



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
WELLSPRING CAPITAL GROUP, INC.;)
BLAKE PRATER;)
SHAREDPROFIT PROGRAM; and) Case No. AP-04-08
LLOYD LOW;)
)
Respondents.)

Serve Wellspring Capital Group, Inc. and Blake Prater at:
P.O. Box 648
Gales Ferry, CT 06335

Serve SharedProfit Program and Lloyd Low at:
P.O. Box 648
Gales Ferry, CT 06335
and
Attn: K. B. Bradshaw
P.O. Box 16605
Golden, CO 80402

ORDER TO CEASE AND DESIST

On the 5th day of January 2004, Omar D. Davis, Enforcement Counsel for the Securities Division, submitted a petition for a Cease and Desist Order. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

FINDINGS OF FACT

1. Wellspring Capital Group, LTD ("Wellspring") purports to be a holding company for a collection of subsidiary companies dedicated to making money for their clients and has an address of P.O. Box 648, Galesferry, Connecticut 06335.
2. Blake Prater ("Prater") is the CEO and President of Wellspring and has an address of P.O. Box 648, Galesferry, Connecticut 06335.

3. SharedProfit Program (“SharedProfit”) is one of the umbrella companies under Wellspring and is designed to reward both businesses and their clients through a benefit package program.
4. Lloyd Low (“Low”) is the General Manager of Wellspring and founder of SharedProfit.
5. As used in this Cease and Desist Order, the term “Respondents” refers to Wellspring, Prater, SharedProfit and Low.
6. In 2001, a Missouri resident (“MR”) met Prater and Low on the Internet.
7. Since at least 2002 Prater has been operating Wellspring. Wellspring and Prater offered a host of programs through their Internet site and, among other things, made the following representations:
 - a. “Wellspring is dedicated to helping...people to live their dreams...Our operational strategies allow us to make a sizeable profit and that profit is distributed directly to our clients...Releasing them from their financial burdens, our clients develop a new and empowering sense of freedom in their lives...and they pass it on to others.”
 - b. “Wellspring Capital Group, Inc. is a multi-faceted company. We are actually a collection of companies and divisions with worldwide presence. We have business interest in many industries, in many countries.”
 - c. Current products include the following: a Business Expenses Replacement Plan; a CarDeal Payment Coverage Plan; a Rent-Relief plan and coming soon, a DayCare Dollars plan.
 - d. “Shared Profit is an alliance of businesses working in harmony to revolutionize commerce, headed by Lloyd Low.”
8. In 2003, Low offered MR the opportunity to participate in SharedProfit. Low told MR about the SharedProfit program stating, among other things, the following:
 - a. SharedProfit offers reward packages SharedProfit Reward Packages (hereinafter “SRP’s”) that mature and pay an overall gain of \$6,393 per package to the customer.
 - b. A business could purchase as many SRP’s as desired at \$5 each. The business will then receive \$10 every 120 days until the business received a maximum of \$100 in payments for each SRP purchased.
 - c. Additionally, for any four SRP’s gifted, the business would receive a free SRP for itself. Further, if a customer/client declines or fails to register an SRP, the SRP reverts back to the business, at which point the business could register the SRP

and begin receiving the \$6,393 payout that the customer would have received or could give the SRP to another client or customer.

9. In April 2003, MR purchased SRP's from Low, paying SharedProfit and Wellspring several thousand dollars. MR did not disclose the exact amount.
10. Later in 2003, MR gifted these SRP's to several Missouri residents and these other Missouri residents, in turn, purchased gift packages from SharedProfit and Wellspring.
11. The individuals who received "gifts" from MR received \$5 documents that needed to be registered online with SharedProfit to begin receiving the promised \$6,393 in payments. When this online registration was complete the donor of the gift also began to receive the \$10 payments promised to donors.
12. Despite the various "Plans" touted by Wellspring, the Division has been unable to determine if Wellspring, or any of its affiliates, manufactured, sold or marketed any service or tangible product that would account for the profits that were promised to purchasers and recipients of the SRP's.
13. In September 2003, the Missouri Securities Division received information, which indicated that the Respondents offered and sold unregistered securities in the State of Missouri.
14. A review of documents provided to the Division staff, indicated that Wellspring Capital Group, Inc., was alternately identified as both the parent company and a "partner" of Shared Profit Associates;
15. A check of the records maintained by the Missouri Commissioner of Securities confirmed no registration, granted exemption or notice filing indicating status as a "federal covered security" for any of the securities offered by the Respondents in the State of Missouri.
16. On October 1, 2003, the Division sent a letter of inquiry via certified mail to Respondents requesting a claim of exemption from registration or exception from definition of a security upon which Respondents relied in offering and/or selling unregistered securities in or from the State of Missouri or any claim that the offering involved federal covered securities. The letter also requested additional information about the offers, and advised Respondents that failure to respond constituted proper ground for the entry of an order by the Commissioner.
17. Respondents failed to respond to the Division's letter and requests for information.
18. Respondents were not registered to offer and/or sell securities in the State of Missouri.
19. Respondents offered and sold unregistered, non-exempt securities, in the form of investment contract to a Missouri resident.
20. The securities offered and/or sold by Respondent were not federal covered securities.

21. The above-described “SharedProfit Program” as offered and sold by Respondents constitutes an investment contract:
 - a. Investment of Money. The Missouri resident made an investment of money in the SharedProfit Program by purchasing the SRP’s;
 - b. Common Scheme or Enterprise. The \$5 SRP purchase price was used to fund the “multi-faceted” business endeavors and investments of Wellspring, the common enterprise, which was alternately identified as both the parent company and a “partner” of SharedProfit;
 - c. Expectation of Profit. The purchaser of the SRP expected, at minimum, \$100 dollars for each SRP that a customer or client registered. Further, the purchaser of the SRP could look forward to \$6,393 for every SRP that was given away but was not registered.
 - d. The Significant Managerial Efforts of Others. The profit was to have been derived from the significant efforts of others, i.e., SharedProfit and Wellspring. The investor’s only efforts were to put forth the money required for the investment. In fact, other than a cursory statement saying that profits were derived from the operations of the various Wellspring affiliates, the purchaser was never given any information regarding the source of the expected profits or how they were to be generated (i.e. what, if any, products were to be sold).
22. This Order is in the public interest.

CONCLUSIONS OF LAW

1. §409.401(o), RSMo, Cumulative Supp. 2002, includes “investment contract” within the definition of a security. “Investment contract” is an investment of money in a common enterprise with the expectation of profit from the significant managerial efforts of others. *State v. Reber*, 977 S.W.2d 934 (Mo.App.S.D. 1998); *State v. Kramer*, 845 (Mo.App.E.D. 1991). A pyramid program, which satisfies the elements of an investment contract, is a security under Missouri law. *In the Matter of Delores Oelrichs*, 2003 WL 22943138 (Mo.Sec.Div.). The interests in the “SharedProfit Program” as offered and sold by Respondents and as described in the above findings of fact constitute investment contracts and are securities. This conclusion is consistent with the views of the Securities and Exchange Commission in its action against two of the Respondents in *S.E.C. v. Blake A. Prater and Wellspring Capital Group, Inc.* (U.S. Dist. Ct. D.Conn. Civil Action No. 303-CV-01524-MRK.)
2. §409.201(a), RSMo 2000, provides that it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under Sections 409.101 to 409.419. The conduct described in the above findings of fact constitutes a violation of this section.

3. §409.301, RSMo 2000, provides that it is unlawful for any person to offer or sell any security in this state unless (1) it is registered under this act; (2) the security or transaction is exempted under section 409.402; or (3) it is a federal covered security. The conduct described in the above findings of fact constitutes a violation of this section.
4. §409.402(f), RSMo Cumulative Supp. 2002, provides that the burden of proving an exemption, qualification as a federal covered security, or an exception from a definition is upon the person claiming it.
5. §409.408(b), RSMo 2000 provides, in part, that:

[I]f the commissioner shall believe, from evidence satisfactory to him, that such person is engaged or about to engage in any of the fraudulent or illegal practices or transactions above in this subsection referred to, he may issue and cause to be served upon such person and any other person or persons concerned or in any way participating in or about to participate in such fraudulent or illegal practices or transactions, an order prohibiting such person and such other person or persons from continuing such fraudulent or illegal practices or transactions or engaging therein or doing any act or acts in furtherance thereof.

6. Transacting business as an unregistered agent, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
7. The offer or sale of unregistered securities, as described in the above findings of fact, constitutes an illegal practice under §409.408(b), RSMo 2000.
8. The Missouri Commissioner of Securities is empowered to issue such orders as he may deem just. §409.408(b), RSMo 2000.

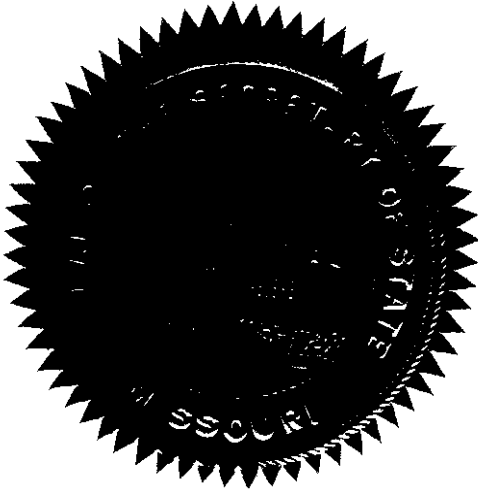
ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from:

- A. Offering or selling investments in SharedProfit Program, Wellspring Capital Group, Inc. or any other securities;
- B. Violating §409.201(a), RSMo 2000, by transacting business as a broker-dealer or agent without an effective registration;
- C. Violating §409.301, RSMo 2000 by offering or selling any security that is not registered, unless the security is a federal covered security or has an effective exemption from registration.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 3rd DAY OF February, 2004.



MATT BLUNT
SECRETARY OF STATE

A handwritten signature in black ink, which appears to read "Douglas M. Ommen". The signature is written in a cursive style with a large, sweeping initial "D".

DOUGLAS M. OMMEN
COMMISSIONER OF SECURITIES