

NEWS FROM THE ND SECURITIES COMMISSIONER

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SECURITIES COMMISSIONER SETTLES PRIME BANK CASE

Bismarck, ND – Karen Tyler, North Dakota’s Securities Commissioner, announced today that a settlement has been reached regarding all civil matters between the Office of the Securities Commissioner and Frederick Wayne Keiser, Jr. and his wife, Etoile Keiser.

“The Keisers have agreed to pay \$500,000 to the Office of the Securities Commissioner, to be used for investor education and restitution for defrauded investors,” reported Tyler. “The Keisers also agreed they will not contest the Cease and Desist Orders issued by the Securities Commissioner and to abide by those Orders.” As part of the settlement, the Commissioner dismissed the court case, which established a receivership over the assets of Fred & Etoile Keiser.

“Of the \$500,000 payment, which will be paid to the Commissioner over the course of one year, it is planned that \$475,000 will be returned to eligible investors and the remaining \$25,000 will be used for the purposes of investor education,” commented Tyler. “An investor will be eligible to apply for reimbursement from the fund if the investor has been denied, in full or in part, reimbursement from the Preferred Trust and Management Group according to their policies and procedures. I would

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recommend that any investor in the program request a return of their investment from the Preferred Group immediately.”

According to Tyler, this action developed late last year when the Securities Commissioner’s Office learned about sales activity that appeared to be a prime bank scheme. On January 4, 2001 officers from the Bureau of Criminal Investigation, the Minot Police Department, and investigators from the Securities Commissioner’s Office seized several documents and computer records from Fred Keiser, while executing a search warrant at his place of business.

“The records clearly demonstrated Mr. Keiser’s involvement as a salesman/owner in the Preferred Trust program,” said Tyler. “Based on the computerized records, and other information obtained by the Bureau of Criminal Investigation and our office, we learned that Mr. Keiser and his sales force gathered investor funds in excess of \$2,000,000.”

According to Tyler, the records in this matter also demonstrate that Mr. Keiser personally received in excess of \$1,000,000 in commissions and other payments between March 2000 and January 2001. Although other participants in the scheme apparently received money for their efforts, it was only a small fraction of what Keiser personally received.

The Office of the Securities Commissioner previously made a criminal referral of Fred Keiser to Ward County States Attorney Doug Mattson. “As

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this settlement is designed to be remedial in nature, it should have no effect on any criminal action that might be filed,” said Tyler. “I am unable to make any comment about whether criminal charges will be filed.”

“The Office of the Securities Commissioner extends its appreciation to the Bureau of Criminal Investigations, the Minot Police Department, and the Ward County State’s Attorney for their cooperation and assistance in this matter,” said Tyler.

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