

## ALABAMA SECURITIES COMMISSION

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FOR IMMEDIATE RELEASE:

### ASC WARNS PRE-IPO INVESTORS

MONTGOMERY, ALABAMA (June 28, 2001) Joseph P. Borg, Director of the Alabama Securities Commission, announced today that a Cease and Desist Order has been issued to 8 companies and agents prohibiting them from further offers or sales of any security into, within, or from the state of Alabama. Mr. Borg said, "This is part of a continuing effort to protect the citizens of Alabama from becoming victims of securities fraud. Recently a company called ICON Trading, Inc. out of California, illegally sold a Pre-Initial Public Offering (Pre-IPO) in a company whose stock was to go public in a few months. The cost of the stock was \$1.60 per share and it was "guaranteed" to go up to \$2.50 a share at the opening price. Needless to say, there are no guarantees in the stock market and the investor from Alabama lost over \$5,000. The consumers best protection is to thoroughly research and check out any investment opportunity before buying."

The following companies/agents were issued a Cease and Desist Order from the State of Alabama: First Americap Corporation, Capital Relations Group, LLC., Stephen H. Thomas, Robert D. Williams, and Tiji Thomas all from Houston, TX; Cyrus Industries, Inc. formerly known as ICON Trading, Inc. from Huntington Beach, CA; Raece B. Richardson from Los Angeles, CA., and ByteAudio.com from Pompano, FL.

In this type of scam Alabamian's are contacted by telephone, email, or mail and offered a fantastic investment opportunity. This opportunity, which is referred to as a Pre-IPO, involves purchasing stock in a company prior to the company making its initial public offering. A company goes public when it offers its stock to the public through a stock exchange like the NYSE or NASDAQ. Sometimes Pre-IPO stocks are referred to as penny stocks because of their low initial price.

Penny stocks by legal definition are under \$5 per share, but can include many micro-cap stocks in the \$7-\$15 range. During the past few years when technology stocks were hot, a few lucky people made big money in Pre-IPOs. Unfortunately, the Pre-IPO fad also created an opportunity for criminals to set up bogus companies and scams.

Before investing in Pre-IPOs you will want to personally research the company to decide if you feel comfortable with this type of high-risk investment. Next, check out your securities

firm and its agent with the Alabama Securities Commission (ASC). The ASC can provide you with the following information: is a securities professional or a firm licensed to conduct business in Alabama; information on individual employment and disciplinary history; are the securities for sale properly registered or exempt from registration in Alabama. It is illegal to sell unregistered securities (unless exempt) and If you buy unregistered securities, you may have a difficult time obtaining current and reliable information about the company. Unregistered securities will be difficult to sell or may be categorized as restricted by the Securities Exchange Commission (SEC). The SEC could prohibit the sale of the securities for a period of time and there may not be a readily available market for the sale of the shares.

There is a vast amount of free information on saving, investing and fraud prevention on the internet. An excellent starting point is the NASAA website (<http://www.nasaa.org/>); take the main menu to Investor Education and enter into the Investor Tips section. Numerous articles are provided at this website for free or you may call or write the Alabama Securities Commission, Education and Public Affairs Manager.

To contact the Alabama Securities Commission call 1-800-222-1253, or write: Alabama Securities Commission, 770 Washington Ave., Suite 570, Montgomery, Alabama 36130-4700, or email [asc@asc.state.al.us](mailto:asc@asc.state.al.us).

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