



**Senior Citizen Investment Fraud:** Volatile stock markets, low interest rates, rising health care costs, and increasing life expectancy, combined to create a perfect storm for investment fraud against senior citizen investors. Older investors are being targeted with increasingly complex investment scams involving unregistered securities, promissory notes, charitable gift annuities, viatical settlements, and Ponzi schemes all promising inflated returns. In response OFIR recently launched a multi-pronged effort to protect seniors from investment scams that includes its “Investor Education in Your Community” program that educates Michigan investors on how to avoid falling victim to investment fraud, OFIR’s free investment scams training for local law enforcement and the agency’s “Free Lunch Seminar Monitor” program that gives individuals an opportunity to fight back against unscrupulous promoters by reporting questionable investment practices to OFIR.

**Fraudulent Promissory Notes:** Promissory notes are interest-paying investments that serve as an important means by which companies raise capital. Legitimate promissory notes are usually marketed to sophisticated investors that have the resources to research the investment. Unfortunately, there have been many instances of unscrupulous individuals pushing bogus promissory notes. They’re being sold as instruments that guarantee above-market, fixed interest rates, while safeguarding their principal. Earlier this year, OFIR ordered Rita “Rip-off” Gosselin to cease and desist from selling unregistered real estate investments in exchange for fraudulent promissory notes.

**Affinity Fraud:** Michigan investors need to be on guard against a rise in investment scams that prey upon members of groups or affiliations, such as religious or ethnic communities, the elderly or professional groups, known as affinity group fraud. A vast majority of consumers are in some way connected to a group or an association. Their interests, backgrounds, and other associations will naturally lead citizens to those organizations or affiliations that serve their needs. Knowing this, some scammers target their fellow group members, especially those that are unfamiliar with how financial markets work, by getting them to drop their guard and invest in fake products. For example, in 2006 OFIR put an end to an affinity group fraud run by Vazilyn Poinsetta, who scammed her friends, neighbors and fellow church members into an investment scheme.

**Ponzi Schemes:** Despite the heightened awareness of Ponzi schemes following Bernard Madoff’s multi-billion dollar fraud and 150-year prison sentence, these scams continue to trap investors. The Ponzi scheme is a house-of-cards swindle in which high returns are paid to initial investors out of the funds of later investors, who end up losing all or most of their money to the promoter. The SEC recently announced that OFIR played a key role in halting an alleged Ponzi scheme run by John Bravata.

**Real Estate Investment Schemes:** OFIR has seen a rise in scams disguised as offers to help homeowners caught up in the turbulent housing market “save” their homes or “fix” their mortgages, usually in exchange for a fee paid in advance. Most of these advance-fee offers only generate a quick profit for the con-artist and provide no benefit to the consumer,

**Private Placement Offerings:** Private placements offer businesses the opportunity to raise capital by selling securities to a relatively small number of investors as opposed to a public offering made through national securities markets. OFIR has observed a steady and significant rise in the number of private placement offerings that are later discovered to be fraudulent, especially those made under a federal registration exemption. Companies using this exemption can raise an unlimited amount of money without registering the offering with the SEC as long as they meet certain standards.

**Natural Resource Investments:** OFIR expects to continue to see energy and precious metals scams promising quick, high returns. Investors anxious to recover losses quickly likely will be hooked by oil and gas schemes, as well as fraudulent offerings of investments tied to natural gas, wind and solar energy, and the development of new energy-efficient technologies. In 2007, OFIR issued a cease and desist order against Eric and Jay Merkle and Craig Massey of Jordan River Resources, Inc. and Redstone Energy Corporation for offering fraudulent oil and gas offerings. All three individuals have pled guilty in federal court and are awaiting sentencing.

**Entertainment Investments:** These unregistered investments, encompassing a variety of products including movies, infomercials, Internet gambling and pornography sites, promise high returns while offering little disclosure of risk. Michigan consumers may be especially vulnerable to these scams given state's recent surge in movie industry activity. OFIR is currently investigating a number of entertainment investment scams.

**Gold Bullion and Currency Scams:** With the high price of gold, investors should beware of gold bullion scams in which the seller offers to retain "purchased" gold in a "secure vault" and promises to sell the gold for the investor as it gains in value. In many instances the gold does not exist.

**Speculative Inventions and New Products:** New products are for venture capitalists who know how to assess the risks. They are not good investments for your retirement money even though they may promise high returns.

If Michigan investors have any questions or complaints regarding an investment firm, professional or product, they should contact OFIR toll-free at (877) 999-6442.