

## **Key Questions Before Investing**

Is the security properly registered with the Utah Division of Securities or federal government?

If the company is properly registered, you should be able to find the company in the Division's online database or the S.E.C.'s Edgar database. If the company says it is exempt, they should be able to provide you with a legal citation of the law that they are relying upon for exemption. If they cannot, the security is likely illegitimate and you should not invest.

How liquid is the investment if I need the money back before the note matures?

Most notes are illiquid and cannot be redeemed until maturity. This often makes it difficult to identify problems with your investment until your principal is to be repaid. It is only at this late date that you may discover that your investment has failed and there is no money to be paid to you. Due to their not being listed on any exchange, there is rarely any secondary buyer for the notes and if the issuer is having financial difficulties they will be unwilling to cash out your note.

Have you been offered some disclosure document?

To help you perform the proper due diligence before investing, you should be provided a private placement memorandum, private offering memorandum, or some other document that fully details information about the investment, including: its managers, its financials, its track record, its investment strategy, and the risks associated with that strategy. Like a mutual fund's prospectus, an investment's disclosure document should be substantial in length (typically 30 to 60 pages).

Is the person selling the investment licensed as an agent? Do they need to also license as an investment adviser?

Individuals selling investments in the state of Utah are almost always required to license as an agent. In many instances, they will also be required to be employed for a broker-dealer or the company who is selling the note. To verify whether the individual is licensed, or the company employing the individual is properly licensed, please contact the Utah Division of Securities.

Have you researched the company and those offering the investment?

Before investing you should research the principles of the company and those selling the investment. The first step may be a simple search on google.com or bing.com to find any information, but you should also contact the Utah Division of Securities. You may search other regulators, such as real estate or insurance. Greater due diligence may require looking for any court records for criminal or civil matters.

Does the investment's history of returns seem to be too good to be true? Do they always pay what was promised?

Don't confuse payment of interest with a successful investment. Often interest is paid from the soliciting of new moneys from new investors. (Ponzi link)

The risk/reward principal dictates that the higher the return, the greater risk. You should compare you stated interest return to bank Certificate of Deposits and Corporate Bonds. Historically, an exceptional fixed rate of return is 3-5 percent per year (above inflation). An investment boasting a rate of return of 10-20 percent per month is not sustainable or viable. While such returns are suspect on face, even if they were accurate, they would reflect serious risks. In short, if it's too good to be true, it probably is.

Is the note collateralized with some real property?

Promoters will often use words like "guaranteed" or "risk free" due to the pitch the investment is backed by some real property. They may also claim it is not a security due to this collateralization. Remember, if your name is not on the title or asset being promised as the property backing the investment, you will have a difficult time collecting. That said, even if you do gain title to the property, can you sell it or is it encumbered (bank or tax lien).