



May 2012 NEWSLETTER • Vol. 4, No. 5

Secretary Elaine Marshall to be Keynote Speaker
 At Free Investment Fraud Seminar in Concord



Secretary Elaine F. Marshall

North Carolina Secretary of State Elaine F. Marshall will be the keynote speaker at an investment fraud seminar at the Embassy Suites Charlotte-Concord Hotel on Thursday, June 7, from 5:30 p.m. until 8:00 p.m. (see invitation on page 3).

The event, entitled **“Get Smart About Investment Fraud,”** is jointly sponsored by the FINRA Investor Education Foundation, the NC Department of the Secretary of State, the U.S. Securities and Exchange Commission, AARP North Carolina and the Better Business Bureau. The event is free and includes dinner, but registration is required. Anyone wishing to attend may register online at www.SaveAndInvest.org/events/charlotte or by calling, toll-free, (866) 862-0110.

Those attending the seminar will learn the simple steps they can take to protect themselves when a con artist calls.

Area residents will be surprised to learn that the typical victim of investment fraud is not who they might think. Conventional wisdom has us thinking that investment fraud victims are unintelligent and financially naïve. In fact, according to the [AARP Foundation National Fraud Survey](#) (March 2011), the opposite is true. According to the survey, the typical investment fraud victim:

- Is more likely to be male;
- Has some college education;
- Reports an annual income of \$50K or more;
- Has a higher average age than the general population;
- Is more receptive to persuasion statements;
- Is more likely to expose themselves to sales situations; and,
- Is less upset at the prospect of losing money.

Attendees will learn how they might be susceptible to investment fraud and to replace risky investment behaviors with fraud detection and prevention behaviors.

The educational program that will be presented in Concord was developed by the FINRA Foundation and AARP and has been tested and shown to reduce susceptibility to investment fraud by over 50% among participants. This seminar will be the fifth such presentation given in North Carolina since September 2009. Previous events attracted over 1100 people in Raleigh, Asheville, Greensboro and Wilmington.

Learn to Spot and Avoid Fraud

Thursday, June 7, 2012
5:30 p.m. – 8 p.m.
Embassy Suites Charlotte-Concord
Dinner Included
FREE! – Register Now

SaveAndInvest.org

Click or call today to register for this free event! Please forward this invitation to your friends or family members living in the Charlotte / Concord / Lake Norman area and ask them to register as well. If you are unable to attend but would like a free DVD copy of a similar program produced by FINRA called **“Tricks of the Trade,”** call or email John Maron at jmaron@sosnc.com or (919) 807-2106. Please be sure to give your name and mailing address.

Bill in Congress Raises Concerns for Advisers and Their Clients



A bill pending in Congress is causing concern among registered investment advisers and their clients.

The Investment Adviser Oversight Act of 2012 (H.R. 4624), sponsored by House Financial Services Committee Chairman Spencer Bachus, would require state and federally registered investment advisers that conduct business with individual investors to become members of a self-regulatory organization (SRO) and meet a set examination schedule.

According to a [study](#) by the Boston Consulting Group (BCG), the start-up costs for a new layer of regulatory bureaucracy would cost \$200 million to \$250 million, and another \$460 million to \$510 million for ongoing operations. By comparison, the study estimated it would cost between \$240 million to \$270 million simply to beef up the SEC's already existing oversight program.

As a result, the BCG study concluded that investment advisers could expect to pay \$51,700 or more each year (depending on their size) to fund the operations of the new SRO if H.R. 4624 were to be enacted. The study compared this figure to the estimated \$27,300 each firm might be asked to pay if Congress simply authorized the SEC to fully fund its existing examination program. The Financial Industry Regulatory Authority (FINRA), the SRO which currently regulates the broker-dealer industry and which is seen as the leading contender to become the SRO for advisory firms, has challenged BCG's cost estimates. FINRA estimates that start-up costs would only total between \$12 million and \$15 million with annual ongoing costs of between \$150 million and \$155 million if H.R. 4624 were to be enacted.

When introducing his bill, Rep. Bachus said, "The average SEC-registered investment adviser can expect to be examined less than once every eleven years. That lack of oversight, particularly in the aftermath of the Madoff scandal, is unacceptable." However, Bachus' own bill specifically exempts advisers who, like Bernard Madoff did, primarily serve wealthy clients from having to become a member of the new SRO. They would also be exempt from having to help pay for the new regulatory framework. The funding burden, then, would be born entirely by advisory firms not specifically exempted under the bill. The effect on smaller firms is not clear, although the Massachusetts Securities Division recently surveyed the 649 investment advisers it regulates and asked what effect they thought H.R. 4624 would have on their businesses. Of the half who responded, 41 percent volunteered comments that the bill as presently drafted was likely to put them out of business.

By proposing that investment advisers should be subject to the same SRO-modeled regulatory scheme that stock brokers currently face, H.R. 4624 would impose another layer of regulatory oversight on an industry already subject to federal and state regulation.

The House Financial Services Committee has scheduled a hearing on June 6 for H.R. 4624. Anyone having an interest in this bill should contact his or her Member of Congress. To find your representative, click [here](#).

Learn to Spot and Avoid Fraud

June 7, 2012

WHAT	“Get Smart About Investment Fraud” Seminar (includes dinner)
WHEN	Thursday, June 7, 2012, 5:30 p.m. – 8 p.m.
WHERE	Embassy Suites Charlotte-Concord 5400 John Q. Hammons Drive N.W., Concord, NC 28027
KEYNOTE SPEAKER	The Honorable Elaine F. Marshall, North Carolina Secretary of State

Free Dinner and Presentation

At this free seminar, you will learn:

- ▶ The surprising facts about who’s at risk
- ▶ Common tactics used by today’s con artists
- ▶ Simple steps you can take to protect yourself
- ▶ How to verify if investment professionals are legitimate
- ▶ What to do if you suspect investment fraud

Learn more at SaveAndInvest.org:

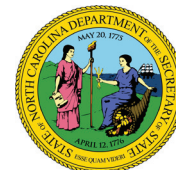
SaveAndInvest.org is a free service from the financial authorities at the FINRA Investor Education Foundation — helping protect you from investment fraud and providing information to help you handle your finances with confidence.

Register for this free event:

- ▶ Go to www.SaveAndInvest.org/events/charlotte
- ▶ Call toll-free: (866) 862-0110

SaveAndInvest.org
1735 K Street, NW
Washington, DC 20006-1506
www.saveandinvest.org

FINRA
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FOUNDATION



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100 YEARS
Advancing Trust TogetherSM

AARP

There is no charge for the program or dinner. This is an educational program—no sales presentations will be permitted during the program or on the premises. Your privacy is important to us. FINRA does not sell lists or share your information with any other organization or third party.

Crowdfunding

The Internet has become an inexpensive and easy way for individuals and businesses to raise money for their activities. Congress recently passed the JOBS Act, which directs the Securities and Exchange Commission (SEC) to create rules exempting crowdfunding from the securities registration laws. Once implemented these rules will remove restrictions on start-up companies seeking investors over the Internet. Investors should be on the lookout for unscrupulous issuers and intermediaries who may attempt to engage in crowdfunding before the rules are written or misuse crowdfunding to steal from investors through false and misleading representations.

What is Crowdfunding?

Crowdfunding is an online money-raising strategy that began as a way for the public to donate small amounts of money, often through social networking websites, to help artists, musicians, filmmakers and other creative people finance their projects.

The concept has recently been promoted as a way of assisting small businesses and start-ups looking for investment capital to help get their business ventures off the ground.

Traditionally, investment opportunities are offered by professionals, such as broker-dealer firms and investment advisers, who must recommend investments that are based on their clients' investment objectives and levels of sophistication.

Through crowdfunding, individuals are able to invest in entrepreneurial start-ups through an intermediary, such as a broker-dealer or a "funding portal." By law, "funding portals" are not allowed to provide investment advice.

What is a funding portal?

A funding portal is a website, also called a "platform," that advertises the investment opportunities and facilitates the payment from the investor to the issuer.

Some portals advertise a variety of investment opportunities on one website, allowing the investor to select one or more projects in which to invest.

Why Investors Must be Extremely Cautious About Crowdfunding Investments

- Crowdfunding investments cannot be offered legally until the SEC adopts rules to permit them. Beware of offerings that seek investments immediately.
- All investments have risk, but small business investments have even greater risk than normal. About 50 percent of all small businesses fail within the first five years.

(over)

To learn more or for help with these or other investment products, contact:

NORTH CAROLINA SECURITIES DIVISION

PO BOX 29622 | RALEIGH, NC 27626

Phone: (800) 688-4507 | Fax: (919) 807-2183 | Web: www.sos.nc.gov



How Crowdfunding Works

Joe's small business sells goat cheese made from his special pygmy goats. To keep his business afloat or to help it grow, Joe can turn to the Internet to seek online donations from the public who contribute small amounts of money and expect nothing in return. Joe usually sends a sample of his cheese as a thank you for the donation; large donors might even get a cheese named in their honor.

New legislation has directed the SEC to write rules that will change how Joe can raise money online. Once the rules are written, Joe will be able to use the Internet to raise up to \$1 million each year by selling investments in his company to thousands of investors. Because Joe will be issuing shares in his company in exchange for investment capital, his supporters are no longer donors; they become investors and will expect a financial return for their investment.

Why Investors Must be Extremely Cautious About Crowdfunding

- Issuers using funding portals to raise money may be inexperienced. Their track records may be unproven, unsubstantiated or outright fraudulent.
- The information about the investment is limited to what is provided through the funding portal. Investors may need to rely on their own research to determine the issuer's track record.
- Because state regulators are not allowed to review crowdfunding issuers or their offerings, full and complete disclosure may not be available to investors.
- Investors may have limited legal ability to take action against the issuer should the investment not perform as represented. Due to limited regulatory oversight over these offerings, investors may be left on their own to pursue costly private lawsuits when things go wrong.
- Crowdfunding investments are mostly illiquid and investors must be prepared to hold their investments indefinitely. It also may be difficult or impossible to resell these securities due to the lack of a secondary market.
- Funding portals must be registered with the Securities and Exchange Commission (SEC), belong to a self-regulating organization (SRO), and comply with other rules the SEC may issue.
- Crowdfunding portals claiming an accreditation or "seal of approval" from a standards program or board may not be legitimate.

The Bottom Line



It pays to be skeptical of investment opportunities you learn about through the Internet.

When you see an offering on the Internet — whether it is on a funding portal, in an online newsletter, on a message board or in a chat room — you should be cautious until you have done your homework and proven that it isn't a scam.

If you have any questions about crowdfunding offerings, contact the North Carolina Securities Division at (800) 688-4507 or www.sos.nc.gov.

100 Counties . . . And Counting!



Barbara Bennett gives tips on avoiding investment scams to attendees at our 100th County Celebration at the Pamlico County Senior Services Center in Alliance.

A little over six years ago, the NC Securities Division began a quest to conduct investor education presentations in all one hundred of North Carolina's counties.

On April 26, 2012, after 457 presentations, the Division achieved its goal when the investor education team of John Maron and Barbara Bennett gave an hour-long antifraud presentation at the Pamlico County Senior Services Center in Alliance, NC.

"We never intended Pamlico County to be the last county we visited," John Maron, Director of the Securities Division's Investor Education Program, told attendees. "We've had visits scheduled but have had to postpone or cancel them for various reasons. We are very pleased, however, to be able to celebrate this personal milestone of ours with the good folks in Alliance."

"We can honestly say we have been from Manteo to Murphy, West Jefferson to Atlantic Beach, and all points in between," Barbara said. "We have already begun to blanket the state again," John said. "Our goal this time is to do it sooner than six years!"

During their six-year journey across the state, John and Barbara provided instruction to more than 30,700 North Carolinians, giving them tips on how to recognize and avoid falling victim to investment scams.

"Helping people is what it's all about for us," John said. "Folks deserve not to be cheated out of their hard-earned money."

If you would like to schedule a talk or presentation about investment fraud prevention for your group or organization, please contact [John Maron](mailto:John.Maron@sosnc.com) (919-807-2106) or [Barbara Bennett](mailto:Barbara.Bennett@sosnc.com) (919-807-2015).

(We don't promise cake at every appearance!)



We even brought cake to celebrate!

NC Securities Division Urges Citizens to Report Elder Abuse 'Crime of the 21st Century' costs victims \$2.9 billion per year



June 15th is World Elder Abuse Awareness Day and the NC Securities Division urges citizens throughout North Carolina to take a stand and join the fight against the “crime of the 21st century” by reporting suspected abuse of the state’s seniors.

Elder abuse comes in many forms – physical, financial, emotional, neglect or abandonment – and often several types of abuse will be inflicted at the same time. Financial abuse is considered to be the most common form of elder abuse, costing its victims an estimated \$2.9 billion a year.

To help fight this problem, the Securities Division is joining the North American Securities Administrators Association (NASAA) to offer tools to identify and report financial abuse or exploitation. Investment fraud is an area of particular concern, as victims can see their life savings depleted with little opportunity to recover financial stability. (Click [here](#) to see our list of free investor education brochures, including ***Frauds Aimed at Senior Citizens*** – the last item in the list.)

The Securities Division has also sponsored seminars to train doctors and other medical and adult services professionals to be more sensitive to warning signs of financial abuse among their elderly patients or clients. So far, the Division has delivered training through the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program to over 300 doctors and adult services providers across the state. For more information about this initiative, contact [John Maron](#) at (919) 807-2106.

Financial losses through investment fraud scams can be devastating. Those who lose their life savings suffer a physical and emotional toll as well as a financial toll. They may become fearful, develop health issues, become depressed and even consider suicide. It’s imperative that financial abuse be reported promptly to the proper authorities.

Securities fraud can come in many forms. The investment might be fraudulent, or it could be a legitimate product that is unsuitable for the investor’s circumstances. Other investment problems include unregistered products, theft of funds or products sold by an unlicensed adviser or broker. Investors and caregivers are urged to “investigate before investing” by calling the Securities Division at (919) 733-3924 or toll-free at (800) 688-4507 to verify if the product and person selling it are registered/licensed and if there have been any complaints.

Elder financial abuse is an under-recognized problem with devastating consequences. The growing senior population is increasingly targeted for abuse with studies showing that women were twice as likely as men to be victims of elder financial abuse. Family members and caregivers are the culprits in more than half of these cases.

Securities or investment fraud should be reported to the Securities Division. Other types of elder abuse should be reported to an Adult Protective Services (APS) representative in your county’s Department of Social Services office or to your local law enforcement agency. For more information about Adult Protective Services and how to contact your local office, click [here](#). You may also report abuse through the national Eldercare Locator at (800) 677-1116.



Additional Resources

- [ABCs for APS Professionals: How to Identify and Report Investment Fraud](#)
- World Elder Abuse Awareness Day resource page from the [National Center on Elder Abuse](#)

FINRA Warns Investors of Nutraceutical Stock Scams

The Financial Industry Regulatory Authority (FINRA) has issued a new Investor Alert called [Nutraceutical Stock Scams—Don't Supplement Your Portfolio With These Companies](#) to warn investors about stock scams related to companies selling everything from fortified foods and energy drinks to "natural" medicines. Like many investment scams, pitches for nutraceutical stocks may arrive in a variety of ways—from cold calls to email, tweets, blogs or message board posts.

Nutraceuticals are products that claim to help people to lose weight, get an energy boost, live longer or fight the common cold, and can include dietary supplements and food and drink products that contain additives purporting to provide health benefits. While some nutraceutical companies are legitimate, others could be bogus operations with the potential to harm unsuspecting investors.

The con artists behind nutraceutical stock scams may try to lure in investors with optimistic and potentially false and misleading information that in turn creates unwarranted demand for shares of small, thinly-traded companies that often have little or no history of financial success. The con artists behind these "pump and dump" scams can then sell off their shares, leaving investors with worthless stock.

One company claimed to have acquired rights to "all-natural" medicines that treat maladies ranging from the common cold to kidney disease. The company claimed it had "the potential to capture 3 percent of the US market within a 3 year period" and "potentially generate "\$100,000,000 in revenues." Investors who took a look at the company's unaudited financials would have found a firm with almost no cash on hand and no track record of sales.

"While nutraceuticals claim to help people become healthy, investing in some of the companies associated with these products can make investors' portfolios sick," said Gerri Walsh, FINRA's Vice President for Investor Education. "The best way investors can inoculate themselves against investment scams is to ask and check. Find out whether the promoter is licensed using FINRA [BrokerCheck](#), and check out the investment using the Securities and Exchange Commission's [EDGAR](#) database of company filings."

The Alert warns investors to ignore unsolicited investment recommendations and to question the source of investment information. Investors should also be wary of investments that promise fantastic growth and check out the person promoting the stock or investment. Nutraceutical Stock Scams also includes detailed information to help investors spot potential scams and distinguish frauds from legitimate investment opportunities.

To read FINRA's entire Investor Alert, click [here](#).

Don't think you can become a victim of fraud?

Every day there are new reports of victims being cheated out of their money. The North American Securities Administrators Association (NASAA) collects these news reports on a daily basis and we post them on the NC Securities Division's website. Check out the latest news headlines by visiting our [website](#).



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 Alert](#) was issued by the SEC's Office of Investor Education and Advocacy and is reprinted here for informational purposes only. It provides seniors who use social media with a few tips to help them do so more safely and to help them avoid investment fraud.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Social Media and Investing - Tips for Seniors

More and more older Americans are using social media every day, including to help guide investment decisions. Whether it is to research particular stocks, to find background information on financial professionals, to gather up-to-date news, or to discuss the markets with others, social media – web-based platforms that allow interactive communication, such as Facebook, YouTube, Twitter, LinkedIn, bulletin boards, and chat rooms – has become an important investing tool. While social media can provide many benefits, it also presents opportunities for fraudsters targeting older Americans. **As a result, seniors need to proceed with caution when using social media as part of their investment process. The following tips can help.**

Tips to Help Avoid Investment Fraud Online

The key to avoiding investment scams on the Internet is to be an educated investor. Below are five tips to help seniors avoid securities fraud

1. Look out for “Red Flags”

Wherever you come across a recommendation for an investment on the Internet, the following “red flags” should cause you to use caution in making an investment decision:

It sounds too good to be true. Any investment that sounds too good to be true probably is. Be extremely wary of claims on the Internet that an investment will make “INCREDIBLE GAINS” or is a “BREAKOUT STOCK PICK.”

Claims like these are hallmarks of extreme risk or outright fraud.



The promise of “guaranteed” returns with little or no risk. Every investment entails some level of risk, which is reflected in the rate of return you can expect to receive. Most fraudsters spend a lot of time trying to convince investors that extremely high returns are “guaranteed” or that the investment “can’t miss.” Don’t believe it.

Offers to invest outside the United States. You should carefully examine any unsolicited offer to invest outside of the United States. Many fraudsters set up operations outside the United States to make it more difficult for regulators to stop their fraudulent activity and recover their victims’ money.

Pressure to buy RIGHT NOW. Don't be pressured or rushed into buying an investment before you have a chance to think about – and investigate – the “opportunity.” Be especially skeptical of investments that are pitched as “once-in-a-lifetime” opportunities.

2. Be Wary of Unsolicited Offers

Investment fraud criminals look for victims, including seniors, on the Internet. If you see a new post on your wall, a tweet mentioning you, a direct message, an e-mail, or any other unsolicited – meaning you didn't ask for it and don't know the sender – communication regarding a so-called investment opportunity, you should exercise extreme caution. ***An unsolicited sales pitch may be part of a fraudulent investment scheme***

3. Look out for “Affinity Fraud”

An investment pitch made through an online group of which you are a member, or on a chat room or bulletin board catering to an interest you have, may be an affinity fraud. Affinity fraud refers to investment scams that prey upon members of identifiable groups, often seniors, religious or ethnic communities, professional groups, or combinations of those groups. ***Even if you know the person making the investment offer, be sure to check out everything – no matter how trustworthy the person seems who brings the investment to your attention. Remember, the person making you the offer may not know that the investment is a scam.***



4. Be Thoughtful About Privacy and Security Settings

Seniors who use social media as a tool for investing should be mindful of the various features on these websites that can help protect privacy. ***Understand that unless you guard personal information, it may be available not only to your friends, but for anyone with access to the Internet – including fraudsters.*** For more information on privacy and security settings, as well as other guidance regarding setting up on-line accounts with an eye toward avoiding investment fraud, see our Investor Bulletin Social Media and Investing: Understanding Your Accounts.

5. Ask Questions and Check Out the Answers

Be skeptical. ***Never judge a person's integrity, or the merits of an investment, without doing thorough research on both the person selling the investment and the investment itself.*** Investigate the investment thoroughly and check the truth of every statement you are told about the investment. You can check out many investments using the SEC's EDGAR filing system or through your state's securities regulator. You can check out registered brokers at the Financial Industry Regulatory Authority's (FINRA) BrokerCheck website and registered investment advisers at the SEC's Investment Adviser Public Disclosure website. See our publication Ask Questions for more about information you should gather before making an investment.

A Few Common Investment Scams Using Social Media and the Internet

While fraudsters are constantly changing the way they approach victims on the Internet, there are a number of common scams of which you should be aware. Here are a few examples of the types of schemes you

should be on the lookout for when using social media:

“Pump-and-Dumps” and Market Manipulations

“Pump-and-dump” schemes involve the promoting of a company's stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace, in order to sell the cheaply purchased stock at a higher price. These false claims could be made on social media such as Facebook and Twitter, as well as on bulletin boards and chat rooms.

Fraud Using “Research Opinions,” Online Investment Newsletters, and Spam Blasts

While legitimate online newsletters may contain useful information about investing, others are merely tools for fraud. Some companies pay online newsletters to “tout” or recommend their stocks.

Touting isn't illegal as long as the newsletters disclose who paid them, how much they're getting paid, and the form of the payment, usually cash or stock. But fraudsters often lie about the payments they receive and their track records in recommending stocks. To learn more, read our tips for checking out newsletters.

High Yield Investment Programs

The Internet is awash in so-called "high-yield investment programs" or "HYIPs." These are unregistered investments typically run by unlicensed individuals – and they are often frauds. The hallmark of an HYIP scam is the promise of incredible returns (30 or 40 percent – or more) at little or no risk to the investor. (Click [here](#) to read a FINRA alert on HYIPs.)

Internet-Based Offerings

Offering frauds come in many different forms. Generally speaking, an offering fraud involves a security of some sort that is offered to the public, where the terms of the offer, such as the likelihood of a return, are materially misrepresented.

What Seniors Should Know About Professional Designations

Some financial professionals use social media to attract new clients. These financial professionals may use designations such as "senior specialist" or "retirement advisor" to imply that they are experts at helping seniors with financial issues. **Seniors should be aware that some of these titles require little or no training or education.**

In some cases, a financial professional may need to study and pass several rigorous exams—after working in a designated field for several years—to receive a particular designation. In other cases, it may be relatively easy in terms of time and effort to receive a "senior" designation, even for an individual with no relevant experience.

If you want to find out more about a particular professional designation, check out the "[Understanding Investment Professional Designations](#)" page on FINRA's website.

Please keep in mind that neither the SEC nor the NC Securities Division endorses any professional designation. Furthermore, we encourage you to always look beyond a financial professional's designation and determine whether he or she can provide the type of financial services or product you need. You should thoroughly evaluate the background of anyone with whom you intend to do business before you hand over your hard-earned cash.

Where can I go for help?

Never be afraid to complain or ask questions. If you suspect fraud or a questionable practice and the explanations you receive are not satisfactory, do not let embarrassment or concern that you will be judged incapable of handling your own affairs prevent you from filing a complaint. Seniors who learn of investing opportunities from social media should always be on the lookout for fraud. If you have a question or concern about an investment, or you think you have encountered fraud, please contact the SEC, the NC Securities Division, or FINRA to report the fraud and to get assistance.

[U.S. Securities and Exchange Commission Office of Investor Education and Advocacy](#)

100 F Street, NE
Washington, DC 20549-0213
Telephone: (800) 732-0330
Fax: (202) 772-9295

[NC Department of the Secretary of State Securities Division](#)

PO Box 29622
Raleigh, NC 27626-0622
Telephone: (919) 733-3924 or (800) 688-4507
Fax: (919) 807-2183

[Financial Industry Regulatory Authority \(FINRA\) FINRA Complaints and Tips](#)

9509 Key West Avenue
Rockville, MD 20850
Telephone: (301) 590-6500
Fax: (866) 397-3290

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
06/04/12	Greensboro	Heritage Greens Retirement Community , 801 Meadowood Street. Time: 3:00 PM -- 4:00 PM. Open to residents and guests only. For more information, contact Ken Krell at (336) 299-4400.
06/05/12	Morehead City	Leon Mann Jr. Enrichment Center , Carteret County Senior Services, 3820 Galantis Drive. Time: 10:00 AM -- 11:30 AM. For more information, contact: Mary Elizabeth Dixon at (252) 247-2626.
06/07/12	Concord	Outsmarting Investment Fraud Seminar, sponsored by FINRA, the NC Department of the Secretary of State, AARP North Carolina and the Securities and Exchange Commission. Embassy Suites Charlotte/Concord, 5400 John Q. Hammons Drive, NW. Time: 5:30 PM -- 8:00 PM. Dinner provided. Free, but registration required by calling toll-free (866) 862-0110 or online at www.SaveAndInvest.org/events/charlotte . (See invitation on p. 3.)
06/13/12	Hendersonville	Emeritus at Pine Park , 2601 Chimney Rock Road. Time: 2:30 PM -- 3:30 PM. Open to residents and guests. For more information, contact Greg Penfold at (828) 692-1911.
06/14/12	Hendersonville	Kiwanis Club of Hendersonville , The Chariot Restaurant, 715 N. Church Street. Time: Noon - 1:15 PM. Open to club members and their guests only.
06/14/12	Charlotte	South County Library , 5801 Rea Road. "Women In Transition" presentation (men are welcome). Time: 6:00 PM -- 7:30 PM. Free, but registration is requested. Click here for more information.
06/15/12	Charlotte	Steele Creek Library , 13620 Steele Creek Road. Time: 2:00 PM -- 3:00 PM. Free. Click here for more information or contact the library at (704) 416-6800.
06/19/12	Hillsborough	Central Orange Senior Center , 103 Meadowland Drive. "Women In Transition" presentation (men are welcome). Time: 2:30 PM -- 3:30 PM. For more information, contact Terry Covell at (919) 245-2016.
06/21/12	Cary	SearStone Retirement Community , 106 Walker Stone Drive. Time: 2:00 PM -- 3:00 PM. Open to residents and their guests only. For more information, contact Karen Lawrence at (919) 466-9366.
06/22/12	Greenville	Jumpstart Financial Literacy Summit , ECU, Bate Bldg., Greenville. Registration required (click link). For more information, contact Sandy Wheat at (919) 791-1995.
06/25/12	Raleigh	Springmoor Life Care Retirement Community , 1500 Sawmill Road. Time: 2:30 PM -- 3:30 PM. Open to residents and their guests only. For more information, contact: Leah Willis at (919) 848-7075.
06/28/12	Charlotte	Beatties Ford Road Public Library , 2412 Beatties Ford Road. Time: 5:00 PM -- 6:30 PM. Free, but registration suggested. For more information, contact (704) 416-3000.
06/29/12	Charlotte	Sugar Creek Public Library , 4045 N. Tryon Street. Time: Noon -- 1:30 PM. Free, but registration suggested. For more information, contact: (704) 416-7000.

Calendar of Upcoming Events (Continued)

Date	City	Details
07/02/12	Durham	Emerald Pond Retirement Community , 205 Emerald Pond Lane. "Women In Transition" presentation (men are welcome). Time: 2:00 PM -- 3:00 PM. Open to residents and guests only. For more information, contact Lorene Currin at (919) 493-4713 .
07/24/12	Jacksonville	Jacksonville Rotary Club ,Jacksonville Country Club, 2201 Country Club Road. Open to club members and guests only. Time: 1:00 PM -- 2:00 PM. For more information, contact Elizabeth Elks at (910) 455-3136.
07/25/12	Greensboro	2012 Career and Technical Education Summer Conference , Koury Convention Center, 3121 High Point Road. Registration required. For more information, contact Curt Miller at (919) 807-4014.
07/27/12	Charlotte	Independence Regional Public Library , 6000 Conference Drive. "Women In Transition" presentation (men are welcome). Time: 2:00 - 3:30. Free, but registration suggested. For more information, contact (704) 416-4800.
07/28/12	Fuquay-Varina	Health Fair, St. Augusta Missionary Baptist Church , 605 Bridge Street. Time: 9:00 AM – 1:00 PM. Free. For more information, contact Delcia Wiggins at (919) 346-1209.
07/28/12	Charlotte	Mint Hill Public Library , 6840 Matthews-Mint Hill Road. Time: 10:30 AM – Noon. Free, but registration suggested. For more information, contact (704) 416-5200.
08/02/12	Cary	Senior Resource Alliance of the Triangle , 1255 Crescent Green, Suite 440. "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	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.
08/14/12	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.



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 July 2012.

Recent Enforcement Actions

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

No new enforcement actions have been issued. But click [here](#) to see our current orders.



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.)

[Jumpstart Our Business Startups \(JOBS\) Act](#)

The Securities and Exchange Commission's (SEC) Corporation Finance Division has a webpage devoted to the latest information about the JOBS Act, including Frequently Asked Questions about the new law. Click the link above. To submit or read public comments on any aspect of the JOBS Act, click [here](#).

[FINRA Enhances BrokerCheck Capabilities](#)

May 16, 2012 -- The Financial Industry Regulatory Authority (FINRA) has announced that it has added features to [BrokerCheck](#) to help users more easily access broker-dealer and investment adviser registration information. Several changes implemented by FINRA address recommendations made in a January 2011 [study](#) by the Securities and Exchange Commission (SEC). To read the entire release, please click the link above.

[NASAA Warns of Potential Dangers of Crowdfunding Investment Opportunities](#)

May 15, 2012 -- The North American Securities Administrators Association (NASAA) has issued an advisory warning investors to approach crowdfunding investment opportunities with great caution. (See pages 4-5 of this newsletter for the alert.)

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!