



A Word About Scams

Con artists spend lots of energy to extort money from their victims. **Remember, if an offer seems too good to be true, it probably is.** Here is a brief list of some of the more common scams:

❖ Pump and Dump Scams

Scam artists “pump” up little-known stocks with fraudulent “insider” tips. As investors buy, stock prices rise, lending credibility to the scheme. When the stock prices become “pumped up,” the brokers “dump” these stocks and get away with a fortune, while trusting investors are left with huge losses. This classic scam has also found its way onto the Internet. Be wary of taking stock tips from chat rooms or bulletin boards; what appears to be multiple brokers placing numerous tips in cyberspace may actually be a single swindler.

❖ 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 in hopes of profiting, as well. There is no underlying business in a Ponzi scheme; it is a scam in which Peter is simply robbed to pay Paul. The scheme eventually collapses, and current investors lose their money while the promoters walk away rich.

❖ 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 These Words and Catch Phrases

If you hear these words used by your salesperson or read them in the sales literature or advertising, **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 in six months”
- ❖ “Licensed, bonded, and insured”



ERIC CLARK

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STATE OF MISSISSIPPI
Office of the Secretary of State



Investing Wisely

*Investigate
Before You
Invest*



A Public Service Message from
ERIC CLARK
Mississippi Secretary of State
301 North President Street
Jackson, Mississippi 39201

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A Message from the Secretary of State

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 phony investments could have been invested in legitimate Mississippi businesses to help our state move forward and benefit investors. The Business Regulation and Enforcement Division of our office reminds Mississippians to investigate before investing. People from all walks of life can become victims of a securities swindle; it could happen to you.

There is always some risk involved in business. *Our office cannot protect you* against deals that don't live up to expectations, whether due to business reversals, poor management, tax changes, or changing economic trends. However, we can warn you against investing in fake securities.

If a securities salesperson contacts you, ask questions. If he or she refuses to answer some or any of them, or if the answers you receive do not satisfy you, hang up and do not invest. Instead, call the Business Regulation and Enforcement Division at (601) 359-1633 or (800) 804-6346. Help us put securities swindlers out of business.

Sincerely,


ERIC CLARK
Secretary of State

❖

Investigate Before You Invest

*Before putting your hard-earned cash
into any investment, be sure
to ask questions!*

❖ **Can I afford it?**

Make certain you could afford to lose your entire investment without placing undue burden on yourself.

❖ **Is the salesperson registered?**

Most individuals who offer investments must be registered with the Secretary of State. Call the Business Regulation and Enforcement Division at (601) 359-1633 or (800) 804-6364 or e-mail at regulation@sos.state.ms.us.

❖ **Is the investment registered?**

Call the Business Regulation and Enforcement Division at (601) 359-1633 or (800) 804-6364 or e-mail at regulation@sos.state.ms.us.

❖ **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 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?

❖ **Is the company offering the investment registered in Mississippi?**

Call the Business Regulation and Enforcement Division at (601) 359-1633 or (800) 804-6364 or e-mail at regulation@sos.state.ms.us.

❖ **Use great care when selecting a stockbroker or investment adviser.**

Ask for recommendations from friends you know to be successful investors, business colleagues, your lawyer, accountant, banker, or other professionals whom you may trust.

❖ **Find out 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?
- ❖ Have I received a reliable and current financial statement from the company?
- ❖ Are there any bankruptcies or lawsuits pending against the company or any of its officers and directors?



Securities Assistance

❖ **Call us at (601) 359-1633 or (800) 804-6364.**

Contact the Mississippi Secretary of State's Business Regulation and Enforcement Division for more information about securities.

❖ **The Business Regulation and Enforcement 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, and the investigation of alleged violations of the securities laws.