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SECURITIES DIVISION CAUTIONS FRAUD VICTIMS TO BE WARY OF THIRD-PARTY ASSET RECOVERY FIRMS

SANTA FE, N.M. – The Securities Division New Mexico Regulation and Licensing Department is advising 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. 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," stated Regulation and Licensing Superintendent Mike Unthank.

In an actual complaint, 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," said Unthank. 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.

A 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 and 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

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upon information that is too old for legal action,” Unthank said. “In the end, the investor risks becoming victimized for a second time.”

Things to consider before hiring a third party asset recovery company:

- **Fees** – What is the service going to cost? Some firms charge an upfront fee between \$2,500 and \$10,000 or use a sliding scale based on the amount of the original investment.
- **Investigation** – What information will you receive? Promises to gather information usually only include compiling data available from public sources.
- **Legal services** – What does this mean? Often these companies lack the legal expertise to advise you on all of your available legal options or to initiate a class action lawsuit. Most are unable to negotiate beyond a demand letter.
- **Coordination with state, federal or provincial regulators** – In fact, these companies file boilerplate complaints on behalf of investors that contain little information useful to a regulator. These companies mislead you into paying for a service that is available for free through your local regulator.
- **Promise of recovery** – 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.

How to Protect Yourself

- If you find yourself the victim of investment fraud, contact the New Mexico Regulation and Licensing Department, Securities Division and file a complaint.
- Remember, most defrauded investors rarely recover any lost funds. If any money is recovered, it is usually only pennies on the dollar.
- Read the fine print of any contract for service before you provide the company your money. Ask for specifics on what services they are providing for the fee.
- Consider whether you can risk losing more money for the possibility that the company may not be successful in recouping anything on your behalf.
- If the firm alludes to providing legal services, such as filing a class action lawsuit, ask for the names and license numbers of the attorneys who work at the firm and verify their licensure with the appropriate state bar association or provincial equivalent.

The Securities Division protects New Mexicans from fraud and financial abuse by licensing investment professionals, registering securities offering made in the state, offering anti-fraud and educational programs to the public, and investigating fraud and other violations of the state securities laws. To learn more about investment fraud, and read the latest advisory, visit the division’s website at www.redflagsonm.com.

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