

## **ALABAMA SECURITIES COMMISSION**

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FOR IMMEDIATE RELEASE

### **MN PARTNERS, INC. IS CLOSED FOR BUSINESS**

MONTGOMERY, ALABAMA (March 21, 2001) The MN Partners, Inc. (MN) loan business in Phenix City, Alabama is closed. The Alabama Securities Commission (ASC) was the lead agency who initiated actions which led to the closing and a Final Order of Permanent Injunction signed by Circuit Court Judge Albert L. Johnson on March 16, 2001.

Borg said, "This is a very important event for the investment protection of our citizens in Alabama and over 20,000 investors in other states and 16 other countries who participated in the MN Partners, Inc. loan program." "The defendants, Frank De Lucca, David Cox, Jynelle Cox, Ron Clark, and Janice Clark waived any further rights to appeal the Final Order of Permanent Injunction." "A receiver has been appointed by the court in conjunction with the ASC to control all assets of MN and pursue remedies where possible."

Borg expressed concern about citizens investing hard earned dollars in programs that seem to good to be true. "The MN loan program appears to be a classic example of a Ponzi or Pyramid scheme." This means that the first few investors will receive promised returns, which will promote more investments. As more people invest, their money will be used to pay the first investors. As the number of investors grow there will not be enough money to pay returns to all the investors. Usually everyone but the first few investors lose all of their money."

To invest into MN Partners, Inc. (MN) an individual pays a \$300 loan fee or pays \$100 and gets two new members to enter the program, and signs a promissory note. Then the investor receives a \$50 loan, and every consecutive month the member signs a new promissory note and receives another loan that is twice as large. During the 9th month and thereafter when the monthly loan exceeds \$10,000 per month, the investor then volunteers to loan back one-half of the proceeds for an additional 4% interest. After 12 months the investor has received over \$200,000 in loans. In one year MN promised investors \$88,160.64 in spending cash after fees, principal and interest payments back to

the company. The MN brochure promises even more--within two years a participant will net over \$1,000,000 of non-taxable loans which never have to be paid back.

An Alabama Securities Commission special agent, who is also a Certified Public Accountant noted that MN would have had to issue a large amount of new loans to keep their promise. For the first 20,000 members MN would need \$10.36 billion over a two-year period and 34.5 million people paying the \$300 application fee for the program. For MN to keep their promise to only 4 million of the 34.5 million customers, who theoretically would have funded the first 20,000 customers, you would need over 6.8 billion new members paying the \$300 application fee--this exceeds the present estimated world population of 6.1 billion human beings.

Borg said, "Numerous inquiries about MN started the process to close them down." The Alabama Securities Commission issued a Cease and Desist Order against MN and its principals on February 14, 2001. A Temporary Restraining Order was issued by Circuit Court Judge Johnson on February 16, 2001. The Court issued a Preliminary Injunction, which allowed ASC to investigate and freeze an estimated \$3 million in MN assets in four banks in two states on February 22, 2001. At ASC's request, the Court appointed a receiver and the Court gave the defendants 30 days to provide more evidence on their behalf. On March 16, 2001 Judge Johnson closed MN with a Final Order of Permanent Injunction.

The Director of the Alabama Securities Commission cautions potential investors to thoroughly check out any investment opportunity. For inquiries regarding securities dealers, to report suspected fraud, or obtain consumer information call 1-800-222-1253. For access to extensive consumer awareness and financial education information go to the NASAA website, <http://www.nasaa.org/>, and click on Related Links.

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