



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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ACC FINDS THAT OWNERS OF MEDICAL MANAGEMENT COMPANY VIOLATED THE STATE'S SECURITIES ACT

PHOENIX – The Arizona Corporation Commission (ACC) entered a consent order against Ethico Medical Management, a defunct Glendale, Arizona company, Jane B. Lewis of Surprise, Arizona and Kimberly B. McMahan of Peoria, Arizona. The Order requires Ethico, Lewis and McMahan to cease from violating the Arizona Securities Act, to pay restitution in the amount of \$68,750, and for Lewis and McMahan to each pay a penalty of \$10,000.

Lewis and McMahan formed Ethico in 1995 to provide medical management and administrative services. In order to capitalize the company, Lewis and McMahan issued promissory notes to investors. The notes provided for an annual interest rate of 20%. By the end of 1997, Lewis and McMahan had sold about \$68,000 in promissory notes to at least ten investors.

In offering the promissory notes, Lewis and McMahan failed to fully disclose the financial condition of Ethico and the risks involved in the investment. Instead, they represented to investors that the notes were secure. By late 1998, Ethico had lost at least one major account and was on the verge of collapse. In 1999, Lewis informed investors that Ethico had ceased operations and that the notes would not be repaid. The investors had received only a few interest payments by 1999.

Commission Chairman Carl Kunasek said, "This case represents one more example of the risk involved

in investing in promissory notes issued by undercapitalized companies.” Commissioner Jim Irvin reminded investors that they must “be wary and exercise due caution” before investing in a small company. Promissory notes – basically a piece of paper that promises to repay an investment, usually with interest – are only valuable if the company behind the paper is genuinely growing and has tangible assets. Commissioner Mundell states: “People looking for secure investment opportunities should avoid promissory notes like the plague.”

Mark Sendrow, Director of the Securities Division, issued the following caution to investors: “Promissory notes are securities. Investors considering the purchase of promissory notes should contact the Securities Division to find out if the notes and the salesperson are registered.” The public can contact the Division at (602) 542-4242; toll free at 1-877-811-3878, or through its web site at www.ccsd.cc.state.az.us.

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