

Invest Ed[®]
Investor Protection Kit
www.investedok.org

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Invest Ed® Education Programs

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Invest Ed® Documentary Series

This powerful series profiles some of Oklahoma's most recent securities fraud cases; portraying in detail each crime through reenactments, victim interviews and in-depth narration by actor Rex Linn. Each documentary explores the con artists' mind-set and method in executing their scam. Visit www.investedok.org for details.

“Anatomy of a Fraud: Catching a Con in Pottawatomie County” (2004). This 28 minute documentary recounts the multi-million dollar Ponzi scheme executed by a father and son team from Shawnee, Oklahoma.

“Anatomy of a Fraud: The Rogue Broker” (2010). Subtitled the Mini Madoff, this second documentary in the Invest Ed® series explores how a respected local stock broker turns into a Ponzi scam artist, how to avoid becoming a victim and how the Oklahoma Securities Commission enforcement division develops a case. Narrated by Rex Linn. 26 minutes

“Anatomy of a Fraud: The Psychology of a Fraud” (2011). The anatomy of a fraud dissected from the mind-set of both the con artist and the victim.

PROJECT DIRECTOR:

LISA ANGELOTTI

UNIVERSITY OF OKLAHOMA OUTREACH



Invest Ed® Investment Minute Radio & Television Series and Investor Weekly

60 second nuggets of unbiased investment basics and securities fraud prevention information designed to increase investor well-being through knowledge and securities fraud awareness. The television and radio series air statewide on select commercial stations and are available on the Invest Ed® Web site. Information from the Investment Minute series is published in select newspapers through the Investor Weekly. Visit www.investedok.org for details or Podcast downloads of all the Investment Minutes series.

PROJECT DIRECTOR/PRODUCER:

LISA ANGELOTTI

UNIVERSITY OF OKLAHOMA OUTREACH



Invest Ed® STARS (Students Tracking and Researching the Stock Market)

The STARS project is an investment education program for Oklahoma high school students. STARS aligns with the PASS Standards, and the State Department of Education recognizes STARS as a resource for HB 1476. Annually, eight Saturday workshops train teachers to implement the program. Students research, assess risk, set goals, create and track online portfolios and at the project's conclusion write a report. The required report component differentiates this program from other online portfolio programs. Program goals include teaching students how to achieve financial freedom and raising securities fraud awareness. Additionally, the project sharpens critical thinking, research and math skills and provides practice in setting goals, meeting deadlines and writing reports. Ripple-effect benefits are numerous. Visit www.investedok.org for details.

PROJECT DIRECTOR:

JO ANN MURRAY

PROJECT ASSISTANT:

AMY SANDERS

UNIVERSITY OF OKLAHOMA OUTREACH

Invest Ed® Education Programs



Invest Ed® Teacher Institute and Refresher Workshop

The Teacher Institute is a four-day summer professional development program for high school teachers. Subject matter experts teach the basics of saving and investing and related topics in addition to securities fraud awareness and prevention. Teachers receive access to optional investment education curriculum. The Teacher Institute trains teachers to implement the Invest Ed® STARS program. Teachers learn how STARS meets HB 1476 objectives. Oklahoma high school teachers who have not attended a previous Teacher Institute or Saturday STARS workshop may register. Teacher Institutes are free; materials, accommodations and meals are provided by Invest Ed®.

Visit www.investedok.org for details.

The Refresher Workshop is a two-day summer program offering support to high school teachers who have participated in the Invest Ed® STARS program. Subject matter experts teach the basics of saving and investing and related topics in addition to securities fraud awareness and prevention. Teachers share best practices. Teachers learn how the STARS program meets HB 1476 objectives, and they receive access to optional investment education curriculum. Refresher Workshops are free; materials, accommodations, and meals are provided by Invest Ed®. Participating teachers are invited by e-mail to the two summer Refresher Workshops. Visit www.investedok.org for details.

PROJECT DIRECTOR:

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Education is Protection

Invest Ed® is a multi-faceted investor education program made possible by the Oklahoma Securities Commission. All programs are produced by the University of Oklahoma Outreach.

For free, unbiased investor education resources or to learn more about our programs visit www.investedok.org. To contact us at the Oklahoma Securities Commission, log on to www.securities.ok.gov or mail your inquiry to the Oklahoma Securities Commission, Invest Ed® Programs, Suite 860, First National Center, 120 N Robinson, Oklahoma City, OK. 73102.

Invest Ed®
Investor Education Program

www.investedok.org

The University of Oklahoma Outreach
Oklahoma Securities Commission

YOUR INVESTMENT RIGHTS

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WHEN YOU INVEST, YOU HAVE THE RIGHT TO:

ASK FOR AND RECEIVE INFORMATION from a firm about the work history and background of the person handling your account, as well as information about the firm itself.

RECEIVE COMPLETE INFORMATION about the risks, obligations and costs of any investment before investing.

RECEIVE RECOMMENDATIONS consistent with your financial needs and investment objectives.

RECEIVE A COPY of all completed account forms and agreements, as well as account statements that are accurate and understandable.

UNDERSTAND THE TERMS and conditions of transactions you undertake.

ACCESS YOUR FUNDS in a timely manner and receive information about any restrictions or limitations on access.

DISCUSS ACCOUNT PROBLEMS with the branch manager or compliance department of the firm and receive prompt attention to and fair consideration of your concerns.

RECEIVE COMPLETE INFORMATION about commissions, sales charges, maintenance or service charges, transaction or redemption fees and penalties.

CONTACT YOUR STATE or provincial securities agency in order to verify the employment and disciplinary history of a securities salesperson and the salesperson's firm; find out if the investment is permitted to be sold; or file a complaint. You can find contact information from the Oklahoma Securities Commission at www.securities.ok.gov.

Investing in securities is risky enough without worrying about whether your salesperson is going to fleece you. To be an informed investor, you must know what danger signs to look for. Some are subtle, and some are easier to spot.

To be an informed investor, you must know what danger signs to look for.



TOP TEN FRAUD SCAMS

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1

PONZI SCHEMES

Most securities frauds involve some sort of Ponzi. The premise is simple: use money from later investors to pay early investors. Inevitably, the schemes collapse and the only people who consistently make money are the promoters who set the Ponzi in motion. Recently the Oklahoma Securities Commission broke up massive Ponzi schemes in Shawnee and Crescent, Oklahoma.

2

UNREGISTERED INDIVIDUALS SELLING SECURITIES

Individuals who sell securities or provide investment advice are required to pass rigorous examinations before they can offer their services to the public. Those who bypass this requirement often are predators offering bogus investments. Unregistered people selling unregistered securities should be a red alert for investors. Con artists also frequently use the promise of high commissions

to lure some insurance agents, investment advisers, accountants and lawyers who are not registered to sell securities into selling investments they may know little about, such as bogus limited partnerships or promissory notes. Even investment products such as variable annuities can be fraudulently sold to unsuitable and unsuspecting investors by people not trained as securities professionals.

3

UNREGISTERED INVESTMENT PRODUCTS

It pays to remember that legitimate investment products, excluding stocks sold on national exchanges, must be registered with state officials before they can be offered for sale to the public. Con artists bypass this requirement because they know that stringent state registration requirements protect investors from their offerings of viatical settlements, pay telephone and ATM leasing contracts, promissory notes, investment trusts and other unregistered securities that cannot stand the scrutiny of the registration process. Most unregistered

investments promise “limited or no risk” and high returns. In almost all cases, the only profits go to the promoters of these schemes and investors are left holding the bag.

4

AFFINITY FRAUD

Con artists increasingly target religious, ethnic, cultural and professional groups. Some may be members of the group or pretend to be members in order to gain trust. Con artists often recruit a respected member of a community or religious congregation to promote their schemes by convincing them that a fraudulent investment is legitimate. In many cases, even these leaders become victims of what turns out to be a Ponzi scheme.

5

SENIOR INVESTMENT FRAUD

Because they have built a lifetime of savings, seniors continue to face investment fraud by con artists peddling unsecured promissory notes, viatical settlements, variable annuities and other investments

that are either fraudulent or unsuitable for them based on their financial needs. Some victims are switched out of existing investments into others just for additional sales commissions. California securities regulators recently derailed a “living trust mill” scam involving insurance agents acting as investment advisers who misled and illegally pushed seniors to sell securities and buy annuities. Before doing business with any investment professional, all investors should check with the Oklahoma Securities Commission to determine whether the individual is properly licensed and if there have been any complaints or disciplinary problems.

6

INVESTMENT SEMINARS

Promoters of unsuitable investments increasingly seek potential investors, particularly seniors, by offering seminars, many of them promising a free meal along with “higher returns and little or no risk.” Unfortunately, in many of the

Continued next page

TOP TEN FRAUD SCAMS

cases that securities regulators see, it's just the opposite: high risk and no returns, just disastrous losses.

7

INTERNET FRAUD: PUMP AND DUMP SCAM

Securities fraud on the Internet has taken an interesting and dangerous turn. Increasing complaints have been received concerning "pump and dump" cons using e-mail spam as the pumping tool. Unsolicited e-mails are sent over the Internet that appear to be sent to you by mistake. These e-mails contain what appear to be factual insider information favorable to the value of the stock meant for a friend or relation of the sender. The inside info is false and the sender holds the stock being pumped up. Based on this false information, the spammed buy the stock sending the price artificially up. Once the stock rises in value, the con artist sells their holdings and the price of the stock drops leaving you holding the bag.

8

UNSUITABLE SALES

What might be a suitable investment for one investor might not be right for another. Securities professionals must know their customers' financial situation and refrain from recommending investments that they have reason to believe are unsuitable. For example, variable and equity indexed annuities are often unsuitable for senior citizens because of unreasonable costs, fees and penalties for early withdrawal. But sales agents earn high commissions so they do not always adhere to the suitability standards – with dire consequences for seniors.

9

OIL AND GAS SCAMS

With the high price of oil and ongoing instability in the Middle East, NASAA members are concerned that con artists will dust off a variety of oil and gas scams once prevalent

in the 1980s to lure investors into unsuitable or fraudulent investments, scams ranging from leases in oil fields to unproven technologies designed to convert common substances into fuel. In Oklahoma, regulators have filed civil charges against a Duncan-based company that received money from investors in six states for the recompilation of one well that had been depleted for years and another well the company did not own. The department has brought administrative proceedings against at least four other companies for violations of the registration and anti-fraud provisions of securities laws relating to a range of material misstatements and omissions.

10

PRIME BANK SCAMS

A favorite of con artists who promise investors triple-digit returns through access to the investment portfolios of the world's elite banks. The negative publicity attached to these schemes has caused promoters in recent cases to avoid explicitly referring to "prime banks." Now

it is common to avoid the term altogether and underplay the role of banks by referring to these schemes as "risk free guaranteed high yield instruments" or something equally deceptive.



OKLAHOMA FRAUD CASES

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MATTHEW McCLINTOCK

IN EARLY 2003, MATTHEW McCLINTOCK promoted himself to potential investors as a day trader who would trade funds aggressively in order to make quick profits. He met most of his victims through online dating services and after gaining their trust, received substantial sums of money under the ruse that he would make securities transactions. However, he used some of the funds to actively trade securities on his personal account at AmeriTrade with the remaining funds going for personal expenses. McClintock was not registered to transact business in this manner.

McClintock met a woman over the Internet who lived in Tennessee. The two became engaged and McClintock moved in with her. She was a state employee and was eligible for retirement in June 2005. McClintock urged her to take her retirement in one lump sum; he convinced her that he could invest that money for her. In addition, he began teaching a day trading course out of her home to her friends.

The woman's coworkers became suspicious of him and eventually contacted the FBI. When an agent informed the victim that McClintock was out on bail for obtaining money under false pretenses in Grady County, and that the Oklahoma Securities Commission had taken action against him for selling unregistered securities and committing fraud, she kicked him out. He then attempted to partner with the ex-wife of a bank president in order to funnel money through her bank account. She is now a witness for the case.

Currently he is serving a four-year suspended sentence in Grady County for obtaining services by fraud. A bench warrant was issued for his arrest after he failed to appear in May 2005 for a probation violation and McClintock is now being held in Tennessee on charges of obtaining money under false pretenses. He has waived extradition to Oklahoma, but it is unclear when he will be transferred back to the state.

MERL WILLIAM "BILL" HICKMAN, SR.

MERL WILLIAM "BILL" HICKMAN, JR.

THIS FATHER AND SON TEAM swindled millions from mostly retired and elderly investors through their Shawnee-based insurance company, the Hickman Agency.

The activities of the Hickmans came to the attention of officials at the Oklahoma Securities Commission during the summer of 2003 when a soon-to-retire Tinker Air Force Base employee called, skeptical of an investment opportunity with the agency. State officials seized the family's assets and shut down the business Dec. 17, 2003.

According to court records, approximately 160 investors have lost more than \$8 million through a Ponzi scheme. Investors were told they had the opportunity to receive a 20 percent return on their investment with the Hickmans, with the offer to receive monthly payments.

Once the civil case was filed and a receiver was appointed, it became clear that the Hickmans did not invest the funds, instead they used them to pay for a lavish lifestyle. Investigators found boats, recreational vehicles, a Hummer, flat screen, plasma televisions, tanning beds, guns, stainless steel appliances and nearly \$1 million in jewelry. Additionally, the Hickmans took trips to Las Vegas, purchased land and funded home remodeling projects.

Currently, Hickman Sr., is serving an eight-year federal prison term to be followed by a 160-year state prison sentence.

Hickman Jr., is serving a five-year federal prison term which will be followed by a 10-year state prison sentence on local conspiracy charges.

Both were ordered to pay approximately \$8.5 million in restitution at the federal level.

Victims are expected to receive between a five and 10-cent return on the dollar following the liquidation of the Hickman assets.

Oklahoma Fraud Cases continued next page

DEPARTMENT OF SECURITIES

THE MISSION of the Oklahoma Securities Commission is investor protection through the administration and enforcement of the Oklahoma Uniform Securities Act of 2004, an act prohibiting fraud in securities transactions and requiring the registration of broker-dealers, agents, investment advisers and investment adviser representatives and the registration of securities.

The duties of the Department of Securities consist of receiving and processing applications for registration or exemption of securities, business opportunities, takeovers and subdivided land offered in and/or from the state of Oklahoma, including reviewing the offering documents and sales material to be used; receiving and processing applications for licensing of broker-dealers, agents, investment advisers and investment adviser representatives; periodic on-site examining of registrants for compliance with the applicable acts; disseminating information through public lectures, programs, correspondence and the press, so that professional groups and the public at large may become better acquainted with the requirements and provisions of the acts subject to the jurisdiction of the department; investigating complaints concerning the offer and/or sale of securities, business opportunities and subdivided land; taking administrative actions upon notice of violations of the acts; taking civil action where necessary; making criminal referrals to appropriate law enforcement officials, and/or by assisting in such prosecutions. The department also receives filings of the final documents for bonds, notes or other evidences of indebtedness of any public trust.



MARSHA SCHUBERT

FROM 2000 TO MID-OCTOBER 2004 Marsha Schubert of Crescent accepted money from investors through her company, Schubert and Associates, under the pretense that she would invest the funds as a day trader. Of these funds, less than one percent was invested. Schubert provided no authentic monthly or quarterly statements to investors, although she did provide false statements to some investors.

Bank accounts with multiple names were established in Crescent and Kingfisher. More than \$200 million flowed through the accounts during the life of the scam. Using a classic Ponzi scheme, payments were made, purportedly generated through investment activities while in truth, these payments were made using other investors' money.

Victims were spread across Oklahoma, Texas and Arkansas and included teachers, physicians, bankers, farmers and ranchers. Investors were obtained by word of mouth and personal referrals.

Schubert, a registered stockbroker, is a lifelong resident of Crescent and was considered a model citizen. She was married to Richard Schubert for 30 years and they had three children. He has since divorced her.

While her lifestyle remained modest, Schubert paid off a home mortgage, purchased mobile homes for her children, buildings for her businesses, including a knick-knack store called Kattails, and a luxury condominium in Branson, Mo.

In May 2005, Schubert pleaded guilty on all state and federal charges against her.

In September 2005, Schubert was sentenced to 10 years in federal prison and 25 years in state prison, to be served concurrently. She turned herself over to federal custody Sept. 30, 2005.

OKLAHOMA FRAUD CASES

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MARK A. WINGO

Between 1992 and 1999, Tulsa resident Mark A. Wingo filed for bankruptcy protection on four separate occasions and accumulated numerous tax liens and judgments against him.

Wingo was convicted in 1988 of two state counts relating to motor vehicle larceny. Wingo received a five year sentence of which he served approximately six months. He was on probation for the remainder of his sentence.

In 1995, Wingo was indicted on federal charges relating to possession of a firearm after a felony conviction for which he received a sentence of 20 months in prison and three years' supervised release. While under supervised release, Wingo was arrested on bogus check charges in connection with more than one motor vehicle purchase. His supervised release status was eventually revoked and he began serving time in a federal correctional facility in 1999. While incarcerated, Wingo faced another charge for uttering a forged security and a charge for escape. He pled guilty to the two new charges and was sentenced to 40 months in prison, with three years supervised release. He was released from prison in June of 2005, subject to the supervision of a federal probation officer.

While under supervised release, Wingo offered and sold shares of stock in Airgonomics, Inc., an Oklahoma corporation formed by Wingo in July of 2007. The purported business plan of Airgonomics was to develop technology

to power or charge the batteries of hybrid gasoline/electric cars. Wingo sold the stock for \$75 per share.

Fearing that potential investors would not invest with him, Wingo did not disclose his personal financial history or the fact that he is a convicted felon. Wingo did represent that he had filed for a patent for his technology and provided potential investors with a purported patent application filing number. Wingo also disclosed the name of an attorney with whom he claimed to be working with to obtain the patent. In addition, Wingo represented that he was working on the development of the technology with at least two engineers associated with the Engineering Department at Oklahoma State University.

At least one Oklahoma resident invested in Airgonomics without verifying any of the information provided by Wingo. Only after making the investment and upon learning of Wingo's criminal history did the investor conduct any due diligence regarding Airgonomics or Wingo. The investor contacted representatives of Oklahoma State University (OSU) only to learn that there was no agreement or relationship between Airgonomics and any OSU professor. The investor contacted the attorney referenced by Wingo and discovered that the attorney had met with Wingo only once, that the attorney never prepared a patent application on behalf of Airgonomics, and that the number referenced by Wingo was merely the law firm's internal case number for the Airgonomics matter and not a patent filing number.

Wingo did not use the investment proceeds as he represented to the investors.

PHILLIP RAGLIN

Phillip Raglin and Joe Layne are in their early 20s, both graduates of Wagoner High School in Wagoner, Oklahoma. Neither Raglin nor Layne graduated from college. Raglin was a popular guy, considered by many in the community to be extremely bright. Layne, Raglin's sidekick, is the son of a local Baptist preacher. At the time in question, Layne's father was the president of the Wagoner School Board. Together, using family ties, friends and other relationships, Raglin and Layne orchestrated a fraudulent investment scheme through meetings in potential investors' homes and offices or in local restaurants. The two collected in excess of \$1,000,000 over a very short period of time from approximately 300 residents of northeast Oklahoma, Arkansas and Missouri.

The basis of the fraudulent scheme was a "unique" investment formula developed by Raglin for which a "patent was pending." Raglin talked of earnings of 3-5% per day and touted the formula as eliminating the greed and fear associated with investing in the securities markets. The formula automatically sold a stock position when the investment reached a return of 5% in a day or when a loss of a minimal programmed percentage occurred. Raglin claimed he started investing with \$150,000 in "business

OKLAHOMA FRAUD CASES

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loans” used to fund his activities which originally came from large student loans. Raglin boasted that he earned returns of 80% per month on that original \$150,000 by using his “unique” investment formula.

Raglin Industries, LLC was formed to share the wealth with those who do not have a net worth of at least \$1,000,000 and an annual income of at least \$200,000 as a single person or an annual joint income of at least \$300,000. Raglin and Layne offered and sold memberships in Raglin Industries to investors with promises of 30% interest on their investments and a guaranteed share in company profits. Raglin boasted that a \$100 investment would grow to \$2,300 after one year, \$54,000 at the end of year 2, and \$1.2 million at the end of year 3, if all profits were reinvested in Raglin Industries rather than taken as cash distributions. Raglin told stories of investing six days a week in the securities markets in China, Australia and Panama, and the purchase of Subway franchises in Estonia and Bulgaria. The initial members of Raglin Industries were also tempted by additional “benefits of membership”: health, dental and vision insurance for the member’s family with a maximum premium of \$300 and reduced co-payments, a destination vacation club, mortgage services with interest rates below prime, college scholarships and special discounts on purchases.

Sound too good to be true? It was! There was no “unique” investment formula or strategy. There was no patent application pending. There were no 80% per month investment returns.

There was no office and there were no employees of Raglin Industries, LLC. There were no investments made in the securities markets in the United States, China, Australia or Panama. Rather, the investment proceeds were used to build a home for Raglin and his new bride; to purchase several expensive vehicles, at least one of which was customized with a computer, television and stereo at a cost of \$60,000; to fund travel expenses; to pay ordinary and extraordinary living expenses; and to pay token returns to prior investors.

TRAVIS WINNETT

Over a period of seven months in late 2006 and early 2007, Travis Winnett, formerly of Catoosa, Oklahoma, and now of Neosho, Missouri, defrauded approximately ten Oklahoma and Texas citizens out of \$700,000. Winnett offered and sold securities as part of two “Loan Financing Savings Plans” advertised by an entity called American Liberty Insurance & Financial Services. The investors’ monies were to be held in an interest bearing account until used to fund life insurance premiums. Winnett falsely advertised that the savings plans were offered “in cooperation with” a bank located in Claremore, Oklahoma. In order to bolster the legitimacy of the purported investment opportunity, Winnett included the bank logo and the name and telephone number of a customer service representative of the bank on the advertising materials.

Winnett was not registered in any capacity under Oklahoma’s securities laws. Winnett, an Oklahoma licensed insurance agent at the time, offered a “5x8” savings plan and a “6x10” plan. Winnett’s “5x8” plan purportedly paid simple interest of 8% per year for each of five years. The “6x10” savings plan purportedly paid simple interest of 10% for each of six years plus a 15% “end-of-contract” bonus for an initial deposit of \$25,000 and a 30% bonus for an initial deposit of \$50,000 or more. Winnett represented to each investor that his/her money would be deposited into an FDIC-insured savings account at the Claremore bank and that the money would be insured for up to \$100,000.

Investors were directed to make their checks payable to Lighthouse Marketing Incorporated, not American Liberty Insurance & Financial Services or the Claremore bank. Winnett deposited over \$700,000 of investors’ monies into a single non-interest bearing account that he controlled under the name of Lighthouse Marketing. Separate bank accounts were not established in the name of each investor. Winnett used the Lighthouse Marketing account solely to pay his personal expenses. None of the investors’ monies was invested and Winnett did not otherwise have the financial ability to pay the promised interest and/or bonuses to his investors.

Various insurance agents recommended the savings plan investments to their clients – clients with whom they had long-term business relationships.

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Neither the insurance agents making the recommendations nor their clients performed any due diligence on the investment opportunity **before** any money was invested with Winnett.

- The insurance agents and their investing clients did not question the promised 8% and 10% interest rates at a time when banks were paying less on certificates of deposit or savings accounts.
- No one called the Claremore bank to confirm a business relationship between the bank and American Liberty Insurance & Financial Services or Travis Winnett.
- No one called the Claremore bank to confirm whether a bank account would be established in the individual investor's name.
- No one questioned the fact that their checks were to be made payable to a third entity not previously mentioned in the advertising materials.
- No one questioned that the other party to the investment agreement was yet another previously undisclosed entity, American Liberty Funding LLC.

“Investigate Before You Invest”

Knowledge is power. The following checklist is designed as a quick reference to help investors ask the right questions before making an investment. Once your questions have been answered, contact your state securities regulator or other appropriate state agency, to verify the information.

Remember: The time to ask questions is before you invest your hard-earned money.

Seller/Agent Information

Seller/Agent Name: _____

Company/Business Name: _____

Company/Business Address: _____

Phone Number: _____

Today's Date: _____

1. What products are you offering? (check all that apply)

- | | |
|---------------------------------------|--|
| <input type="checkbox"/> Annuities | <input type="checkbox"/> Securities |
| <input type="checkbox"/> Living Trust | <input type="checkbox"/> Estate Planning |
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Other _____ |

2. Who regulates or licenses this product or service?

3. How does this product meet my investment objectives?

4. What are the risks?

5. What written information will I receive about this investment before making a decision?

- | | |
|--|--|
| <input type="checkbox"/> Prospectus | <input type="checkbox"/> Offering Memorandum |
| <input type="checkbox"/> Most Recent Annual Report | <input type="checkbox"/> Most Recent Quarterly or Interim Report |
| <input type="checkbox"/> Recent News Releases | <input type="checkbox"/> Research Reports |

6. What license(s) do you hold that authorizes you to sell this product or service?

LICENSE TYPE LICENSE INFORMATION

Insurance License License No: _____

Securities License CRD No: _____

Investment Advisor License No: _____

Corporation SEC

State Bar License State Bar No: _____

Accountant License CPA No: _____

Real Estate License DRE License No: _____

Other Explain: _____

HOW TO SPOT A CON ARTIST

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RULE 1:

Con Artists Like to Blend In

RULE 2:

Con Artists Dress for Success

RULE 3:

Con Artists Often Push Poorly Understood or Little-Known Products

RULE 4:

Con Artists Bring Out the Worst in You

RULE 5:

Con Artists Are Fair-weather Friends

RULE 6:

For Every Silver Lining, There Is a Cloud

RULE 7:

Don't be Afraid to "Sleep on It."

TRUST YOUR INNER VOICE IF

YOU HEAR CLAIMS LIKE THESE:

- “I just got a hot tip from an inside source that this stock will go through the roof.”
- “Your return is guaranteed. There's no way you can lose money.”
- “Gotta get in on the ground floor now or you'll be left out in the cold. In fact, we'll send a messenger over tomorrow to pick up your check.” (Con artists often use this device to avoid federal mail fraud charges.)
- “This deal is so great, I invested in it myself.”
- “If this doesn't perform as I just said, we'll refund your money, no questions asked.”
- “Everyone else that invested in this did very well.”

BE ESPECIALLY CAREFUL IF THE SALESPERSON DENIES THAT RISK EXISTS

CON ARTISTS USUALLY ARE NOT VERY GOOD AT ANSWERING IMPORTANT QUESTIONS.

WATCH OUT IF THE SALESPERSON IS RELUCTANT TO PROVIDE INFORMATION ON THE FOLLOWING:

- The background, educational history and work experience of the deal's promoters, principals or general partners;
- Information on whether your investment monies will be segregated from other funds available to the business;
- Written information on the business' financial condition, such as a balance sheet and bank references;
- The prior track record of the business and its principals;
- The salesperson's name, where he or she is calling from, who he or she works for, his or her background and what commission or other compensation he or she will receive;
- The salesperson's connection with the venture and any affiliates.

IN ADDITION, BE WARY IF THE SALESPERSON DOESN'T ASK YOU QUESTIONS ABOUT YOUR PAST INVESTMENT EXPERIENCE AND YOUR ABILITY TO WITHSTAND RISK. EVEN IF THE SALESPERSON DOES ASK A FEW RELATED QUESTIONS, TAKE HEED IF YOU GET THE SENSE THAT HE OR SHE IS MERELY GOING THROUGH THE MOTIONS.

*Be especially careful
if the salesperson denies
that risk exists.*

HOW TO AVOID BECOMING A VICTIM

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CONTACT YOUR STATE or provincial securities regulator to see if the investment vehicle and the person selling it are registered. Your state or provincial securities regulator will also be able to tell you if the salesperson has a disciplinary history, that is, whether any civil, criminal or administrative proceedings have been brought against him or her.

DEAL ONLY WITH FINANCIAL ADVISERS, broker-dealers or financial institutions having a proven track record.

ASK FOR WRITTEN INFORMATION on the investment product and the business. Such information, including financial data on the company and the risks involved in the investment, is contained in a prospectus. Read it carefully.

DON'T TAKE EVERYTHING you hear or read at face value. Ask questions if you don't understand and do some sleuthing for yourself. If you need help in evaluating the investment, go to someone independent whom you can trust such as an attorney or an accountant.

CONTACT YOUR LOCAL Better Business Bureau to see if any complaints have been filed against the venture's promoters or principals.

STEER CLEAR OF investments touted with no downside or risk.

*Avoiding
being hurt by a con artist
is as easy as
doing your homework—
before you invest.*

TIPS FOR SENIORS

1

DON'T BE A COURTESY VICTIM.

Con artists will not hesitate to exploit your good manners. Save your good manners for friends and family members, not strangers looking for a quick buck!

2

CHECK OUT STRANGERS TOUTING STRANGE DEALS.

Trusting strangers is a mistake anyone can make when it comes to their personal finances. Say “no” to any investment professional who presses you to make an immediate decision, giving you no opportunity to check out the salesperson, firm and the investment opportunity itself. Extensive background information on investment salespeople and firms is available from the Central Registration Depository (CRD) files available from the Oklahoma Securities Commission.

3

ALWAYS STAY IN CHARGE OF YOUR MONEY.

Beware of anyone who suggests investing your money into something you don't understand or who urges that you leave everything in his or her hands.

4

DON'T JUDGE A BOOK BY ITS COVER.

Successful con artists sound and look extremely professional and have the ability to make even the flimsiest investment deal sound as safe and sound as putting money in the bank. The sound of a voice, particularly on the phone, has no bearing on the soundness of an investment opportunity.

5

WATCH OUT FOR SALESPeOPLE WHO PREY ON YOUR FEARS.

Con artists know that you worry about outliving your savings or seeing your financial resources vanish overnight as the result of a catastrophic event, such as a costly hospitalization. Fear can cloud your good judgment. An investment that is right for you will make sense because you understand it and feel comfortable with the risk involved.

6

DON'T COMPOUND TRAGEDY WITH RASH FINANCIAL DECISIONS.

The death or hospitalization of a spouse has many sad consequences - financial fraud shouldn't be one of them. Ask a con artist to describe his ideal victim and you are likely to hear the following two words: “elderly widow.” If you find yourself suddenly in charge of your own finances, get the facts before you make any decisions. Local libraries and universities may offer classes and information on investing. Talk to friends, family, trade organizations and state or provincial securities regulators for advice. An insurance settlement makes you an ideal target for fraud. Arm yourself with information and your confidence will send con men running.

7

MONITOR YOUR INVESTMENTS AND ASK TOUGH QUESTIONS.

Don't compound the mistake of trusting an unscrupulous investment professional or outright con artist by failing to keep an eye on the progress of your investment. Insist on regular written reports. Look for signs of excessive or unauthorized trading of your funds. Don't let a false sense of friendship or trust keep you from demanding a routine statement of your accounts.

8

LOOK FOR TROUBLE RETRIEVING YOUR PRINCIPAL OR CASHING OUT PROFITS.

If a stockbroker, financial planner or other individual with whom you have invested stalls you when you want to pull out your principal or profits; you have uncovered someone who wants to cheat you. Some investments have periods when you cannot withdraw your funds, but you must be made aware of these restrictions before you invest.

9

DON'T LET EMBARRASSMENT OR FEAR KEEP YOU FROM REPORTING INVESTMENT FRAUD OR ABUSE.

Con artists know that you might hesitate to report that you have been victimized in financial schemes out of embarrassment or fear. Con artists prey on your sensitivities and count on these fears, preventing or delaying the point at which authorities are notified of a scam. Every day that you delay reporting fraud or abuse is one more day that the con artist is spending your money and finding new victims.

10

BEWARE OF “RELOAD” SCAMS.

If you are already the victim of an investment scam, don't compound the damage by letting con artists “reload” your assets. Con artists know you have a finite amount of money. Faced with a loss of funds, some seniors who have been victimized once will go along with another scheme in which the con artists promise to make good on the original funds lost and possibly even generate new returns beyond those originally promised. Making up lost financial ground is understandable, but often the result is that you lose whatever savings you had left in the wake of the initial scam.



INVESTOR EDUCATION RESOURCES

- **Oklahoma Securities Commission (OSC)**
Suite 860, First National Center
120 N. Robinson
Oklahoma City, OK 73102
Phone: (405) 280-7700
Fax: (405) 280-7742
www.securities.ok.gov
- **Invest Ed**[®]
OSC Investor Education Program
Phone: (405) 280-7700
www.investedok.org

OTHER RESOURCES

- **AARP**
Phone: (888) 687-2277
www.aarp.org
- **Investor Protection Trust (IPT)**
Suite 300
919 Eighteenth Street NW
Washington, DC 20006-5517
Email: iptinfo@investorprotection.org
www.investorprotection.org
- **Financial Industry Regulatory Authority (FINRA)**
Phone: (504) 522-6527
Fax: (504) 522-4077
District 5: Alabama, Arkansas, Louisiana,
Mississippi, Oklahoma and Tennessee
www.finra.org

OTHER RESOURCES

- **The National Fraud Information Center (NFIC)**
www.fraud.org
- **National Futures Association (NFA)**
Phone: (212) 608-8660
www.nfa.futures.org
- **The National White Collar Crime Center (NW3C)**
10900 Nuckols Road, Suite 325
Glen Allen, VA 23060
www.nw3c.org
- **North American Securities Administrators Association**
Phone: (202) 737-0900
www.nasaa.org
- **Securities Investor Protection Corporation (SIPC)**
Phone: (202) 371-8300
www.sipc.org
- **Securities and Exchange Commission (SEC)**
Phone: 1-800-732-0330
Complaint Center: 1-202-551-6551
Investor Education Publications: www.sec.gov/investor/pubs.html
www.sec.gov
- **Better Business Bureau**
BBB of Central Oklahoma
Phone: (405) 239-6081
Fax: (405) 235-5891
Email: info@oklahomacity.bbb.org
www.oklahomacity.bbb.org

AWARENESS QUIZ

1. Which of the following phrases should raise your concern about an investment?
 - a. High rate of return
 - b. Risk-free
 - c. Your investment is guaranteed against loss
 - d. You must invest now
 - e. All of the above
2. Securities laws protect investors by requiring companies to:
 - a. Show profits before they can sell stock
 - b. Provide investors with specific information about the company
 - c. Pay dividends
 - d. Repay investors who have lost money
3. A fellow book club member tells you about an investment opportunity that has earned returns of 20% during the past year. Your investments have been performing poorly and you're interested in earning higher returns. This person is your friend and you trust them. What should you do?
 - a. Ask your friend for more information about the investment so that you can understand the risks before you make a decision
 - b. Invest only a small amount to see how things go before making a larger investment
 - c. Call your securities regulator to see if the investment has been registered or is properly exempted for sale
 - d. a and c
4. Which of the following should you rely upon when making an investment decision?
 - a. Testimonials of other investors
 - b. Advertisements and news stories in the media or on the Internet
 - c. Technical data that you don't really understand
 - d. Information filed with your securities regulator
5. Ways to protect yourself from investment fraud include:
 - a. Read all disclosure documents about an investment
 - b. Seek advice from an independent and objective source
 - c. Be skeptical and ask questions
 - d. Never write the check for an investment in the name of your salesperson
 - e. All of the above
6. Which of the following are frequently used to defraud the public?
 - a. Short-term promissory notes
 - b. Prime bank investments
 - c. Offshore investments to avoid taxes
 - d. Nigerian advance fee letters
 - e. All of the above
7. The role of government securities regulators is to:
 - a. Sell shares to investors
 - b. Act as an association for securities dealers and advisers
 - c. Regulate securities markets, the investment industry and protect investors
 - d. All of the above
8. An investment is likely to be legitimate if:
 - a. The promotional materials and company Web site look professional
 - b. The company has a prestigious office location
 - c. Other investors are receiving quick up-front returns
 - d. The company has an official-sounding name
 - e. None of the above
9. Who insures you against investment losses?
 - a. No one; this is the risk you take when you invest
 - b. My securities regulator
 - c. The company selling the investment
 - d. The Securities Investor Protection Corporation (SIPC) in United States or the Canadian Investor Protection Fund (CIPF) in Canada

Approximately 90 percent of all inquiries and complaints made to or by the Oklahoma Securities Commission became active enforcement cases. More than 100 inquiries and complaints are received annually. All cases are investigated for securities fraud.

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