



Private Gifting/ Gifting Systems/ Elite Activity

MinistryWatch.com issues a warning, advising our readers to not fall prey to the many "gifting" illegal pyramid schemes.

MinistryWatch.com in its role as a donor advocate has issued the following warning in response to inquiries. The concept concerns a financial recruitment program purportedly based on a "private gifting" concept. The operation invites people to join by making a "gift" of various amounts and/or levels, and then recruiting others to make similar "gifts" and recruit still more participants. The pay-out to early participants after a few rounds of recruitment is supposed to be in the tens of thousands if not more.

MinistryWatch.com believes such schemes are illegal pyramids (or may be known as chain referral, binary compensation, or matrix marketing), and that they pose a danger to persons who join later and who will lose their money.

List of Separate, but Similar Pyramid Schemes, Websites and YouTube Video Links

MinistryWatch.com cautions people not to participate in any of the following.

People who participate are risking their money, and they also risk violating the law or being sued.

Abundant Living Starts With You (ALSWY)	http://www.youtube.com/watch?v=-byUQf2BVGy&feature=related
Abundant Living System (ALS)	http://www.youtube.com/watch?v=EaNriYEUI-Y&feature=related
Cash Leveraging System	http://www.youtube.com/watch?v=e0ClvdIndSI&feature=related
Elite	http://www.youtube.com/watch?v=zgm37-O8mYw&feature=related
Elite Activity	http://www.youtube.com/watch?v=sqwYxfbfDvU&feature=related
Elite Activity Resurrected	http://www.youtube.com/watch?v=SGsp-mKFz5M&feature=related
Elite Resurrected	http://www.youtube.com/watch?v=N3GwVlrcsCM&feature=related
Elite Resurrected Express Cash Gifting Activity	http://www.youtube.com/watch?v=JwF4oLdTe7E&feature=fvw
Epic Wealth	http://www.youtube.com/watch?v=1bbDZDJH2eY&feature=related
Gifts for Life	http://www.youtube.com/watch?v=nemT-WP-M4M&feature=fvw
Give to Gifting	http://www.youtube.com/watch?v=9-sYhqpbo-w
Global Gifting System (GGS)	http://www.youtube.com/watch?v=ahVyyrVKMIM&feature=related
Magnetic Cash Gifting System	www.1KDailyCashFlow.com
Overnight Cash System	www.jobiz.eliteresurrected.org
PayitForward (PiF)	www.ReGenesisTopTeam.com
ReGenesis 2X2	www.ReGenesisWealth.com
V.I.P. Wealth System	

No Service, No Product; but Promoting a Program of Recruitment

The primary focus of these schemes is in promoting the program rather than selling a product. Or another way to see it, the business opportunity is the "Product". The only way to make money is to sign on more members or to recruit new people to generate funds. Over time, the hierarchy of participants resembles a pyramid as newer, larger layers of participants join the established structure at the bottom.

Illegal

Pyramid schemes run afoul of several state and federal laws. Possible violations could fall under consumer fraud statutes, deceptive and unfair trade practices, confidence games, gambling, lotteries, Internet fraud, chain letters, pyramid clubs, securities violations, racketeering, felony tax evasion, theft-by-deception statutes, false claims, wire fraud and possible mail fraud.

Pyramid schemes are inherently injurious to consumers because as a mathematical certainty, they are doomed to collapse. People would like to believe that there is a legal way to make a lot of money quickly and easily, and so they recruit relatives, friends, neighbors and co-workers to invest. Because many victims of these scams sell first to their friends, when the supposed money-making opportunity goes belly up, most lose not only their money, but also their friends.

Examples

- Harvey Joseph Dockstader, Jr., founder of Elite Activity, was convicted of promoting a pyramid promotional scheme and assessed punishment of two years incarceration in the Texas Department of Criminal Justice, State Jail Division and a fine. The 14th Court of Appeals (No. 14-06-00182-CR) decision against Dockstader affirmed the District Court of Harris County, Texas (Trial Court Cause No. 1032644) and concluded that Elite Activity was a pyramid scheme. Originally based in Utah, the program, which calls itself a "belief system," found followers among some Brazilians in Florida who spread the word among Brazilians in Massachusetts. (<http://www.14thcoa.courts.state.tx.us/opinions/html/opinion.asp?OpinionId=83666>)
- Nebraska Supreme Court found that promotion of a gifting pyramid constituted the sale of unregistered securities, namely investment contracts, in violation of Nebraska's securities laws. A criminal conviction and jail term based on such conduct was found to be proper (State v. Irons, 574 N.W.2d 144).
- California appeals court found "Friends Helping Friends" promoters were in violation of the state's "endless chain" criminal (In People v. Sanchez, 62 Cal.App.4th 460, 72 Cal.Rptr.2d 782 (Ct of Appeals, 2d Dist., Div. 2)).
- Court ruling that promotion of a gifting pyramid constituted fraud. Noting that "most recruits ... are willing participants as well as victims," the court found that one victim/participant could not be sued by another who was equally at fault. However, victim/participants could sue those who were more responsible for the promotion and active spread of the pyramid scheme (In Pacurib v. Villacruz, 705 N.Y.2d 819, 830 (Civil Ct., City of NY)).
- Court of Appeals of Tennessee dealt with a "Friends Helping Friends" pyramid scheme. The plaintiff sued to get a refund from the person who introduced her to the scheme based on breach of contract, but the court noted that she had paid her money to someone else, namely the person at the top of the pyramid. The court ruled that under these circumstances the plaintiff could not make the person who introduced her to the scheme provide a refund on the basis of contract theory (In Whitmore v. Jones, WL 455433 (Tenn.Ct.App.)).

Gifting

Promoters may claim that the "gift" angle makes it legal, but we believe everyone knows these are not true gifts. The payments are nothing more than investments in a money-making scheme, made for the sole purpose of generating a big cash pay-out to participants.

A "Gift" is anything of value which is given freely with no expectation of receiving anything in return. To just sign a piece of paper stating that you are freely giving a gift and are expecting nothing in return does not make it a gift. Just as if you sign a piece of paper that states that you are not engaging in a business does not change the fact that you are engaging in an activity with the express purpose of making a profit which is by definition a business. Actions, reasonable intentions, website ads, and Internet video commercials speak louder than a piece of paper. If the simple signing of a piece of paper that states that you are giving a gift is all you needed to do, then all businesses (and politicians from lobbyists) would do the same.

Such "gifting" schemes are not new. Earlier versions of similar schemes were called "Friends Helping Friends" and "The Gifting Board," among others. Such operations have been prosecuted criminally under anti-pyramid, theft, lottery, and securities laws. A person who recruits others also may be committing a consumer fraud violation with potential civil penalties.

Ponzi vs. Pyramid Schemes

Ponzi schemes operate strictly by paying earlier investors with money deposited by later investors without the emphasis on a participation structure. The promoter of a Ponzi scheme collects payments from a stream of people, promising them all the same high rate of return on a short-term investment. In the typical Ponzi scheme, there is no real investment opportunity, and the promoter just uses the money from new recruits to pay obligations owed to longer-standing members of the program. It operates under false pretences about how your money is being invested and normally benefit only a central company or person along with possibly a few early participants. It's called "stealing from Peter to pay Paul."

Pyramid schemes involve a hierarchy of investors who participate in the growth of the structure with profits distributed according to one's position within the promotional hierarchy based on active recruitment of additional participants.

Both Ponzi schemes and pyramids are quite seductive because they may be able to deliver a high rate of return to a few early investors for a short period of time. Yet, both pyramid and Ponzi schemes are illegal because they inevitably must fall apart. No program can recruit new members forever.

Legitimate Multilevel Marketing (MLM)

Some people confuse pyramid and Ponzi schemes with legitimate multilevel marketing. Multilevel marketing programs are known as MLM's, and unlike pyramid or Ponzi schemes, MLM's have a real product to sell. More importantly, MLM's actually sell their product to members of the general public, without requiring these consumers to pay anything extra or to join the MLM system. MLM's may pay commissions to a long string of distributors, but these commission are paid for real retail sales, not for new recruits.

Schemes Mutate and Change

These illegal money-making ventures are modified and adapted to suit the victims. They may also be disguised as games, chain letters, buying clubs, motivational companies, mail order operations, or investment organizations. Because of the similarity in structure to legitimate multi-level marketing plans, which survive by making money off product sales to actual customers, not new recruits, pyramid schemes may occur when you are offered a distributorship or franchise to market a particular product.


Tips and Advice Taken in Part from the Federal Trade Commission (FTC)

If you're approached about joining a club but you aren't sure if it's an illegal gifting club, the Federal Trade Commission reminds you to: (<http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt056.shtm>)

- Consider that a legitimate gift has no strings attached and is not an "investment."
- Avoid being misled into thinking a gifting club is legitimate because the ads say that members consider their payments a gift and expect nothing in return. This is an attempt to make an illegal transaction look legal.
- Be wary of success stories or testimonials of tremendous payoffs. Very few members of illegal gifting clubs or pyramid schemes ever receive any money.
- Take your time. Don't buckle under to a high-pressure sales pitch that requires you to join immediately or risk losing out on the opportunity. Remember, solid opportunities – and solid friendships – aren't formed through nerve-wracking tactics.

Sources

- <http://www.ftc.gov/> (Federal Trade Commission; the Commission has posted several alerts regarding pyramid schemes and multilevel marketing problems. The Commission records more than 2 million "hits" on its home page every month and receives several thousand visitors on its pyramid and multilevel marketing pages.)
- <http://www.ic3.gov/default.aspx> (The Internet Crime Complaint Center; partnership with the FBI, the National White Collar Crime Center and the Bureau of Justice Assistance)
- <http://www.fraud.org/> (National Consumers League)
- Contact your state's Attorney General's Office and/or Consumer Services Office.
- Some counties have a Consumer Protection office as well as some Sheriff's office's taking these complaints too.

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Contact Information and Resources

Government Contacts

Internal Revenue Service

Exempt organization customer service address:
Internal Revenue Service
TE/GE Customer Account Services
P.O. Box 2508
Cincinnati, OH 45201

- Tax-exempt assistance: 1-877-829-5500
- General tax questions: 1-800-829-1040
- Order forms and publications: 1-800-829-3676
- Website: www.irs.gov
- Verify tax-exempt status
- Verify tax deductibility
- Obtaining federal tax-exempt status
- Completing federal tax forms
- Specialized assistance to tax-exempt organizations

Attorneys General offices, or Departments of Justice, Charitable Activities Section

Most states have an active unit of the Attorney General's office that are willing to help consumers. Check with NASCO (National Association of State Charities Officials) at www.NASCO.net, look under US State Charity Offices and click on the state of interest.

- Reporting illegal activity by nonprofit organizations
- Information about charitable organizations and copies of annual reports
- Questions about professional fundraising reporting requirements
- Registrations of charitable corporations or trusts
- Questions about annual reports for charitable organizations
- Merging nonprofit organizations
- Serving as a board member of a nonprofit organization
- Dissolving nonprofit organizations

Secretary of State, Corporation Division

Check phone number on the Internet or your local phonebook under state government.

- Verifying that a nonprofit corporation is in fact incorporated and current in its filing
- Obtaining copies of filed articles of incorporation and amendments
- Forming a new corporation
- Obtaining state identification numbers
- Merging nonprofit corporations
- Amending articles of incorporation
- Dissolving nonprofit corporations

Federal Trade Commission

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877-382-4357
Website: www.ftc.gov

- Information on fraudulent, deceptive and unfair business practices
- How to file a complaint

Christian Ministry Marketplace

MinistryWatch.com

1 (866) 364-9980
www.ministrywatch.com
A free donor advocate service. Aid donors in understanding the key issues concerning a ministry's operations.

The Evangelical Council for Financial Accountability (ECFA)

1 (800) 323-9473
www.ecfa.org
A membership ministry advocate. A peer accountability membership group. Primary responsibility to the ministries that pay dues to the ECFA and thereby fund its operations.

Generous Giving

www.generousgiving.org
Nonprofit that seeks to encourage givers of all income levels to experience the joy of giving and embrace a lifestyle of generosity, according to God's word and Christ's example. It was launched in 2000 by the Maclellan Foundation.

Royal Treasure

1 (770) 977-4502
www.royaltreasure.org
Nonprofit teaching Biblical Stewardship to women.

The Gathering

www.gatheringweb.com
Conferences, email forums, conference calls and other activities for those that give a minimum of \$200,000 annually to Christian ministries or have the capacity to do so.

National Christian Foundation

www.nationalchristian.com
Facilitates Christian stewardship. Helps donors set up a Stewardship Fund, a donor advised fund, liquidate assets, provide gift annuities, trusts, scholarships, and endowments.

Calvin Edwards, & Co.

Info@calvinedwardscompany.com
For profit organization providing philanthropic counsel to high-capacity Christian donors.

Geneva Global

info@GenevaGlobal.com
www.genevaglobal.com
For profit organization assisting individual donors.

Excellence in Giving

www.excellenceingiving.com
For profit organization with tailored services of affluent families and individuals.

The Legacy Group

www.philanthropyatwork.com
For profit organization to assist private wealth management and those to achieve charitable goals.

The Eternity Portfolio

www.eternityportfolio.com
Book by Alan Gotthardt that shows how to get the ultimate return on your investments through investing in eternity.

Strategic Resource Group

www.srginc.org
Nonprofit directing people, prayer and financial resources with churches and key ministries in the Middle East.

Secular Resources

GuideStar

www.guidestar.org
Largest public search engine of nonprofit organizations. Provides access to many tax-exempt organization's IRS Form 990s. Some knowledge of accounting may be necessary to understand the documents found on this site.

BBB Wise Giving Alliance

www.give.org
A charitable watchdog site. The Alliance reports on nationally soliciting charitable organizations that are the subject of donor inquiries. These reports include an evaluation of the subject charity in relation to the voluntary BBB charity standards.

Charity Navigator

www.charitynavigator.org
Helps guide intelligent giving by evaluating the financial health of each charity in its database.

Charity Channel

www.charitychannel.com
Known best for its nonprofit email arena discussion forums.

The American Institute of Philanthropy

www.charitywatch.org
A charitable watchdog group that rates US charities in different categories. Fee for reports. They also provide tips to insure safe giving.

The Charities Review Council

www.crcmn.org
Conducts detailed reviews of national and local charitable organizations soliciting in the State of Minnesota. They also provide tips and guides for donors to help them make wise giving decisions.

Idealist.org / Action Without Borders

www.idealist.org
Provides an array of nonprofit and volunteering resources.

Independent Sector

www.independentsector.org
A national leadership forum, working to encourage philanthropy, volunteering, nonprofit initiative and citizen action that help to better serve people and communities. There is a section on ethics and accountability, including donor's bill of rights, related publications, articles and other resources.

Chronicle of Philanthropy

www.philanthropy.com
Biweekly newspaper of the nonprofit world.

The Nonprofit Times

www.nptimes.com
Articles and topics related to nonprofits.

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