

# RADIO WASTELAND

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In an unfortunate trend that we are witnessing more and more frequently is the misuse of the radio airwaves to sell penny stocks, annuities and other high commission low-value investment products or once-in-a lifetime business deals. In a *Wall Street Journal* article by Jennifer Levitz she interviews Rick Santos, Manager of WLQY AM in Miami, about a scam perpetrated on his station. Santos stated that he thought a program that aired six days a week on his radio station was a “*musical variety show.*” According to the Securities and Exchange Commission it was a fraud. In this case the leased-time radio show was used to promote a financial scam that cost Haitian immigrants millions according to the SEC.

Many radio stations use their weekends and late nights for what is called “*time brokerage*” where station owners sell block time to anyone willing to pay. Radio stations receive anywhere from \$50 to thousands of dollars an hour depending on the market for the airtime. The buyers of the time come, do their shtick, and leave. Unfortunately, many station managers fail to make any effort to check the legitimacy of the claims of the people they allow on the air. With a disclaimer at the beginning of the show the owners are often let off the hook in regards to responsibility. Often, as was the case with WLQY, station managers lease time to a third party who then subleases it to another.

It is easy to detect an infomercial from a legitimate program on television; it is much more difficult when it happens on radio. Financial scam artists use the radio to lend legitimacy to their scams. Financial programs and commercials that I have listened to in the Tampa Bay area where I live, boast claims such as: “*Guaranteed double and sometimes triple digit returns!*” “*Stock trading software that beats the pros,*” “*Trade currencies and see triple digit returns,*” to list a few.

Financial con-artists often use meaningless *Cracker Jack* box designations to help sell their wares which we exposed in our January 2006 column *Deception University*. These illegitimate credentials are often highlighted on the radio spots as well. I just discovered a new deceptive ploy being put to use on a locally aired financial advertisement. In the advertisement was a claim of an impeccable A+ ethics record that the man received from the National Ethics Bureau. As soon as I heard that my bull excrement spider-sense went into overdrive.

This particular pitch was a deceptive attempt to sell annuities. First the advertisement guaranteed a year one return of 10%. They never mentioned annuities, but I know that many annuities give a 10% upfront bonus to entice people to sign on, plus I called and found out that’s what this “*advisor*” sells. Second the “*advisor*” stated that he did not receive any commission, he only gets paid by the companies that he represents, which is another monumental croc. Technically speaking, if one of our clients happens to purchase a loaded mutual fund from us we are getting paid by the mutual fund company, however the client is indirectly paying us, there is a commission. To state otherwise is a boldface lie. Last but not least was the ethics claim. I researched the National Ethics Bureau and found that they were as credible as those ridiculous designations that can be bought for a couple of bucks off the internet.

Check this out...

For a one time \$95 initiation fee plus \$195 a year and by agreeing to be a good boy or girl which you can sign online you too can receive an A+ rating from the National Ethics Bureau. For an additional \$38 you can get a shiny wall plaque. For \$44 you can get a box of 100 informational packets telling any sucker that said individual is “*approved by the National Ethics Bureau and*

*provides your clients with our contact information so they can verify your good record of business ethics."*

It's more difficult to get a Publix Supermarket preferred customer card than to be approved by these guys.

The *Wall Street Journal* reported that the Federal Communications Commission, the government agency that licenses AM and FM radio stations does not actively monitor the airways looking for fraud. The FCC relies on tapes as evidence of violations, but stations aren't required to tape shows and most small stations do not. Edward Saint Hilaire, a technician at WLQY stated, "That's why we don't...Lawsuits." He added that he gets upset when hosts tell listeners to do things that they shouldn't. The Federal Trade Commission has been more active on this issue, sending warnings to stations regarding certain individual groups making ridiculous claims, but it is an uphill battle up a double diamond trail.

***"Anybody that has money come...Develop your community. Don't leave your money in the bank! The bank only gives you 2%! We give you 20%!"***

The WLQY program was so nefarious that it actually started with a prayer, included music and commentary by hosts and callers. The crooks that ran the show were from a company called Focus Development Center, which offered listeners a *"unique opportunity."* If listeners handed over their money for twelve months they would make a guaranteed return of greater 15%. The trick that these con-artists use is to make these shows seem as legitimate as possible, which is much easier to accomplish on radio than television for a much lower cost.

The unfortunate reality is that pay for play radio is not going anywhere. The bottom line is these cons will continue to proliferate and State Securities Regulators can only do so much to keep up. My father and father-in law were fishing recently off the Skyview Bridge in St. Petersburg, FL, they came back empty handed. My father told me that whenever they cast their bait in the water a dolphin would come up and take the bait right off the hook. We recommend that whenever you hear of any investment offer or business opportunity that either promises a *double digit return* or a *guaranteed result*, think like our bright Floridian dolphins and don't bite the hook.