A Fraud That Fleeces Flocks

Fred Joseph Colorado Commissioner of Banking and Securities

Recently, I issued a cease and desist order against an internet-based company called Inter Reef, LTD (doing business as Profitable Sunrise) and its principals Roman Novak and Radoslav Novak. The cease and desist order prohibits Profitable Sunrise from engaging in their illegal activities in Colorado.

Profitable Sunrise, based in England, used Biblical themes to lure unsuspecting investors, telling them to "Get Richer with Every Sunrise." The company falsely claimed to offer "risk free" investment returns that promised 1.5% to 2.8% per day. You read that right - **PER DAY!** Profitable Sunrise offered securities in the form of investment plans, through its website, and advertised loans to businesses in the United States and other countries.

Profitable Sunrise was engaging in what securities regulators refer to as "affinity fraud." What is affinity fraud? According to the U.S. Securities and Exchange Commission, these are investment scams that prey upon members of identifiable groups, such as religious, ethnic, civic or professional groups and associations. These scams exploit the trust and friendship that exist in groups of people who have something in common, in this case, religion. The fraudsters who promote affinity scams frequently are -- or pretend to be -- members of the group. Because of the tight-knit structure of many groups, it can be difficult for regulators to detect an affinity scam. Victims often fail to notify authorities or pursue their legal remedies, and instead try to work things out within the group.

According to the North American Securities Administrators Association, here are several tips on how to avoid affinity fraud:

- Beware of the use of names or testimonials from other group members. Scam artists frequently pay out high returns to early investors using money from later arrivals. Accordingly, early investors may be wildly enthusiastic about a scheme that may collapse entirely once you have invested.
- Obtain a prospectus or other form of written information that details the risks in the investment and procedures to get your money out.
- Ask for professional advice from a neutral outside expert not in your group an accountant, attorney or financial planner to
 evaluate the investment.
- Ask your state securities agency (i.e., Colorado Division of Securities) for help. Before investing any money, call the Division of Securities (303-894-2320) in order to learn more about the salesperson and firm. The simplest inquiry is to ask if they are registered to do business in Colorado. And is the investment allowed to be sold. If one or the other is not registered, that is a sure warning to inquire further. Don't take the word of a salesperson. Check out the investment yourself.