

ALABAMA SECURITIES COMMISSION

Post Office Box 304700

Montgomery, Alabama 36130-4700

Telephone: (334) 242-2984 or 1-800-222-1253 Fax: (334) 242-0240

Email: asc@asc.alabama.gov Website: www.asc.alabama.gov

**ALABAMA SECURITIES COMMISSION CAUTIONS FRAUD VICTIMS ABOUT
THIRD-PARTY ASSET RECOVERY FIRMS**

Firms May Offer Fraud Victims Little More Than False Hope for a Fee

MONTGOMERY, ALABAMA (December 10, 2015) — The Alabama Securities Commission (ASC) today issued an advisory recommending victims of investment fraud to use caution when approached by companies promising to help them recover their money or bring the perpetrator to justice – for a fee.

Many of these third-party asset recovery companies are not law firms, although they may advertise that they can provide legal assistance, the advisory said. Typically, the targeted investors have lost thousands of dollars, perhaps their entire life's savings, to fraudulent investment schemes.

“These companies give investors false hope that they will recover lost funds. In reality, the investment scheme is often so old that the company is either defunct or bankrupt, and recovery is very unlikely,” said Director Joseph P. Borg. “It pays to remember the old adage: ‘once bitten, twice shy’.”

In an example spotlighted in the advisory, a third-party asset recovery company took a sizeable upfront fee from an elderly investor in exchange for filing a complaint with state and federal regulators in an attempt to recover losses on an oil and gas investment that occurred eight years prior. “Little did the investor know, but the perpetrator of the investment scam was already serving time in prison for fraud and had been for several years,” the advisory said. It was also discovered by state securities regulators that the asset recovery company named the wrong perpetrator in the complaint; thereby taking a fee to file an erroneous claim.

The advisory said third-party asset recovery firms typically approach fraud victims through an unsolicited telephone call or email promising to recoup lost investment funds for an upfront fee. Once hired, the firm may send demand letters to the perpetrators of the initial investment scheme, then file a boilerplate complaint with state and federal regulators on behalf of the defrauded investor.

“Often, the information contained in these complaints relates to companies that are no longer in business, have filed for bankruptcy, or have already been subjected to previous regulatory action. Sometimes the complaints are based upon information that is too old for legal action,” the advisory said. “In the end, the investor risks becoming victimized for a second time.”

The advisory may be viewed at www.asc.alabama.gov in the News Publications area. The advisory includes information to help investors understand how third-party asset recovery firms operate and areas to consider if approached by such a firm, including: its fees; how its investigation will be conducted; what legal services it provides; how it coordinates with securities regulators; and its discussion of recovery.

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management

programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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