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NEWS RELEASE

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1995 INVESTMENT SCAM PREDICTIONS RELEASED: TOP FIVE SECURITIES ENFORCEMENT CASES FOR 1994 LISTED

Boise, Idaho The Idaho Department of Finance today warned investors to be wary of what the Department predicted would be the top five investment scam trends for 1995. The investment schemes are expected to claim that investors can obtain returns that far exceed those normally associated with legitimate investment offerings available through licensed investment professionals. The five schemes are:

1. "Prime Bank" Trading and Financing Schemes There has been a dramatic surge in promoters who offer U.S. citizens access to the "secretive, but lucrative", trading market in "prime bank notes". According to the promoters, investors can access a secret trading market in bank notes that supposedly is conducted among the world's largest financial institutions (i.e., "prime" banks). This market is touted to be wildly profitable and essentially riskless with expected returns of 80% to 4,000%. In fact, there is no evidence that a prime bank note trading market even exists, let alone provides profitable investment opportunities. Although regulators have taken enforcement action against several promoters, (including one in Idaho), prime bank schemes continue to multiply. In a new twist, small businesses are being solicited to pay front-end fees for acceptance into a financing scheme supposedly yielding profits from the prime bank note market. Investments with these promoters will likely result in immediate losses with little chance of recovery.
2. "Techno-Scams" Technological innovation is producing many new developments in the multimedia computer age. Unfortunately, technology also has changed the face of fraudulent investment schemes. Emerging technology investment opportunities include the interactive "information superhighway", Personal Communication Systems (PCS), Specialized Mobile Radio (SMR), and licenses granted to providers of these systems. Over the past year technology-based investment frauds have grown dramatically and threaten to become more prevalent with public acceptance of these emerging technologies. This includes more traditional scams that are now being promoted through the "Internet". While there are legitimate investment opportunities in these new technologies, predatory scam artists are increasingly active. They know that current

newspaper headlines generally provide the basis for good investment scams. During 1994, state securities regulators identified more than three hundred "wireless cable" promoters nationwide who are thought to be operating fraudulently. Some promoters have solicited money to fund wireless cable operations in Venezuela.

3. "IRA Approved" Investment Schemes Unlike illicit investment schemes relying mostly on high-pressure telephone "cold calls", most of the "IRA approved" schemes are being promoted through slick television "info-mercials" and radio advertising. Promoters of these schemes attempt to cloak themselves in legitimacy by implying that the investment is "IRA approved" or has, in some way, been cleared by the Internal Revenue Service (IRS). The implication is that, just as with FDIC insurance, a federal agency has reviewed and approved this purchase as a "safe" one. The promotional packages sent to investors usually contain all of the paperwork normally associated with self-directed retirement plans. These promoters often solicit the purchase of "high tech" investments, real estate deals and exotic livestock investment programs (ostrich and emu farms). Often, the funds are never even applied to the purchase of the solicited investment. If it says "IRA Approved", the investment should be carefully scrutinized.
4. Investments in Exotic "Financial" Securities Tax avoidance and lucrative returns are the benchmarks of these promoters. Areas of investment currently experiencing these schemes include, a) international investment programs, b) special derivative opportunities, c) "off-exchange" foreign currency derivatives, d) international arbitrage programs and e) purely fictional advance investment "treasure schemes." Often, investors are convinced that the product is so complex that there is not enough time to effectively explain the opportunity without missing the trading profit. False monthly statements and confirmation statements are produced and many of the promoters claim that the profits will be shielded from taxes.
5. "Global Economy" Investment Opportunities or "Treasure" Schemes The passage of NAFTA and GATT have breathed new life into fraudulent funding opportunities and investment schemes. Promoters are offering "unique" opportunities for investors and businessmen to access the newly opened foreign markets or to participate in highly touted international trading companies. Moreover, purported highly profitable international banking opportunities will again become attractive investment pitches for fraudulent promoters. Many of these schemes will also be utilized to promote fraudulent "advance fee" programs which promise funding to American clients in exchange for up-front payments. Some offer enormous profits to come from the factoring of accounts receivable. The payments or up-front fees are characterized as origination fees, escrow fees, or initial payment of interest due under the anticipated funding agreement. Most often, the promoter promises funding, but disappears as soon as the advance fee is paid. Sometimes promoters will ask for additional funds to complete the transaction or to pay for their travel and other expenses associated with the transaction.

Other, more outrageous, schemes have promised a 200,000% return from a secret European fortune, \$1.6 billion in Japanese bonds (which are counterfeit), and \$300 million in 19th Century Peruvian gold bonds (actually worth \$3,000).

Persons approached with these investment opportunities are urged to contact the Department at (208) 334-3684. The Department urges caution: "Consumers should always CHECK IT OUT. Claims of great profit with little risk only mean a profit to the promoters. Carefully scrutinize any investment -- especially if it is not sponsored by registered investment professionals."
TOP FIVE ENFORCEMENT CASES

The Department also selected the legal actions it felt represented the top five enforcement cases of 1994:

1. Prudential Securities Incorporated (PSI) PSI entered into an administrative Agreement and Order on September 19, 1994. The action stemmed, in part, from an investigation of the Boise, Idaho branch office and options activities emanating from that branch. PSI admitted violations of the law and agreed to make operational changes, while paying a \$300,000 fine to the Department. PSI had previously repaid nearly \$800,000 to affected Idaho options customers. PSI admitted that it failed to provide adequate supervision to certain personnel.
2. Merle and Adella Goertzen Mr. and Mrs. Goertzen were convicted of unauthorized banking and theft by unauthorized control in an Ada County criminal trial on November 10, 1994. The Goertzens solicited deposits and issued certificates of deposit to Idaho residents while holding themselves out as the owners of a foreign bank known as Goban Bank and Trust Limited of Grenada. Merle Goertzen and Goban Bank and Trust were previously sued by the Department of Finance for violations of the Idaho Securities Act. Judgments in that case were obtained in 1991. The Goertzens continued to solicit money even after the 1991 court case. The convictions resulted in prison sentences for both defendants.
3. Resource Service Company (RSC) and Fred L. Engle Judgments were entered against RSC and Engle on September 14, 1994. The court held that RSC and Engle violated the law and that the defendants engaged in fraudulent conduct. RSC and Engle operate from Wisconsin and were soliciting Idaho investors to use their services to acquire oil and gas leases through federal lotteries. A hearing is pending on the imposition of a fine.
4. Jerry B. Hall Hall was charged in a criminal complaint in Pocatello in January, 1994. Subsequently, Hall pleaded guilty to a felony charge of securities fraud for defrauding two investors in a silver investment scheme and was sentenced to three years in prison. If Hall is later placed on probation, he will be subject to several restrictions including the requirements that he get a full-time job and make full restitution of \$22,000. The court further ordered, based on his history, that he never engage in any job involving direct sales.
5. Ladenburg Thalman & Co., Inc. (LTCI) LTCI entered into an administrative Agreement and Order on September 8, 1994. LTCI admitted that eight salespersons offered and sold securities in violation of the Idaho Securities Act and that LTCI failed to properly supervise its sales staff. LTCI will offer rescission to affected Idaho investors and has

paid a \$15,000 fine to the Department. LTCI also acknowledged that the practice of mis-identifying a client's broker is a dishonest and unethical practice. LTCI is a New York based broker-dealer firm.

CONCLUSION

During 1994, the Department took enforcement action against 57 persons. These actions included two criminal cases, 25 court actions and 30 administrative proceedings. The Department ordered or was awarded \$390,250 in fines. Idaho residents were offered \$2,216,020.99 in restitution, rescission or refunds in cases brought by the Department.

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