



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Business Registration Division

DCCA News Release

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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS NAMES TOP 10 THREATS TO INVESTORS

HONOLULU – As part of DCCA's ongoing efforts to protect consumers, the Department has identified the most common ploys being used to cheat investors out of hundreds of millions of dollars.

The top 10 threats to investors are:

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 flag for investors. Remember: no license, no sale.
3. **Unregistered Investment Products:** Con artists bypass stringent state registration requirements to pitch viatical settlements (investing in the payout of insurance death benefits of terminally ill or older persons), 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 "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. “Pump and dump” schemes involve the touting of a company’s stock through false and misleading statements to the marketplace. After pumping the stock, fraudsters make huge profits by selling their cheap stock in the market.
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.

Three scams that were cited for “dishonorable mention,” included penny stocks, private placements, and investment seminars.

This ranking is based on the order of prevalence and seriousness as identified by an annual survey of members of the North American Securities Administrators Association (NASAA).

DCCA urges investors to ask the following questions before making any investment decisions:

- 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?

DCCA advises investors to contact the State Securities Enforcement Branch at 586-2740 with any questions about an investment product, broker or adviser, before making an investment.

“Everyone should keep their guard up when considering any type of investment opportunity,” said DCCA Director Mark Recktenwald. “A little research can go a long way to protect you.”

“It pays to remember that if an investment sounds too good to be true, it usually is,” warned Securities Commissioner Corinna Wong. “One phone call can save a lot of money and heartache.”

For more information, visit the NASAA Fraud Center at www.nasaa.org. NASAA is the oldest international organization devoted to investor protection. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Puerto Rico, Canada, and Mexico.

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