

# The Commonwealth Corner – Investor Updates

## Promissory Notes: Promises, Problems

Knowing you will get your **promissory note** investment back after a certain time with interest is tempting, especially if the interest rate offered is more than market rates. This makes a **promissory note** investment, which is a promise to pay you back within a certain time with interest or a return, an attractive place to put your money.

**Promissory notes** can be a legitimate investment, yet sales of notes to individuals may involve a scam.

The SCC's Division of Securities and Retail Franchising has a history of cases and investigations where the victims invested in **promissory notes**. From our experience with these cases, we want to give you the tools to evaluate these investments and questions to ask.

- High interest rate or above-market returns. This should always raise questions. Ask how can this **promissory note** investment pay such high rates or returns and does it make sense.
- “Guaranteed returns,” “risk free” or any word that signals low risk. Can anyone promise a return on your money without risk? Is there any investment that comes without risk? Ask these questions and be sure you understand how this is possible.
- Is the person selling the **promissory note** a registered investment professional? You can check to see if the person selling the **promissory note** is registered to sell securities on our website: [Agents of Issuers](#)
- Is the **promissory note** registered? Always find out if the investment is registered in Virginia or with the US SEC. Most legitimate **promissory notes** can be verified by checking our web site ([find a security on our web site](#)) or the US SEC's [Search the Edgar Database](#) .
- Ask more questions if anyone tells you a **promissory note** is not a security and does not need to be registered. **Promissory notes** are usually securities that must be registered before any sales can take place. If anyone claims **promissory notes** are “exempt,” check it out by contacting us.

Any investors in the Commonwealth should feel free to contact the Division of Securities and Retail Franchising if they have experienced any difficulties with **promissory notes** or any other investment product. Our contact information is located on our homepage: <http://www.scc.virginia.gov/srf>.

Our latest Consumer Guide and Publication: [Promissory Notes: Promises, Problems](#) is located on our website's Investor Education section.

**Promissory notes** cases and investigation links:

Cases information can be found through the [SCC's DocketSearch](#) feature: by using the case numbers in the search case number field.

Cases involving promissory notes:

SEC-2006-00060, sale of an unregistered promissory note

SEC-2004-00036, sale of unregistered promissory notes issued by limited liability companies named World Cash Network, LLC/Hotel Connect LLC

SEC-2003-00046, sale of unregistered promissory notes of Sterling Financial Services of Florida-1, Inc. and Halliday Village Mobile Home Park, Inc.

SEC-2003-00067, sale of unregistered promissory notes

SEC-2004-00023, unregistered Mountain Investments' promissory notes

Additional information regarding Mountain Investments: On October 16, 2008, jurors convicted Ted James Johnson on 37 charges: 18 counts of mail fraud, two of wire fraud, one of securities fraud, 13 of money laundering, and one each of being an unregistered commodities pool operator, embezzling commodity pool funds and commodity pool fraud. Johnson was the subject of a 5 year investigation involving the Virginia State Corporation Commission, the Federal Bureau of Investigation, and the U.S. Postal Inspection Service. Read about the trial using the following links:

<http://www.roanoke.com/news/roanoke/wb/180806>

<http://www.roanoke.com/news/roanoke/wb/180679>

<http://www.roanoke.com/news/roanoke/wb/180489>

<http://www.roanoke.com/news/roanoke/wb/179073>

<http://www.roanoke.com/news/roanoke/wb/178963>

<http://www.roanoke.com/news/roanoke/wb/178665>