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Beware of Facebook Investing Scams



Follow these four tips to spot -- and avoid -- fraudulent offerings of pre-IPO shares.

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Psst ... How would you like to buy shares of Facebook before the privately held social-networking company goes public? It sounds like a great opportunity. But if you get a pitch like this, it might be a scam.

The Financial Industry Regulatory Authority is warning investors to watch out for schemes that offer access to pre-IPO shares of Facebook and other well known social media companies. "Investors might think they are getting in on the ground floor of innovative social media companies, but instead find that they may have handed over real money for non-existent shares. Any investor who receives an unsolicited offer to invest in a pre-IPO company should walk away," said John Gannon, FINRA senior vice president for investor education.

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Companies can sell unregistered shares before an initial public offering of their stock. In fact, Lawrence Carrel recently wrote a Stock Watch column for Kiplinger.com about [how to buy into Facebook before it goes public](#). Because there are legitimate ways to buy pre-IPO shares, it's important to know how to spot - and avoid -- fraudulent offerings. FINRA offers these tips:

Avoid unsolicited offers. If you get an e-mail or a message on Facebook from someone you don't know about an offer to buy shares of a company before it goes public, ask yourself why a total stranger would want to tell you about a really great investment opportunity.

Don't fall for persuasion tactics. Almost all pre-IPO scams dangle the prospect of exclusive access to eye-popping returns at a discount if you act quickly.

Do a background check. Verify whether the person touting pre-IPO shares is licensed. FINRA has a free [BrokerCheck tool](#) to help you research brokers and firms. And you may be able to dig up information about the person or solicitation using a search engine.

Get a second opinion. If you get a tip about an investment opportunity, seek an unbiased second opinion from a licensed investment professional or an attorney before making any moves.

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