Key Topics:

- Green energy investment scams
- Alternative, renewable or waste energy products
- "Pump and dump" fraud
- Ponzi schemes
- Unsolicited faxes, emails, text messages
- Investment seminars and webinars

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Save Your Greenbacks— Don't Fall for Green Energy Scams

It seems like everybody's going green these days—even fraudsters. However, the "green" they are after is your money.

FINRA is issuing this Alert to warn investors about green energy investment scams that dangle the promise of large gains from investing in companies purportedly involved in developing or producing alternative, renewable or waste energy products. To avoid putting your portfolio in the red, learn how to spot potential green energy scams and know where to turn for help.

Spotting Potential Green Energy Investment Scams

There are legitimate and not-so-legitimate green energy investments. Like many investment scams, green energy investment pitches may arrive in a variety of packages—from fax, email or text message solicitations to webinars, infomercials, tweets or blog or message board posts. Regardless of how you first hear about them, green energy ploys typically contain classic red flags of fraud.

In particular, fraudsters may try to lure you with very aggressive, optimistic and potentially false and misleading statements or press releases that create unwarranted demand for shares of some small, thinly traded company. The con artists behind the scam can then sell off their shares, leaving investors with worthless stock. This is what's known as a "pump and dump" fraud.

One solar panel stock, for example, was touted as "set for a 200% gain." A different stock in a China-based wind-power company was extolled as a "one in a million" opportunity that could quickly climb to "51X its current level." In another instance, an investment-related blog praised a company with a hydrogen-based solution, claiming the stock "soared 500% in one week" and suggesting a nexus between federal energy research and the company's prospects for growth. Specifically, the blogger noted: "The U.S. Government has a hydrogen initiative. Billions are being spent on hydrogen technologies. "[The company] is again at the right place at the right time." And promoters for the stock of a company involved in green patents claimed "it doesn't make any sense to buy Nokia or Intel as these are stocks will never rise 1,000% or more like [the touted stock] could."

Other fraudsters might use green investing as a fashionable hook for a different type of fraud: a Ponzi scheme, where the scammer uses incoming funds from new investors to pay purported "returns" to earlier stage investors. In one recently filed case, the Securities and Exchange Commission alleges that promoters of purported eco-friendly investment opportunities lured 300 investors into a $30 million Ponzi scheme, encouraging participants to finance such "green" initiatives of Mantria Corporation as a supposed "carbon negative" housing community in rural Tennessee and a "biochar" charcoal substitute made from organic waste. Investors were falsely promised returns ranging from 17 percent to "hundreds of percent" annually. The scammers encouraged investors attending seminars or online webinars to liquidate their traditional investments such as retirement plans, stocks, bonds, and mutual funds. Investors also were urged to borrow as much as possible against their home or business so that they could invest in Mantria. But, according the SEC's complaint, Mantria did not generate any income from which such extraordinary returns could be paid.

Scam Tip-offs

How do you spot potential scams and distinguish frauds from legitimate investment opportunities? Rip off tip-offs include:

- Unsolicited communication such as faxes, emails, text messages tweets, and strategically placed "opinions" in blogs and message boards, usually related to a very low-priced stock.
- Seminars and webinars that use short-term incentives and bonuses, along with aggressive sales tactics, to encourage you to liquidate your current savings and go "all in" on a new investment initiative.
- Price targets or predications of swift and exponential growth.
- The use of facts from respected news sources to bolster claims of the size of the market for a new product or technology ("this is a billion dollar market...").
- Mention of associations with or actions by federal and international governments that bolster a company's product or service ("The President wants hydrogen to be part of the solution for Detroit...").
- References to actions by well-known companies used to justify growth of the company being touted. When a large oil company launched a "nitrogen-enriched" gas, this was quickly seized upon to validate the business prospects of a touted company, even though there was no direct link between the two.
- Claims that they're the next big thing. Companies that, despite having not produced any revenue to date, are purported to have a new technology that will allow it to dominate the energy marketplace. ("Company XYZ will be the Exxon of the 21st century...")
- Products that are only in the development stages or that claim "working prototypes" but no actual products on the market.
- Unverifiable claims of enormous energy efficiency.
- Pressure to invest immediately.

Smart Thinking

Never rely solely on information you receive in an unsolicited fax, email, text message or tweet—or in a blog post or online thread. It's easy for companies or their promoters to make glorified, unsubstantiated claims about new products, lucrative contracts, or the company's revenue, profits, or future stock price.

How to Avoid Being Scammed

One sure-fire way to avoid being taken in by an unsolicited recommendation is to ignore it—regardless of how it comes in. Someone claiming to be an unbiased observer—whether in a fax, email, text message or blog post—could very well be a paid promoter or con criminal. Especially online, a single person can use multiple aliases to create the illusion of widespread interest.

To steer clear of potential scams, follow these tips.

1. **Consider the source.** Never rely solely on information you receive in an unsolicited fax, email, text message or tweet—or in a blog post or online thread. It's easy for companies or their promoters to make glorified, unsubstantiated claims about new products, lucrative contracts, or the company's revenue, profits, or future stock price.
2. **Always ask: "Why me?"** Another tip-off that you're potentially being scammed is that the message is unsolicited, which raises the obvious question: Why would a total stranger tell you about a really great investment opportunity? The answer is that there is no such opportunity. In many scams, those who tout the stock are corporate insiders, paid promoters or substantial shareholders who profit handsomely if the company's stock price goes up.
3. **Exercise some skepticism.** Scammers are very adept at making their pitches appear real, including the use of slick videos and Web sites. Be extremely wary of any pitch that suggests immediate pay-offs, especially if the investment involves a start-up company or a product or service that is still in development. Even technologies that show promise might be years or decades away from coming to market—let alone turning a profit.
4. **Find out where the stock trades.** Most unsolicited recommendations involve stocks that cannot meet the listing requirements of a major national exchange, such as The Nasdaq Stock Market or the New York Stock Exchange. Instead, these stocks are usually quoted on the OTC Bulletin Board (OTCBB) or in the Pink Sheets. There are important differences between the OTCBB and the Pink Sheets and The Nasdaq Stock Market or a stock exchange.

   For instance:

   - There are no minimum financial and other quantitative standards that must be met by a company to have its securities quoted on the OTCBB or in the Pink Sheets. While OTCBB issuers must remain current in their filings with the SEC or applicable regulatory authority, many Pink Sheet companies have no obligation to file annual or quarterly reports or to publicly disclose current material information.
   - Many of the securities quoted on the OTCBB or in the Pink Sheets don't have a liquid market. Instead, they are traded infrequently and can jump up or down in price quickly. This can make it difficult to sell your security later.
5. **Read a company's SEC filings, if available.** Most public companies file reports with the Securities and Exchange Commission (SEC). Check the SEC's EDGAR database (*www.sec.gov/edgar.shtml*) to find out whether the company files with the SEC. Read the reports and verify any information you have heard about the company. But remember that the fact that a company has registered its securities or has filed reports with the SEC does not mean that it will be a good investment.
6. **Check out the person touting the stock or investment.** A legitimate investment salesperson must be properly licensed, and his or her firm must be registered with the Financial Industry Regulatory Authority (FINRA), the SEC or a state securities regulator—depending on the type of business the firm conducts.

   To check the background of a broker, use FINRA BrokerCheck. (*www.finra.org/brokercheck*) For an investment adviser, use the SEC's Investment Adviser Public Disclosure Web site. (*www.adviserinfo.sec.gov*) Also, be sure to call your state securities regulator. You can find that number in the government section of your local phone book or by contacting the North American Securities Administrators Association (NASAA). (*www.nasaa.org*)

If a Problem Occurs

If you believe you have been defrauded or treated unfairly by a securities professional or firm, please send us a written complaint. And if you suspect that someone you know has been taken in by a scam, be sure to give us that tip. Here's how:

Online:

File a Complaint (for you)
www.finra.org/complaint

Send a Tip (for others)
www.finra.org/fileatip

Mail or Fax:

FINRA Complaints and Tips
9509 Key West Avenue
Rockville, MD 20850
Fax: (866) 397-3290

Additional Resources

FINRA Investor Alert: *Avoiding Investment Scams*

FINRA Investor Alert: *Save Your Money and Energy—Don't Fall for Energy Stock Scams*

SEC Press Release: *SEC Charges Promoters of "Green" Investments With Operating $30 Million Ponzi Scheme Based in Denver Area*

SEC Publication: *Oil and Gas Scams: Common Red Flags and Steps You Can Take to Protect Yourself*

FINRA Risk Meter
www.finra.org/meters/risk

FINRA Scam Meter
www.finra.org/meters/scam

Fighting Fraud 101: Smart Tips for Older Investors

To receive the latest Investor Alerts and other important investor information sign up for Investor News at ***www.finra.org***.

1735 K Street, NW
Washington, DC 20006-1506
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Investor Resources

FINRA Investor Information—Investor Alerts, tools and much more to help you invest smarter and safer.

- Investor Alerts
- Smart Saving for College
- Mutual Fund Expense Analyzer
- Smart Bond Investing
- Smart 401(k) Investing
- Financial Calculators

Web site: *www.finra.org/investor*
Phone: (202) 728-6964

FINRA Market Data—Data on equities, options, mutual funds and a wide range of bonds, including real-time corporate bond prices and FINRA-Bloomberg Bond Indices.

Web site: *www.finra.org/marketdata*

FINRA BrokerCheck—Check the background of a broker or brokerage firm.

Web site: *www.finra.org/brokercheck*
Toll Free: (800) 289-9999

FINRA Investor Complaint Center—If you feel you've been treated unfairly.

FINRA Investor Complaint Center
9509 Key West Avenue
Rockville, MD 20850-3329

Web site: *www.finra.org/complaint*
Fax: (866) 397-3290

FINRA Dispute Resolution—If you seek to recover damages.

FINRA Dispute Resolution
One Liberty Plaza
165 Broadway, 27th Floor
New York, NY 10006

Web site: *www.finra.org/ArbitrationMediation*
Phone: (212) 858-4400
Fax: (212) 858-4429

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FINRA, the Financial Industry Regulatory Authority, is an independent regulatory organization empowered by the federal government to ensure that America's 90 million investors are protected. Our independent regulation plays a critical role in America's financial system—at no cost to taxpayers. We register brokers and brokerage firms, write and enforce rules governing their activities, examine firms for compliance, and foster market transparency and educate investors. For more information, visit ***www.finra.org***.