



Jesse White

SECRETARY OF STATE

NEWS

For Immediate Release:
March 28, 2005

For More Information Contact:
Elizabeth Kaufman

Secretary of State White Names Top 10 Threats to Investors

In an effort to curb investor fraud, Secretary of State Jesse White announced today the most common ploys that are used to cheat Illinois investors out of millions of dollars.

“Investors should keep their guard up anytime anyone offers an investment opportunity,” said White, whose Securities Department handles investor complaints and regulates brokers and investment advisers. “It pays to remember that if an investment sounds too good to be true, it usually is.”

The top 10 threats to Illinois investors for 2005 is based on an annual survey of members of the North American Securities Administrators Association (NASAA).

1. **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 Ponzi in motion.
2. **Unlicensed Individuals Selling Securities:** Anyone selling securities without a valid securities license should be a red alert for investors. Remember: No license, no sale.
3. **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.
4. **Promissory Notes:** Empty promises can leave these notes worth less than the paper on which they are printed.
5. **Senior Investment Fraud:** Because of their access to a lifetime of savings, seniors continue to face investment fraud by con artists peddling unsecured promissory notes, viatical settlements and other investments that are either fraudulent or unsuitable for them based on their particular financial needs.
6. **High-Yield Investment Schemes:** Con artists lure investors with promises of triple-digit returns through access “risk-free guaranteed high-yield instruments” or something equally deceptive.
7. **Internet Fraud:** Stock promoters are using online “boiler rooms,” instant messaging, and fake websites to lure investors into “pump-and-dump” stock schemes.
8. **Affinity Fraud:** Con artists are increasingly targeting religious, ethnic, cultural, and professional groups.
9. **Variable Annuity Sales Practices:** Senior investors should beware of the high surrender fees and steep sales commissions agents often earn when they move investors into variable annuities.
10. **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

Before making any investment, White urged investors to ask the following questions: Are the seller and investment properly 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?

White also urged investors to contact the Securities Department within the Secretary of State’s Office with any questions about an investment product, broker or adviser, before making an investment. The Securities Department has a toll free number 800-628-7937.