



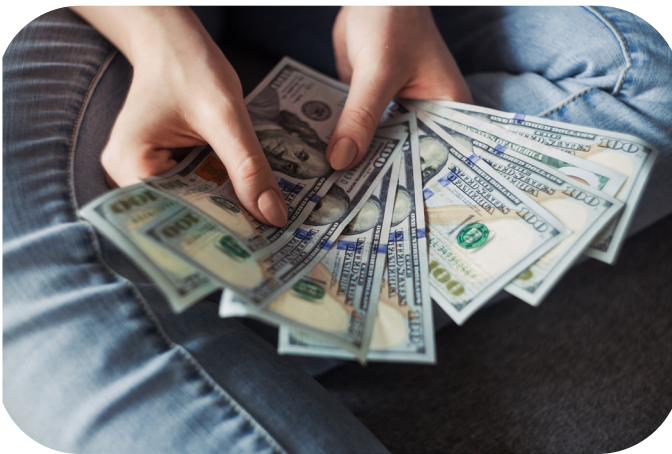
Investment Frauds & Schemes

Investment Property Schemes:

- The scams, sometimes pitched as “investment clubs”, involve the purchase of properties at artificially inflated prices, pitched as investment opportunities to naïve real estate investors who are promised improbably high returns and low risk.

Ponzi Schemes:

- The product being offered can be anything—foreign exchange, a stock trading model, securitized instrument, investment pool, precious metal, etc.
- High returns are usually promised.
- Risk is often minimized.
- There is often no legitimate product.
- Previous investors receive profit from payment of money by new investors.



Private Placements:

- A “private placement” is an offering of unregistered securities to a small or limited pool of investors.
- In a private placement, a company sell shares of stock or interest in the company, such as warrants or bonds, in exchange for cash from the investor.

Promissory Note Schemes:

- A promissory note is a form of debt – similar to a loan or an IOU– that a company may issue to raise money.
- Typically, an investor agrees to loan money to a company for a set amount of time. In exchange, the company promises to pay the investor a fixed return on his or her investment typically principal plus annual interest.
- While promissory notes can be legitimate investments, those that are marketed broadly to individual investors often turn out to be scams.

Unregistered Persons :

- Unregistered persons who sell securities perpetrate many of the securities frauds that target retail investors.
- Always check whether the person offering to sell you an investment is registered and properly licensed, even if you know him or her personally.

To learn more, contact the Connecticut Department of Banking:

Connecticut Department of Banking Securities and Business Investments Division
260 Constitution Plaza, Hartford, CT | 1-800-831-7225 | CT.gov/dob

