



HOW TO ASK AND CHECK BEFORE YOU INVEST

Before making any investment, make certain the person selling it to you is registered with a securities regulator. Many investors, however, neglect this important step because either they do not know where to get background information or they think that they already know the salesperson and don't think a check is necessary. As a result, some investors are surprised to find out that the person, investment opportunity, or company is not authorized to sell investments. The guidelines below highlight the important questions you need to ask and where you can verify the answers before handing over your investment dollars.

Get it in Writing!

Whatever the salesperson tells you about him or herself, about the investment being offered to you, or about the company offering the investment, get what you are told in writing. Anyone offering an investment opportunity should give you an offering memorandum—a complete description of the investment and the people and risks involved with the investment. Read it. If the memorandum makes your eyes glaze over, have an accountant, a lawyer knowledgeable in securities law, or another objective third party to read the offering memorandum.

Ask Questions about Your Adviser or Salesperson

When you are dealing with someone who is offering you an investment opportunity, insist that he or she answer your questions in writing. Ask the following:

- ✓ Are you registered or licensed to sell securities? If so, what is your registration number? If not, why not?
- ✓ What commission or fee will you earn if I buy the investment?
- ✓ Who or what entity will be paying you?
- ✓ Will you be receiving any benefit other than your commission or fee?
- ✓ Are you related to or involved with the investment in any other way than recommending that I buy it?
- ✓ Have you ever been sued, disciplined, or had any complaints filed relating to your work as a salesman or adviser?

Do Your Due Diligence—Verify License Status and Disciplinary History

Check the investment professional's license or registration status by contacting the Investigator on Duty at the Arizona Corporation Commission's Securities Division by telephone at **602-542-0662** or toll free within Arizona, **1-866-VERIFY-9 (837-4399)**. You can email your inquiry to: **SecuritiesDiv@azcc.gov**.

As an online resource, you can obtain a CRD/IARD report from the Financial Industry Regulatory Authority's (FINRA) BrokerCheck at **www.finra.org** to determine license status and disciplinary history an investment professional. When conducting your search, look for public disclosures regarding BOTH the individual and the company as the company may have legal actions taken against it that are not disclosed by the individual.

What is a CRD/IARD report?

The Central Registration Depository (CRD) is a national, computerized database that hold licensing and registration information as well as disciplinary history on registered representatives (commonly known as stockbrokers) and securities dealers (commonly known as brokerage firms). The Investment Adviser Registration Depository (IARD) is a national, computerized database that facilitates investment adviser registration, exempt reporting adviser filing, regulatory review, and the public disclosure information of investment adviser firms.

Available Disciplinary History

Besides information regarding employment history, licensing or registration status, a CRD/IARD report will contain the following types of disciplinary information:

- Final disciplinary actions taken by a securities regulator (state, federal or FINRA, a self-regulatory organization).
- Civil judgments and arbitration decisions in securities and commodities disputes involving public customers.
- Criminal convictions or indictments against registered or licensed brokerage firms and their associated persons.
- Settlements of \$10,000 or more (prior to 5/18/09) among the parties of arbitration, civil litigation or investment-related complaints.
- Settlements of \$15,000 or more (after 5/18/09) among the parties of arbitration, civil litigation or investment-related complaints.
- Employment terminations after allegations involving violations of investment-related statutes or rules, fraud, theft, or failure to supervise investment-related activities.
- Bankruptcies filed within the last 10 years and outstanding liens and judgments.
- Pending investment-related complaints initiated by a customer that involve \$5,000 or more in damages.
- Pending investment-related complaints initiated by a customer that involve forgery allegations, theft, misappropriation or conversion of funds/securities.
- Pending disciplinary actions taken by industry regulators that relate to securities or commodities business.

How to Request a CRD/IARD Report

To obtain a CRD/IARD report, contact the **Investigator on Duty** at the Commission's Securities Division by telephone at **602-542-0662**, toll free in Arizona, 1-866-VERIFY-9 (837-4399), or by email at **SecuritiesDiv@azcc.gov**.

Also, you can contact FINRA at **1-800-289-9999** or visit its website, **www.finra.org**. Keep in mind, however, that FINRA does not report certain types of information that may be available through the Commission's Securities Division.

Ask Questions about the Investment

Besides inquiring about the type of business in which you are investing, ask your salesman or adviser to explain how the investment will generate the promised returns. If you don't understand how the investment works or if the person selling the investment tells you that it's too complicated and not to worry about it, don't invest.

One of the important questions about the investment is whether it is registered with a state or federal securities regulator. Contact the Securities Division's Investigator on Duty at **602-542-0662** to verify the investment's registration status and if a notice regarding an exemption from registration is on file with a regulator.

Remember, the fact that a particular investment is registered, or exempt from registration, is not a guarantee as to how that investment will perform or if it's appropriate for your financial situation. To determine if the investment is appropriate for you in terms of risk and return, seek the assistance from an accountant, attorney or independent adviser.

Additionally, ask the person selling the investment to show you in writing the answers to the following questions:

- ✓ Is the investment liquid? Can I sell it whenever I want?
- ✓ Do I have to hold the investment for a specific period of time?
- ✓ Will I receive a dividend, interest, or stream of income? If so, how much?
- ✓ Will I pay a penalty if I need to sell the investment earlier than expected?
- ✓ What other factors may jeopardize the ability to recover my investment and make a return?
- ✓ Do the managers responsible for operating the business have the necessary skills, experience and training to do so?
- ✓ Does the business entity have an established and verifiable business history?
- ✓ What are my rights as a creditor or an owner if the company goes bankrupt?



Do your homework!

- ✓ Check the public records of the bankruptcy court to see if any of the people or entities involved have filed bankruptcy.
602-640-5800 (Phoenix)
928-783-2288 (Yuma)
520-620-7500 (Tucson)
- ✓ Contact the Better Business Bureau about them to see if the entities involved are members and if any complaints have been filed.
www.phoenix.bbb.org
602-264-1721 or toll free, 1-877-291-6222

- ✓ Contacts the Arizona Corporation Commission's Corporations Division to determine if the corporations involved are in good standing and have filed annual reports, which list financial, officer and director information. Note that Arizona corporations are required by law to file annual reports with the Commission.

**www.azcc.gov/divisions/corporations
602-542-3026 (Phoenix)
800-345-5819 (outside Metro Phoenix)**

- ✓ Contact the Office of the Arizona Attorney General's office to see it has any information about the people or entities involved.

**www.azag.gov
602-542-5763**

- ✓ Contact Arizona regulators to verify appropriate licenses and registration and if the promoters have any disciplinary histories.

**Arizona Department of Real Estate
www.re.state.az.us
602-468-1414**

**Arizona Department of Insurance
www.azinsurance.gov
602-364-2499 or 1-800-325-2548 (outside Maricopa County)**

**Arizona Corporation Commission—Securities Division
www.azcc.gov/divisions/securities
602-542-0662**

- ✓ Take some time to review materials from objective sources that discuss the type of investment that you are considering:

**Arizona Corporation Commission—Securities Division
www.azinvestor.gov**

**Financial Industry Regulatory Authority
www.finra.org**

**U.S. Securities and Exchange Commission
www.investor.gov**

Free Investor Resources

For more information on wise investing and other investment products, visit the Investor Resource Center, www.azcc.gov/azinvestor. To request a presentation for your group call the Investor Education Coordinator at 480-204-4180 or email at Info-azinvestor@azcc.gov.

