



North Carolina

Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

Securities Division



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Ephren Taylor, II, Pleads Guilty to Conspiracy to Commit Fraud *Raleigh Co-Defendant, Wendy Jean Connor, also Pleads Guilty*



Ephren Taylor, II

On October 8, 2014, Ephren Taylor, II, pleaded guilty in federal district court in Atlanta, GA, to conspiracy to commit mail and wire fraud by defrauding hundreds of victims of their retirement savings. In a separate hearing, co-defendant Wendy Connor, of Raleigh, NC, also pleaded guilty to interstate transportation of money taken by fraud.

[Editor's Note: The NC Department of the Secretary of State Securities Division issued a Final Cease and Desist Order against Taylor and his various companies on March 29, 2012. To read the Order, click [here](#).]

"Taylor's guilty plea brings a measure of justice for the hundreds of his victims, including those hard-working Georgians who lost their life savings to his criminal scheme," said United States Attorney Sally Quillian Yates.

"Mr. Taylor exploited numerous investors by perpetrating a scheme that was based entirely on lies," stated Special Agent in Charge Veronica Hyman-Pillot, IRS Criminal Investigation. "Mr. Taylor's guilty plea today is an opportunity for him to admit to the deception and face the consequences of his actions."

"The United States Secret Service is aggressive in our investigative mission to arrest those who commit financial crimes. In this case, we were particularly resolved to bring to justice a criminal who chose to take advantage of unsuspecting members of the public in environments of reverence and trust," said Reginald G. Moore, Special Agent in Charge of the United States Secret Service, Atlanta Field Office.

According to United States Attorney Yates, the charges and other information presented in court show that from at least April 2009

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Affinity Fraud

The Taylor case is an example of what the many securities regulators refer to as "affinity fraud."

Affinity fraud is fraud that is aimed at groups of people who share a common characteristic, like belonging to the same ethnic or religious group, being retirees or senior citizens, having the same career or occupation, or engaging in the same civic or community organizations.

Con artists realize that people tend to trust other members of a particular group more than they trust outsiders.

In Taylor's case, he used his standing within the African-American and faith-based communities to lure unsuspecting victims into his fraudulent investment scheme.

To find out how to protect yourself from falling victim to affinity fraud, please check out our brochure, "[Affinity Fraud: Scamming an Entire Group](#)," on our [website](#).

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through October 2010, Ephren Taylor, II, then CEO of City Capital Corporation, and his co-defendant Wendy Connor, the former COO of City Capital Corporation, participated in a conspiracy to defraud investors. In pleading guilty, Taylor acknowledged that he defrauded hundreds of investors of more than \$7 million nationwide.

As part of the scheme, Taylor traveled around the country on a "Building Wealth Tour," where he gave wealth management seminars to church congregations. During this tour, Taylor claimed to be a socially conscious investor and falsely claimed that 20% of profits were donated to charity. One of the churches on the "Building Wealth Tour" was the New Birth Missionary Baptist Church in Lithonia, Ga. While there, Taylor and Connor met potential investors to discuss possible investments. Over 80 individuals from Georgia lost more than \$2 million because of Taylor's scheme.

The investments pushed by Taylor included investing in promissory notes, where the funds invested would be used to support small businesses, such as laundries,

juice bars, and gas stations. Taylor falsely represented the revenues and returns for these businesses knowing that they were not profitable.

Taylor also pushed an investment in sweepstakes machines. Sweepstakes machines are computers loaded with various games that allow players to win cash prizes. Taylor published offering materials that falsely claimed the average sweepstakes machine would generate 300% investor returns. He also stated that the sweepstakes machine investments were 100% risk free.

Taylor knew that the investments he was touting were not profitable and that investors were not receiving actual returns from their investments.

The sentencing for Ephren Taylor, 32, of Overland Park, Kan., is scheduled for December 18, 2014, at 2:30 p.m. Wendy Connor, 45, of Raleigh, N.C., is scheduled to be sentenced on December 18, 2014, at 9:30 a.m.



Have YOU Taken the 5-Minute Challenge?

As the articles throughout this newsletter suggest, there are plenty of unscrupulous people – even here in North Carolina! -- who are working very hard to steal your hard-earned money through too-good-to-be-true investment opportunities.

It is important for everyone to know that, with some exceptions, **ANY**one who sells or promotes an investment – or who is paid to provide individualized investment advice – has to be registered with the NC Securities Division in order to lawfully do business in North Carolina.

While registration in and of itself is no guarantee against fraud, we can say with 100% certainty that anyone **NOT** registered who is **supposed** to be is **definitely** committing fraud.

We therefore encourage **YOU** to take our challenge: Take **five minutes** to call our office at (800) 688-4507 to see if the person you have been dealing with – perhaps even for years – is properly registered and/or has a disciplinary history. You owe it to yourself and your family to check.

Ask yourself this: Can you afford **NOT** to take the challenge?



Public Comment Period Extended on Proposed IA Business Continuity and Succession Planning Model Rule and Guidance

On October 10, 2014, the Board of Directors of the North American Securities Administrators Association, Inc. (NASAA) agreed to extend the [public comment period](#) on a proposed model rule and guidance requiring investment advisers to create and implement written procedures to address business continuity and succession planning under the Uniform Securities Act of 1956 and under the Uniform Securities Act of 2002.

Proposal

Click the icon or link below to read the full proposal.



[Notice of Public Comment and Proposed Model Rule & Model Guidance](#)

Public Comment Period

The public comment period initially remained open from August 1, 2014 until October 1, 2014, and **has been extended until November 1, 2014**. We encourage, but do not require, comments to be submitted by e-mail. To facilitate consideration of comments, please email comments to:



Patricia Struck (Patricia.Struck@dfi.wisconsin.gov), Chair of the Investment Adviser Section

and

A. Valerie Mirko (vm@nasaa.org) at the NASAA Legal Department.



We also welcome any general comments on the issues of business continuity and succession planning in connection with investment advisers. Hard copy comments can be submitted at the address below.

NASAA Legal Department
A.Valerie Mirko, Deputy General Counsel
NASAA
750 First Street, NE, Suite 1140
Washington, DC 20002



Working Group Formed to Develop Improved Fee Disclosure *Follows NASAA Report Uncovering Wide Disparity of Broker-Dealer Fee Disclosure Practices*

On September 11, 2014, the North American Securities Administrators Association ([NASAA](#)) [announced](#) that it has convened a working group consisting of state securities regulators and representatives of Financial Industry Regulatory Authority (FINRA), the Securities Industry and Financial Markets Association (SIFMA) and the Financial Services Institute (FSI) to develop improved broker-dealer fee disclosure.

“We look forward to working collaboratively with the industry and FINRA to achieve more meaningful disclosure of broker-dealer fees,” said Andrea Seidt, NASAA President and Ohio Securities Commissioner. “Investors have a right to know how much they are paying for these services. Our goal is to develop a model fee disclosure that is simple to read, easily accessible, and can be used effectively by investors to understand and compare fees.”

In connection with achieving its mission, Seidt said working group will take in to consideration the different types of firms, including wirehouse firms, independent broker-dealers, clearing firms, and introducing firms, among others. The working group will consider a variety of options, including but not limited to a model fee disclosure form, accessibility and transparency guidelines, uniformity in terminology and nomenclature of fees and recommendations on how to notify customers of fee changes. When exploring model fee disclosure, the working group will focus on several areas, including presentation, customer comprehension, and timing and methodology of fee disclosure.

The working group consists of the representatives from the NASAA Broker Dealer Section, FINRA, SIFMA, FSI as well as the following broker-dealer firms: Signator Investments Inc., Prospera Financial Services, LPL Financial, Wells Fargo Advisors, Edward Jones, and Bank of America/Merrill Lynch.

The formation of a joint working group was among the recommendations of a report issued earlier this year by NASAA examining fee disclosure practices in the brokerage industry. The study uncovered disparities in how broker-dealers disclose the fees they charge their customers. While broker-dealers may be complying with the technical requirements governing fee disclosures, the NASAA report concluded that the disclosures lose their effectiveness when hidden in small print, imbedded in lengthy account opening documents, or varied in terminology that does not define the service provided.

“It is important that investors fully understand the fees associated with their accounts. We look forward to working with NASAA, SIFMA and FSI to explore ways to help investors better understand the fees they are paying,” said Robert Colby, FINRA’s Chief Legal Officer.

“Fee disclosure is an important issue, and we look forward to participating with NASAA, FINRA, and the other working group members in this important dialogue,” said Kenneth E. Bentsen, Jr., SIFMA president and CEO.

“FSI’s members understand the importance of constructive engagement with our regulators,” said Dale Brown, Financial Services Institute (FSI) President & CEO. “We support NASAA’s goal of providing transparency to investors through easily accessible and simplified disclosures.”

Additional Resources

For more information, check out the following brochures available on our [website](#):

[Understanding Your Brokerage Account Statements](#)

[Are You an Informed Investor? Financial Service Providers](#)

[NASAA -- Cutting Through the Confusion](#)

[Getting Help With Your Investments](#)

[Choosing A Stockbroker](#)

[Resolving Problems With Securities Firms](#)

The U.S. Securities and Exchange Commission's (SEC) Office of Investor Education and Advocacy ("OIEA") is issuing this [Investor Alert](#) to help educate investors about advance fee fraud.



Investor.gov

U.S. Securities and Exchange Commission

Investor Alert: Be on the Lookout for Advance Fee Fraud

Every year, the SEC receives thousands of complaints describing a scam called an "advance fee fraud." Advance fee fraud gets its name from the fact that an investor is asked to pay a fee up front – in advance of receiving any proceeds, money, stock, or warrants – in order for the deal to go through. The bogus fee may be described as a deposit, underwriting fee, processing fee, administrative fee, a commission, regulatory fee or tax, or even an incidental expense that fraudsters guarantee to repay later. Sometimes, advance fee frauds brazenly target investors who have already lost money in investment schemes. Fraudsters also often direct investors to wire advance fees to escrow agents or lawyers to give investors comfort and to lend an air of legitimacy to their schemes.



The variety of advance fee fraud schemes is limited only by the imagination of the fraudsters who offer them. They may involve the sale of products or services, the offering of investments, lottery winnings, found money, or many other opportunities. Frequently, fraudsters will offer common financial instruments such as bank guarantees, old government or corporate bonds, medium or long term notes, stand-by letters of credit, blocked funds programs, "fresh cut" or "seasoned" paper, and proofs of funds. Clever con artists will offer to find financing arrangements for their clients who pay a "finder's fee" in advance. They require their clients to sign contracts in which they agree to pay the fee when they are introduced to the financing source. Victims often learn that they are ineligible for financing only after they have paid the "finder" according to the contract.

Advance fee fraud schemes also may try to fool investors with official-sounding websites and e-mail addresses. These addresses may contain ".gov" and end in ".us" or ".org." U.S. government agency websites or e-mail addresses end in ".gov," ".mil," or "fed.us." Be wary of a website or correspondence claiming to be from a U.S. government agency if the website or e-mail address does not end in ".gov," ".mil," or "fed.us."

Sometimes, fraudsters posing as legitimate U.S. brokers or firms offer to help investors recover their stock market losses by exchanging worthless stock, typically a [microcap stock](#) (the low-priced and thinly traded stocks issued by the smallest companies), for an established blue chip stock or by purchasing the stock outright. But investors must first pay an upfront "security deposit" or post an "insurance" or "performance bond." Never do business with a broker without checking them out first using the Financial Industry Regulatory Authority (FINRA)'s [BrokerCheck](#).

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Be Skeptical and Ask Questions

One of the best ways to avoid investment fraud is to ask questions. Be skeptical if you are approached by somebody touting an investment opportunity. Ask that person whether he or she is licensed and whether the offering they are promoting is registered with the SEC or with a state. Check out their answers with an unbiased source, such as the [SEC](#) or [NC Department of the Secretary of State Securities Division](#). You should also search the Internet for complaints about the investment or the people offering the investment.

Investors are encouraged to review the SEC publication "[Ask Questions](#)" and other SEC publications located at [Investor.gov](#) before making any investment. Some questions investors may consider asking include:

- Does it sound too good to be true? If it sounds too good to be true, it (probably) is.
- Is the investment offering registered with the SEC and my state securities agency? Where can I get more information about this investment? Can I get the latest reports filed by the company with the SEC: a prospectus or offering circular, or the latest annual report and financial statements? Check the SEC's [EDGAR database](#) to find out.
- Is the person making the offer registered with our state securities regulator? Have they ever been disciplined by the SEC, a state regulator, or other organization (FINRA or one of the stock exchanges)? Research the background of the individuals and firms offering and selling you these investments, including their registration/license status and disciplinary history:
 1. Search the SEC's [Investment Adviser Public Disclosure \(IAPD\)](#) database.
 2. Search the Financial Industry Regulatory Authority (FINRA)'s [BrokerCheck](#) database.
 3. Contact your [state securities regulator](#).
 4. The International Organization of Securities Commissions (IOSCO) provides contact information for most international securities regulators [on its website](#).
- Do I understand what I am agreeing to? Make sure you fully understand any investment or business agreement that you enter into, or have the terms reviewed by a competent attorney.

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ADVANCE FEE FRAUD SCHEMES

For example, the SEC alleged that Swiss-based [Malom Group AG](#) and several individuals conducted a pair of advance fee fraud schemes in which they took approximately \$11 million in advance fees from U.S. investors with the promise that the fees would allow the investors to access seemingly successful foreign trading programs. The schemes were nothing more than vehicles to steal the advance fees.

In the first scheme, Malom and its agents lured investors into "joint venture" agreements that purported to allow the investors, in exchange for an upfront fee, to participate with Malom in what were typically high-yield overseas trading programs that promised astronomical investment returns. Malom promised investors that after wiring significant advance fees into escrow accounts, Malom would explore the high-yield trading programs, enter into them, and share most of the profits with the investors. In every case, however, Malom took the advance fees and never engaged in any trading programs. After taking the fees, Malom made various excuses for why it could not enter into any transactions and then lulled investors into not taking any action against them by regularly promising to return the advance fees out of the proceeds of other imminent transactions.

In the second scheme, Malom promised to generate funding by creating structured notes that would be listed on foreign exchanges in exchange for payment of an "underwriting fee" to cover various costs associated with the transactions, in some cases supported by Brazilian sovereign bonds from the 1970s that the Brazilian government publicly disclaimed as worthless. To induce investors to pay an "underwriting fee," Malom promised to repay the fees if successful, and issued phony guarantees to repay investors' fees if Malom did not successfully generate funding. No structured notes were issued, none of the structured note investors received any funding, and all of the investors lost the "underwriting fees" they paid.

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- Can I locate the business or person with whom I am dealing? Be wary of businesses that operate out of post office boxes or mail drops and do not have a street address.

Also, be suspicious when dealing with persons who do not have a direct telephone line and who are never in when you call, but always return your call later.

If you are thinking about investing and have any questions, do not hesitate to call the SEC's Office of Investor Education and Advocacy at 1-800-732-0330 or ask a question [using this online form](#).

Other Resources

- [Investor.gov](#): the SEC's educational website for retail investors.
- [MyMoney.gov](#): the U.S. government's website dedicated to teaching the basics about managing your money.
- [The Fleecing of Foreign Investors: Avoid Getting Burned by "Hot" U.S. Stocks](#)
- [Worthless Stock: How to Avoid Doubling Your Losses](#)
- [Protect Your Money: Check Out Brokers and Investment Advisers](#)
- [Nigerian Advance Fee Fraud](#)
- [Fake Seals](#)
- [PAUSE](#)
- [SEC Warns of Government Impersonators](#)
- https://www.treasurydirect.gov/instit/statreg/fraud/fraud_primebank.htm: the U.S. Department of the Treasury's website dedicated to helping investor's identify prime bank instrument fraud.
- **Saving and Investing Basics:** For general information about saving and investing, please see [Saving and Investing: a Roadmap to Your Financial Security through Saving and Investing](#). This publication is also available [in Spanish](#).

Ask Questions: For a list of questions you should ask when considering an investment, see [Ask Questions: Questions You Should Ask about Your Investments](#). This publication is also available [in Spanish](#).

The following [Investor Alert](#) was originally published by the Financial Industry Regulator Authority (FINRA) and is reprinted here for educational purposes only.



Frontier Funds—Travel With Care

"Frontier funds" that invest in securities of companies in countries with developing securities markets—like Argentina, Lebanon, Nigeria, Slovenia and Vietnam—are gaining investor attention. Some see investing in frontier funds as a way to diversify assets—going beyond funds that invest in established international and other more developed emerging markets. Frontier funds are also sparking the interest of some investors who are lured predominantly by potential gains.

FINRA is issuing this alert to caution those interested in funds that invest in frontier markets to carefully consider the heightened risks in these markets. Frontier fund investments may provide potential diversification and periods of higher returns than can be obtained through more traditional investments. But products or asset niches that promise higher returns nearly always carry more risk—and the past performance of any fund is never a guarantee of future results.

Frontier Markets

There is no precise definition of a frontier market, or a country classified as such—but words like "small" and "illiquid" are often used to describe these markets.

Frontier economies tend to be smaller, and their markets for trading securities less developed, than emerging economies such as Brazil, Russia, India and China. In addition, compared to more established markets, the legal, financial accounting and regulatory infrastructure of frontier markets may be weaker or less developed, and political stability may be more of a concern. Financial market depth and breadth also may be more limited, and capital flows may be more restricted. Frontier markets may have less investor participation, fewer large global companies and limited international trade compared to established and emerging economies.



At the same time, frontier market countries are often characterized by populations that are making strides in education and entrepreneurship, an expanding economy and a rising standard of living.

Frontier Funds

Currently, there are a limited number of funds that focus specifically on frontier markets. Just as every frontier market is different, so is every frontier fund. Some funds invest in more than 30 frontier markets around the globe. Others invest more narrowly, perhaps focusing on only one region such as Asia, Africa or the Middle East—or even one country. Some mutual funds and exchange-traded funds (ETFs) may concentrate their holdings in a single or small number of economic sectors—such as banking, energy or agriculture—within various frontier markets. Others may track an index that encompasses virtually all of the countries in the frontier market universe. Still other funds invest in both frontier and the generally larger and more developed emerging markets, and some global or international funds may allow for sizable allocations to frontier markets.

A frontier fund that is registered under U.S. law—whether it is a mutual fund, ETF or closed-end fund—is required to provide investors with a prospectus that details the fund's investment objective, major holdings or index that it tracks, historical returns and information about fees and risks. Think of this prospectus as your "frontier market guide," complete with advisories and warnings. Read it carefully before you invest. Most frontier funds are

designated for "aggressive growth" and described as high risk. Investors interested in frontier funds should carefully consider whether and how such an investment might fit as part of a well-diversified portfolio.

Before You Invest

Like any investment, frontier funds have their pros and cons. Before you invest, here are some tips to help you avoid problems:

- **Know which frontier markets the fund invests in.** Risk factors vary by country—and no two countries share identical risk elements. Read the fund's prospectus to determine whether you are buying a fund that is or may become broadly diversified across many frontier markets, or that narrowly invests in only a few frontier markets, sectors or a single region or country.
- **Monitor changes in index components.** If you are investing in a frontier ETF or index mutual fund, make sure you know and understand the index that the fund tracks and also the components of that index. Be aware that the components or "constituents" of an index can change, potentially affecting the return of the fund. For example, components of the MSCI Frontier 100 Index are undergoing changes after Qatar and the United Arab Emirates—which accounted for more than 30 percent of the value of the MSCI index—were reclassified from "frontier" to "emerging" markets. Following a transition period over several months, these markets will no longer be represented in the index.
- **Geopolitical and currency risks are real.** Be aware that some frontier markets are located in parts of the world with unstable political or market environments. Regional conflict, civil unrest and regime change are all significant risk factors, as is the risk that currency exchange rates may fluctuate, resulting in changes in the value of a given fund.
- **Factor in costs and fees.** Frontier fund costs and fees can be higher than their emerging market peers, and significantly higher than broadly diversified domestic and international managed funds. Even small differences in expenses can make a big difference in your return over time, so it's important to know just how much you are paying for your investment. Use FINRA's [Fund Analyzer](#) to help you compare how sales loads, fees and other fund expenses can impact your return. ETFs have a fee structure that includes trading fees, which can add up if you plan to actively buy and sell.
- **Learn as much as you can about the fund manager.** Understanding frontier markets and managing investments is a specialized skill. Research the fund manager's professional experience, including fund management tenure and performance record. Research the professional background of a fund manager and the broker selling you the fund using [FINRA BrokerCheck](#). ***[Editor's Note: The NC Department of the Secretary of State Securities Division also encourages you to contact us at (919) 733-3924 or (800) 688-4507 for help with checking out your professional.]***
- **Performance History.** Frontier funds are relatively new and most have limited performance histories. Like all investments, performance may fluctuate. You can lose money.

As with any investment that holds out the potential for greater returns, it pays to ask whether you are willing to take on the higher risk that comes with it. In short, are you comfortable with a higher risk of significant investment losses? If not, an investment in frontier funds may not be a destination you want for portfolio.

Additional Resources

- FINRA Investor Alert, [Closed-End Fund Distributions: Where is the Money Coming From?](#)
- FINRA Investor Alert, [Leveraged and Inversed ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors](#)
- [FINRA Fund Analyzer](#)

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Calendar of Upcoming Events



A representative from the Securities Division will be giving an anti-fraud presentation on the following dates and locations. Dates and times are subject to cancellation (although cancellations are rare), so please call the contact number listed to confirm the event is still on before leaving for it. All presentations are free and open to the public unless otherwise indicated. If you would like to schedule a speaker for your church, business, group or organization, please contact [John Maron](#) or [Barbara Bennett](#) at (800) 688-4507. For a complete list of all upcoming events, please see our **Calendar** at <http://www.secretary.state.nc.us/sec/Calendar.aspx>.

Date	City	Details
10/15/14	Ft. Bragg	"Marriage Money Matters" presentation, Army Community Services (ACS), Building 4-2843, 3rd Floor, Soldier Support Center , 2843 Normandy Drive. Time: 1:30 PM -- 4:30 PM. Free. Open to military personnel and their families only. For more information, contact Lynn Olavarria at (910) 907-3670.
10/16/14	Edenton	"Seize the Day" investment fraud presentation hosted by the St. Ann's Catholic Church Women's Group meeting at Edenton United Methodist Church, 225 Virginia Road. Time: 10:00 AM -- Noon. Free. For more information, contact Lou (Lucille) Rogers (252) 632-4188.
Oct. 16-26, 2014	Raleigh	NC State Fair . NC Department of the Secretary of State display booth located in the Gov. Kerr Scott Building on the NC State Fairgrounds, 1025 Blue Ridge Road. The booth will be open from 9:00 AM – 9:00 PM during the entire run of the Fair. Representatives from the various divisions/sections of the Department of the Secretary of State will be on hand to greet Fairgoers and provide information about the wealth of services and resources the Department has to offer businesses and citizens.
10/17/14	Albemarle	"Business Essentials" presentation at Stanly Community College, 143 N. 2 nd Street. Time: 10:00 AM -- Noon. Free, but registration is requested.
10/24/14	Greensboro	"Raising Capital Through a Securities Offering (or Things I Wish I Had Learned in School!)" presentation. Joint personal development training for the staffs of the NC Small Business Center Network (SBCN) and the NC Small Business and Technology Development Center (SBTDC). Sheraton Greensboro, 3121 High Point Road. Time: 8:30 AM -- 10:30 AM. Open to members of these organizations only.
10/28/14	Flat Rock	"Business Essentials" presentation at Blue Ridge Community College, Technology Education & Development Center, Room 236, 180 W Campus Drive. Time: 9:00 AM -- 11:00 AM. Free, but registration is requested.
10/28/14	Candler	"Business Essentials" presentation at Asheville-Buncombe Technical Community College, 1459 Sand Hill Road. Time: 2:00 PM -- 4:00 PM. Free, but registration is requested.
10/28/14	Spindale	"Business Essentials" presentation at Isothermal Community College, 286 I C C Loop Road. Time: 6:00 PM -- 8:00 PM. Free, but registration is requested.
10/29/14	Thomasville	"Business Essentials" presentation at Davidson Community College, Mary E. Rittling Conference Center, 297 DCCC Road. Time: 4:00 PM -- 6:00 PM. Free, but registration is requested.
10/30/14	Kinston	Investment fraud presentation to the United American Free Will Baptist Conference held at the United American Free Will Baptist Tabernacle, 1011 Dr. J.E. Reddick Circle. Time: 2:30 PM -- 3:30 PM. For more information, contact Jean Whitfield at (919) 440-8256.
11/04/14	Hickory	Scam Jam, "Guarding Against Investment and Charity Frauds" presentation. Western Piedmont AAA , 1880 2nd Ave NW. Time: 9:00 AM – Noon. Free. For more information, contact Roxanne Powell at (828) 485-4213.

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Date	City	Details
11/06/14	Monroe	Union County Senior Wellness Expo , Union County Agricultural Services & Conference Center, 3230 Presson Road. Time: 9:00 AM -- Noon. Free. For more information, contact Sally McNeill at (704) 283-3732.
11/07/14	Winton	Investment fraud presentation, Hertford County Office Of Aging, Senior Center , 408 South Camp Street. Time: 9:00 AM -- 10:00 AM. Free. For more information, contact Alicia Mitchell at (252) 358-7856.
11/13/14	Greenville	Investment fraud presentation to the Greenville Quilt Guild meeting at First Christian Church , 2810 E 14th Street. Time: 7:00 PM -- 8:00 PM. Open to Quilt Guild members and their guests only.
11/14/14	West End	Scam Jam, Moore County Department of Aging , 8040 U.S. HWY 15-501. Time: 9:30 AM -- 12:30 PM. Free. For more information, contact Lynne Drinkwater at (910) 215-0900, Ext. 206.
11/17/14	Gatesville	Scam Jam anti-fraud presentation, Merchants Millpond State Park , 176 Millpond Road. Time: 1:00 PM -- 4:00 PM. Free and open to the public. For more information, contact Laura Alvarico at (252) 426-5753, Ext. 224.
11/18/14	Camden	Scam Jam anti-fraud presentation, Camden County Senior Center , 117 North Hwy 343. Time: 10:00 AM -- 2:00 PM. Free and open to the public. For more information, contact Laura Alvarico at (252) 426-5753, Ext. 224.
11/19/14	Elizabeth City	Scam Jam anti-fraud presentation, Berea Baptist Church , 2033 N Road Street. Time: 10:00 AM -- 2:00 PM. Free and open to the public. For more information, contact Laura Alvarico at (252) 426-5753, Ext. 224.
12/02/14	Greenville	"Business Essentials" presentation at Pitt Community College, 3107 S. Memorial Drive. Time: 6:00 PM -- 8:00 PM. Free, but registration is requested.
12/17/14	Salisbury	Scam Jam, Rufty-Holmes Senior Center , 1120 S. Martin Luther King Jr. Ave. Time: 1:00 PM -- 4:00 PM. Free and open to the public. For more information, contact Jerry Shelby at (704) 216-7714.
01/21/15	Louisburg	"Business Essentials" presentation at Vance-Granville Community College, Multi-Purpose Room, Bldg 4 -- Room F-401, 8100 NC 56 Hwy. Time: 9:00 AM -- 11:00 AM. Free, but registration is requested.
01/27/15	Clayton	"Business Essentials" presentation at Johnston County Workforce Development Center, 135 Best Wood Drive. Time: 6:00 PM -- 9:00 PM. Free, but registration is requested.



On The Docket

The following cases are ones in which the Securities Division has had some involvement, either as the lead investigative agency or in a supporting role.

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was released from custody on a \$100,000 secured bond. His next court appearance in Ashe County has been scheduled for March 9, 2015.

Michael Anthony Jenkins, of Raleigh, NC, was served on August 17, 2012, with three felony arrest warrants for securities fraud. Investigators with the Secretary of State Securities Division allege that Jenkins told investors he would use their funds to trade commodities futures or “E-mini futures” through his company, Harbor Light Asset Management, LLC. Investigators allege Jenkins instead converted funds to his personal use and used money from later investors to pay earlier investors in what is commonly referred to as a Ponzi scheme. Jenkins is in the Wake County Jail under \$500,000 secured bond. During his first hearing on August 20, 2012, the prosecutor told the court that there are 377 known victims of Jenkins’ approximately \$1.79 million Ponzi scheme. His next appearance in Wake County Superior Court is scheduled for November 3, 2014. The Securities Division’s investigation is continuing. Anyone who has made investments with Harbor Light Asset Management, LLC is asked to contact the Securities Division at (800) 688-4507 or (919) 733-3924.

Recent Enforcement Actions

(For prior administrative and criminal actions, click on the badge to the right.)



News from the Regulators

(The following are selected public notices issued by one or more securities regulator. Click the links to view the full notices. These are offered for informational purposes only.)

[SEC Staff Issue Risk Alert and FAQs on Customer Sales of Securities](#)

Oct. 9, 2014 — The Securities and Exchange Commission has announced publication of a [Risk Alert](#) and [FAQs](#) to remind broker-dealers of their obligations when they engage in unregistered transactions on behalf of their customers. The publication of the staff guidance was accompanied by the [announcement of an enforcement action](#) against two firms for improperly selling billions of shares of penny stocks through such unregistered offerings. The Risk Alert summarizes deficiencies that were discovered by the SEC’s Office of Compliance Inspections and Examinations (OCIE) during a targeted sweep of 22 broker-dealers frequently involved in the sale of microcap securities. The sweep uncovered widespread deficiencies including:

- Insufficient policies and procedures to monitor for and identify potential red flags in customer-initiated sales.
- Inadequate controls to evaluate how customers acquired the securities and whether they could be lawfully resold without registration.
- Failure to file suspicious activity reports, as required by the Bank Secrecy Act, when encountering unusual or suspicious activity in connection with customers’ sales of microcap securities.

[SEC Charges Four Insurance Agents in Securities Fraud Targeting Elderly Investors](#)

Sept. 26, 2014 -- The Securities and Exchange Commission announced charges against four insurance agents for unlawfully selling securities in what turned out to be a multi-million dollar offering fraud targeting elderly investors. The [SEC previously charged a Colorado man](#) who allegedly orchestrated the scheme and recruited active insurance agents to help him solicit investors in Colorado and several other states. The scheme raised approximately \$4.3 million during a nearly 18-month period. The SEC’s investigation further found that the four insurance agents charged in this case solicited funds without registering with the SEC as a broker-dealer as required under the federal securities laws. “When individuals act as a broker and sell securities to the public, they must comply with registration, supervision, and compliance requirements that exist to protect investors,” said Julie K. Lutz, Director of the SEC’s Denver Regional Office. “These insurance agents improperly operated outside of that regulatory framework and thereby placed their clients at risk.” **[Editor’s Note: While this case does not**

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appear to involve any North Carolina victims or perpetrators, it illustrates the kinds of fraudulent practices we want North Carolina residents to be aware of. Click the links above for more information.]

[SEC Announces Cases Targeting International Pyramid Scheme Operators](#)

Sept. 26, 2014 -- The Securities and Exchange Commission announced charges against the operators of an international pyramid scheme that raised more than \$129 million from investors worldwide, primarily in the U.S., China, and Taiwan. The case follows another against a separate pyramid scheme that lured investors in the U.S., China, and Korea with seminars, webinars, and YouTube videos. The newest case, filed in federal court in San Francisco, charges Hong Kong-based eAdGear Holdings Limited and California-based eAdGear, Inc., along with operators Charles S. Wang and Qian Cathy Zhang, of Warren, N.J., and Francis Y. Yuen, of Dublin, Calif. According to the SEC complaint, even though eAdGear claimed to be a successful Internet marketing company, nearly all of its revenue was generated by investors, not its products or services. The complaint alleges that eAdGear's operators used money from new investors to pay earlier investors as well as to repay a personal loan and purchase million-dollar homes for themselves. **[Editor's Note: While this case does not appear to involve any North Carolina victims or perpetrators, it illustrates the kinds of fraudulent practices we want North Carolina residents to be aware of. Click the link above for more information.]**

[A Bitcoin Breakdown](#)

Sept. 23, 2014 – Federal Trade Commission

If you're interested in technological, financial or social innovation, you've probably heard of Bitcoin. It's a virtual currency used by people around the world to make purchases online, or in person using a mobile app. As more merchants accept the currency — and more companies pitch Bitcoin investments — more people are curious about how it works. The Federal Trade Commission's Consumer Education Specialist, Nicole Vincent Fleming, blogs about Bitcoin and other cryptocurrencies and the risks consumers need to understand. To read her blog, click the link above. Download our alert, "[What's in Your e-Wallet?](#)" at <http://www.secretary.state.nc.us/sec/brochures.aspx>.

[NASAA Survey Finds Mid-Sized IAs Addressing Cybersecurity Risks - Investment Advisers Report Few Security Breaches](#)

Sept. 10, 2014 - The North American Securities Administrators Association (NASAA) released results of a pilot project designed to better understand the cybersecurity practices of state-registered investment advisers, which account for more than half of the registered investment advisers conducting business in the United States. The survey, conducted in July 2014, found 4.1% of responding firms indicating they had experienced a cybersecurity incident and even fewer, 1.1%, indicating they had experienced theft, loss, unauthorized exposure, or unauthorized use of or access to confidential information. The survey also found that 62% of firms have undergone a cybersecurity risk assessment and 77% have policies and procedures related to technology or cybersecurity. For more information, click the link above. To read the survey, click the following link: [NASAA Cybersecurity Report](#).

All investors are strongly encouraged to contact the Securities Division at (919) 733-3924 or toll-free at (800) 688-4507 to check that their investment professional is properly registered **before** transferring any assets to that person's control. One five-minute telephone call to the Securities Division could protect your entire life's savings from being stolen from you. For a wealth of investor education information, please visit our Web site, www.sosnc.com. Click on the yellow box entitled "Investment Securities".

This newsletter is produced by the Investor Education Program of the Securities Division of the North Carolina Department of the Secretary of State. If you have questions or comments about this publication, or would like to schedule an investor education presentation with your group or organization, please email [John Maron](mailto:John.Maron), Director of the Investor Education Program, or call (919) 807-2106.

Please help us publicize the educational information in this mailing by forwarding it to your contacts around the state. If you no longer wish to receive mailings from the Securities Division, please send an email to: jmaron@sosnc.com with "Remove from mailing list" in the subject line.

Remember that if an investment sounds too good to be true, it ***probably*** is!