



Utah
Department
of Commerce
Division of Securities

PROVIDING INVESTORS WITH THE INFORMATION AND
RESOURCES THEY NEED TO MAKE INFORMED
DECISIONS ABOUT THEIR INVESTMENTS.



Investor news

Fall 2015

Don't Respond...Just Delete

The Financial Industry Regulatory Authority (FINRA) is issuing this alert to warn investors to be wary of stock promotions sent through popular messaging apps such as WhatsApp that allow users to almost instantly exchange messages. The messages could be coming from fraudsters looking to trick unsuspecting investors.



Scam Details

In recent weeks, scammers have been using messaging apps to transmit spam messages that promote penny or "microcap" stocks. Recently, WhatsApp users were flooded with text messages touting Avra, Inc. (OTC: AVRN). The messages appeared to be sent from individuals at well-known brokerage firms. Using only a first name ("Hi it's Will at XYZ firm..."), the text would talk up the stock. One message claimed AVRN was "going to double in the next few days." Another said it "is going up 300% next week."

Same Scam, Different Technology

This is a variation of the pump-and-dump scam, where fraudsters use spam—in this case transmitted through the mass push feature of a messaging app—to tout a stock. The buying that follows will "pump" up the price—until the fraudsters "dump" their shares by selling them at a peak. Once the fraudsters stop hyping the stock, the price typically falls dramatically—and investors lose their money or are left with worthless, or near worthless, stock.

Users of app messaging services should treat these messages with extreme caution. When it comes to pump-and-dump spam, the smartest play is the easiest. Don't respond—just delete.

For more education on other related topics, visit:

securities.utah.gov

Consumer Protection Alert Data Collection from Kids' Apps

What information are kids' app developers collecting, who are they sharing it with, and what are they telling parents about their practices?

As reported in 2012, the Federal Trade Commission (FTC) kids' app survey found that only 20% of apps had a link to a privacy policy available to parents before downloading the app. Many apps shared kids' information with third parties without telling parents.

Furthermore, Moms and Dads had little or no access to information about the apps' privacy practices. That put parents in a bind since it made it nearly impossible to evaluate an app's privacy practices *before* downloading – in other words, before they had paid for it and before the app started to collect information about their kids.

A 2015 new survey by the FTC looked at 364 kids' apps in Google Play and the Apple App Store, and examined what privacy disclosures are available to parents. The new survey found that developers are now doing a better job, with more than 45 percent having a direct link to their privacy policy on their app store page. For many kids' apps, however, parents still don't have an easy way to learn about their data collection and usage practices.



Whatever the reasons for the increase in direct links to kids' app privacy policies, it's a step in the right direction. That said, a significant portion of kids' apps still leave parents in the dark about the data collected about their children – so there's more work to be done. Furthermore, for improved disclosures to have any value, they must accurately reflect what the app is up to.

For additional information, check out: ftc.gov

Hot Topics
for
Savvy Investors

Investing in REITs

What are REITs?

A **REIT**, or real estate investment trust, is a company that owns – and typically operates – income-producing real estate or real estate-related assets. The income-producing real estate assets owned by a REIT may include real assets (e.g., an apartment or commercial building) or real estate-related debt (e.g., mortgages). Most REITs specialize in a single type of real estate – for example, apartment communities. There are retail REITs, office REITs, residential REITs, healthcare REITs and industrial REITs, to name a few.

What is the difference between publicly traded REITs and non-traded REITs?

Publicly traded REITs (also called *exchange-traded REITs*) are registered with the SEC, file regular reports with the SEC and are listed on an exchange such as the NYSE or NASDAQ. As with stocks listed on an exchange, you can buy and sell a publicly traded REIT with relative ease.

In contrast, there are also *non-traded REITs* that are registered with the SEC, file regular reports with the SEC, but are **not** listed on an exchange and are **not** publicly traded. An investment in a non-traded REIT poses risks different than an investment in a publicly traded REIT.

Some risks of non-traded REITs to consider

Lack of liquidity. Non-traded REITs are illiquid investments, which mean that they cannot be sold readily in the market. Instead, investors generally must wait until the non-traded REIT lists its shares on an exchange or liquidates its assets to achieve liquidity. These liquidity events, however, might not occur until more than 10 years after your investment. **For these reasons, investors with short time horizons or who may need to sell an asset to raise money quickly may not be able to do so with shares of a non-traded REIT.**

High fees. Non-traded REITs typically charge high upfront fees to compensate a firm or individual selling the investment and to lower their offering and organizational costs. **These fees can represent up to 15 percent of the offering price, which lowers the value and return of your investment and leaves less money for the REIT to invest.** In addition to the high upfront fees, non-traded REITs may have significant transaction costs, such as property acquisition fees and asset management fees.

Distributions may come from principal. Investors may be attracted to non-traded REITs by their high distributions, which may be referred to as dividend yields, compared to other

investment options, including publicly traded REITs.

Non-traded REITs may use offering proceeds, which includes the money you invested, and borrowings to pay distributions. This practice reduces the value of the shares and reduces the cash available to the REIT to purchase real estate assets.

Lack of share value transparency. Because non-traded REITs are not publicly traded, there is no market price readily available. Consequently, it can be difficult to determine the value of a share of a non-traded REIT or the performance of your investment. In addition, any share valuation will be based on periodic or annual appraisals of the properties owned by the non-traded REIT, and therefore may not be accurate or timely. **As a result, you may not be able to assess the value or performance of your non-traded REIT investment for significant time periods.**

Conflicts of interest. Non-traded REITs are typically externally managed – meaning the REITs do not have their own employees. In addition, the external manager may manage or be affiliated with other companies that may compete with the REIT in which you are invested or that are paid by the REIT for services provided, such as property management or leasing fees.

Where can I get information about a non-traded REIT?

When offered an opportunity to invest in a non-traded REIT, your financial professional should provide you with a copy of a *prospectus* for the investment. **You should carefully review the prospectus and any prospectus supplements before making any investment decision.** The prospectus and any supplements can also be found through the SEC's EDGAR database usually identified as a "424B3" filing.

Non-traded REITs that are registered with the SEC also must regularly file quarterly and annual reports detailing the financial results of the non-traded REIT. These reports can be found on the SEC's EDGAR database and are identified as a Form 10-Q for a quarterly report and a Form 10-K for an annual report. Forms 8-K may also be filed in connection with the occurrence of certain events that require disclosure. **You should carefully review these reports before investing.**

To view a chart comparing REIT types, visit: investor.gov/news-alerts/investor-bulletins/investor-bulletin-non-traded-reits-0



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News for Educators



Fall Semester Registration Available at:
stockmarketgame.org

Fall Semester 2015 Student Game Dates: Oct. 13-Dec. 18, 2015
Fall Semester 2015 Awards Banquet: January 22, 2016
Spring Semester Teacher Training: January 12, 2016
Spring Semester Teacher Promo Game: January 11-30, 2016
Spring Semester Game for Students: Feb. 12-Apr. 22, 2016

For additional info, visit: securities.utah.gov/investors/stockmarketgame.html