash out	Cash withdrawals	Various	\$ 867.00
Various	Personal debt payments	Various	\$ 3,726.77

Various	Personal expenditures	Various	\$ 5,810.35
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On September 11, 2002, P.F. gave Defendant \$100,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
R.M.	Ponzi scheme payment	10/2/2002	\$ 1,000.00
G.S.	Ponzi scheme payment	10/4/2002	\$10,379.17
P.F.	Ponzi scheme payment	10/9/2002	\$ 2,066.20
Various	Business expenditures	Various	\$ 5,654.43
Cash out	Cash withdrawals	Various	\$ 1,202.75
Various	Personal debt payments	Various	\$42,642.19
KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	Various	\$30,000.00
Overdraft fees	Overdraft fees	Various	\$ 20.00
Various	Personal expenditures	Various	\$ 7,035.26

On December 12, 2002, P.F. gave Defendant \$55,000.00 to invest; instead, the Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
P.F.	Ponzi scheme payment	12/16/2002	\$ 162.19
P.F.	Ponzi scheme payment	12/16/2002	\$ 3,867.50
L.A.S.	Ponzi scheme payment - Payment to KMS	12/18/2002	\$26,305.56
Various	Business expenditures	Various	\$ 900.02
Cash out	Cash withdrawals	Various	\$ 601.50
Various	Personal debt payments	Various	\$22,158.92
Various	Personal expenditures	Various	\$ 1,004.31

1 On March 29, 2005, P.F. gave Defendant \$60,000.00 to invest; instead, the Defendant
 2 deposited the money into his "Client Escrow Account" and used it as follows:

3 Recipient or Purpose of Funds	Description	Date	Amount
4 R.M.	Ponzi scheme payment	4/6/2005	\$ 8,369.80
5 L.A.S.	Ponzi scheme payment	5/2/2005	\$ 1,200.00
6 Various	Business expenditures	Various	\$ 4,952.93
7 Cash out	Cash withdrawals	Various	\$ 2,910.00
8 Various	Personal debt payments	Various	\$23,777.39
9 Various	Personal expenditures	Various	\$18,789.88

11 On June 14, 2005, P.F. gave Defendant \$100,000.00 to invest; instead the Defendant
 12 deposited the money into his "Client Escrow Account" and used it as follows:

13 Recipient or Purpose of Funds	Description	Date	Amount
14 K.B.	Ponzi scheme payment	6/20/2005	\$10,000.00
15 P.F.	Ponzi scheme payment	7/6/2005	\$ 4,979.73
16 L.A.S.	Ponzi scheme payment	6/20/2005	\$13,398.32
17 Various	Personal debt payments	Various	\$71,621.95

19 On June 29, 2007, P.F. gave Defendant \$150,000.00 to invest; instead the Defendant
 20 deposited it into his "Client Escrow Account" and used it as follows:

21 Recipient or Purpose of Funds	Description	Date	Amount
22 K.B.	Ponzi scheme payment	7/11/2007	\$ 1,500.00
23 P. F.	Ponzi scheme payment	7/23/2007	\$ 6,825.00
24 P.F.	Ponzi scheme payment	7/23/2007	\$ 6,825.00
25 P.F.	Ponzi scheme payment	10/9/2007	\$10,125.00
26 A.G. & J.G.	Ponzi scheme payment	1/22/2008	\$10,487.12
27 M.P.	Ponzi scheme payment	7/26/2007	\$17,000.00

Recipient or Purpose of Funds	Description	Date	Amount
L.A.S.	Ponzi scheme payment	7/5/2007	\$ 1,500.00
L.A.S.	Ponzi scheme payment	7/31/2007	\$ 5,000.00
L.A.S.	Ponzi scheme payment	9/5/2007	\$ 1,500.00
L.A.S.	Ponzi scheme payment	9/13/2007	\$ 1,500.00
L.A.S.	Ponzi scheme payment	10/31/2007	\$ 1,687.19
Various	Business expenditures	Various	\$ 2,285.47
Various	Personal debt payments	Various	\$42,032.44
KMS Account 4DR-605070 Arthur Heffelfinger MBA PC Investment account	Personal investments	Various	\$41,500.00
Overdraft fees	Overdraft fees	Various	\$ 50.00
Various	Personal expenditures	Various	\$ 182.78

In sum, the Defendant took used at least \$540,000.00 of P.F.'s money for his personal expenses or to promote and conduct a Ponzi scheme. Defendant paid P.F. random interest on her investments and returned approximately \$130,265.31 in principal over the past eight years leaving an outstanding remaining principal balance due of at least \$409,734.69.

A.G. and J.G.

A.G. is 65-years-old and J.G. is 64-years-old and live in Texas. Their investment objectives listed in their KMS new account form were safety of principal, growth, and income. A.G. and J.G. entrusted Defendant with nearly 100% of their net worth with the understanding the Defendant was investing their money in a real estate investment trust (REIT) that paid 9% through KMS. A.G. and J.G. became aware that something was wrong in September 2009 when they received a letter from KMS Financial Services indicating that the Defendant was no longer associated with KMS. They

1 spoke with Sheri Heffelfinger, the Defendant's wife, who told them the Defendant had been indicted
 2 on fraud charges for taking their money. A.G. and J.G. told the Department that they need to sell
 3 their home to live with their daughter and return to work because the money they gave Defendant,
 4 represented their entire savings.
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6 On October 4, 2002, A.G and J.G., gave Defendant \$67,000.00 to invest; instead the
 7 Defendant deposited the money into his "Investment Strategies Account and used it as follows:

8 Recipient or Purpose of Funds	Description	Date	Amount
9 D.B.	Ponzi scheme payment	11/1/2002	\$12,000.00
10 R.M.	Ponzi scheme payment	11/1/2002	\$ 1,000.00
11 R.M.	Ponzi scheme payment wired to 1 st Security Bank of Missoula	11/29/2002	\$ 500.00
12 A.G. & J.G.	Ponzi scheme payment	12/5/2002	\$22,835.55
13 Various	Business expenditures	Various	\$ 1,811.69
14 Various	Cash withdrawals	Various	\$ 1,904.50
15 Various	Personal debt payments	Various	\$16,280.74
16 Various	Overdraft fees	Various	\$ 20.00
17 Various	Personal expenditures	Various	\$10,647.52

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 20 On July 24, 2006, A.G. and J.G. gave Defendant \$227,000.00 that they obtained from the
 21 sale of property in Missoula County to invest; instead, the Defendant deposited the money into his
 22 "Investment Strategies Account" and used it as follows:
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24 Recipient or Purpose of Funds	Description	Date	Amount
25 R.V.M.	Ponzi scheme payment	7/25/2006	\$ 4,837.33

Recipient or Purpose of Funds	Description	Date	Amount
L.A.S.	Ponzi scheme payment	8/2/2006	\$ 1,500.00
S.N.	Ponzi scheme payment – check payable to Helena Community Credit Union	8/8/2006	\$ 9,091.47
M.P.	Ponzi scheme payment	8/16/2006	\$41,235.41
L.A.S.	Ponzi scheme payment	9/21/2006	\$ 6,000.00
K.B.	Ponzi scheme payment	9/27/2006	\$15,000.00
L.A.S.	Ponzi scheme payment	9/29/2006	\$ 2,000.00
P.F.	Ponzi scheme payment	10/18/2006	\$10,916.00
L.A.S.	Ponzi scheme payment	11/7/2006	\$ 1,500.00
M.P.	Ponzi scheme payment	11/20/2006	\$ 3,000.00
L.A.S.	Ponzi scheme payment	11/29/2006	\$ 2,000.00
L.A.S.	Ponzi scheme payment	12/29/2006	\$ 1,500.00
P.F.	Ponzi scheme payment	1/2/2007	\$ 6,825.00
K.B	Ponzi scheme payment	1/12/2007	\$ 2,068.74
A.G.& J.G.	Ponzi scheme payment	1/29/2007	\$ 8,122.50
R.M.	Ponzi scheme payment	2/6/2007	\$ 65.52
R.M.	Ponzi scheme payment	2/13/2007	\$ 700.00
Various	Business expenditures	Various	\$20,974.71
Cash out	Cash withdrawals	Various	\$ 3,176.50
Various	Personal debt payments	Various	\$56,831.57
KMS Account 4DR- 605070 Arthur Heffelfinger MBA PC Investment account	Personal investments	Various	\$14,000.00
Various	Personal expenditures	Various	\$15,655.25

1 In sum, the Defendant took at least \$34,986.77 from A.G. and J.G. prior to February 2001
2 and \$294,000 from them after he joined KMS in February 2001. The \$34,986.77 has been returned
3 to them, as well as some interest income and principal payments of approximately \$143,290.39,
4 primarily from funds from new investors and it appears they are owed a principal balance of at least
5 \$150,709.61.
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7 L.A.S.

8 L.A.S. is 71 years old, is widowed, and lives alone in Missoula County, Montana. Her listed
9 investment objectives on her KMS new account form were safety of principal with no risk and
10 income. L.A.S. relies on the money she believed she invested with KMS to provide her with a
11 \$1,500.00 monthly income stream to pay her day-to-day living expenses. L.A.S. spoke with
12 Defendant after she learned of the Ponzi scheme and he said he could not talk about it, but
13 Defendant's wife, Sheri Heffelfinger, talked with L.A.S. and apologized for the fact that her money
14 was gone, but assured her that everything would be okay.
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16 On August 17, 2001, and August 20, 2001, L.A.S. gave Defendant \$2,000.00 and \$11,219.16
17 respectively for a total of \$13,219.16 to invest; instead the Defendant deposited the money into his
18 "Investment Strategies Account" and used it as follows:
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Recipient or Purpose of Funds	Description	Date	Amount
Various	Business expenses	Various	\$ 2,038.25
Cash out	Cash withdrawals	Various	\$ 101.50
Various	Personal debt payments	Various	\$ 579.41
Various	Personal expenditures – including the purchase of a \$5,000 "Contour" car	Various	\$10,500.00

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28 On July 24, 2002, L.A.S. gave Defendant \$25,500.00 to invest on her behalf; instead, the Defendant deposited the money into his Investment Strategies account and used it as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment – Payment to KMS	7/24/2002	\$ 1,200.00
D.B.	Ponzi scheme payment – Payment to KMS	7/31/2002	\$13,800.00
L.A.S.	Ponzi scheme payment – Payment to KMS	7/29/2002	\$ 672.24
Various	Business expenditures	Various	\$ 762.03
Various	Personal debt payments	Various	\$ 8,709.63
Various	Personal expenditures	Various	\$ 356.10

On February 3, 2003, L.A.S. gave Defendant \$10,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
Various	Business expenditures	Various	\$ 784.95
Cash out	Cash withdrawals	Various	\$ 401.50
Various	Personal debt payments	Various	\$ 6,313.55
KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	2/6/2003	\$ 2,500.00

On September 26, 2003, L.A.S. gave Defendant \$20,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment	9/30/2003	\$12,000.00
P.F.	Ponzi scheme payment	9/30/2003	\$ 74.78
P.F.	Ponzi scheme payment	10/1/2003	\$ 4,837.55
Various	Business expenditures	Various	\$ 1,521.24
Various	Personal debt payments	Various	\$ 1,566.43

1 On October 23, 2003, L.A.S. gave Defendant \$7,400.00 to invest; instead the Defendant
 2 deposited the money into his "Investment Strategies Account" and used the money as follows:

3 Recipient or Purpose of Funds	Description	Date	Amount
4 Various	Personal debt payments	Various	\$ 4,749.59
5 KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	10/27/2003	\$ 1,050.00
6 Overdraft fees	Overdraft fees	Various	\$ 40.00
7 Various	Personal expenditures	Various	\$ 1,560.41

10 On January 6, 2005, L.A.S. gave Defendant \$14,419.31 from her John Hancock Life
 11 Insurance Policy to invest; instead, the Defendant deposited the money into his "Investment
 12 Strategies Account" and used the money as follows:

14 Recipient or Purpose of Funds	Description	Date	Amount
15 K.B.	Ponzi scheme payment	1/13/2005	\$ 1,000.00
16 Various	Business expenditures	Various	\$ 1,779.05
17 Cash out	Cash withdrawals	Various	\$ 303.00
18 Various	Personal debt payments	Various	\$10,069.50
19 Various	Personal expenditures	Various	\$ 1,267.76

21 On March 27, 2006, L.A.S. gave Defendant \$13,500.00 to invest; instead the Defendant
 22 deposited the money into his "Investment Strategies Account" and used the money as follows:

24 Recipient or Purpose of Funds	Description	Date	Amount
25 P.F.	Ponzi scheme payment	4/6/2006	\$ 4,008.08
26 Various	Business expenditures	Various	\$ 488.63
27 Various	Personal debt payments	Various	\$ 8,907.00
28 Various	Personal expenditures	Various	\$ 96.29

1 On June 28, 2006, L.A.S. gave Defendant \$15,000.00 to invest; instead, the Defendant
2 deposited the money into his "Investment Strategies Account" and used the money as follows:

3 Recipient or Purpose of Funds	Description	Date	Amount
4 E.B.	Ponzi scheme payment	7/15/2006	\$ 2,000.00
5 R.V.M.	Ponzi scheme payment	7/25/2006	\$ 362.67
6 Various	Business expenditures	Various	\$ 2,715.05
7 Cash out	Cash withdrawals	Various	\$ 305.50
8 Various	Personal debt payments	Various	\$ 9,309.42
9 Various	Personal expenditures	Various	\$ 307.36

10
11 On June 27, 2008, L.A.S. gave Defendant \$26,300.00 to invest; instead, the Defendant
12 deposited the money into his "Investment Strategies Account" and used the money as follows:

13 Recipient or Purpose of Funds	Description	Date	Amount
14 P.F.	Ponzi scheme payment	7/1/2008	\$26,000.00
15 Various	Personal debt payments	Various	\$ 300.00

16
17 L.A.S. had a pre-2001 outstanding principal balance of \$16,025.65 because of the Defendant
18 converted her investment funds for his personal use or to promote the Ponzi scheme. In addition, the
19 Defendant converted \$145,338.47 of L.A.S.'s money after joining KMS in February 2001 and
20 investigators believe he repaid approximately \$107,485.50 in principal and some interest throughout
21 the eight-year period thereafter, leaving an outstanding principal balance owing L.A.S. of at least
22 \$37,852.97.
23
24

25 **K.B.**

26 K.B. is 78-years-old, single, retired, and living in Helena, Lewis and Clark County, Montana.
27 Her investment objectives listed in her KMS new account form were safety of principal, growth and
28 income. K.B. believed the Defendant was investing her money in a real estate investment trust
(REIT) through KMS. On June 4, 2003, K.B. gave Defendant \$10,000.00 to invest; instead the

1 Defendant deposited the money into his "Investment Strategies Account" and used the money as
2 follows:

3 Recipient or Purpose of Funds	Description	Date	Amount
4 J.T.	Ponzi scheme payment - Payment to KMS	6/3/2003	\$ 3,256.19
5 Various	Business expenditures	Various	\$ 99.12
6 Various	Personal debt payments	Various	\$ 5,561.71
7 Various	Overdraft fees	Various	\$ 40.00
8 Various	Personal expenditures	Various	\$ 1,042.98

9
10 On January 2, 2004, K.B. gave Defendant \$107,652.24 from her State of Montana Deferred
11 Compensation distribution that she received from a "qualified plan" to invest on her behalf. The
12 distribution and their conversion by the Defendant resulted in her incurring approximately \$16,474
13 in taxes because the funds were not rolled into another qualified plan; instead, Defendant deposited
14 the money into his "Investment Strategies Account" and used the money as follows:
15

16 Recipient or Purpose of Funds	Description	Date	Amount
17 M.P.	Ponzi scheme payment	1/5/2004	\$ 5,500.00
18 M.P.	Ponzi scheme payment	1/12/2004	\$95,000.00
19 L.A.S.	Ponzi scheme payment	1/8/2004	\$ 1,200.00
20 Various	Business expenditures	Various	\$ 675.50
21 Cash out	Cash withdrawals	Various	\$ 100.00
22 Various	Personal debt payments	Various	\$ 161.74
23 KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	1/8/2004	\$ 5,000.00
24 Various	Personal expenditures	Various	\$ 15.00

25
26
27 Defendant converted at least \$ 53,218.34 from K.B. before January 2001 and at least
28 \$117,652.74 after February 2001 for his personal use and to promote and conduct a Ponzi scheme.

1 K.B. still has an outstanding remaining principal balance as of February 2001 of at least \$98,585.46.
 2 Defendant categorized a \$16,474 payment he sent her as a return of "principal/interest" when it was
 3 actually payment of the taxes resulting from his conversion to his own use of money she originally
 4 invested in qualified retirement plan.
 5

6 **J.S.**

7 J.S. lives in Canada and on June 25, 2003, she gave Defendant \$54,323.94 from her Arizona
 8 State Retirement Plan to invest; instead the Defendant deposited the money into his "Investment
 9 Strategies Account" and used the money as follows:

10 Recipient or Purpose of Funds	Description	Date	Amount
11 P.F.	Ponzi scheme payment	6/25/2003	\$ 5,062.50
12 P.F.	Ponzi scheme payment	7/15/2003	\$ 6,533.51
13 J.S.	Ponzi scheme payment - American Funds Service	6/30/2003	\$10,000.00
14 J.S.	Ponzi scheme payment - American Funds Service	7/14/2003	\$15,000.00
15 Various	Business expenditures	Various	\$ 140.69
16 Cash out	Cash withdrawals	Various	\$ 301.50
17 Various	Personal debt payments	Various	\$15,550.66
18 Various	Overdraft fees	Various	\$ 40.00
19 Various	Personal expenditures	Various	\$ 1,695.08

20
 21
 22
 23 On September 12, 2005, and September 15, 2005, J.S. gave Defendant two \$1,000.00 checks
 24 for a total of \$2,000.00 to invest on her behalf, instead the Defendant deposited the money into his
 25 "Investment Strategies Account" and used the money as follows:
 26
 27
 28

Recipient or Purpose of Funds	Description	Date	Amount
Cash out	Cash withdrawals	Various	\$ 763.00
Various	Personal debt payments	Various	\$ 1,040.24
Various	Personal expenditures	Various	\$ 196.76

Defendant converted at least \$56,323.94 J.S.'s money for his personal use and to promote and conduct a Ponzi scheme. J.S. is owed an outstanding remaining principal balance of at least \$31,323.94.

P.P.

P.P. is 60-years-old and is a son of M.P. and M.E.P. He lives in Africa and is not working. His investment objectives listed on his KMS new account form were safety of principal and income and he invests for the purpose of saving for his retirement. On December 2, 2003, P.P., gave Defendant \$10,000.00 to invest; instead, the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment	12/2/2003	\$ 4,700.00
A.G. and J.G.	Ponzi scheme payment	12/9/2003	\$ 5,000.00
Various	Personal debt payments	Various	\$ 300.00

On December 15, 2003, P.P. gave Defendant \$500.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
A.G. and J.G.	Ponzi scheme payment	12/15/2003	\$ 500.00

Defendant took at least \$10,500.00 from P.P. and used it for his personal use and for the purposes of promoting and conducting a Ponzi scheme. P.P. still has an outstanding remaining

1 principal balance due of \$10,500.00 plus statutory interest of 10% per annum from the date of each
2 wrongful conversion of the money by Defendant.

3 **R.V.M.**

4 R.V.M. is a resident of Lewis and Clark County, Montana. On January 2, 2004, R.V.M.,
5 gave the Defendant \$5,000.00 to invest; instead the Defendant deposited the money into his
6 "Investment Strategies Account" and used the money as follows:
7

8 Recipient or Purpose of Funds	Description	Date	Amount
9 M.P.	Ponzi scheme payment	1/5/2004	\$ 5,000.00

10
11 On May 22, 2006, R.V.M. gave Defendant \$5,000.00 to invest on his behalf, instead the
12 Defendant deposited the money into his "Investment Strategies Account and used the money as
13 follows:
14

15 Recipient or Purpose of Funds	Description	Date	Amount
16 Various	Business expenses	Various	\$ 328.50
17 Cash out	Cash withdrawal	Various	\$ 100.75
18 Various	Personal debt payments	Various	\$ 3,923.78
19 Various	Personal expenses	Various	\$ 646.97

20 On June 15, 2009, R.V.M. gave Defendant \$2,000.00 to invest; instead, the Defendant
21 deposited the money into his "Investment Strategies Account" and used it as follows:
22

23 Recipient or Purpose of Funds	Description	Date	Amount
24 Various	Business expenses	Various	\$ 600.00
25 Cash out	Cash withdrawal	Various	\$ 150.00
26 Various	Personal debt payments	Various	\$ 779.69
27 Overdraft fees	Overdraft fees	Various	\$ 165.00
28 Various	Personal expenditures	Various	\$ 305.31

1 Defendant took at least \$12,000.00 from R.V.M. and used it for his personal use and for the
2 purposes of promoting and conducting a Ponzi scheme. R.V.M. still has an outstanding remaining
3 principal balance due of at least \$1,224.17.
4

5 **B. H.**

6 B. H. lives in Jefferson County, Montana. B.H. listed "growth" as his primary objective on
7 his KMS new account form. He indicated the primary purpose for his investments was to provide
8 for his children's education and his retirement. On February 28, 2001, within eight days of
9 Defendant re-joining KMS, B.H. gave the Defendant \$52,403.58 to invest; instead the Defendant
10 deposited the money into his "Arthur L Heffelfinger PC d/b/a Investment Strategies Account"
11 ("Investment Strategies" Account) and used the money as follows:
12

13 Recipient or Purpose of Funds	Description	Date	Amount
14 A.G & J. G.	Ponzi scheme payment	2/28/2001	\$ 1,250.00
15 D.B.	Ponzi scheme payment	3/1/2001	\$ 9,580.52
16 R.M.	Ponzi scheme payment	3/5/2001	\$ 1,000.00
17			
18 B.H.	American Funds purchase	3/14/2001	\$29,584.77
19 Various	Business expenses	Various	\$ 384.79
20 Cash out	Cash withdrawals	Various	\$ 603.50
21 First Boulder Bank	Paid off Sheri Heffelfinger's truck		\$10,000.00
22			

23 The Department's investigation indicates B.H. does not have any outstanding balance on his
24 involvement in the Ponzi scheme because the Defendant repaid him by using funds from new
25 investors to the scheme.
26
27
28

1 **D.P. and R.P.**

2 On November 7, 2001, D.P. and R.P., were residents of Lake County, Montana, and gave
3 Defendant \$50,000.00 to invest; instead the Defendant deposited the money into his "Investment
4 Strategies Account" and used the money as follows:

5

6 Recipient or Purpose of Funds	Description	Date	Amount
7 R.M.	Ponzi scheme payment	11/30/2001	\$ 1,000.00
8 D.P.	Ponzi scheme payment	12/5/2001	\$ 1,932.96
9 L.A.S.	Ponzi scheme payment	11/9/2001	\$10,213.27
10 J.T.	Ponzi scheme payment	11/30/2001	\$25,000.00
11 Various	Business expenditures	Various	\$ 1,075.47
12 Cash out	Cash withdrawals	Various	\$ 301.50
13 Various	Personal debt payments	Various	\$ 2,340.10
14 KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	12/3/2001	\$ 5,000.00
16 Various	Personal expenditures	Various	\$ 3,136.70

17

18 On January 7, 2002, D.P. and R.P., gave Defendant \$15,000.00 to invest, instead, the
19 Defendant deposited the money into his "Investment Strategies Account" and used it as follows:

20

21 Recipient or Purpose of Funds	Description	Date	Amount
22 G.S.	Ponzi scheme payment	2/28/2002	\$15,000.00

23 The Department's investigation indicates D.P. and R.P. do not have any outstanding balance
24 on their involvement in the Ponzi scheme because the Defendant repaid him by using funds from
25 new investors to the scheme.
26
27
28

J.T.

J.T. is a disabled resident of Jefferson County. He reported limited investment experience on his KMS new account form and stated that the primary purpose for his investments was to pay his current day-to-day living expenses, and listed his investment objectives as growth and income. On November 27, 2001, J.T., gave the Defendant \$69,210.91 to invest, instead the Defendant deposited the money into his "Investment Strategies Account and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
A.G. and J.G.	Ponzi scheme payment	12/12/2001	\$15,000.00
A.G. and J.G.	Ponzi scheme payment - Payment to Safeco	12/12/2001	\$ 5,000.00
D.P. & R.P.	Ponzi scheme payment	12/5/2001	\$23,067.04
D.P. & R.P.	Ponzi scheme payment - Payable to KMS Financial	12/13/2001	\$ 2,000.00
J.T.	Ponzi scheme payment - Payable to KMS Financial	12/18/2001	\$20,135.20
Various	Business expenditures	Various	\$ 1,672.29
Cash out	Cash withdrawals	Various	\$ 400.00
Various	Personal debt payments	Various	\$ 1,302.80
Various	Personal expenditures	Various	\$ 633.58

The Department's investigation indicates J.T. does not have any outstanding balance on his involvement in the Ponzi scheme because the Defendant repaid him by using funds from new investors to the scheme.

D.B.

On December 1, 2001, D.B., a KMS client and resident of Wolf Creek, Lewis and Clark County, Montana, gave Defendant \$150,000.00 to invest, instead, the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
J.T.	Ponzi scheme payment – Payable to KMS	12/18/2001	\$24,879.29
D.P. & R.P.	Ponzi scheme payment – Payable to KMS	1/2/2002	\$ 2,000.00
D.P. & R.P.	Ponzi scheme payment – Payable to KMS	1/14/2002	\$10,000.00
D.P. & R.P.	Ponzi scheme payment – Payable to KMS	2/19/2002	\$ 5,431.09
P.F.	Ponzi scheme payment	1/10/2002	\$ 1,706.25
J.K.	Ponzi scheme payment	1/14/2002	\$ 5,000.00
R.M.	Ponzi scheme payment	1/4/2002	\$ 1,500.00
R.M.	Ponzi scheme payment	1/31/2002	\$ 1,000.00
R.M.	Ponzi scheme payment	1/14/2002	\$ 500.00
G.S.	Ponzi scheme payment	1/2/2002	\$ 400.00
D.B.	Ponzi scheme payment	2/7/2002	\$50,508.33
G.S.	Ponzi scheme payment	2/28/2002	\$ 3,050.23
Various	Business expenditures	Various	\$ 3,824.01
Cash out	Cash withdrawals	Various	\$ 2,468.00
Various	Personal debt payments	Various	\$24,539.96
Various	Personal expenditures	Various	\$ 8,192.84
KMS Financial Services account 4DR-609009	Arthur & Sheri Heffelfinger joint investment account	12/3/2001	\$ 5,000.00

On August 6, 2002, D.B. gave Defendant two checks, \$14,827.29 and \$86.00, for a total of \$14,913.29 to invest; instead, the Defendant deposited the money into his "Investment Strategies Account and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
A.G. and J.G.	Ponzi scheme payment	8/21/2002	\$10,000.00
Various	Business expenditures	Various	\$ 327.64
Cash	Cash withdrawals	Various	\$ 757.00
Various	Personal debt payments	Various	\$ 2,762.65
Various	Personal expenditures	Various	\$ 1,066.00

On October 9, 2003, D. B. gave Defendant \$12,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
K.B.	Ponzi scheme payment	10/10/2003	\$12,000.00

The Department's investigation indicates D.B. does not have any outstanding balance on his involvement in the Ponzi scheme because the Defendant repaid him by using funds from new investors to the scheme.

J.K.

J.K. is 61 years old lives in Florence, Ravalli County, Montana. On his KMS new account form he listed growth and income as his investment objectives. He indicated the primary purpose for his investing was to provide for his retirement. On March 15, 2002, J.K. gave Defendant \$5,000.00 to invest; instead, the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.P. & R.P.	Ponzi scheme payment - Payment to College America	3/18/2002	\$ 3,799.00
Cash out	Cash withdrawals	Various	\$ 101.00
Various	Personal expenditures	Various	\$ 1,100.00

1 On July 11, 2003, J.K. gave Defendant \$2,000.00 to invest; instead, the Defendant deposited
2 the money into his "Investment Strategies Account" and used the money as follows:

3 Recipient or Purpose 4 of Funds	Description	Date	Amount
5 P.F.	Ponzi scheme payment	7/15/2003	\$ 2,000.00

6 On December 2, 2004 J.K., gave Defendant \$2,890.00 to invest; instead, the Defendant
7 deposited the money into his "Investment Strategies Account" and used the money as follows:

9 Recipient or Purpose 10 of Funds	Description	Date	Amount
11 Various	Business expenditures	Various	\$ 532.27
12 Cash out	Cash withdrawals	Various	\$ 101.50
13 Various	Personal debt payments	Various	\$ 2,137.67
14 Various	Personal expenditures	Various	\$ 118.56

15 The Department's investigation indicates J.K. does not have any outstanding balance on his
16 involvement in the Ponzi scheme because the Defendant repaid him by using funds from new
17 investors to the scheme.

18 **R.M.**

19 R.M. was born in 1934 and passed away March 6, 2007. On his KMS new account form he
20 listed capital preservation, growth and income as his investment objectives. R.M. was a resident of
21 Missoula County, Montana. On May 2, 2002, R.M., gave Defendant \$12,000.00 to invest; instead,
22 the Defendant deposited the money into his "Investment Strategies Account" and used the money as
23 follows:
24
25
26
27
28

Recipient or Purpose of Funds	Description	Date	Amount
D.P. & R.P.	Ponzi scheme payment	5/7/2002	\$ 6,078.17
R.M.	Withdrawal	5/2/2002	\$ 1,000.00
Various	Business expenditures	Various	\$ 1,643.36
Various	Personal debt payments	Various	\$ 260.24
Various	Personal expenditures	Various	\$ 3,018.23

On April 22, 2004, R.M. gave Defendant \$12,000.00 to invest; instead, the Defendant deposited the money into his "Client Trust Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
L.A.	Ponzi scheme payment	5/21/2004	\$ 1,200.00
P.F.	Ponzi scheme payment	6/21/2004	\$ 3,000.00
K.B.	Ponzi scheme payment	6/30/2004	\$ 2,000.00
P.F.	Ponzi scheme payment	6/30/2004	\$ 4,550.00
L.A.S.	Ponzi scheme payment	6/30/2004	\$ 1,200.00
Various	Personal expenditures	Various	\$ 50.00

The Department's investigation indicates R.M. does not have any outstanding balance on his involvement in the Ponzi scheme because the Defendant repaid him by using funds from new investors to the scheme.

G.S.

G.S. is a Vietnam veteran living on a full-time disability and a resident of Judith Basin County, Montana. At the time he invested with Defendant, his annual income was \$24,000.00 a year. On May 2, 2002, G.S. gave Defendant \$10,000.00 to invest; instead the Defendant deposited the money into his "Investment Strategies Account" and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
D.B.	Ponzi scheme payment – Payment to KMS	6/3/2002	\$ 1,100.00
D.B.	Ponzi scheme payment - Payment to KMS	6/12/2002	\$ 1,600.00
R.M.	Ponzi scheme payment	6/5/2002	\$ 500.00
Various	Business expenditures	Various	\$ 480.28
Various	Cash withdrawals	Various	\$ 916.00
Various	Personal debt payments	Various	\$ 3,561.09
Various	Overdraft fees	Various	\$ 30.00
Various	Personal expenditures	Various	\$ 1,812.63

On April 19, 2006, G.S. gave Defendant \$5,000.00 to invest; instead the Defendant deposited the money into his “Investment Strategies Account” and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
Various	Business expenditures	Various	\$ 826.00
Cash out	Cash withdrawals	Various	\$ 162.00
Various	Personal debt payments	Various	\$ 4,012.00

The Department’s investigation indicates G.S. does not have any outstanding balance on his involvement in the Ponzi scheme because the Defendant repaid him by using funds from new investors to the scheme.

T.B. and E.B.

T.B. and E.B. reside in Jefferson County. On July 13, 2006, T.B. and E.B. gave Defendant \$2,000.00 to invest; instead, the Defendant deposited the money into his “Investment Strategies Account” and used the money as follows:

Recipient or Purpose of Funds	Description	Date	Amount
Various	Personal Debt payment	7/14/2006	\$ 2,000.00

1 The Department's investigation indicates T.B. and E.B. do not have any outstanding balance
 2 on their involvement in the Ponzi scheme because the Defendant repaid them by using funds from
 3 new investors to the scheme.

4 S.N.

5 S.N. is a resident of Helena, Lewis and Clark County, Montana. On June 19, 2009, S.N.,
 6 gave Defendant \$9,000.00 to invest on his behalf; instead, the Defendant deposited the money into
 7 his "Arthur L. Heffelfinger POD Arthur L. Heffelfinger Revocable Trust Account" and used the
 8 money as follows:
 9

10 Recipient or Purpose of Funds	Description	Date	Amount
11 L.A.S.	Ponzi scheme payment	07/05/2006	\$ 239.34
12 Various	Business expenditures	Various	\$ 618.45
13 Cash out	Cash withdrawals	Various	\$ 861.00
14 Various	Personal Debt payments	Various	\$ 7,098.23
15 Overdraft fees	Overdraft fees	Various	\$ 40.00
16 Various	Personal expenditures	Various	\$ 142.98

17
 18 On July 9, 2009, S.N. gave Defendant \$10,000.00 to invest; instead the Defendant deposited
 19 the money into his "Arthur L. Heffelfinger POD Arthur L. Heffelfinger Revocable Trust Account"
 20 and used the money as follows:
 21

22 Recipient or Purpose of Funds	Description	Date	Amount
23 P.F.	Ponzi scheme payment	7/14/2009	\$ 9,202.50
24 S.N.	Ponzi scheme payment	8/13/2009	\$ 792.50
25 Various	Personal expenditures	Various	\$ 5.00

The Department's investigation indicates S.N. does not have any outstanding balance on his involvement in the Ponzi scheme because the Defendant repaid him by using funds from new investors to the scheme.

Defendant & Sheri Heffelfinger KMS Investment Accounts:

During the time period February 2001 through September 2009, \$104,050.00 of victim funds taken by Defendant were sent to KMS Financial Services and deposited directly into investment accounts owned and controlled by Defendant, and/or Sheri Heffelfinger, his wife. The following spreadsheet outlines the amount of money deposited into their joint investment account:

Victim	Date	Purpose of Funds	Amount
D.B.	12/3/2001	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$5,000.00
K.B.	1/8/2004	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$5,000.00
P.F.	Various	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$30,000.00
D.P.& R.P.	12/3/2001	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$5,000.00
L.A.S.	2/6/2003	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$2,500.00
L.A.S.	10/27/2003	KMS Financial Services account 4DR-609009 Arthur & Sheri Heffelfinger Joint Acct.	\$1,050.00
P.F.	Various	KMS Account 4DR-605070 Arthur Heffelfinger MBA PC Investment account	\$41,500.00
A.G.& J.G.	Various	KMS Account 4DR-605070 Arthur Heffelfinger MBA PC Investment account	\$14,000.00

During this time period, Defendant used the victims' money to execute 116 securities trades in the Heffelfingers' joint KMS accounts and 79 securities trades using his personal KMS account. The benefit of these trades inured to the Heffelfingers.

SUMMARY

Pre-relevant time period Ponzi scheme:

From January 1998 through January 2001, the Defendant operated a Ponzi scheme whereby he took money from investors to repay some of them to avoid detection while he converted other

1 funds for his personal use. The Department has identified at least 28 of Defendant's KMS who had
2 at least \$720,855.38 diverted from legitimate investments to the Defendant's Ponzi scheme during
3 this period and at the end of January 2001, approximately \$179,281.72 in principal remained owing
4 to 12 of these victims.
5

6 **Relevant time period Ponzi scheme:**

7 Defendant continued to operate the Ponzi scheme after he re-joined KMS Financial Services
8 in February 2001. From February 1, 2001, through September 23, 2009, when KMS Financial
9 Services terminated the Defendant because he admitted he was operating an illegal scheme. During
10 this period the Defendant converted at least \$2,021,546.11 from at least 20 KMS clients on at least
11 54 separate occasions for the purposes of running his Ponzi scheme and for his personal use.
12

13 Defendant used the \$2,021,546.11 as follows:

14 Amount Taken	How Used
15 \$ 74,747.46	Used for Defendant's business expenses
16 \$453,270.00	Used for Defendant's & Sheri Heffelfinger personal debt
17 \$104,050.00	Funds sent to KMS and deposited to Defendant's & Sheri Heffelfinger's investment accounts where they regularly speculated on the stock market for their own personal gain
18 \$ 23,302.75	Cash withdrawals
19 \$144,518.72	Used to pay personal expenses
20 \$ 445.00	Used to cover overdraft fees
21 \$179,281.72	Used to pay at least 20 pre-2001 Ponzi scheme victims' outstanding principal for the pre-relevant time period
22 \$1,041,930.46	Used to pay relevant time period victims' principal and interest payments

26 The Department's investigation indicates that at least the following principal amounts for the
27 relevant time period are still due investors (these figures do not include statutory interest):
28

Amount	Investor
\$225,578.27	The Estate of M.P.
\$ 37,852.97	L.A.S.
\$409,734.69	P.F.
\$150,709.61	A.G. and J.G.
\$ 98,585.46	K.B.
\$ 31,323.94	J.S.
\$ 10,500.00	P.P.
\$ 1,224.17	R.M.

Theft

The following table explains the amount of funds taken from victims and used for the Ponzi scheme as well as for personal use of the defendant:

Victim	Date	Amount Taken by Defendant	Amount Used in Ponzi Scheme	Amount Taken for Personal Use
D.B.	12/1/2001	\$ 150,000.00	\$ 105,975.19	\$ 44,024.81
D.B.	8/6/2002	\$ 14,913.29	\$ 10,000.00	\$ 4,913.29
D.B.	10/9/2003	\$ 12,000.00	\$ 12,000.00	\$ -
K.B.	6/4/2003	\$ 10,000.00	\$ 3,256.19	\$ 6,743.81
K.B.	1/2/2004	\$ 107,652.24	\$ 101,700.00	\$ 5,952.24
P.F.	8/27/2001	\$ 50,000.00	\$ 27,652.65	\$ 22,347.35
P.F.	9/13/2001	\$ 25,000.00	\$ 12,876.89	\$ 12,123.11
P.F.	9/11/2002	\$ 100,000.00	\$ 13,445.37	\$ 86,554.63
P.F.	12/12/2002	\$ 55,000.00	\$ 30,335.25	\$ 24,664.75
P.F.	3/9/2005	\$ 60,000.00	\$ 9,569.80	\$ 50,430.20
P.F.	6/14/2005	\$ 100,000.00	\$ 28,378.05	\$ 71,621.95
P.F.	6/29/2007	\$ 150,000.00	\$ 63,949.31	\$ 86,050.69
T.B. & E.B.	7/13/2006	\$ 2,000.00	\$ -	\$ 2,000.00
S.N.	6/19/2009	\$ 9,000.00	\$ 239.34	\$ 8,760.66
S.N.	7/9/2009	\$ 10,000.00	\$ 10,000.00	\$ -
A.G. & J.G.	10/4/2002	\$ 67,000.00	\$ 36,335.55	\$ 30,664.45
A.G. & J.G.	7/24/2006	\$ 227,000.00	\$ 116,361.97	\$ 110,638.03
B.H.	2/28/2001	\$ 52,403.58	\$ 41,415.29	\$ 10,988.29

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Victim	Date	Amount Taken by Defendant	Amount Used in Ponzi Scheme	Amount Taken for Personal Use
J.K.	3/15/2002	\$ 5,000.00	\$ 3,799.00	\$ 1,201.00
J.K.	7/11/2003	\$ 2,000.00	\$ 2,000.00	\$ -
J.K.	12/2/2004	\$ 2,890.00	\$ -	\$ 2,890.00
R.M.	5/2/2002	\$ 2,000.00	\$ 7,078.17	\$ 4,921.83
R.M.	4/22/2004	\$ 2,000.00	\$ 11,950.00	\$ 50.00
M.P & M.E.P.	3/12/2001	\$ 96,537.68	\$ 60,317.72	\$ 36,219.96
M.E.P.	6/2/2003	\$ 50,000.00	\$ 42,517.65	\$ 7,482.35
M.E.P.	6/3/2003	\$ 28,776.00	\$ 20,347.19	\$ 8,428.81
M.E.P.	2/25/2004	\$ 50,000.00	\$ 50,000.00	\$ -
M.E.P.	4/29/2004	\$ 50,000.00	\$ 50,000.00	\$ -
M.E.P.	6/7/2004	\$ 50,000.00	\$ 50,000.00	\$ -
M.E.P.	9/7/2004	\$ 50,000.00	\$ 38,918.73	\$ 11,081.27
M.E.P.	2/18/2005	\$ 27,000.00	\$ 11,492.52	\$ 15,507.48
M.E.P.	7/9/2009	\$ 10,000.00	\$ 10,000.00	\$ -
P.P.	12/2/2003	\$ 10,000.00	\$ 9,700.00	\$ 300.00
P.P.	12/15/2003	\$ 500.00	\$ 500.00	\$ -
D.P. & R.P.	11/7/2001	\$ 50,000.00	\$ 38,146.23	\$ 11,853.77
D.P. & R.P.	1/7/2002	\$ 15,000.00	\$ 15,000.00	\$ -
G.S.	5/2/2002	\$ 10,000.00	\$ 3,200.00	\$ 6,800.00
G.S.	4/19/2006	\$ 5,000.00	\$ -	\$ 5,000.00
L.A.S.	8/17/2001	\$ 13,219.16	\$ -	\$ 13,219.16
L.A.S.	7/24/2002	\$ 25,500.00	\$ 15,672.24	\$ 9,827.76
L.A.S.	2/3/2003	\$ 10,000.00	\$ -	\$ 10,000.00
L.A.S.	9/26/2003	\$ 20,000.00	\$ 16,912.33	\$ 3,087.67
L.A.S.	10/23/2003	\$ 7,400.00	\$ -	\$ 7,400.00
L.A.S.	1/6/2005	\$ 14,419.31	\$ 1,000.00	\$ 13,419.31
L.A.S.	3/27/2006	\$ 13,500.00	\$ 4,008.63	\$ 9,491.37
L.A.S.	6/28/2006	\$ 15,000.00	\$ 2,362.67	\$ 12,637.33
L.A.S.	6/27/2008	\$ 26,300.00	\$ 26,000.00	\$ 300.00
J.T.	11/27/2001	\$ 69,210.91	\$ 65,202.24	\$ 4,008.67
R.M.	1/2/2004	\$ 5,000.00	\$ 5,000.00	\$ -
R.M.	5/22/2006	\$ 5,000.00	\$ -	\$ 5,000.00
R.M.	6/15/2009	\$ 2,000.00	\$ -	\$ 2,000.00
J.S.	6/25/2003	\$ 54,323.94	\$ 36,596.01	\$ 17,727.93
J.S.	9/15/2005	\$ 2,000.00	\$ -	\$ 2,000.00

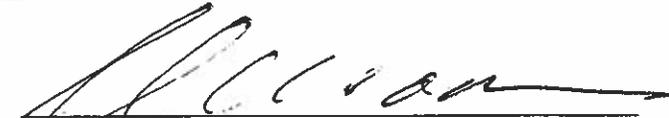
TOTALS \$ 1,221,212.18 \$ 800,333.93

As to each victim, the following table outlines how the Defendant used their money:

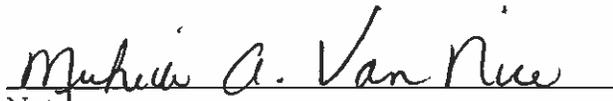
Victim	Funds used in Ponzi scheme	Funds used for business expenses	Funds used for personal debt	Funds used for personal expenditures	Funds used for personal KMS investing	Funds used for cash & overdrafts
D.B.	\$127,975.19	\$ 4,151.65	\$ 27,302.61	\$ 9,258.84	\$ 5,000.00	\$ 3,225.00
K.B.	\$104,956.19	\$ 774.62	\$ 5,723.45	\$ 1,057.98	\$ 5,000.00	\$ 140.00
P.F.	\$186,207.32	\$21,737.39	\$208,755.63	\$ 44,998.66	\$ 71,500.00	\$ 6,801.00
A.G. & J.G.	\$152,697.52	\$22,786.40	\$ 73,112.31	\$ 26,302.77	\$ 14,000.00	\$ 5,101.00
B.H.	\$ 41,415.29	\$ 384.79	\$ 10,000.00	0	0	\$603.50
J.K.	\$ 5,799.00	\$ 532.27	\$ 2,137.67	\$ 1,218.56	0	\$202.50
R.M.	\$ 19,028.17	\$ 1,643.36	\$ 260.24	\$ 3,068.23	0	0
S.N.	\$ 10,234.34	\$ 618.45	\$ 9,098.23	\$ 147.98	0	\$ 901.00
M.E.P.	\$333,593.81	\$ 6,906.10	\$ 33,565.97	\$ 35,955.30	0	\$ 2,292.50
P.P.	\$ 10,200.00	0	\$ 300.00	0	0	0
R.P.& D.P.	\$ 53,146.23	\$1,075.47	\$ 2,340.10	\$ 3,136.70	\$ 5,000.00	\$ 301.50
G.S.	\$ 3,200.00	\$ 1,306.28	\$ 7,573.09	\$ 1,812.63	0	\$ 1,108.00
L.A.S.	\$ 65,960.87	\$10,089.20	\$ 50,503.53	\$ 14,083.37	\$ 3,550.00	\$ 1,151.50
J.S.	\$ 36,596.01	\$ 140.69	\$ 16,590.90	\$ 1,891.84	0	\$ 1,104.50
J.T.	\$ 65,202.24	\$ 1,672.29	\$ 1,302.80	\$ 633.58	0	\$ 400.00
R.V.M.	\$ 5,000.00	\$ 928.50	\$ 4,703.47	\$ 952.28	0	\$ 415.75
TOTALS	\$1,221,212.18	\$74,747.46	\$453,270.00	\$144,518.72	\$104,050.00	\$23,747.75

1 Based on the foregoing, the undersigned requests the court find that probable cause exists
2 and allow the state to prosecute the defendant in the manner provided by law.

3 DATED this 8th day of January, 2010.

4
5 
6 Affiant

7 Subscribed and sworn to before me this 8th day of January 2010.

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9 
10 Notary

