

DEPARTMENT OF JUSTICE FRAUD ALERT

The purpose of this notice is to alert the public to persons who have reportedly marketed investment schemes which appear to be fraudulent. Various "high-yield" trading programs, or similar investment programs which purport to offer above average market returns with below market risk through the trading of bank instruments, European bonds, and similar financial products are fraudulent. Offering such programs, or claiming to be able to introduce investors to persons who have access to such programs, violates numerous federal laws; including criminal laws.

It is illegal to engage in fraud in the offer or sale of a security. Under most circumstances, it is also illegal to sell securities which have not been registered with the 11.5. Securities and Exchange Commission. A security includes the following items "note," "stock", "bond", and "debenture" as well as more general terms "investment contract" and "any interest or instrument commonly known as a ~security'." In the leading opinion, the Supreme Court of the United States held that the definition of a security includes an investment contract, which is a contract, transaction, or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or third party. ... Designating such instruments as "loans" does not alter their legal status as securities.

It is also illegal to defraud investors through the use of mails or interstate wire communications. Making false claims to investors, or rendering statements made misleading through the omission of material information is evidence of fraud. Conducting financial transactions using the proceeds of a fraud scheme may constitute violations of money laundering laws.

The Federal Bureau of Investigation and various US Attorney Offices, have participated in numerous investigations and prosecutions of persons promoting fraudulent investment programs. The Federal Bureau of Investigation as well as other federal and state agencies have identified several characteristics common to fraudulent schemes. These characteristics include:

Claims that investor funds can be placed in a bank account, and then used, without risk, to trade bank debentures, or other financial instruments;

Claims that invested funds can be used to lease or rent U.S. Treasury Obligations and then use these same leased securities as collateral for further trading programs,

Claims that trading Medium Term Notes "MTN's", Prime Bank Notes, or any other bank instruments, on a riskless basis, will yield above market average returns;

• Claims that Letters of Credit or Standby Letters of Credit can be discounted or traded for profits;

• Claims that certain high yield foreign trading programs are sanctioned or supported by the Federal Reserve, International Monetary Fund, International Chamber of Commerce or other U.S. or international agencies.

In general, investment programs which purport to offer secret, private investment markets, which offer above market rates of return with below market rates of risk, for privileged customers with special access are fraudulent. There are no "secret" markets in Europe, or in North America, in which banks trade securities. Any representations to the contrary are fraudulent.

In addition, investment programs in which a financial institution is asked to write a

letter, commonly referred to as a "Blocked Funds Letter", advising that funds are available in the account, that they are "clean and of non-criminal origin" and are free of "liens or encumbrances" for a certain time frame are frequently used to perpetrate fraud schemes. These letters have no use within legitimate banking circle~.

Some phrases are commonly seen in documents presented by fraudsters in the course of marketing fraudulent investment schemes. If one or more of these phrases appear in documentation, it should be treated with suspicion. These include, but are not limited to:

- Non-Circumvention, Non-Disclosure
- Good, clean, clear and of non-criminal origin
- Blocked Funds Investment Program
- Prime Bank Trading Program
- Federal Reserve Approved
- roll programme
- Irrevocable Pay Orders
- Prime bank Notes, Guarantees, Letters of Credit,
- Medium Term Notes, fresh Cut paper

Sources which can corroborate the above information

include:

U. S. Treasury Department, Comptroller of the Currency, Enforcement and Compliance Division, 250 E Street, SW, Washington DC 20219. Telephone 202-874-4450

Securities and Exchange Commission, San Francisco District Office, 44 Montgomery Street, Suite 1100, San Francisco, CA 94104, Telephone 415-705-2500. Web address - www.sec.gov/enforce.htm

Bureau of Public Debt, Chief Counsels Office, Parkersburg, 200 3rd Street, Room G-15, Parkersburg, WV 26101, telephone 304-480-3690. Web address - www.treasuryscams.gov

Federal Reserve, Washington DC, Office of General Counsel, Telephone 202-973-5021. Web address: www.federalreserve.gov

As noted above, the marketing of fraudulent investment schemes violates federal criminal laws. Persons having involvement with these types of schemes should contact competent legal counsel. In order to report instances of suspected fraud, please contact Special Agent John M. Cauthen of the Federal Bureau of Investigation, Sacramento, California Division, at telephone (916) 481-9110 or any of the above federal entities.