



DCCA NEWS RELEASE

BUSINESS REGISTRATION DIVISION

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EQUINOX ORDERED DISSOLVED; MILLIONS IN ASSETS TO BE LIQUIDATED FOR RESTITUTION TO ALLEGED PYRAMID VICTIMS

Kathryn Matayoshi, Director of the Department of Commerce and Consumer Affairs today announced that consumers who lost money investing in a pyramid scheme they thought was a legitimate multi-level marketing business, will share in as much as \$40 million dollars under the terms of a settlement between Hawaii, seven other states (Maryland, Michigan, Nevada, North Carolina, Pennsylvania, Tennessee, and Virginia), and the Federal Trade Commission, against Equinox International Corporation and William Gould, its founder, of Las Vegas, Nevada. U.S. District Judge Johnnie B. Rawlinson, approved a preliminary settlement of this civil enforcement action which had begun its trial in Las Vegas on April 3, 2000. Key terms of the settlement include:

- ✍ Dissolution of Las Vegas-based Equinox International Corporation. A court-appointed receiver will take over the business and close it down. Cash, corporate and individual assets will be placed in the hands of the court-appointed receiver for liquidation. The assets have an estimated book value of nearly \$50 million and, once liquidated, are expected to yield approximately \$40 million.
- ✍ Proceeds from the sale of assets will be used for consumer redress. A consumer restitution fund estimated to be between \$30 - 40 million will be established. The receiver will be liquidating all of Equinox corporate assets, and various personal assets of Gould, in order to fund a claims program for victims of Equinox and Bill Gould.
- ✍ Equinox founder Bill Gould is permanently restrained and enjoined from engaging, participating or assisting in any multi-level marketing program. He is further banned in Hawaii from promoting, offering or selling securities, other than on his own behalf, or in a public offering so long as this Order is fully disclosed in any offering materials.

In a suit filed jointly with the other states and the FTC on August 3, 1999, the State of Hawaii, Department of Commerce and Consumer Affairs, Securities Enforcement Branch, alleged that the defendants operated an illegal pyramid scheme, in violation of the state's securities laws. Other state law enforcement offices and the FTC alleged violations of deceptive trade practices laws, false advertising laws, pyramid laws, licensing requirements laws, that Equinox made deceptive earnings claims, and provided distributors with the means and instrumentalities to violate federal law. On August 5, 1999, Judge Rawlinson entered a Temporary Restraining Order and Asset Freeze, and appointed a Receiver. Following a three-day hearing, the Judge issued a Preliminary Injunction, which allowed Equinox to

DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS

BENJAMIN J. CAYETANO, Governor

KATHRYN S. MATAYOSHI, Director

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continue in business with modification of its business practices and under the supervision of the Receiver, pending trial. The trial, which began on April 3, 2000, was halted on April 17 when the parties informed the Court that a negotiated settlement was possible.

A hearing will be held on September 8, 2000 in order to finalize the agreement. At that time the court will determine if the amount of restitution agreed upon is fair to the Defendants' victims, who will, pursuant to the agreement, be certified as a "class."

Equinox distributors who are class members eligible for restitution will be notified by mail (from addresses obtained from Equinox records) with instructions on procedures for filing a claim for restitution. A Notice will also be published in a weekday edition of USA Today. Redress will be paid by the Receiver following what likely will be months of accounting and liquidation proceedings. Consumers who believe that they are eligible to participate in the redress distribution may check on the status of the proceedings by visiting the Federal Trade Commission's website, www.ftc.gov or they may contact the Securities Enforcement Branch for the Department of Commerce and Consumer Affairs at 586-2740 on Oahu. The toll free numbers for the neighbor islands are as follows:

Big Island: 974-4000, then enter 62740 and hit #
Kauai: 274-3141, then enter 62740 and hit #
Maui: 984-2400, then enter 62740 and hit #
Molokai &
Lanai 1-800-468-4644, then enter 62740 and hit #