



COMMISSION NEWS

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

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CONTACT: Heather Murphy (602) 542-0844

COMMISSION NAMES TOP 10 THREATS TO INVESTORS

PHOENIX – April is Arizona Savings & Investment Month, a time when the Arizona Corporation Commission places increased emphasis on investor education to help protect investors from scams and schemes. The Commission’s Securities Division today identified the most common ploys being used to cheat Arizona investors out of millions of dollars.

“Arizona is respected for having an aggressive enforcement program against securities violations and investment fraud,” said Commission Chairman Jeff Hatch-Miller. “But the best defense is a good offense – investors need to know what to be on the lookout for and what questions to ask before they part with their money.”

“Con artists go where the money is,” Commissioner Marc Spitzer said. “Retirees are perceived to have money and most are concerned about how to stretch their incomes to meet future needs. This makes Arizona’s many retirees the perfect target for swindlers. We need all investors, especially retirees, to be wary, to ask the right questions and our Securities Division stands ready to help.”

Last year, the Arizona Corporation Commission launched a new consumer-friendly investor education website, www.azinvestor.gov to help inform investors.

“The website, www.azinvestor.gov, offers a wide range of informative brochures, investor alerts, answers to frequent questions and links to our enforcement actions,” Commissioner Bill Mundell explained.

“There are even games for children and resources for teachers to help improve financial literacy.”

Following is a ranking of the Top 10 threats to investors for 2005, based on the order of prevalence and seriousness:

1. Unlicensed Individuals Selling Securities: Anyone selling securities without a valid securities license should be a red alert for investors. Remember: No license, no sale.

Since the first of the year, Arizona regulators have sanctioned nine men and women for offering securities without proper registration.

2. Unregistered Investment Products: Con artists bypass stringent state registration requirements to pitch viatical settlements, pay telephone and ATM leasing contracts, and other investment contracts with the promise of “limited or no risk” and high returns.

3. Promissory Notes: Empty promises can leave these notes worth less than the paper on which they are printed.

“We just issued orders against a couple who were caught selling unregistered promissory notes. John and Rebecca Shannon of Mesa sold promissory notes to 31 investors in an auto leasing and finance scheme. We ordered them to pay back over \$671,000 to investors,” Commissioner Kris Mayes said.

For more details, see the March 25 news release at <http://www.azinvestor.gov/News/hotoffthepresses2005.asp>.

4. Offshore Investments: Arizona has taken action against individuals or companies purporting to be developing resorts in popular or exotic beachfront locations. Be aware that when your money goes offshore, you often lose the protections of state and federal laws.

5. Ponzi Schemes: The premise is simple: pay early investors with money raised from later investors. The only people who make money are the promoters who set the scheme in motion.

6. High-Yield Investment Schemes: Con artists lure investors with promises of triple-digit returns through access to “risk free guaranteed high yield instruments” or something equally deceptive.

7. Affinity Fraud: Con artists are increasingly targeting religious, ethnic, cultural and professional groups.

“A Chandler insurance agent managed to sell \$2.2 million in unregistered promissory notes to members of his church, family members or his insurance clients,” Commissioner Mike Gleason explained.

“Investors were told that the money would be used to operate an auto-leasing business geared toward customers with high-risk credit. Church members told us that he was advertising wealth preservation in the church bulletin, meanwhile he racked up over \$250,000 in sales commissions.”

The Commission ordered the man, Theodore Mietzner, to return the commissions and pay a \$10,000 penalty. For more information on this case, see the March 25, 2005 news release at

<http://www.azinvestor.gov/News/hotoffthepresses2005.asp>.

8. Variable Annuity Sales Practices: Senior investors, in particular, should beware of the high surrender fees and steep sales commissions agents often earn when they move investors into variable annuities.

9. Oil and Gas Scams: With oil topping \$50 a barrel and continued Middle East instability, regulators warn that con artists may renew schemes promising quick profits in oil and gas ventures.

10. Internet Fraud: Stock promoters are using online “boiler rooms,” instant messaging, and fake websites to lure investors into “pump-and-dump” stock schemes.

Three investment opportunities also were cited for “dishonorable mention,” including penny stocks, private placements and investment seminars.

Before making any investment, the Commissioners urge investors to ask the following questions:

- Are the seller and investment licensed and registered?
- Has the seller given you written information that fully explains the investment?
- Are claims made for the investment realistic?
- Does the investment meet your personal investment goals?

- How is the person selling the investment compensated?

The Commissioners also urge investors to “verify before you buy” – check the registration of the investment and the person offering the investment by calling 602-542-4242 inside the Phoenix metro area or 1-866-VERIFY-9 from elsewhere. One phone call can save a lot of money and heartache, they said.

Caution for Investors

Before investing, people should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission’s Securities Division at 602-542-4242 or toll free outside the Phoenix metropolitan area and Arizona at 1-866-VERIFY-9. The Division’s investor education web site also has helpful information at www.azinvestor.gov.

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