Glenn Pomeroy
Commissioner of Insurance

# DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

## BULLETIN 2000-2

TO: North Dakota Insurance Agents

FROM: Glenn Pomeroy, Commissioner

DATE: June 8, 2000

SUBJECT: Promissory Note Investment Scam

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Last week, the U.S. Securities and Exchange Commission (SEC) and State Securities regulators from across the country announced a joint effort to combat the fraudulent sale of promissory notes to investors.

Promissory notes are investments that typically involve a loan to a company made by an investor in exchange for a fixed amount of periodic income. In North Dakota, promissory notes are subject to the jurisdiction of the North Dakota Securities Department.

Twenty-eight states have recently taken action against hundreds of individuals and entities for the fraudulent sale of promissory notes.

In many of the actions, it is alleged that the sale of the promissory notes was made by an insurance agent functioning as an unregistered broker-dealer. In the cases brought by the SEC, insurance agents were involved in selling notes for 18 of the 21 issuers involved.

This bulletin is to specifically advise you of this illegal scheme. Insurance agents involved in such illegal activity will be subject to enforcement actions by both the North Dakota Insurance Department and the North Dakota Securities Department. If you are approached by any entity offering you an "opportunity" to market promissory notes to your customers, you should immediately contact the North Dakota Securities Department (1-800-297-5124) or our office (1-800-247-0560) and report this activity.

GP/njb