

MN Partners, Inc. Wrap-Up: Authorities and Banks Cooperate to Return "Millions" to Victims of Securities Scam

MONTGOMERY, ALABAMA (October 2, 2001) -- Joseph P. Borg, Director, Alabama Securities Commission (ASC) announced that final preparations were being made to return the remaining seized funds and assets to victims, from the closed MN Partners, Inc. (MN), Phenix City, Alabama.

Borg said, "This is a very unusual outcome for the victims of a securities scam, because there were about 32,000 shares outstanding and owners of each share will receive at least sixty seven percent of their investment back. The credit goes to the quick and cooperative efforts of the District Attorney office from Russell County, the Alabama Attorney General, the commercial banking industry in coordination with the Alabama Securities Commission. This resulted in bank accounts and office assets being frozen and confiscated from MN Partners, Inc. by ASC. This is a prime example of what can be done to protect the public when government and commercial agencies work together."

ASC has already returned \$2.8 million to over 12,377 known victims who invested in MN Partners, Inc. loan program. About \$2.5 million went to people in the United States and the remainder went to other international locations. The final distribution includes remaining assets and the return will total almost \$3 million.

The overall effort to reimburse victims took hundreds of man-hours to sort out, account for, and prepare seized checks and assets for return to victims. "Isn't it amazing, how the MN loan program started at a small town location and grew to almost 32,000 shares with owners across the United States and 50 other countries in just a few months. The word spread about this program by word-of-mouth, telephone, and the internet," Borg said.

When emergency action was filed by ASC, MN Partners, Inc. was permanently closed for business. At the request of the Commission, a Receivership was directed by Circuit Judge Albert L. Johnson from Russell County to account for and assist in the disbursement of assets in cooperation with ASC.

Here are some of the facts from the Receivership's accounting.

- Estimated application fees collected by MN Partners, Inc. from victims:
Domestic: \$6.6 million. International: \$700,000.
- Number of applications or files: Domestic: 28,391. International: 3,317.
- MN Partners, Inc. facts by location:

There were victims in 50 states, the District of Columbia, Virgin Islands, Puerto Rico, 10 military bases, and 50 countries.

The following states had over 1,000 victims: Texas 2,458; California 2,263; Florida 1,768; Georgia 1,635; Alabama 1,529; Illinois 1,112; North Carolina 1,125.

The following countries had the most victims:
Canada 1,974; Australia 558, United Kingdom 217; Japan 97; Germany 67.

Top five states for amount of investment: California \$557,512; Texas \$538,302;

Florida \$409,280; Georgia \$406,139; Alabama \$338,336.

Top five countries for amount of investment: Canada \$419,890; Australia; \$105,186; United Kingdom \$55,677; Japan \$27,000; Sweden \$12,230.

The MN Partners, Inc. loan program was a securities scam, which made payments to initial investors from the money of new investors. This was a pyramid or Ponzi scheme, which started in a small Alabama town and victimized investors worldwide. A Russell County judge, in August, ruled there was probable cause to pursue criminal charges against Frank DeLucca, the owner and originator of MN Partners, and the case was sent to a grand jury for possible indictment.

DeLucca faces two felony counts of sale of unregistered securities, two felony counts of sales by an unregistered agent, two felony counts of securities fraud, and two misdemeanor counts of violating the Alabama Deceptive Trade Practices Act. Each felony count is class 'C' and carries a possible sentence of 2-10 years, and each misdemeanor count carries a possible sentence of 1 year.

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, or write: Alabama Securities Commission, 770 Washington Ave., Suite 570, Montgomery, Alabama 36130-4700, or email asc@asc.state.al.us.

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