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NEWS RELEASE

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FINANCIAL LITERACY MONTH TIP OF THE WEEK

Been Scammed? – Beware the Double Whammy – Recovery Rooms

Boise, Idaho – Gavin Gee, director of the Idaho Department of Finance today warned victims of fraudulent investment and financial products to be wary of solicitations promising to recover lost funds. "Recovery Rooms abound and have a ready client list; people that have previously purchased dubious products or dealt with spurious promoters," said Gee.

What is a Recovery Room? Recovery Room operations solicit investors who have previously been victims of financial, product, or investment fraud. The phone solicitor often confirms what their "mark" already knows or suspects – that they've been the victim of a fraudster. The caller acknowledges that the consumer has been victimized, empathize with their losses, and tells the consumer that they are pursuing financial recovery from the original fraudster on behalf of many other victims of the fraud. They then solicit the consumer to participate in their efforts to pursue the fraudster.

"Such operations almost always morph into an advance fee scheme or asset theft attempt from the previously defrauded consumer. Given their intimate knowledge of the prior fraud, it is not a stretch to imagine that a number of recovery operations are the same people that perpetrated the original financial fraud," said Gee.

How Have Idahoans Been Taken? – The Department has a long history of dealing with investment fraud and has heard many of the horror stories.

Low Priced Stock Hangovers – A few years after losing money in a "pump and dump" scheme, Idaho holders of a now nearly worthless penny stock were approached with an offer to purchase the shares at prices much higher than the going market. Prior paper losses were acknowledged with sympathy, while the caller explained that a European buyer was seeking to acquire publicly traded shares to gain control of the company. All the Idaho shareholders had to do was provide proof of ownership and account details – Oh...and they were asked to prepay the transfer commission and fees in advance of the completion of the transaction.

Mexican Timeshare Interests - Several Idahoans and others around the country own fractional timeshare interests in properties located in Mexico. Cold call phone solicitors contacted these owners with an above market offer to purchase their property interest, offering to use an escrow company located in Idaho to complete the transaction. All the timeshare owner had to do was pre-pay property transfer fees before the escrow company disbursed their funds. As it turned out, the escrow company only existed on the internet and the timeshare sellers were instructed to wire the advance fees across the border into Mexico. Those that did lost their money and the property transaction never moved forward.

One Recovery Room Too Fast To the Scene – In recent months, an Idaho investor in a recently purchased private placement security was greeted with a cold call explaining their investment was a fraud with the promise to help them recover their funds. The investor instead contacted the Department and was able to recover their investment from the original promoter. The identity and location of the cold caller was never determined.

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Making Up Time and Money – Some recovery room operators prey on your need to make up for prior losses. They acknowledge that you had a bad investment experience, even naming the product and the promoter, and work to impress you with their credentials. They then offer a “legitimate” product that will help you offset your earlier losses and maybe even make you whole if you commit enough money.

What Can You Do To Reduce Your Risk of Recovery Room Losses? Avoiding fraudulent investment and financial products is not always easy, and recovery room pitches seem sincere and directed at helping you. Even so, you must remain skeptical and wary.

Ask questions and check out the answers – Do some independent research to help you know who you are dealing with and where they are located. Most securities transactions are done through registered or regulated entities. If it is an investment product, contact the Department of Finance. For other products, check with the appropriate regulators to see if they have any information that can help you.

NEVER pay any advance fees - Yes, there are some legitimate transactions that may require some up front contributions – they are rare. Such requests should be from legitimate and regulated or licensed entities or individuals, such as an attorney whose license can be verified. Just because someone says they are legitimate does not mean that they are. Just because they have a nice webpage does not mean that they are real. If they are overseas, do not chance it without a thorough and totally independent professional background check.

Beware the follow-up Request To “Save” your investment – Avoid the temptation to send more funds when you suspect a problem. Initial promoters AND recovery room operators rely on our unwillingness to just write off a bad deal – this makes us susceptible to the threat of losing our entire investment or recovery if we cannot come up with just one more payment to make things turn out right. Often when consumers take this bait, they are met with another request for additional funds in the coming days and months.

Never be afraid to complain – If you suspect fraud or cannot get a straight answer to your investing questions, don’t feel embarrassed or concerned about how others may judge you. There are many agencies involved in protecting investors that may be able to help. Perhaps you can save a friend or neighbor from a similar fate just by sharing your experiences.

Investors can contact the Department at (208) 332-8004 or by visiting <http://finance.idaho.gov> for more information.

*Department of Finance Press Releases and a **Financial Literacy Month Calendar of Events** can be found on the Internet at www.finance.idaho.gov and may be obtained by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.*