

ALABAMA SECURITIES COMMISSION

Post Office Box 304700

Montgomery, Alabama 36130-4700

Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240

Email: asc@asc.alabama.gov Website: www.asc.alabama.gov

ALABAMA SECURITIES COMMISSION ISSUES INVESTOR ADVISORY ON PRIVATE PLACEMENT OFFERINGS

Lifting the Advertising Ban May Expose Investors to Greater Risk of Fraud

MONTGOMERY, ALABAMA (April 2, 2013)– In advance of a federal rule to allow advertising of high-risk private placement offerings, the Alabama Securities Commission (ASC) today issued an advisory cautioning investors about the risks these offerings carry, as well as the potential for fraudulent offerings. The advisory is available at www.asc.alabama.gov.

Private placement offerings allow companies to raise money by selling stocks, bonds and other instruments. These offerings may be exempt from federal securities registration requirements. As a result, this exemption allows a company to raise business capital without having to comply with the registration requirements of a public securities offering, or without giving detailed information to investors.

Currently, Rule 506 of Regulation D of the Securities Act of 1933 does not permit general solicitation or advertising of private placement offerings. The JOBS Act directed the Securities and Exchange Commission (SEC) to lift this ban as long as the sales are limited to “accredited” investors – people who have sufficient wealth or access to information that would presumably allow them to make completely informed investment decisions. The SEC is finalizing its proposed rule lifting the ban.

“I am concerned that Main Street investors in Alabama will be lured into high-risk or be exposed to fraudulent investments when the ban on general solicitation of private placement offerings is lifted,” said ASC Director, Joseph Borg.

Once implemented, this rule will allow companies and promoters to offer securities through direct mail, cold calls, free lunch seminars and television or radio commercials. “As a result, unscrupulous companies and promoters may take advantage of the laxity of the new rules to offer potentially fraudulent investments,” the advisory says.

Because private placement offerings made in reliance on Rule 506 of Regulation D are not reviewed by regulators, they have become a haven for fraud. According to the most recent statistics from the North American Securities Administrators Association, of which the ASC is a member, private placement offerings are one of the most frequent source of enforcement cases conducted by state securities regulators.

The advisory includes information on the risks associated with private placement offerings and tips on how to protect yourself when considering such an offering.

“Rule 506 has been used by legitimate small businesses as an important source of capital, and state securities regulators want those businesses to be able to thrive and create jobs without unnecessary regulatory impediments,” Borg said. “However, a healthy private placement marketplace requires investors who are adequately protected.”

For more information about the risks associated with private placement offerings contact the Alabama Securities Commission at 1-800-222-1253 and ask for the Education and Public Affairs Office.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

###

ALABAMA SECURITIES COMMISSION

Post Office Box 304700

Montgomery, Alabama 36130-4700

Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240

Email: asc@asc.alabama.gov Website: www.asc.alabama.gov