



ARIZONA CORPORATION COMMISSION

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CONTACT: Rebecca Wilder (602) 542-0844

Commission Identifies Traps Likely to Burn Investors this Summer

PHOENIX, AZ—With the beginning of summer, the Arizona Corporation Commission warns investors that unscrupulous promoters are using every trick under the sun to separate unsuspecting investors from their hard-earned dollars. The Commission cautions investors to screen themselves from hot energy-related tips, speculative real estate promotions, unsolicited invitations from new online “friends,” and any complicated investments that fail to provide clear disclosures of their risks and costs.

Scam artists tend to scour the headlines for hot topics that lend a cloak of legitimacy to their schemes. The recent turmoil in the credit and real estate markets has led some investors to seek higher returns in non-traditional, speculative investments—a proven feeding ground for unscrupulous promoters and salesmen. And as the housing market continues to reel from the subprime lending crisis, Commissioners caution that schemes promising large returns from various types of real estate-related investments also are increasing. Some real estate alternatives may actually be worthless real estate investments that promoters are trying to dump off to unsuspecting retail investors.

Additionally, the substantial increase in energy costs has made scams related to energy more prevalent. Not only are there shady oil and gas investments, but also scams that promise the development of new technologies to increase the efficiency of energy consumption or to extract energy from sources previously thought too expensive to develop.

Consumers should also be aware that unscrupulous individuals continue using online and social networking web sites to promote fraudulent or unsuitable investment products. Fraudsters can take advantage of free advertising on web sites as well as the fact that people readily share information online. In fact, the Commission has recently handled a number of cases where investments were advertised and promoted through online sites. Investors need to do their own research before making an investment and should not solely rely on “expert” advice given online, at a seminar or meeting.

In addition to these trends, the Commission warns that a number of known investor traps are likely to persist in the future. Investors may be enticed by fraudulent private securities offerings, mining scams, and risky promissory notes. To avoid your life savings from going up in flames, it’s best to avoid any investment pitch that pressures you to buy and leads you to put all of your eggs in one basket, especially if it’s a basket you don’t fully understand.

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission’s Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division’s investor education web site also has helpful information at www.azinvestor.gov.

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