



July 2012 NEWSLETTER • Vol. 4, No. 7

NC Securities Division to Sponsor
 Workplace-Based Investor Education Program

Question: How do you encourage employees to participate more fully in workplace saving and investing programs?

Answer: By enrolling your employees in the *Investor Education in Your Workplace*® program!

For a second year, the NC Securities Division is sponsoring this Internet- and workplace-based investor education program designed to help employees gain greater control over their personal finances and become better informed investors.



The *Investor Education in Your Workplace*® program is a ten-part course of instruction that will begin in North Carolina on October 22, 2012 and run through the last week of January 2013. Employers wishing to enroll their employees may do so for **free** on a first-come, first-served basis. The NC Securities Division is prepared to cover the cost to provide the program to up to 1,500 employees, making this an investor education program worth up to \$150,000. For more information about the program, see page 2 of this newsletter or go to www.ieiyw.com/webinars to sign up for an informational webinar.

The *Investor Education in Your Workplace*® program is an award-winning program that provides unbiased information that has already been field tested by nearly 8,500 employees in hundreds of workplaces in Pennsylvania, North Carolina and Wisconsin. The Spring 2012 program is wrapping up in seven other states and the District of Columbia. The program and materials were developed in collaboration between Educated Investor® and the Investor Protection Trust. So far, the program has produced the following documented results:

- Up to 50 percent increases in short- and long-term saving and investing activities;
- Up to 40 percent improvement in investment knowledge measured through pre- and post-testing;
- Up to 50 percent improvement in participant attitudes and behaviors including increased financial well-being, setting investment goals, implementing a budget, and starting/increasing contributions to 401(k), IRA, or equivalent plans;
- Over 80 percent of participants complete the entire 10-week program; and
- 96 percent say they would like to participate in additional programs.

The topics covered during the program include:

- | | |
|--|---|
| 1. Getting Started with Saving and Investing | 6. Basics of Retirement Planning |
| 2. Basics of Personal Finance | 7. Investing in Mutual Funds |
| 3. Basics of Investing | 8. Working with Financial Advisors |
| 4. Basics of Investment Strategies | 9. Saving for College |
| 5. Understanding Investment Risks | 10. Learning More about Taxes and Investing |



Investor Education in Your Workplace®

Register Now

HOME | THE PROGRAM | HOW IT WORKS | WHY PARTICIPATE | LEARN MORE | WEBINARS

North Carolina

The Investor Education in Your Workplace® program is made possible in North Carolina thanks to the North Carolina Secretary of State Securities Division, the North Carolina Credit Union League, the Investor Protection Trust, and the support of the Investor Protection Institute.

Who can participate, what is the cost, and how do I get involved?

For North Carolina in 2012, thanks to the support of the aforementioned partners:

- Up to 1,500 employees may participate at no cost (a \$100 value per employee).
- Participation in the program is awarded to qualified employers on a first-come, first-served basis.

To participate in the Investor Education in Your Workplace® program, please [click here](#) to fill out and submit the online application form.

What if I don't qualify for grant-funded participation?

If you or your company is interested in participating in the Investor Education in Your Workplace® program but you don't meet the criteria for grant-funded participation, please [click here](#) to explain your interest.

Want to find out more? Go to <http://www.ieiyw.com/webinars/> and choose a webinar date that is convenient for you or your team.

If you have additional questions, please contact us at: info@educatedinvestor.com

Fact Sheet

Want a quick one page program summary to share with others? [Click here](#) to download the Investor Education in Your Workplace® Fact Sheet.

Securities Division Holds Ninth Compliance Workshop for Investment Advisers

As part of its investor protection program, the NC Securities Division conducted its ninth compliance workshop on July 27th for investment advisers who are newly registered with the Division. The workshop was conducted at the Securities Division's office in Raleigh.

As mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, all investment advisers with less than \$100 million of assets under management doing business in North Carolina are required to be registered with the Securities Division.



Senior Securities Examiner Betty Guido

The workshops are an opportunity for investment advisers and their representatives to meet Division personnel, ask questions, and understand their compliance responsibilities under North Carolina's securities laws.

During their welcoming remarks, Secretary Elaine F. Marshall, Chief Deputy Secretary Rodney Maddox and David S. Massey, Director of the NC Securities Division, each assured attendees that, while the Division takes its administrative and enforcement responsibilities very seriously and that investor protection is paramount, the Division wants to be a constructive partner with those members of the regulated community who want to comply with the state's securities laws.



Attendees learn what it means to have custody of client funds.

The half-day workshop was primarily conducted by Elizabeth "Betty" Guido, Senior Securities Examiner. Steve Butz, Director of Examinations, and John Maron, Director of the Investor Education Program, also spoke to attendees.

There are approximately 450 investment advisers whose primary place of business is in North Carolina. This number fluctuates as new advisers start doing business while others withdraw their registrations. To date, approximately 361 advisers or their staff members have attended one of the Division's workshops. Other workshops will be conducted in other locations around the state. The schedule will be announced when it is finalized.

Challenges and Opportunities for Self-Directed IRA Investing

In the [October 2011](#) Securities Division newsletter, we reprinted an investor alert that was jointly produced by the U.S. Securities and Exchange Commission (SEC) and the North American Securities Administrators Association (NASAA) entitled, [Investor Alert: Self-Directed IRAs and the Risk of Fraud](#). (Click the link to read the alert.)

On July 18, 2012, the Retirement Industry Trust Association (RITA) and NASAA conducted a free, hour-long webinar to help raise public awareness of how to avoid fraud when considering investing in self-directed Individual Retirement Accounts. (Click the link to the right to listen to – **not watch** – the webinar.)



The webinar featured Tom W. Anderson, RITA President, founder and Vice Chairman of PENSICO Trust and Matt Kitz, NASAA Enforcement Section Chair and Missouri Securities Commissioner. The webinar was moderated by former Texas Securities Commissioner Denise Voigt Crawford.

Among the topics discussed were:

- What are self-directed IRA accounts and why are they useful?
- What are the warning signs of investment fraud in self-directed IRAs?
- What should investors do if they suspect fraudulent activity?
- How do securities regulators help protect investors who use self-directed IRA accounts?



A self-directed IRA is an IRA held by a trustee or custodian that allows investments in a broader set of assets than is permitted by most IRA custodians, such as real estate, promissory notes and private placement securities. Because they include alternative assets, the risk and rewards of self-directed IRAs may be greater than those of traditional IRAs.

According to RITA, self-directed IRAs represent about 2 percent, or about \$94 billion, of the \$4.6 trillion IRA market and are continuing to attract investors at an “explosive” rate.

Along with the industry’s growth, state securities regulators have noticed an increase in investor complaints of fraudulent schemes that use self-directed IRAs. Federal securities regulators also have brought cases in which promoters of fraudulent schemes steered investors to self-directed IRAs. In 2011, NASAA and the Securities and Exchange Commission issued a joint investor alert to caution investors of the potential risks associated with investing through self-directed IRAs.

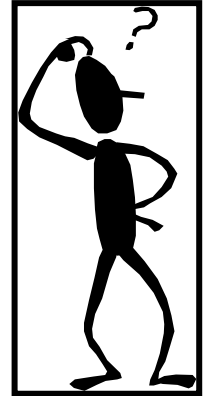
NASAA is the oldest international organization devoted to investor protection. Founded in 1919 and based in Washington, DC, NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

Founded in 1987, RITA is the national trade association for the self-directed retirement plan industry. Based in Sarasota, Florida, RITA’s members administer a wide variety of retirement accounts, specializing in the administration of alternative investments, which include: non-publicly traded securities, promissory notes, real estate, precious metals, LLCs, tax liens, and partnerships as well as publicly traded securities. For details, visit RITA’s website at www.ritaus.org.

North Carolina Department of the Secretary of State
Securities Division • PO Box 29622 • Raleigh, NC 27626-0622
(919) 733-3924 • (800) 688-4507
secdiv@sosnc.com • www.sosnc.com • www.sos.nc.gov

NC Securities Division Updates Its Frequently Asked Questions

The Securities Division recently posted to its website updated answers to [frequently asked questions \(FAQs\)](#) the Division receives from investors. Here are the first five questions and their answers. To see the full list of questions and answers, click the link.



1. **How do I file a complaint?**

We have a form that requests the information we find the most helpful in conducting a securities investigation. We recommend you use this form. It is available on our [website](#). You may file your complaint by mail, fax, email or in person at our Raleigh office located in the Millbrook Collection Shopping Center at the intersection of E. Millbrook Road and Atlantic Avenue. The physical address is 4701 Atlantic Avenue, Suite 116, Raleigh.

2. **If I have been defrauded in a securities investment, can the Securities Division get my money back?**

It depends. The Securities Division does not have the authority to order the return of lost money to you. Only a court can do that. Sometimes a court names a receiver to find and liquidate a defendant's assets and return the money to victims on a proportional basis. Sometimes we find that all of the stolen money has been spent, so there is no money to be returned. Sometimes the Division enters into settlement agreements whereby the party agrees to return money to investors. It is important to note, however, that the securities laws give you the right to sue for the damages you suffer from any violation of those laws.

3. **Can the Securities Division represent me in a lawsuit?**

No. The Division does not have the authority to represent you individually in a civil suit. Any action the Division takes is on behalf of all North Carolinians. As an investor, you may sue anyone who defrauds you but you must retain your own attorney. The Division does not recommend any particular lawyer; however, you should find a licensed attorney who knows securities law. The [North Carolina Bar Association's Lawyer Referral Service](#) may help you find a qualified attorney.

4. **Are there time limits for starting a lawsuit to get my investment back?**

In general, you have two years to file suit based on either the security or the salesperson being unregistered as of the date of sale or contract of sale. For fraud violations, you have three years from the date of discovery of the fraud, but no more than five years after the sale or contract of sale, unless the salesperson commits fraud or deception in order to conceal the fraud or in order to persuade you not to file a lawsuit. In this latter case you have three years from the date you discover the fraud or deception.

5. **How long will the Division's investigation of my complaint take to complete?**

Each case is different but our process is the same. Within ten business days of receipt, each new complaint goes to our Case Review Committee. Our senior management, enforcement attorneys and investigators sit on this committee. They decide if they need more information, whether the Division has jurisdiction, or whether another agency might better respond to the complaint. If the Committee takes the case, it assigns an investigator and attorney to work the case. This stage takes time. Securities law is complex. We often must subpoena bank records and other financial records and pore over them to see what the subject did with investor money. Some cases take weeks, some months and others a year or more to get to the point of charging a suspect with a crime. The case then enters the judicial system and is subject to the court's calendar. It is also important to remember that an investigation by the Division can result in the conclusion that no violation of the securities laws has occurred.

The following is an [Investor Alert](#) issued by the Financial Industry Regulatory Authority (FINRA), the investment industry's self-regulating organization. It is reprinted here for educational purposes only.

Exchange-Traded Notes—Avoid Unpleasant Surprises



Recent events involving exchange-traded notes (ETNs) have placed a spotlight on the market for these products and highlighted the importance of understanding what ETNs are and how they work *before* you consider investing in them.

ETNs are a type of debt security that trade on exchanges and promise a return linked to a market index or other benchmark. ETNs can offer investors convenient and cost-effective exposure to everything from commodities to emerging markets, but they can be complex and carry numerous risks—including the risk that the issuer will default on the note or take other actions that may impact the price of the ETN.

FINRA is issuing this [Alert](#) to inform investors of the features and some particular risks of ETNs—and to suggest questions to ask when considering investing in these products. While the names may sound alike, investors should also understand that ETNs and exchange-traded funds (ETFs) differ in some fundamental and important ways.

What Are ETNs?

ETNs are unsecured debt obligations of the issuer—typically a bank or another financial institution. They are, however, different from traditional bonds. For example, unlike traditional bonds, ETNs typically do not pay any interest payments to investors. Instead, the issuer promises to pay the holder of the ETN an amount (referred to as a "distribution") determined by the performance of the underlying index or benchmark on the ETN's maturity date (typically 10, 30 or in some cases even 40 years from issuance), minus any specified fees. In addition, unlike traditional bonds, ETNs trade on exchanges throughout the day at prices determined by the market, similar to stocks or ETFs. But unlike ETFs, ETNs do not buy or hold assets to replicate or approximate the performance of the underlying index.

Some ETNs provide exposure to familiar, broad-based indexes, while others do so to less familiar asset classes or newer, more complex, or even proprietary indexes. For example, there are ETNs linked to indexes that track emerging markets, commodities such as gold and oil, foreign currencies and market volatility. Some of the indexes and investment strategies used by ETNs can be quite sophisticated and may not have much performance history. The return on an ETN generally depends on price changes if the ETN is sold prior to maturity (as with stocks or ETFs)—or on the payment, if any, of a distribution if the ETN is held to maturity (as with some other structured products).

Leveraged and Inverse ETNs

Some ETNs offer leveraged exposure to the index or benchmark they track. This means that they promise to pay a multiple of the performance of the underlying index or benchmark. For example, an ETN that offers two times—or "2x"—leverage promises to pay twice the performance the index it tracks.

Inverse ETNs offer to pay the opposite of the performance of the index or benchmark they track, and leveraged inverse ETNs seek to pay a multiple of the opposite of the performance of the index or benchmark they track. Some leveraged, inverse or leveraged inverse ETNs are designed to achieve their stated performance objectives on a daily basis and "reset" their leverage or inverse exposure on a daily basis. Given the daily resetting of its leverage factor, an ETN that is set up to deliver twice the performance of a benchmark on a daily basis will not necessarily deliver twice the performance of that benchmark over longer periods such as weeks, months or years. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the stated multiple of the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

Generally, leveraged and inverse ETNs are designed to be short-term trading tools and are not intended for buy-and-hold investing. Other leveraged, inverse or leveraged inverse ETNs can have monthly resets or even no resets, so it is important to distinguish one type from another and understand how their performance may differ.

ETN Trading, Share Creation and Redemption

ETNs list on an exchange and can be bought and sold at market prices, similar to other exchange-traded investments. Market prices of ETNs may fluctuate due to movements in the indexes they track, as well as other factors, including ETN creation and redemption activity.

Issuers of exchange-traded products create and redeem shares as a means to keep the product's share price in line with a calculated value, called the indicative value or closing indicative value for ETNs. This value is calculated and published at the end of each day by the ETN issuer. When shares are trading at a premium above the indicative value, adding more shares to the market through share creation can bring the price down. Similarly, if shares are trading at a discount, redemption of shares by the issuer reduces the number of shares available in the market, which tends to raise the price.

ETN issuers have primary control over the creation and redemption processes in the ETN market. The decision to create new ETN shares is at the issuer's sole discretion. Investors may initiate the redemption process prior to an ETN's maturity date, following precise steps laid out by the issuer in the prospectus. The process generally begins by submitting "notice of redemption" form to the issuer. Given the various steps in the process, transaction fees—and especially the large number of shares required to initiate a redemption (usually 50,000)—redemption is not generally a practical source of liquidity for most retail investors.

If a redemption occurs, the issuer will redeem shares at the ETN's indicative value. Indicative values are generally based on the value of the underlying index or benchmark, minus certain fees (sometimes referred to as "daily investor fees"), which vary across ETNs and can fluctuate for a given ETN. ETNs also typically have an *intraday indicative value* that is calculated and published every 15 seconds during the trading day under the applicable trading symbol by the market in which the ETN trades. Each ETN uses its own formula for computing its indicative value, which is generally outlined in the ETN's prospectus or pricing supplement.

Indicative Value and Market Price—Be Alert When There is Significant Deviation

An ETN's closing indicative value, as well as its intraday indicative value, are computed by the issuer and are distinct from an ETN's market price, which is the price at which an ETN trades in the secondary market. In theory, an ETN's market price should closely track its closing and intraday indicative values. However, an ETN's market price can deviate, sometimes significantly, from its indicative value.

Price deviations can happen for a variety of reasons. For example, an ETN might trade at a premium to its indicative value if the issuer suspends issuance of new shares. Paying a premium relative to the indicative value to purchase the ETN in the secondary market—and then selling the ETN when the market price no longer reflects the premium—can lead to significant losses for an investor. This occurred recently when an ETN experienced price movement that diverged significantly from its indicative value and the performance of the index it tracks, due in part to suspensions in the issuance of new shares, which caused the ETN to trade at a significant premium—nearly 90 percent. When the issuer of the ETN resumed the creation of new shares, the market price of the ETN fell sharply—dropping by more than half in two days.

For this reason, before trading in the secondary market, it's a good idea to compare an ETN's closing and intraday indicative values with the market price. If the ETN is trading at a significant premium to its closing or intraday indicative value, you might want to consider similar products that are not trading at a premium, or that provide similar exposure to the index or asset class. It's also a good idea to ask whether the issuer has suspended issuing new shares, and if so, why. Find out from your broker what type of orders you may place for the ETN and what will happen if it is no longer listed on an exchange.

Risks to Consider

There are a number of risks associated with ETNs, including:

- **Credit Risk.** ETNs are unsecured debt obligations of the issuer. If the issuer defaults on the note, investors may lose some or all of their investment.
- **Market Risk.** ETNs are market-linked: the value of an ETN is largely influenced by the value of the index it tracks. As an index's value changes with market forces, so will the value of the ETN in general, which can result in a loss of principal to investors. Thus, in addition to credit risk, an ETN subjects investors to market risk, which is generally not assumed by investors in other corporate debt. Also, make sure you understand what the index being tracked by the ETN is measuring—for example, some indices reflect a dynamic trading strategy and others are based on futures markets. Also, some indices reflect "total returns" while others may not.
- **Liquidity Risk.** Although ETNs are exchange-traded, they do carry some liquidity risk. As with other exchange-traded products, a trading market may not develop. In addition, under some circumstances, issuers can delist an ETN. If this happens, the market for the ETN can dry up or evaporate entirely.
- **Price-Tracking Risk.** ETNs like other exchange-traded products, typically trade at prices that closely track their indicative values, but this might not always be the case. When trading in the secondary market, check market prices against indicative values, and be wary of buying at a price that varies significantly from closing and intraday indicative values.
- **Holding-Period Risk.** Some ETNs, particularly some leveraged, inverse and inverse leveraged ETNs, are designed to be short-term trading tools (with holding periods as short as one day) rather than buy-and-hold investments. Because of the effects of compounding, the performance of these products over long periods can differ significantly from the stated multiple of the performance (or inverse of the performance) of the underlying index or benchmark during the same period.
- **Call, Early Redemption and Acceleration Risk.** Some ETNs are callable at the issuer's discretion. In some instances ETNs can be subject to early redemption or an "accelerated" maturity date at the discretion of the issuer or one of its affiliates. Since ETNs may be called at any time, their value when called may be less than the market price that you paid or even zero, resulting in a partial or total loss of your investment.
- **Conflicts of Interest.** There are a number of potential conflicts of interest between you and the issuer of these products. For example, the issuer of the notes may engage in trading activities that are at odds with investors who hold the notes (shorting strategies, for instance). Search the ETN's prospectus for any mention of "conflicts of interest" and evaluate whether these conflicts are worth the risk.

Before You Invest

Make sure you have answers to the following questions so that you can better assess whether an ETN investment is right for you:

- Who is the issuer? Once you know, be sure to research the issuer's credit rating and financial situation. If the issuer is publicly traded, use the [SEC's EDGAR database](#). Keep in mind that ETNs are not registered investment companies and therefore are not subject to the same registration, disclosure and other regulatory requirements as most ETFs or mutual funds.
- What index or benchmark does the ETN track? If it involves an unfamiliar market or asset class, ask yourself whether you feel informed enough about the market or asset to effectively assess the risks involved.

- Is the ETN callable by the issuer? You can find this out by reading the prospectus or asking your financial professional.
- Does the ETN offer leveraged or inverse exposure to the underlying index or benchmark? If so, how frequently does it "reset"? One clue may be in the ETN's name: words like "daily" and "short-term" often indicate that the product resets daily and is not intended to be held for long periods of time.
- What fees and costs are associated with the ETN? ETNs differ widely with respect to fees, including the investor fee charged in connection with redemptions. Read the prospectus and ask your investment professional to clearly explain any fees and expenses associated with a given ETN.
- What are the tax consequences? The tax treatment of ETNs can vary depending on the nature of the ETN. Check with your tax advisor if you are unsure about the tax implications of a particular investment.

As with all investments, it pays to do your own homework regarding ETNs. Only invest if you are confident the ETN can help you meet your investment objectives and you are knowledgeable and comfortable with the risks associated with the investment.

Additional Information

- FINRA [Smart Bond Investing](#)
- FINRA Alert, [Structured Notes With Principal Protection: Note the Terms of Your Investment](#)

The following [Investor Bulletin](#) was issued by the SEC's Office of Investor Education and Advocacy and is reprinted here for informational purposes only.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: New Measures to Address Market Volatility

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to inform investors of recent safeguards approved by the SEC to address market volatility in U.S. equity markets. On May 31, 2012, the SEC approved a new "Limit Up-Limit Down" mechanism to address market volatility by preventing trades in listed equity securities when triggered by large, sudden price moves in an individual stock. Additionally, the SEC approved proposed rule changes that modify existing circuit breaker procedures related to market-wide trading halts.

Background on Single-Stock Circuit Breakers - In June 2010, the Commission approved on a pilot basis procedures for single-stock circuit breaker trading pauses for five minutes if a stock's price moves up or down sharply in a five-minute window. U.S. exchanges and the Financial Industry Regulatory Authority (FINRA) proposed these procedures in response to unusually volatile trading on May 6, 2010, that affected a large number of individual securities but was not broad enough to trigger the existing market-wide circuit breakers. These circuit breaker rules were initially applied only to stocks in the S&P 500 Index but were extended on a pilot basis to all National Market System securities in June 2011.

New Limit Up-Limit Down Mechanism - On May 31, 2012, the Commission approved a "limit up-limit down" mechanism to replace the single-stock circuit breaker rules. Because single-stock circuit breakers are triggered after a trade occurs at or outside of the applicable percentage threshold, circuit breakers have been triggered by erroneous trades. In contrast, the new limit up-limit down mechanism is intended to prevent trades in individual securities from occurring outside of a specified price band. This price band would be set at a percentage level above and below the average price of the stock over the immediately preceding five-minute trading period. These price limit bands will be 5%, 10%, 20%, or the lesser of \$.15 or 75%, depending on the price of the stock. Additionally, these price bands will double during the opening and closing periods of the trading day. If the stock's price does not naturally move back within the price bands within 15 seconds, there will be a five-minute trading pause.

This new "limit up-limit down" mechanism will be implemented in two phases. The first phase will apply the limit up-limit-down mechanism to all stocks in the S&P 500 and Russell 1000, and to select exchange traded products. This first phase will commence on February 4, 2013. The second phase of the implementation will apply the "limit up-limit down" mechanism to all remaining National Market System securities and will commence on August 5, 2013.

Revised Market-Wide Circuit Breakers - The securities and futures exchanges have procedures for coordinated cross-market trading halts if a severe market price decline reaches levels that may exhaust market liquidity. These procedures, known as market-wide circuit breakers, may halt trading temporarily or, under extreme circumstances, close the markets before the normal close of the trading session.

Under the revised rules approved by the SEC, market-wide circuit breakers will provide for cross-market trading halts during a severe market decline as measured by a single-day decrease in the S&P 500 Index. A cross-market trading halt can be triggered at three circuit breaker thresholds—7% (Level 1), 13% (Level 2), and 20% (Level 3). These triggers are set by the markets at point levels that are calculated daily based on the prior day's closing price of the S&P 500 Index.

A market decline that triggers a Level 1 or Level 2 circuit breaker before 3:25 p.m. will halt market-wide trading for 15 minutes, while a similar market decline “at or after” 3:25 p.m. will not halt market-wide trading. A market decline that triggers a Level 3 circuit breaker, at any time during the trading day, will halt market-wide trading for the remainder of the trading day.

These revisions to the market-wide circuit breakers will be implemented on February 4, 2013. Until then, market-wide circuit breakers will continue to operate under the old market-wide circuit breaker rules which use: circuit breaker thresholds of 10% (Level 1), 20% (Level 2), and 30% (Level 3); and the Dow Jones Industrial Average as the reference index to measure daily market declines.

For additional information about the new limit up-limit down mechanism, and the revised market-wide circuit breakers, please read the following: [National Market System Plan Approval Order](#) and [Market-Wide Circuit Breaker Approval Order](#)

HOT OFF THE PRESS!

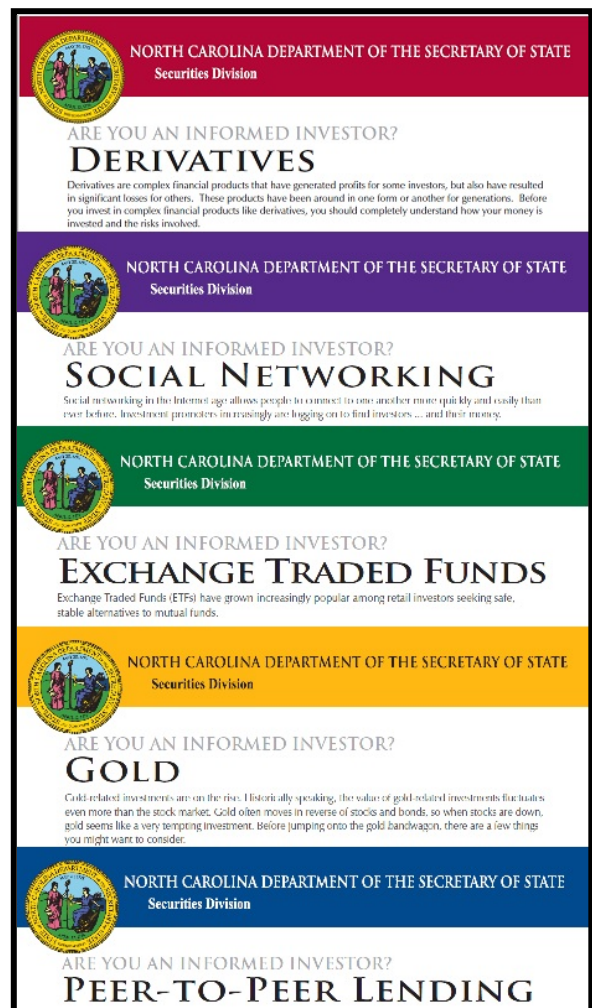
Division Offers New Set of Investor Education Brochures

The NC Securities Division recently added five new investor education brochures to its growing library of free resources for investors.

The “***Are You An Informed Investor?***” series was produced in association with the North American Securities Administrators Association. The series covers five topic areas that are of concern to state securities regulators due to the increasing incidence of investor fraud: derivatives, social networking, exchange traded funds, gold and peer-to-peer lending.

These double-sided brochures provide easy-to-understand explanations of each topic and give tips on how to spot and avoid potential fraud.

These brochures are available free-of-charge for download or mail order. Anyone interested in receiving copies of any of our investor education materials may either do so via our [website](#) or by sending an email to John Maron at jmaron@sosnc.com. Please be sure to include your name, mailing address and a daytime telephone number where you can be reached. Also, please include the title(s) of the brochure(s) you want along with the number of copies of each that you want.



North Carolina Department of the Secretary of State
Securities Division • PO Box 29622 • Raleigh, NC 27626-0622
(919) 733-3924 • (800) 688-4507
secdiv@sosnc.com • www.sosnc.com • www.sos.nc.gov

The following [Investor Bulletin](#) was issued by the SEC's Office of Investor Education and Advocacy and is reprinted here for informational purposes only.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: International Investing

Individual investors in the United States have access to a wide selection of investment opportunities, including international investments. The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to help educate investors about international investing. This Investor Bulletin describes ways individual investors may obtain information about international investments—including special factors to consider when investing internationally.

Should I consider international investments?

Two of the chief reasons individual investors invest internationally are:

- *diversification* (spreading your investment risk among foreign companies and markets in addition to U.S. companies and markets); and
- *growth* (taking advantage of the potential for growth in some foreign economies, particularly in emerging markets).

Investors should consider various factors when assessing potential investments, be they domestic or international.

International investment returns may move in a different direction, or at a different pace, than U.S. investment returns. Including exposure to both domestic and foreign securities in your portfolio may reduce the risk that you will lose money if there is a drop in U.S. investment returns and your portfolio's overall investment returns over time may have less volatility. Keep in mind that with globalization, markets are increasingly intertwined across borders.

Investors should balance these considerations along with factors unique to international investing, including those described below.

How can I invest internationally?

There are a number of ways individual investors may gain exposure to international investments. As with domestic investments, investors should first learn as much as they can about an investment.

Mutual funds. There are different kinds of [mutual funds](#) that invest in foreign securities, including: *global* and *international funds* (that invest in companies and businesses outside of the United States); *regional* or *country funds* (that invest in a particular region or country); or *international index funds* (that seek to track the results of a particular foreign market or international index). Investing through mutual funds *may* reduce some of the potential risks of investing internationally because mutual funds provide more diversification than most investors could achieve on their own. If you want to learn more about investing in these types of mutual funds, as well as in mutual funds generally, information is available in [Mutual Funds – A Guide for Investors](#).

North Carolina Department of the Secretary of State
Securities Division • PO Box 29622 • Raleigh, NC 27626-0622
(919) 733-3924 • (800) 688-4507
secdiv@sosnc.com • www.sosnc.com • www.sos.nc.gov

Exchange-traded funds. An [exchange-traded fund \(ETF\)](#) is a type of investment that typically has an objective to achieve the same return as a particular market index. ETFs are listed on stock exchanges and, like stocks (and in contrast to mutual funds), trade throughout the trading day with fluctuating market prices. A share in an ETF that tracks an international or foreign index seeks to give an investor exposure to the performance of the underlying international or foreign stock or bond portfolio along with the ability to trade the ETF shares like any other exchange-traded security.

American depositary receipts. The stocks of most foreign companies that trade in U.S. markets are traded as American depositary receipts (ADRs) issued by U.S. depositary banks (rather than the actual foreign company stock). Each ADR represents one or more shares of a foreign stock or a fraction of a share. If you own an ADR you have the right to obtain the foreign stock it represents, but U.S. investors usually find it more convenient and cost-effective to own the ADR. The price of an ADR generally corresponds to the price of the foreign stock in its home market, adjusted for the ratio of ADRs to foreign company shares. Sometimes the terms “ADR” and “ADS” (for American depositary share) are used interchangeably.

U.S.-traded foreign stocks. Although most foreign stocks trade in the U.S. markets as ADRs, some foreign companies list their stock directly here as well as in their local market. For example, some Canadian stocks that are listed and trade on Canadian markets are also listed and trade directly in U.S. markets, rather than as ADRs. Some foreign companies list their securities in multiple markets, which may include U.S. markets. You can purchase ADRs and U.S.-listed foreign stocks that trade in the United States through your U.S. broker.

Trading on foreign markets. Your U.S. broker may be able to process an order for a company that only trades on a foreign securities market. These foreign companies are not likely to file reports with the SEC. The information available about these companies may be different than the information available about companies that file reports with the SEC. Moreover, the information may not be available in English.

Where can I find information about investing internationally?

You should learn as much as you can about an investment, and about an investment adviser or broker-dealer, before you invest. Tracking down information on international investments may require extra effort, but it will make you a more informed investor. ***One of the most important things to remember is to read and understand the information about an investment before you invest.*** Here are some sources of information to consider:

SEC reports. Foreign companies listed on U.S. stock exchanges or that publicly offer their securities in the United States must file reports with the SEC. The SEC requires these foreign companies to file electronically, so their reports are available through the SEC’s EDGAR website at www.sec.gov/edgar/searchedgar/companysearch.html at no charge. However, if the company’s securities trade on the over-the-counter markets in the United States rather than on a stock exchange, the company may not be required to file reports with the SEC.

Mutual fund firms. You can get the prospectus for a particular mutual fund directly from the mutual fund firm. Many firms also have websites and phone lines that provide helpful information about international investing.

Broker-dealers and investment advisers. Your broker or investment adviser may have research reports on particular foreign companies, individual countries or geographic regions. Ask whether updated reports are available on a regular basis. Your broker or investment adviser also may be able to provide you with copies of SEC reports and other information.

Foreign companies. Foreign companies often prepare annual reports, and some, but not all, companies also publish an English language version of their annual report. Ask your broker for copies of the company’s reports or check to see if they are available from the SEC. Some foreign companies post their annual reports and other financial information on their websites.

Foreign regulators. You may be able to learn more about a particular foreign public company by contacting the foreign securities regulator that oversees the markets in which that company's securities trade. You may also be able to learn more about a particular foreign broker-dealer or foreign investment adviser by contacting the securities regulator with which the firm is registered. Many foreign securities regulators post information about issuers and registrants on their websites, including audited financial statements.

You will find a list of international securities regulators on the website of the International Organization of Securities Commissions (IOSCO) at www.iosco.org. Foreign regulators sometimes post warnings about investment scams and information about their enforcement actions that can be useful to investors. IOSCO publishes investor alerts that it receives from its securities regulator members on its [website](#).

You may already be investing internationally. In the United States, we have access to information and products from all over the world. Foreign companies can achieve the status of household names in the United States without public awareness that these companies are domiciled outside of the United States, or they may conduct a majority of their business operations abroad. You should conduct your own review of your holdings to determine whether the securities you own or are considering for purchase already provide you with international or foreign exposure.

What issues and risks should I consider when investing internationally?

While investing in any security requires careful consideration, international investing raises some special issues and risks. These include:

Access to different information. In some jurisdictions, the information provided by foreign companies is different than information provided by U.S. companies. The nature and frequency of disclosures required under foreign law may also be different from that of U.S. companies. In addition, foreign companies' financial statements may be prepared using a different set of accounting standards than companies use in the United States. Information foreign companies publish may not be in English.

Moreover, the financial statements of publicly listed companies in the United States, whether based in the United States or abroad, must be audited by an independent public accounting firm subject to oversight by the [Public Company Accounting Oversight Board \(PCAOB\)](#). The financial statements of a foreign company that is not publicly listed in the United States may or may not be subject to analogous auditing and auditor oversight arrangements.

Costs of international investments. International investing can be more expensive than investing in U.S. companies. In some countries there may be unexpected taxes, such as withholding taxes on dividends. In addition, transaction costs such as fees, broker's commissions and taxes may be higher than in U.S. markets. You also should be aware of the potential effects of currency conversion costs on your investment. Mutual funds that invest abroad may have higher fees and expenses than funds that invest in U.S. securities, in part because of the extra expense of trading in foreign markets.

Working with a broker or investment adviser. If you are working with a broker, make sure the broker is registered with the SEC. ***It is against the law for a broker, foreign or domestic, to contact you and solicit your investment unless it is registered with the SEC.*** You can obtain information about a U.S.-registered broker by visiting [FINRA's BrokerCheck website](#) or calling FINRA's toll-free BrokerCheck hotline at (800) 289-9999. If you are working with a U.S.-registered investment adviser, you may be able to obtain information about the investment adviser by visiting the SEC's [Investment Adviser Public Disclosure \(IAPD\) website](#). ***If you directly contact and work with a foreign broker not registered with the SEC, you may not have all the protections under the laws of the United States as would be the case if the broker were registered with the SEC.***

Changes in currency exchange rates. A foreign investment also has foreign currency exchange risks. When the exchange rate between the foreign currency of an international investment and the U.S. dollar changes, it can increase or reduce your investment return in the foreign security. In fact, it is possible that a foreign investment may

increase in value in its home market but, because of changing exchange rates, the value of that investment in U.S. dollars is actually lower. In addition to exchange rates, you should be aware that some countries might impose foreign currency controls that restrict or delay you from moving currency out of a country.

Changes in market value. All securities markets can experience dramatic changes in market value. One way to attempt to reduce the impact of these price changes is to be prepared to hold your investments through adverse times and sharp downturns in domestic or foreign markets, which may be long lasting.

Political, economic and social events. Depending on the country or region, it can be more difficult for individual investors to obtain information about and comprehensively analyze all the political, economic and social factors that influence a particular foreign market. These factors may provide diversification from a domestically-focused portfolio, but they may also contribute to the risk of international investing.

Different levels of liquidity. Some foreign markets may have lower trading volumes for securities or fewer listed companies than U.S. markets. Some foreign markets are open for shorter periods than U.S. markets. In addition, some countries may restrict the amount or type of securities that foreign investors may purchase. Where these factors exist, they can contribute to less liquidity when you want to sell and lead to difficulty finding a buyer.

Legal remedies. Where you purchase a security can impact whether you have, and where you can pursue, legal remedies against the foreign company or any other foreign-based entities involved in your transaction, such as a foreign broker. Even if you sue successfully in a U.S. court, you may not be able to collect on a U.S. judgment against a foreign company, entity or person. You may have to rely on legal remedies that are available in the home country, if any.

[Morrison v. National Australia Bank](#)

Investors should be mindful when either buying or selling securities on foreign securities exchanges or otherwise outside the United States, or entering into securities transactions with parties located outside the United States, that, as a result of a recent Supreme Court decision, *Morrison v. National Australia Bank*, investors may not have the ability to seek certain legal remedies in U.S. courts as private plaintiffs. Investors who purchase or sell securities outside the territory of the United States will generally not be able to bring suit as private plaintiffs in U.S. courts to address fraudulent activity that may occur in connection with these transactions—even if the fraudulent activities occur within the United States.

Please note, however, that the SEC's law enforcement authority with respect to fraudulent conduct within the United States, and conduct outside the United States that has a foreseeable substantial effect within the United States, is generally not subject to the limitations placed on private rights of action by the *Morrison* decision.

Investors who would like to provide information about fraud or wrongdoing involving potential violations of the U.S. securities laws may contact the SEC using the SEC's [Tips, Complaints and Referrals Portal](#). SEC action may or may not lead to the investor receiving funds to redress any fraud.

Different market operations. Foreign markets may operate differently from the major U.S. trading markets. For example, there may be different time periods for clearance and settlement of securities transactions. Some foreign markets may not report securities trades within the same period as U.S. markets. Rules providing for the safekeeping of shares held by foreign custodian banks or depositories may differ from those in the United States. If a foreign custodian has credit problems or fails, shares purchased in a foreign market may have different levels of protection than provided under the laws of the United States.

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law

North Carolina Department of the Secretary of State
Securities Division • PO Box 29622 • Raleigh, NC 27626-0622
(919) 733-3924 • (800) 688-4507
secdiv@sosnc.com • www.sosnc.com • www.sos.nc.gov

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.

Date	City	Details
08/02/12	Raleigh	Senior Resource Alliance of the Triangle , Abbottwood Senior Living Community, 7900 Creedmoor Road. "Elder Investment Fraud and Financial Exploitation Prevention". Time: 11:30 AM -- 1:00 PM. For more information, contact (919) 463-7977, X105.
08/02/12	Charlotte	JA Summer Biz Camp, Junior Achievement of Central Carolinas, Inc. 201 South Tryon Street. Open to campers only.
08/02/12	Charlotte	Beatties Ford Road Public Library , 2412 Beatties Ford Road. Time: 6:00 PM -- 7:30 PM. Free, but registration suggested. For more information, contact (704) 416-3000.
08/03/12	Charlotte	Scaleybark Public Library , 101 Scaleybark Road. Time: 10:30 AM – Noon. Free, but registration suggested. For more information, contact Staci Falkowski at (704) 416-6401.
08/03/12	Charlotte	Hickory Grove Public Library , 5935 Hickory Grove Road. "Women In Transition" presentation (men are welcome). Time: 2:00 - 3:30. Free, but registration suggested. For more information, contact (704) -416-4400.
08/06/12	Chapel Hill	Robert & Pearl Seymour Center , 2551 Homestead Road. "Women In Transition" presentation (men are welcome). Time: 10:30 AM -- 11:30 AM. For more information, contact Sidney Simms at (919) 969-3025.
08/08/12	Mint Hill	Mint Hill Kiwanis Club, Jimmie's Restaurant, 7024 Brighton Park Drive. Time: Noon -- 1:00 PM. Open to Kiwanis members and their guests only. For more information, contact Katrina Ross at (704) 545-6231).
08/08/12	Matthews	Levine Senior Center , 1050 DeVore Lane. Time: 3:00 PM – 4:00 PM. For more information, contact Dahn Jenkins at (704) 846-4654.
08/09/12	Fuquay-Varina	Rotary Club of Fuquay-Varina , Golden Corral, 1420 E. Broad Street. Time: 12:30 PM -- 1:30 PM. Open to Rotary Club members and their guests only. For more information, contact Jim Minor at (919) 552-1120.
08/09/12	Charlotte	JA Summer Biz Camp, Junior Achievement of Central Carolinas, Inc. 201 South Tryon Street. Open to campers only.
08/13/12	Hendersonville	SECU Financial Summit meeting, Hendersonville Civitans, 715 N. Church St., Time: 11:30 AM -- 1:00 PM. For more information, contact Christie Baker at (828) 696-3673.
08/14/12	Concord	Gardens of Taylor Glen Retirement Community , 3700 Taylor Glen Lane. Time: 11:00 AM – Noon. Open to residents and guests only. For more information, contact Sharon Stoudemayer at (704) 788-6510.
08/15/12	Lincolnton	Lincolnton-Lincoln County Chamber of Commerce's Small Business Council quarterly Networking Luncheon, First Baptist Church, 201 Robin Road. For more information, contact Brad Rivers at (704) 922-6449.

- 08/25/12 Raleigh "Confidently Planning Your Retirement", [St. Francis of Assisi Church](#), 11401 Leesville Road. Time: 10:00 AM – Noon. For more information, contact Kathy Owen at (919) 847-8205 ext. 241.
- 09/08/12 Raleigh "Women in Transition", [St. Francis of Assisi Church](#), 11401 Leesville Road. Time: 1:00 PM – 3:00 PM. For more information, contact Kathy Owen at (919) 847-8205 ext. 241.
- 09/11/12 Asheville [Southeastern Association of Area Agencies on Aging \(SE4A\) 2012 Annual Training Conference](#), Grove Park Inn & Spa, 290 Macon Avenue. Time: 3:15 PM -- 4:30 PM. Registration required. Click link above for registration information.
- 09/18/12 Clinton Investor education presentation at [The Oasis Oyster Bar & Grill](#), 1370 Hobbton Highway. Presentation sponsored by Edward Jones Investments. The NC Securities Division does not endorse any specific investment business or investment professional. No product or service will be solicited. Time: Noon – 1:00 PM. For more information, contact Dave Jenkins at (910) 592-1694.
- 09/19/12 Wilmington [New Hanover County Senior Resource Center](#), 2222 S. College Road. Time: 10:00 AM -- 11:00 AM. For more information, contact: Jane Jones at (910) 395-4553, X-209.
- 09/19/12 Wilmington Investor education presentation at [Carraba's Italian Grill](#), 15 Van Campen Boulevard. Presentation sponsored by Edward Jones Investments. The NC Securities Division does not endorse any specific investment business or investment professional. No product or service will be solicited. Time: Noon -- 1:30 PM. For more information, contact Dave Jenkins at (910) 592-1694.
- 09/25/12 Louisburg Senior Fun Day in the Park. Time: 10:00 AM -- 2:00 PM. For more information, contact Debbie Conner at (919) 496-1131.
- 10/13/12 Raleigh "Elder Investment Fraud and Financial Exploitation Prevention Program", [St. Francis of Assisi Church](#), 11401 Leesville Road. Time: 10:00 AM – Noon. For more information, contact Kathy Owen at (919) 847-8205 ext. 241.
- 11/13/12 Matthews [Levine Senior Center](#), 1050 DeVore Lane. Time: 9:00 AM – Noon. Program for professionals who work with senior citizens. Program sponsored by the [Better Business Bureau of Southern Piedmont](#). For more information, contact Maryanne Dailey or Kim Henderson at (704) 927-8615. Special guests: NC Secretary of State Elaine F. Marshall and NC Insurance Commissioner Wayne Goodwin.
- 11/17/12 Raleigh "Money Matters for New (and Not So New) Couples", [St. Francis of Assisi Church](#), 11401 Leesville Road. Time: 10:00 AM – Noon. For more information, contact Kathy Owen at (919) 847-8205 ext. 241.



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.

Sean Fitzgerald Mescall, of Denver, NC, was arrested by law enforcement agents of the Securities Division on September 9, 2009, on charges of securities fraud, obtaining property by false pretense and conducting an unlawful telephone room. He is alleged to have defrauded approximately 69 victims of approximately \$1.3 million in a Ponzi scheme involving foreign currency trading since at least September 2006. In a separate action, the CFTC has filed a civil action against Mescall and Capital Street Financial. On May 25, 2010, US District Court Judge Robert Conrad, Jr., ruled Mescall to be in contempt of the Court's Sept. 2009 Preliminary Injunction. On May 4, 2011, he was sentenced to 27 months in federal prison for criminal contempt relating to the CFTC action.

Walter Ray Reinhardt, of Durham, NC, was served with 62 felony arrest warrants for securities violations on November 17, 2010. He is alleged to have defrauded 16 victims in Durham County out of more than \$1 million. Reinhardt had his first appearance in Durham County District Court on November 18, 2010 on 38 felony counts of securities fraud, 12 felony counts of common law forgery, and 12 felony counts of common law uttering. He is currently being held in the Durham County Jail under a \$4 million bond. No trial date has been set.

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 is expected in October 2012.

Recent Enforcement Actions

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

On **May 9, 2012**, the Securities Division of the North Carolina Department of the Secretary of State, with the consent of the respondent, issued a Final Order against **BCG Securities, Inc.**, a Pennsylvania corporation. *First*, the Final Order ordered that **BCG Securities, Inc.** cease and desist from transacting into or from North Carolina: (a) securities business as a securities dealer, along with its securities salesmen, unless registered; and (b) business as an investment adviser unless registered. *Second*, the Final Order ordered that **BCG Securities, Inc.** cease and desist employing or utilizing, or both, associated securities salesmen who effect or attempt to effect securities transactions while such salesmen are not registered with the Securities Division. *Third*, the Final Order ordered that **BCG Securities, Inc.** cease and desist in failing to reasonably supervise its securities salesmen and in violating the registration and notice filing procedures for investment advisers. *Fourth*, the Final Order ordered that **BCG Securities, Inc.** take remedial steps including establishing and maintaining trade monitoring systems. The Final Order found that **BCG Securities, Inc.**: (a) transacted into or from North Carolina business as a securities dealer, along with its securities salesmen, while neither were registered with the Securities Division; (b) employed or utilized securities salesmen, whom effected or attempted to effect securities transactions into or from North Carolina, while such salesmen were not registered; (c) did not follow its internal standards pursuant to its written supervisory procedures; and (d) did not make a notice filing with the Securities Division as required by the North Carolina Investment Advisers Act (N.C.G.S. Chapter 78C). Click [here](#) to view the Final Order.



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 Recommends Improvements to Help Investors in Municipal Securities Market](#)

July 31, 2012 — The Securities and Exchange Commission has issued a [comprehensive report](#) with recommendations to help improve the structure of the \$3.7 trillion municipal securities market and enhance the disclosures provided to investors. The report is the culmination of an extensive review of the municipal securities market that was initiated by SEC Chairman Mary L. Schapiro in mid-2010 and led by SEC Commissioner Elisse B. Walter. The recommendations address concerns raised by market participants and others in public field hearings and meetings with Commissioner Walter and SEC staff as well as the public comment process during the agency's review of the municipal securities market.

[CFTC Approves Regulations to Phase in Compliance with Clearing Requirements of the Dodd-Frank Act](#)

July 24, 2012 -- The Commodity Futures Trading Commission approved final regulations that establish a schedule to phase in compliance with new clearing requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

[CFTC Proposes Clearing Determination for Certain Credit Default Swaps and Interest Rate Swaps](#)

July 24, 2012 -- The Commodity Futures Trading Commission proposed new rules to require certain credit default swaps (CDS) and interest rate swaps to be cleared by registered derivatives clearing organizations (DCOs).

[CFTC Approves New Rules to Strengthen the Protection of Customer Funds Held by Futures Commission Merchants](#)

July 13, 2012 -- The Commodity Futures Trading Commission (Commission or CFTC) has approved new financial rules submitted by the National Futures Association (NFA) that enhance protections to customer funds held by futures commission merchants (FCMs). The new financial rules are set forth in [NFA Financial Requirements Section 16](#), and an Interpretive Notice entitled "[NFA Financial Requirements Section 16 FCM Financial Practices and Excess Segregated Funds/Secured Amount Disbursements](#)." The new NFA rules require FCMs to strengthen their controls over the treatment and monitoring of funds held for customers trading on U.S. contract markets (segregated accounts) and for funds held for foreign futures and foreign option customers trading on foreign contract markets (Part 30 secured accounts).

[SEC Approves Rules and Interpretations on Key Terms for Regulating Derivatives](#)

July 9, 2012 – The Securities and Exchange Commission has taken another step toward regulating the over-the-counter derivatives market by unanimously approving [rules and interpretations](#) for key definitions of certain derivative products. The SEC rules and interpretations further define the terms “swap” and “security-based swap” and whether a particular instrument is a “swap” regulated by the Commodity Futures Trading Commission (CFTC) or a “security-based swap” regulated by the SEC. The SEC action also addresses “mixed swaps,” which are regulated by both agencies, and “security-based swap agreements,” which are regulated by the CFTC but over which the SEC has antifraud and other authority.

[FINRA Launches Pilot Program for Large Arbitration Cases](#)

July 2, 2012 — The Financial Industry Regulatory Authority (FINRA) has announced the launch of a pilot program specifically designed for large arbitration cases involving claims of \$10 million or more. The program enables parties to customize the administrative process to better suit special needs of a larger case and allows them to bypass certain FINRA arbitration rules. Participation in the pilot program, which began on July 2, 2012, is voluntary and open to all cases; but in order to be eligible, all parties will be required to pay for any additional costs of the program and must be represented by counsel.

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@sosnc.com), 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!