

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE  
OFFICE OF THE STATE AUDITOR  
STATE OF MONTANA**

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IN THE MATTER OF:	)	CASE NO.: SEC-2009-37
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SHAREVALUE, INC., and	)	<b>TEMPORARY CEASE AND DESIST</b>
RICHARD F. REYNOLDS, individually,	)	<b>ORDER AND OPPORTUNITY FOR</b>
	)	<b>HEARING</b>
Respondents.	)	
	)	

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The Commissioner of Securities of the State of Montana (Commissioner), pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101, *et seq.*, hereby sets forth the following allegations of fact, conclusions of law, order to cease and desist, and notice of right to a hearing:

**ALLEGATIONS OF FACT**

1. Richard F. Reynolds (“Reynolds”) is the founder, Chief Executive Officer, and President of ShareValue, Inc (“ShareValue”).
2. ShareValue is located at 1627 W. Main Street, Bozeman, MT 59715.
3. Reynolds, by and through ShareValue, orally and via ShareValue’s website, represents that ShareValue is an “open market direct sales company.”
4. In January of 2009, a Missouri resident (“MR”) contacted the Commissioner’s

office and filed a complaint against the Respondents.

5. Reynolds and MR met in September of 2007 and Reynolds told MR that he needed funds to “launch the company and start sales.”

6. Reynolds told MR that Reynolds needed to sell 700,000 shares to provide an incentive for early investors in the following manner:

Stage 1: 100,000 shares offered at \$1.00 per share with a guaranteed 12% paid monthly;

Stage 2: 250,000 shares available at \$1.00 per share; and

Stage 3: 350,000 shares available at \$1.50 per share.

7. MR invested \$20,000 and was given 25,000 shares of ShareValue stock.

8. Reynolds gave MR a Shareholder Agreement, Stock Subscription Agreement, Shareholder Put Option Agreement, and Earning Guarantee Agreement.

9. The Shareholder Put Option Agreement provides that if ShareValue fails to pay the guaranteed return, ShareValue will repurchase the shares from MR within 90 days of receipt of the Notice of Redemption.

10. MR did not receive any of the guaranteed monthly interest payments.

11. Even though MR served a Notice of Redemption on ShareValue, his shares have not been repurchased as promised.

12. Reynolds, by and through ShareValue, continues to sell his investment opportunities via a multi-level marketing scheme where an individual can earn up to \$10,000.

13. Neither Reynolds nor ShareValue are registered with the Commissioner of Securities in any capacity.

## CONCLUSIONS OF LAW

1. The State Auditor is the Commissioner of Securities (Commissioner) pursuant to Mont. Code Ann. § 30-10-107.

2. The Securities Department (Department) is under the control and supervision of the Commissioner pursuant to Mont. Code Ann. § 30-10-107.

3. It is the policy of the Securities Act of Montana to protect the public interest. Mont. Code Ann. § 30-10-102(1).

4. The Commissioner and the Department have jurisdiction over this matter. Mont. Code Ann. §§ 30-10-107 and 30-10-305.

5. Except as provided in Mont. Code Ann. § 30-10-105, it is unlawful for a person to transact business in Montana as a broker-dealer or salesperson unless the person is registered pursuant to the Securities Act of Montana. Mont. Code Ann. § 30-10-201(1).

6. It is unlawful for any person to offer or sell any security, as defined in Mont. Code Ann. § 30-10-103(22), in Montana unless the security is duly registered under the laws of Montana. Mont. Code Ann. § 30-10-202.

7. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, in, into, or from this state, to employ any device, scheme, or artifice to defraud. Mont. Code Ann. § 30-10-301(a).

8. It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, in, into, or from this state, to engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person. Mont. Code Ann. § 30-10-301(c).

9. Pursuant to Mont Code Ann. § 30-10-324(3)(a), a multilevel distribution company means a person that: (i) sells, distributes, or supplies goods or services through independent agents, contractors, or distributors at different levels of distribution; (ii) may recruit other participants in the company; and (iii) is eligible for commissions, cross-commissions, override commissions, bonuses, refunds, dividends, or other consideration that is or may be paid as a result of the sale of goods or services or the recruitment of or the performance or actions of other participants.

10. Pursuant to Mont. Code Ann. § 30-10-326, a multi-level distribution company with a participant who is a resident of Montana must file an annual notice of the company's operation in Montana and an irrevocable consent designating the Commissioner as its agent for service of process for any alleged violation of Mont. Code Ann. § 30-10-325.

11. Pursuant to Mont. Code Ann. § 30-10-305(1)(a), if it appears to the Commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Securities Act of Montana, the Commissioner may issue an order directing the person to cease and desist from continuing the act or practice after reasonable notice and opportunity for hearing. The Commissioner may issue a temporary order pending the hearing that (i) remains in effect until 10 days after the hearing examiner issues proposed findings of fact and conclusions of law and a proposed order; or (ii) becomes final if the person to whom notice is addressed does not request a hearing within 15 days after receipt of the notice.

12. Pursuant to Mont. Code Ann. § 30-10-305(3), the Commissioner may, after reasonable notice and an opportunity for a hearing, impose a fine not to exceed the sum of \$5,000 per violation upon a person found to have engaged in any act or practice constituting a violation

of any provision of the Securities Act of Montana.

13. The Respondents violated Mont. Code Ann. § 30-10-201(1) by transacting securities business within Montana without being registered with the Department.

14. The Respondents violated Mont. Code Ann. § 30-10-202 by offering to sell a security, as defined in Mont. Code Ann. § 30-10-103(22), that is not registered or exempt by the state of Montana.

15. The Respondents violated Mont. Code Ann. §§ 30-10-301(a) & (c) by offering a security that is not exempt or registered pursuant to the Securities Act of Montana.

16. The Respondents violated Mont. Code Ann. § 30-10-326 by failing to file an annual notice of the company's operation in Montana and an irrevocable consent designating the Commissioner as its agent for service of process for any alleged violation of Mont. Code Ann. § 30-10-325.

### **CEASE AND DESIST ORDER**

Pursuant to Mont. Code Ann. § 30-10-305, it appears to the Department that the above-named Respondents have engaged, are engaged, or are about to engage in acts or practices constituting violations of the Securities Act of Montana, including transacting securities business in Montana without registering with the Department; offering to sell a security that is not registered or exempt by the state of Montana; offering a security with the intent to defraud a person; and failing to file an annual statement and irrevocable consent form with the Department, all in violation of Montana Code Ann. § 30-10-101 *et seq.*

1. Therefore, **IT IS HEREBY ORDERED** that the Respondents, their agents, employees, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order shall immediately cease and desist from:

a. violating Mont. Code Ann. § 30-10-201(1) by transacting securities business within Montana without being registered with the Department;

b. violating Mont. Code Ann. § 30-10-202 by offering to sell a security, as defined in Mont. Code Ann. § 30-10-103(22), that is not registered or exempt by the state of Montana;

c. violating Mont. Code Ann. §§ 30-10-301(a) & (c) by offering securities that are not exempt or registered pursuant to the Securities Act of Montana; and

d. violating Mont. Code Ann. § 30-10-326 by failing to file an annual notice of the company's operation in Montana and an irrevocable consent designating the Commissioner as its agent for service of process for any alleged violation of Mont. Code Ann. 30-10-325;

e. engaging in any other act, practice, or course of business that violates any section of the Securities Act of Montana.

2. **IT IS FURTHER ORDERED** that, pursuant to Mont. Code Ann. § 30-10-305(3), the Commissioner will determine whether to impose a fine of up to five thousand dollars (\$5,000) against each Respondent for multiple violations of Mont. Code Ann. § 30-10-101 *et seq.*, unless the Respondents request a hearing and show cause why the penalty should not be imposed.

3. **IT IS FURTHER ORDERED** that this Order is effective immediately and (i) shall continue in full force and effect until 10 days after the hearing examiner issues proposed findings of fact and conclusions of law and a proposed order or (ii) becomes final if the person to whom notice is addressed does not request a hearing within 15 days after receipt of the notice.

### **NOTICE OF RIGHT TO HEARING**


You are entitled to a hearing and to respond to this Temporary Cease and Desist Order and to present evidence and arguments on all issues involved in this case. If you wish to contest the allegations herein, you must make a written request for a hearing within 15 days of receipt of this Order to Jesse Laslovich, Legal Counsel to the Commissioner of Securities and Insurance, Office of the State Auditor, 840 Helena, Avenue, Helena, MT 59601. The hearing shall then be held within 20 days of the Commissioner's receipt of the hearing request, unless the time is extended by agreement of the parties or by order of the hearing examiner. If you do not request a hearing and the Commissioner orders none, this Order shall become permanent, and the above allegations will be declared the findings of fact and the above conclusions of law will be declared the final conclusions of law.

Should you request a hearing, you have the right to be accompanied, represented and advised by an attorney. If the attorney you choose has not been admitted to the practice of law in the state of Montana, she or he must comply with the Montana State Bar for appearing *pro hac vice* and the requirements of *Application of American Smelting and Refining, Co.*, 164 Mont. 139, 520 P.2d 103 (1973) and *Montana Supreme Court Commission on the Unauthorized*

*Practice of Law v. O'Neil*, 2006 MT 284, 334 Mont. 311, 147 P.3d 200 (2006). If you request a hearing, you will be given notice of the date, time, and place of the hearing.

DATED this 17<sup>th</sup> day of June, 2009.

MONICA J. LINDEEN  
Commissioner of Securities and State Auditor

By:   
LYNNE EGAN  
Deputy Commissioner of Securities

**CERTIFICATE OF SERVICE**

I certify that this 17 day of JUNE, 2009, a true and correct copy of the foregoing Order to Cease and Desist and Opportunity for Hearing was served on the following via certified mail with postage prepaid and return receipt requested:

ShareValue, Inc.  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

Richard Reynolds  
1627 W. Main Street, Ste. 301  
Bozeman, MT 59715

Richard Reynolds  
P.O. Box 3622  
Bozeman, MT 59772

Richard Reynolds  
18925 S. Ash Street  
Belton, MO 64012

  
Darla Sautter, Legal Assistant  
Commissioner of Securities, Office of the State Auditor