STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Business Opportunity Fraud Act of Washington by: Volodimyr Pigida, Marina Bondarenko, and Trend Sound Promoter AMG Corp., Respondents.	Order No.: S-14-1482-15-FO01 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST AS TO TREND SOUND PROMOTER AMG CORP.

On June 26, 2015, the Securities Administrator of the State of Washington issued order number S-14-1482-15-SC01, a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist ("Statement of Charges") against Respondents Trend Sound Promoter AMG Corp, Volodimyr Pigida, and Marina Bondarenko.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, ("Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing were served on Respondent Trend Sound Promoter AMG Corp. on July 7, 2015. The Notice of Opportunity for Hearing advised Respondent Trend Sound Promoter AMG Corp. that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondent Trend Sound Promoter AMG Corp., which is now under the control of a Chapter 7 bankruptcy trustee, informed the Securities Division, via a letter dated July 16, 2015, that it was subject to the jurisdiction of the bankruptcy court and thus would decline to request an administrative hearing.

The Securities Administrator therefore will adopt as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a Final Order against Respondent Trend Sound Promoter AMG Corp. to cease and desist from violations of the Business Opportunities Fraud Act of Washington.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

I. Respondent

1. Trend Sound Promoter AMG, Corp. ("TSP") is an inactive Washington corporation, originally incorporated on November 28, 2012, with its former principal place of business in Bellevue, Washington and a satellite office in Miami, Florida. TSP was in the business of selling work-at-home Internet marketing business opportunities. TSP filed for Chapter 11 bankruptcy on April 25, 2014. That case was subsequently converted to a Chapter 7 bankruptcy on June 2, 2014.

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia WA 98507-9033
360-902-8760

2. Volodimyr Pigida, a/k/a Vladimir Pigida ("Pigida"), a Washington resident, is the President and founder of TSP. Pigida owned 80% of TSP's stock until approximately March 1, 2014, after which he owned 100%. Pigida oversaw TSP's business activities.

3. Marina Bondarenko ("Bondarenko"), a Washington resident, was the Vice President of TSP from its founding until approximately March 1, 2014. Bondarenko owned 20% of TSP's stock until approximately March 1, 2014, after which she transferred her stock to Pigida. Bondarenko assisted Pigida with TSP's day-to-day operations, including management of the distribution of information about TSP on social media, and spoke with at least one purchaser regarding TSP's work-at-home scheme. Bondarenko also regularly communicated with TSP's contracted Certified Public Accountant regarding financial matters.

Related Parties

4. SoundT Studios LLC ("SoundT") is a Washington limited liability corporation, originally incorporated on September 28, 2012, with its principal place of business in Bellevue, Washington. At all times relevant herein, SoundT was solely controlled by Pigida and Bondarenko. SoundT held the rights to music written and performed by Pigida, and licensed those rights to TSP in exchange for a percentage of revenue that TSP generated from the sale of licensing agreements.

5. Lakeshore Enterprises Trust is a Washington trust. Pigida and Bondarenko each own 50% of the trust and are the sole trustees.

6. Villa Property Community Trust is a Washington trust. Pigida and Bondarenko each own 50% of the trust and are the sole trustees.

Background

7. From early 2013 until TSP's bankruptcy in April 2014, Pigida, Bondarenko, and TSP operated a work-at-home Internet marketing scheme, which promised significant returns with minimal training or effort, from Washington. Pigida, Bondarenko and TSP sold their work-at-home scheme to approximately 1,850 purchasers in Washington and approximately 6,750 total purchasers worldwide, raising a total of at least $21,000,000 in slightly over one year of operation.

8. TSP sold a work-at-home Internet marketing program, primarily to the Russian community both inside and outside the United States, in exchange for upfront payments ranging from $150 to $12,350, plus a $120 "administration fee." TSP sold, at varying price points, several different "packages" of the marketing program, which enabled purchasers to start a business as a TSP "Independent Promoter-Distributor" ("IPD"). IPDs earned money by using TSP's Internet marketing program to promote musicians and other TSP-affiliated products and services. The primary component of the marketing program was TSP's email system. Using this system, IPDs sent a certain number of marketing emails per day, through TSP's website, to a TSP-provided list of email addresses, and received payments of up to $190 per day from TSP for sending the emails. TSP claimed that it paid IPDs $0.40 per email sent

using its marketing program ("the email payments"), with more expensive packages allowing IPDs to send more emails per day and thereby earn "anywhere from $100 - $4,000 a month." Each marketing program was valid for one year, with the possibility of renewal at the end of the year. Based on TSP's representations and the number of per-day emails included with each marketing program, IPDs expected to spend approximately one to two hours per day sending emails through the TSP website, earn back the price paid for the marketing program in two to three months, and keep the money earned for the remainder of the year as profit. TSP also required Washington residents to obtain a business license and provided a link for them to do so, and emphasized to IPDs that they were independent contractors rather than TSP employees.

9. During 2013, TSP regularly paid early IPDs for sending the emails, which induced the early IPDs to promote TSP's marketing program to their friends and families. As a result, TSP sold a significant number of marketing programs in late 2013 and early 2014, particularly in January 2014. By selling more marketing programs, TSP incurred more liabilities both to existing IPDs and to new IPDs for the email payments. In late January 2014, TSP unilaterally changed the IPD contract on its website to require IPDs to sell a certain percentage of their marketing program value in TSP music, services, or new marketing programs in order to receive the email payments. TSP did not inform most IPDs of the change until approximately late February to mid-March 2014, but imposed it retroactively, so that IPDs would have to sell a certain amount of music and services to qualify for payment for emails they had sent even before TSP changed the contract. TSP represented that IPDs could retroactively qualify for the January and February email payments by selling enough music, services, or new marketing programs, and encouraged some IPDs to buy music and services themselves in order to qualify for the email payments. In reliance on TSP's representations, and in order to receive the email payout they had earned for the last two months, many IPDs bought music and services themselves, sold music and services to other IPDs, and referred others to buy marketing programs. Despite these efforts, TSP did not pay the vast majority of IPDs, including some who had met TSP's new sales requirements. Shortly before TSP stopped making payments to IPDs, in late January 2014, Pigida and Bondarenko transferred approximately $1.55 million from the company to buy a waterfront house and place a down payment on a condominium. TSP filed for Chapter 11 bankruptcy on April 25, 2014, at which point it completely ceased making payments to IPDs. TSP's bankruptcy proceedings are ongoing.

TSP's Offering

10. TSP initially offered seven different "packages" of its marketing program at varying price points, ranging from $220 to $9,500. In early 2014, TSP added eight new packages with prices ranging from $150 to $12,350, and reduced the daily amount of emails for new purchasers of the original seven packages. TSP also charged an annual "administration fee" of $120, deducted from the IPD's TSP account. IPDs generally learned of TSP through word-of-mouth referrals from friends and family who had previously bought TSP's marketing programs

and had received payments from TSP during 2013. Most bought marketing programs for at least $1,000, with many buying over $5,000 in marketing programs. Most IPDs did not have sales or Internet marketing experience.

11. The primary component of the marketing program was TSP's email system, which purportedly enabled IPDs to make significant returns with very little effort. As part of the marketing program, TSP distributed a list of email addresses on its website to IPDs from Monday through Friday. TSP required IPDs to log into the website daily and click on each email address twice, which supposedly sent out a marketing email for TSP's music or services. IPDs received $0.40 from TSP for every email sent in this fashion, and could send out more emails per day by purchasing more expensive marketing programs. During 2013, TSP's $220 marketing program (the least expensive) allowed an IPD to send 10 emails per working day at $0.40 per email, thereby receiving $4 for that day. The $9,500 marketing program allowed an IPD to send 475 emails per working day at $0.40 per email, thereby receiving $190 for that day. TSP allowed IPDs to purchase only one marketing program at a particular price point, but IPDs could buy other marketing programs at different price points (for instance, a $220 program and a $9,500 program, but not two $9,500 programs). Each marketing program was valid for one year. Based on TSP's representations of the number of emails they could send per day, and the price TSP paid per email, IPDs generally expected to be able to earn back the money they had paid for the marketing program in approximately two to three months and keep the money from the rest of the year as profit. TSP also offered incentives to IPDs for referring others to buy marketing programs and for selling TSP music and services.

12. To use the TSP platform, IPDs logged onto TSP's website from Monday through Friday. When the IPD logged in, TSP provided them with a list of email addresses for that particular day. The IPD clicked one button to load an email address into TSP's platform, then clicked another button which would purportedly send an email with a promotional flyer for a TSP-promoted artist to that address. TSP also required some IPDs to visit certain websites through the TSP platform and remain on the site for a certain period of time, or to watch promotional videos for TSP affiliates, before TSP would enable the IPD to send emails for that day. Most IPDs spent about one to two hours per day sending the daily allotted number of emails through TSP's platform. After each email sent as described above, TSP credited $0.40 to the IPD's TSP account. This payment was not linked to actual sales of TSP products or services; TSP credited the money to the IPD's account regardless of whether an email resulted in any sales. IPDs could request payouts from TSP for a given month's emails after the 20th of the following month (for instance, on December 20 for emails sent during November). TSP took a 5% "processing fee" from each payout to an IPD.

13. Pigida, Bondarenko and TSP misrepresented or failed to disclose a variety of material information about TSP's marketing program to potential IPDs. For instance, they did not disclose any information about the success rate of TSP's marketing emails, so that IPDs had no idea how many emails they were sending (if any) resulted in purchases of TSP's music, products, or services. When IPDs sent the emails, TSP showed the domain of the email address, but not the individual name (for instance, john.smith@gmail.com would display on TSP's site as

**********@gmail.com), so that IPDs could not see where TSP sent the emails or confirm that they were actual email accounts. TSP failed to disclose the source of its email addresses or the total number of addresses it had in its system, so that IPDs could not tell whether they were sending emails to new accounts each day, or simply spamming the same few accounts with TSP's marketing emails. TSP also did not allow IPDs to see the contents of the emails or edit the messages in any way, or even to confirm that they were actually being sent. Some IPDs asked TSP if they could see the contents of the emails sent through TSP's website, or send them to personal acquaintances. TSP refused to allow the IPDs to do so.

14. Pigida, Bondarenko, and TSP misrepresented or failed to disclose material information about TSP's financial condition to potential IPDs. According to TSP's financial statements in its bankruptcy case, in January 2014, it paid over $4.7 million to IPDs for sending emails. TSP's revenues in January 2014, approximately $5.95 million, came entirely from either marketing program sales or the 5% processing fee for email payments to IPDs, rather than from sales of music or services. By the end of January 2014, TSP had sold marketing programs totaling more than $21,000,000, but its other revenue sources totaled less than $400,000. Pigida, Bondarenko, and TSP failed to disclose to potential IPDs that the vast majority of TSP's revenues during this time came from marketing program sales to other purchasers, rather than from more sustainable revenue sources. Pigida, Bondarenko, and TSP failed to disclose to potential IPDs the number of existing IPDs, the amount that TSP had already paid to IPDs, or the amount of email payments to IPDs it could reasonably expect to incur. Pigida, Bondarenko, and TSP also failed to disclose any other information regarding TSP's financial condition or its actual ability to pay IPDs $0.40 per email, including TSP's amount of revenue from sources other than marketing program sales to new IPDs. Pigida, Bondarenko, and TSP also failed to disclose the average per-email price for the email marketing industry as a whole or to compare that price to TSP's email payment rate of $0.40 per email. Pigida, Bondarenko and TSP had no reasonable basis for assuming that TSP could sustainably pay IPDs $0.40 per email sent. In fact, after TSP filed for bankruptcy, a Certified Public Accountant analyzed TSP's finances and found that it became insolvent on or before July 31, 2013. Pigida, Bondarenko, and TSP did not disclose sufficient information about TSP's finances to potential IPDs to enable them to determine whether TSP was solvent.

15. TSP also failed to disclose to potential IPDs that, independent of the IPD's own marketing efforts, TSP's ability to make the email payments depended on the collective efforts of all IPDs. After TSP filed for bankruptcy, it sent an "FAQ" to IPDs in which it explained that "[n]ot enough IPDs met the required expectations to keep the system going," and that "[t]he commission system only worked if all IPD's participated in products sales, referrals and partner service referrals." TSP failed to disclose to potential IPDs that its business was viable only if other IPDs sold significant amounts of music and services, and that the marketing emails sent by IPDs were not resulting in sufficient sales of TSP music and services to provide enough revenue to meet its obligations to IPDs.

16. In late January 2014, Pigida, Bondarenko and TSP transferred, or caused to be transferred, approximately $1.45 million from TSP into the Lakeshore Enterprise Trust account controlled by Pigida and Bondarenko. At the same time, Pigida, Bondarenko and TSP transferred, or caused to be transferred, approximately $95,000 from TSP into the Villa Property Company Trust account controlled by Pigida and Bondarenko. Pigida and Bondarenko used the Lakeshore Enterprise Trust funds to purchase a waterfront home on Lake Washington and the Villa Property Company funds to place a down payment on a condominium in Seattle. Pigida, Bondarenko and TSP claimed that they had made the transfer because TSP owed a debt to SoundT for licensing fees, and that SoundT had assigned the funds to the trusts. Pigida, Bondarenko, and TSP did not disclose these transfers, totaling approximately $1.55 million, to potential IPDs, or disclose that the transfer impaired or was reasonably likely to impair TSP's ability to pay IPDs $0.40 per email.

17. At about the same time, TSP unilaterally changed the conditions under which it would make the email payments to IPDs. TSP imposed new requirements that IPDs sell 3% of their marketing program value in music and 25% of their marketing program value in TSP services or new marketing programs per month (for instance, an IPD who had bought the $9,500 marketing program would have to sell $285 of music and $2,375 of services or new marketing programs per month) in order to receive their monthly payments for sending emails. TSP posted the new contract to its website without otherwise informing IPDs of the changes. Most IPDs did not learn of the changes until approximately late February 2014 to mid-March 2014. TSP imposed these requirements retroactively, refusing to pay IPDs for emails sent before the contract had changed until the IPDs had met the new requirements. When IPDs contacted TSP regarding the new requirements, TSP claimed that it had the right to unilaterally alter the contract, and blamed the IPD for not regularly checking the terms of their contract on the website.

18. After changing the contract, TSP represented to IPDs that, in order to qualify for the email payments, the IPDs could purchase TSP's music themselves or sell the music to family members. TSP also represented to IPDs that if they sold or purchased a sufficient amount of TSP music or services, they could receive credit retroactively and qualify for payments for the emails sent in previous months where they had not met the 3% and 25% requirements. In reliance on these representations, many IPDs bought music and services themselves or sold it to family members or other IPDs to meet the requirements. Even where IPDs qualified retroactively to receive payments, TSP generally did not pay them.

19. For instance, TSP told one IPD in March 2014 that the IPD did not qualify to receive their email payment. The IPD had referred two friends, who bought marketing programs for approximately $15,000, in January 2014, and asked TSP if the referrals would meet the 25% service sales requirement. TSP told the IPD that they would, and that the referrals could count retroactively. In reliance on this representation, the IPD purchased $158 of music to qualify for the 3% music sales requirement on the IPD's own account, and also bought $128 of music for one

of the referred friends' accounts. TSP agreed that IPD had met the requirements for payment, and stated that it would send a payment to the IPD. TSP never sent the promised payment to the IPD.

20. After changing the contract, TSP misrepresented the level of services that IPDs would need to sell to receive the email payment. For instance, one IPD contacted TSP in March 2014 after not receiving a payment for January 2014, at which point TSP informed the IPD that the contract had changed and that the IPD now had to sell additional music and services—approximately $300 of TSP-promoted music and $1,000 of TSP-promoted services per month—in order to receive the email payment. However, TSP told the IPD that the IPD only needed to "make an effort" to sell the services. In reliance on TSP's representation, the IPD purchased $300 of music and $150 of business cards. TSP then refused to pay the IPD, claiming the IPD had not met the requirements and needed to sell the full $1,000 of services to receive the email payment. TSP also pushed the IPD to sell marketing programs to friends, and claimed that at least one person had already won a flatscreen TV by selling marketing programs and that the IPD could win a vacation for selling enough new marketing programs.

21. While TSP was refusing or unable to make the email payments to its existing IPDs, from at least late February 2014 until TSP's bankruptcy in April 2014, it continued to sell marketing programs to new IPDs. Pigida, Bondarenko and TSP failed to disclose to potential new IPDs that TSP was currently experiencing difficulty refusing or unable to pay its current IPDs.

22. In mid-April 2014, TSP's website shut down briefly. TSP filed for Chapter 11 bankruptcy shortly after, on April 25, 2014. In a post-bankruptcy FAQ distributed to IPDs, TSP encouraged IPDs to continue selling TSP products and services while TSP attempted to reorganize. TSP's bankruptcy was converted to a Chapter 7 on June 2, 2014, at which point the company was shut down completely. TSP's bankruptcy case is currently in progress.

23. Pigida failed to disclose to potential IPDs that he had filed for bankruptcy in 2008.

24. Bondarenko failed to disclose to potential IPDs that she had filed for bankruptcy in 2010.

Registration Status

25. Pigida, Bondarenko, and TSP are not currently registered to sell business opportunities in the state of Washington and have not previously been so registered.

Disclosure Document

26. Pigida, Bondarenko, and TSP failed to provide purchasers with a disclosure document which met the requirements of RCW 19.110.070.

Business Opportunity Contract

27. Pigida, Bondarenko, and TSP failed to provide purchasers with a business opportunity contract which met the requirements of RCW 19.110.110.

CONCLUSIONS OF LAW

I.

TSP's offer and sale of Internet marketing programs, as described above, constituted the offer and sale of a business opportunity as defined in RCW 19.110.020.

II.

TSP violated RCW 19.110.050 by offering and selling business opportunities without being registered with the Securities Administrator to do so.

III.

TSP violated RCW 19.110.070 by failing to provide prospective business opportunity purchasers with a disclosure document which met the requirements of RCW 19.110.070.

IV.

TSP violated RCW 19.110.110 by failing to provide prospective business opportunity purchasers with a contract which met the requirements of RCW 19.110.110.

V.

TSP violated RCW 19.110.120(1)(a) by making untrue statements or omissions of material fact in connection with the offer and sale of business opportunities in Washington, as described in the Tentative Findings of Fact.

TSP violated RCW 19.110.120(1)(c) by engaging in an act, practice, or course of business which operated or tended to operate as a fraud or deceit on TSP marketing program purchasers, as described in the Tentative Findings of Fact.

FINAL ORDER

Based upon the foregoing and finding it in the public interest:

IT IS HEREBY ORDERED that Respondent Trend Sound Promoter AMG Corp. shall cease and desist from offering or selling business opportunities in violation of RCW 19.110.050, the registration section of the Business Opportunity Fraud Act of the state of Washington.

IT IS FURTHER ORDERED that Respondent Trend Sound Promoter AMG Corp. shall cease and desist from violating RCW 19.110.070, the disclosure document section of the Business Opportunity Fraud Act of the state of Washington.

IT IS FURTHER ORDERED that Respondent Trend Sound Promoter AMG Corp. shall cease and desist from violating RCW 19.110.110, the business opportunity contract section of the Business Opportunity Fraud Act of the state of Washington.

IT IS FURTHER ORDERED that Respondent Trend Sound Promoter AMG Corp. shall cease and desist from violating RCW 19.110.120, the anti-fraud section of the Business Opportunity Fraud Act of the state of Washington.

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 19.110.150, and is subject to the provisions of Chapter 34.05 RCW. Respondent Trend Sound Promoter AMG Corp. has the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for judicial review, see RCW 34.05.510 and sections following.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

SIGNED and ENTERED this ___18th__________ day of ___August_______________________, 2015.

William M. Beatty
Securities Administrator

Approved by:

Suzanne Sarason
Chief of Enforcement

Presented by:

Adam N. Yeaton
Financial Legal Examiner

Reviewed by:

Jack McClellan
Financial Legal Examiner Supervisor