

NEWS RELEASE

FOR IMMEDIATE RELEASE
February 21, 2001

STENEHJEM, VINJE SUE PROMOTERS OF "PRIVATE GIFTING"/PYRAMID SCHEMES

North Dakota Attorney General Wayne Stenehjem and Securities Commissioner Syver Vinje have resolved five legal actions against North Dakota individuals as a result of their illegal activities promoting a pyramid or so called "private gifting" scheme in violation of consumer fraud and securities laws. The legal actions include defendants Betty Wahl, Daniel Reimche, and Carl Lamm of Harvey, Ken and Anita Schindler of Fessenden and Randy Bertsch of Hillsboro.

"The court adjudged these defendants in violation of North Dakota consumer fraud and securities laws," Stenehjem said. "We have obtained an injunction preventing future illegal conduct. In addition, we have recovered from these defendants approximately \$38,000 in restitution for consumers, and they have paid civil penalties, investigation costs and attorney's fees of approximately \$12,000."

The gifting scheme is most commonly known as "Sharing Equally" or "Private Gifting." According to Stenehjem, the illegal scheme works as follows: Promoters of the private gifting scheme promise participants that by making a "gift" of \$2,000, an individual can expect to receive a quick return of \$16,000. The plan is organized in a pyramid structure. Participants enter the plan as "freshmen," and by recruiting new participants beneath them, they can advance to "sophomore," "junior," and finally to the "senior" level. The "senior" on the pyramid receives a \$2,000 "gift" from each of the eight new "freshman," for a total payment of \$16,000.

Vinje said, "Participants in 'Sharing Equally' were required to sign a 'gifting statement' asserting that the money was strictly a gift and the participant expects nothing in return. However, in our investigation, participants admitted to investigators that the money was given with the expectation that they would later receive \$16,000."

“These so-called ‘gifting programs’ are a significant problem throughout the country, and that includes North Dakota,” Vinje said. “Based upon the information our office has received, I have concluded that these schemes are unregistered and illegal securities offerings under North Dakota law.”

“In addition to being illegal securities offerings,” Stenehjem added, “these gifting schemes are illegal pyramid promotional schemes. It is ‘musical chairs with money.’ When the music stops, those still playing will lose their money. When new money can no longer be found, the vast majority of the participants will lose their \$2,000 investment,” Stenehjem said.

According to Vinje the defendants in the lawsuits were actively promoting the illegal scheme. “Some of these individuals received thousands of dollars and their actions have significantly harmed other participants in their communities and elsewhere,” Vinje said.

“Although these schemes continue to proliferate, we strongly urge people to avoid these illegal ‘get rich quick’ schemes,” Stenehjem said. “The public should understand the unfortunate monetary harm and the very serious legal consequences for involvement in illegal pyramids.”

Parrell Grossman, Director of the Attorney General’s Consumer Protection Division and Matthew Bahrenburg, Special Assistant Attorney General with the Securities Commissioner, handled the lawsuits against the defendants on behalf of the State of North Dakota.

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