

## A Word About Scams

Con artists spend a great deal of energy to extort money from their victims. Remember, if an offer seems too good to be true, it probably is. Some of the more common scams include:

- **Pump and Dump Scams**

Scam artists “pump up” little-known stocks with fraudulent insider tips. As investors buy into the stock, prices rise which lends credibility to the scheme. When the stock prices become “pumped up,” the brokers then “dump” these stocks and gain huge profits -- while trusting investors are left with huge losses.

This classic scam has also found its way onto the internet via social media. Be wary of taking stock tips from chat rooms or bulletin boards. What appears to be multiple brokers placing independent tips only may actually be a single swindler attempting to pump up a stock.

- **Ponzi Schemes**

Promoters offer high rates of return on various investments. New investors’ money is used to pay the monthly “return” to earlier investors. These satisfied investors then report the high returns to others, who invest based on the falsified high returns. There is no underlying business in a Ponzi scheme. It is a scam in which Peter is robbed to pay Paul. The scheme eventually collapses and current investors lose their money while the promoters walk away with the invested funds.

- **Affinity Fraud**

Con artists gain favor with a group of people who share the same race, religion, or background, and then take advantage of their trust by coercing them into a scam. They know the investors are loyal to their group and will likely try to resolve the problem among themselves instead of going to authorities. As a result, the con artists often profit from the reluctance of others to have them prosecuted.

## Be Wary of Key Words and Catch Phrases

If you hear these words used by your salesperson or read them in sales literature or advertising, *please think twice about investing.*

- Guaranteed return
- Absolutely safe
- High yield, low risk
- No risk
- Insured against loss
- Based on “inside” or “confidential” information
- Upcoming favorable research report
- Prospective merger or acquisition
- Dynamic new product
- Your money will double (triple) in six months.
- Licensed, bonded, and insured

*The Secretary of State’s Securities Division is responsible for regulating the offer and sale of certain types of investments known as securities. These may include many types of stocks, bonds, viatical settlement investment contracts, limited partnerships, some oil and gas investments and other investment contracts. Our major activities include the licensing of stock brokers and investment advisers as well as investigation of alleged violations of the securities laws.*

# Investing Wisely

*Investigate Before You Invest*



**Michael Watson**  
SECRETARY OF STATE

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Dear Fellow Mississippians:

Every year, unsuspecting Mississippians are swindled out of hard-earned dollars by fast talking, high pressure salespersons pitching a variety of phony investment schemes.



The money put into these fraudulent investments could have been invested in legitimate Mississippi businesses to help our State move forward and benefit investors. We encourage you to investigate before investing.

There is always some risk involved in business. Our office cannot protect you against deals that simply do not live up to expectations due to business reversals, poor management, tax changes or changing economic trends. However, we can educate you against investing in fake securities.

If a securities salesperson contacts you, ask questions. If he or she refuses to answer some or all of them, or if the answer you receive do not satisfy your questions, do not invest. If you have concerns regarding an investment firm or agent, we encourage you to contact our Securities Division at 601-359-1334. Mississippi residents may also reach us toll-free at 1-888-236-6167.

Sincerely,

**Michael Watson**

SECRETARY OF STATE

## Investigate Before You Invest

*Before putting your hard-earned cash into any investment, be sure to ask yourself the following questions:*

- **Can I afford it?**  
Make sure you only invest what you can afford to lose.
- **Are the investment, sales agent *and* investment firm all registered in Mississippi?**  
In most cases, they should all be registered with the Secretary of State's Office. Before making an investment, call the Securities Division at 601-359-1334 to ensure proper registration by all parties involved.
- **Does the investment fit my needs?**
  - Does the product offer the specific advantage and/or return I need?
  - What is the basis for the purchase price?
  - Are there limitations or penalties on the liquidation or resale of these securities?
  - Have I received, read, and understood a written prospectus for this investment?
  - What is the level of risk associated with this investment?
- **Do I understand this investment?** If you do not understand the investment you are entering into, where your money will go, or how it will be used, do not invest.
- **Am I using great care in selecting a stockbroker or investment advisor?**  
Do your homework.  
Research your stockbroker or investment advisor by asking for recommendations from friends you know to be successful investors, business colleagues, your lawyer, accountant, banker, or other professionals whom you trust.  
The Broker Check tool on the Secretary of State's website can also be used. It is available online at [www.sos.ms.gov](http://www.sos.ms.gov).
- **What do I know about the company?**
  - Where is the company located and what kind of business is it?
  - How long has the company been in business and how long has it been successful?
  - Have I been told how the company intends to use my money?
  - Are there any bankruptcies or lawsuits pending against the company or any of its officers and directors?
  - Have there been any instances where disciplinary actions were taken against the company by state or federal regulators?

**Call the Mississippi Secretary of State's Securities Division at 601-359-1334 or 888-236-6167 for more information about securities and investing in Mississippi.**