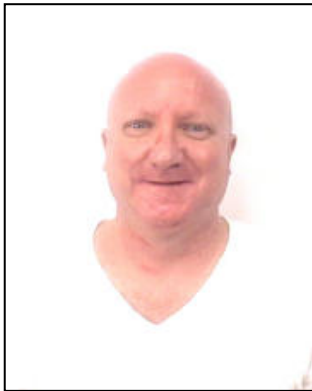




November 2013 NEWSLETTER • Vol. 5, No. 11

Lexington Man Charged with Multiple Counts of Securities Fraud



Rondell Scott Hedrick

Law Enforcement agents with the North Carolina Secretary of State Division of Securities charged Rondell Scott Hedrick, 48, of Lexington on October 27, 2013, with 27 felony counts related to an alleged precious metals investment scam.

Secretary of State investigators allege Hedrick deceived multiple victims from around the country into sending him money that he claimed he was using to buy gold overseas and then re-sell for huge profits within a matter of days.

Hedrick used the Internet website Craigslist, investigators allege, stating that the victims would be repaid within a short time for up to triple what they invested with him.

The charges against Hedrick include ten counts of securities fraud, five counts of obtaining property by false pretense, five counts of securities dealer registration violation, five counts of security registration violation and two counts of violation of a [cease and desist order](#) issued by the Division on February 4, 2013.

Hedrick was not registered to sell financial securities during the alleged incidents and his company was shown on the Secretary of State website to be not in good standing.

“We always ask people to check before they invest,” NC Secretary of State Elaine F. Marshall said Thursday. “In this case, checking first would have shown a corporation that had been dissolved and that neither the suspect nor his investment offering were registered to be doing this business. Plus, he and the company had already been issued a cease and desist order for pursuing this type of activity.”

“I urge everyone to thoroughly research any investment before sending their money,” Secretary Marshall said. “This is even more true when you are looking at investments offered over the Internet and that really sound too good to be true.”

Secretary of State Marshall also thanked the Lexington Police Department for assisting in the case.

Hedrick was placed in the Davidson County Jail under \$150,000 secured bond.

Financial Literacy: Important Addition to NC's Classrooms

Recognizing that the so-called “3 R’s” -- Reading, 'Riting and 'Rithmetic -- just are not enough for today's students, the state in recent years has taken steps to improve the financial knowledge of its youngest consumers.

The NC Department of the Secretary of State Securities Division likewise recognizes the need for this education and has been expanding its work with teachers and students over the last several years.

In its [2013 National Report Card](#), the Center for Financial Literacy at Champlain College gave North Carolina a “B” for its efforts to promote financial literacy in its public high schools. North Carolina is one of twenty states earning either an “A” or “B” in the Center’s survey. According to the survey, “Generally, states with a B grade have personal finance topics in their instructional guidelines, and require local school districts to implement them. To graduate from high school in a B state, a student must take a course that includes personal finance topics.”

Specifically, the survey noted that North Carolina:

- Requires personal finance instruction to be incorporated into other subject matter (source: [JumpStart Survey](#));
- Includes personal finance topics in the state’s K-12 instructional guidelines, requires local school districts to implement these standards and requires financial literacy instruction as a high school graduation requirement (source: [CEE Survey](#));
- Incorporates personal finance topics into its required high school course on civics and economics (source: [JumpStart Survey](#)); and,
- North Carolina created a financial literacy fund to support personal finance education efforts in its schools and also created a financial literacy council (of which the NC Department of the Secretary of State is a member) tasked with coordinating and expanding the state’s delivery of financial education for all of its citizens (source: [NCSL Summaries](#)).

For several years, the Securities Division has been making available a free course of instruction for teachers called “[Teaching the Basics of Saving and Investing](#).” The curriculum was created by the [Investor Protection Trust \(IPT\)](#), a Washington, DC-based nonprofit organization dedicated to funding investor education programs and materials. The course “is a unique teaching tool that will provide school age and adult learners with non-commercial information that they need to know for sound financial decision making and investing throughout their lives.” The guide is



NC Secretary of State Elaine F. Marshall giving the keynote speech at the JumpStart Financial Literacy Month Luncheon in April.

literally an “unwrap-and-go” program complete with lesson plans, worksheets, overheads/handouts and tests (*answers included!*) for each unit. “I have provided this free resource at North Carolina Teacher Conferences for the past three years,” says Barbara Bennett, Investor Education Specialist. Bennett expects to present the updated version of the course at next year’s two state teacher conferences. “By providing a ready-made program for them,” she said, “we hope to ease some of the stress and anxiety of teachers tasked with finding a way to inject PFL into an already overwhelming curriculum.”

The Securities Division’s main focus remains protecting investors. However, understanding financial concepts is vital to everyone. In her keynote speech at the Jump\$tart Financial Literacy Month Luncheon this past April, Secretary of State Elaine F. Marshall noted that so-called “gateway jobs” – jobs like mowing lawns or babysitting that traditionally have introduced young people to the working world – are falling more and more to professional services. This means that young workers have fewer opportunities to earn and manage their own money.



Barbara Bennett explaining budgeting concepts with Junior Achievement Biz Camp campers.

With the increasing popularity of e-commerce, very little *cash* actually passes from one hand to another anymore. Some children think that those plastic cards, smart phones or computers make everything free, limitless and attainable at any time by anyone.

The NC Securities Division’s Investor Education team has been an active member of the Jump\$tart Coalition. They have given presentations at Future Business Leaders of America conferences, Business & IT Teachers conferences, Greensboro’s Family Financial Fair, Junior Achievement’s *Biz Camp*, Upward Bound at Central Carolina Community College and many school Career Days.

For the past four years, Bennett has participated in [JA Biz Camp](#), weeklong day camps sponsored by Junior Achievement of Central Carolinas for kids 10 to 14 years of age in Charlotte. “With the rampant instance of Internet fraud, I ask the kids if they have ever seen something on the Internet that sounds too good to be true or thought might be fake. Almost every child raises a hand. Fraudsters don’t care if they scam a senior citizen or a 10 year old child, so I try to show them there are great, free and safe games online.”

Resources for Teachers
(Click the links)

[NC Department of the Secretary of State: Resources for Teachers](#)

[NASAA's Investor Education Resources for Youth and Educators](#), including [FSI: Fraud Scene Investigator](#) (high school), [Live “Stock” Adventure](#) (middle school) and [Conversation Starters](#). Plus “[Guide to Understanding 529 Plans](#)” for parents.

[Investor Protection Trust](#): Teach Investing

[Practical Money Skills](#): Has games for kids (4 and up) including the very popular Financial Football and Financial Soccer.

[Jump\\$tart's Reality Check](#): See what it’s like to live on your own (middle & high school).

[FDIC's Money Smart](#): For Young Adults aged 12 – 20.

Updated Publications Address Investor Confusion about Stockbrokers, Investment Advisers, and Financial Planners

The NC Securities Division has posted two newly updated resources on its [website](#) designed to help investors better understand the responsibilities of—and differences between—the various investment professionals they may encounter.

The first is an investor bulletin entitled “[Making Sense of Financial Professional Titles](#).” It is jointly published by the federal Securities and Exchange Commission (SEC) and the North American Securities Administrators Association (NASAA), the oldest international organization dedicated to protecting investors.

“Making Sense” explains that the requirements for obtaining and using various professional titles vary widely, from rigorous to nothing at all. To use certain titles, a financial professional may need to pass exams, meet ethical standards, have relevant work experience, and undertake continuing education. Other titles, however, may be obtained with little time, effort, and experience. **It is important to remember, however, that neither federal nor state securities regulators endorse any financial professional titles.**

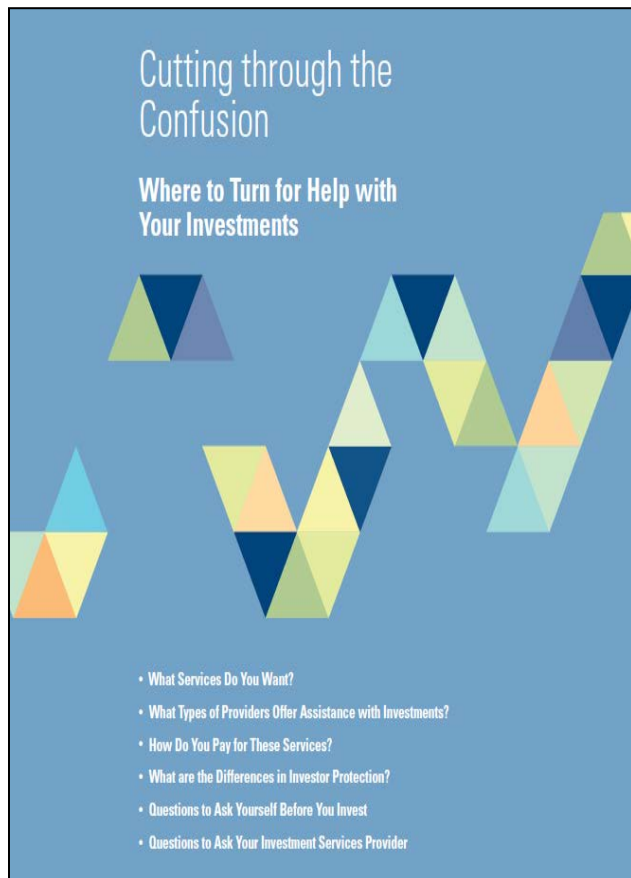
Investors are advised not to rely solely on a title to determine whether a financial professional has the expertise that they need. Rather, investors are advised to find out what the title means and what the financial professional did to obtain it. To aid investors in this process, the bulletin suggests they ask the following questions before doing business with any financial professional:

- *Who awarded your title?*
- *What are the training, ethical, and other requirements to receive the title?*
- *Did you have to take a course and pass a test?*
- *Does the designation require a certain level of work experience or education?*
- *To maintain the designation, are you required to take refresher courses?*
- *How can I verify your standing with this organization?*



The SEC-NASAA Investor Bulletin features three logos at the top: the SEC seal, the NASAA logo, and the NASAA seal. The title "SEC-NASAA Investor Bulletin: Making Sense of Financial Professional Titles" is prominently displayed in a blue banner. Below the banner, the text explains that the SEC and NASAA are jointly issuing this bulletin to help investors understand the titles used by financial professionals. It notes that requirements for obtaining and using these titles vary widely, from rigorous to nothing at all, and that some titles may require exams, ethical standards, work experience, and continuing education. A key message is that neither the SEC nor NASAA endorses any financial professional titles, and investors are encouraged to look beyond a title to determine the type of services or products provided. The bulletin also addresses registration or licensing status, clarifying that titles and licenses are not the same and that professionals may be registered with multiple authorities. It further explains that some professionals may register in more than one capacity, such as both a registered representative and an insurance agent. Finally, it discusses the use of titles by professionals, advising investors not to rely solely on a title and to find out what the title means and what the professional did to obtain it. Some titles are granted by private organizations, and while some private groups grant titles, others may not take complaints or discipline members.

The second publication, "[Cutting through the Confusion](#)," explains the differences between brokers, investment advisers, and financial planners and identifies questions investors should ask themselves and potential providers before making a choice. The organizations that produced the updated publication include the North American Securities Administrators Association, Investment Adviser Association, CFA Institute and the Financial Planning Coalition, which is comprised of Certified Financial Planner Board of Standards, the Financial Planning Association and the National Association of Personal Financial Advisors.



“State securities regulators are committed to helping investors understand the different services, costs and legal obligations of providers available to assist with their investment needs,” said A. Heath Abshire, President of the North American Securities Administrators Association and Arkansas Securities Administrator. “We are concerned about investor confusion stemming from the blurred lines between traditional brokerage, investment advisory, and financial planning services.”

“Cutting through the Confusion” provides practical guidance about how consumers should go about selecting a financial advisor to assist them with their investments. It offers a clear, common sense discussion of the key differences between brokers, investment advisers and financial planners,” said Neil A. Simon, Vice President for Government Relations, Investment Adviser Association. “The IAA appreciates the dedication to investor protection evidenced in this publication by the state regulatory community and the other organizations that worked on updating this important investor education resource.”

“The Financial Planning Coalition is proud to support the development of this objective tool that consumers can use to better understand the complex terminology and information that is so prevalent in the financial services industry. Providing the public with greater clarity on what financial professionals do and the services they provide will help them make smarter, better-informed decisions for their financial well-being,” the Financial Planning Coalition said. “Investors need to understand the investment products and services they are using or are thinking of using, as well as the standards of care they can expect from different financial services providers. CFA Institute is pleased to be part of this effort to provide investors with a valuable tool that can help them make better investment choices,” said James C. Allen, CFA, Head of Capital Markets Policy at CFA Institute.



NASAA Encourages Congress to take 'Balanced Approach' to Capital Formation Proposals to Restore Investor Confidence

Testimony

On October 23, 2013, the North American Securities Administrators Association (NASAA) urged lawmakers to proceed cautiously when considering additional legislation to reduce impediments to capital formation on the heels of the Jumpstart Our Business Startups (JOBS) Act of 2012.

"The states are committed to fostering responsible capital formation, which, in turn, strengthens investor confidence and leads to job growth. At the same time, capital formation will be impeded when investors are not adequately protected," NASAA Past-President and Arkansas Securities Commissioner Heath Abshure said during testimony before the House Subcommittee on Capital Markets and Government Sponsored Enterprises.

"NASAA shares the goal of Congress to improve the United States economy by spurring private investment in businesses. However, we are concerned that the Committee may be attempting to reach this goal through a strictly one-sided approach – namely, by eliminating sensible regulations that appear to be burdensome to businesses that want to raise capital," Abshure said.

"We encourage the Committee to take a more balanced approach and to consider reforms that will restore investor confidence in the markets. What we need is smarter regulation, not merely deregulation," he said.

The hearing was called to examine seven legislative proposals related to capital formation, including proposals to streamline registration requirements of "merger and acquisition brokers;" further ease reporting requirements applicable to "Emerging Growth Companies" or EGCs; and relax portfolio strictures, leverage limits, and other regulations for business development companies (BDCs). They also include common-sense proposals to reduce "red tape" that adds to the compliance costs of small and startup businesses, such as the SEC's requirement that certain filings be made using eXtensible Business Reporting Language (XBRL).

"NASAA's view regarding this new collection of bills is mixed," Abshure said, noting that state securities regulators generally support the proposed "[Small Business Mergers, Acquisitions, Sales, and Brokerage Simplification Act of 2013](#)" (H.R. 2274) sponsored by Rep. Bill Huizenga (R-MI).

"This legislation would establish a simplified and streamlined registration process for broker-dealers engaged solely in the business of effecting the transfer or sale of privately held companies," Abshure said. "NASAA is optimistic that this legislation will encourage registration and regulatory compliance by M&A brokers."

NASAA remains concerned about other proposals pending before the committee regarding emerging growth companies and business development companies.

“Most notably, NASAA is troubled by the proposal to further expand what are basically new, untested regulatory carve-outs for EGCs as well as proposals that would increase leverage and conflicts of interests in the BDC space,” Abshure said.

Three bills pending before the Subcommittee – H.R. 31, H.R. 1800, and H.R. 1973 – would repeal the provisions of the Investment Company Act of 1940 (ICA) that limit the ability of a BDC to invest in investment advisers. Two of these bills, H.R. 31 and H.R. 1800, additionally would ease the leverage limits for BDCs established by the ICA, allowing such firms to maintain a greater ratio of debt-to-asset valuation on their balance sheets.

“The most radical change contemplated by any of the bills before the Subcommittee occurs under H.R. 1973, which would redefine financial services companies as ‘eligible portfolio companies,’ thereby obviating all existing limitations on the ability of BDCs to invest in financial companies,” Abshure said. “State securities regulators also question the rationale for further relaxing the leverage limits applicable to BDCs, as contemplated by H.R. 31 and H.R. 1800.

Abshure emphasized that NASAA’s concern also extended to narrower bills that would allow BDC investment only in investment adviser firms.

“That proposal would create a significant conflict of interest,” Abshure said. “If an advisory firm were among a BDC’s portfolio of companies, an incentive would exist for the investment adviser to recommend, or even push, their clients toward investments in the BDC or its other portfolio companies, even if such investments were not in the client’s best interest,” Abshure said. “No such conflicts of interest exist now, and NASAA urges Congress not to allow for such a conflict of interest to arise as it considers reforms to the BDCs portfolio strictures.”

NASAA is the oldest international organization devoted to investor protection. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.



FINRA Foundation Survey Reveals Over 80 Percent of Respondents Are Exposed to Financial Scams

Over 40 Percent Unable to Identify Classic "Red Flags" of Fraud

On September 12, 2013, the FINRA Investor Education Foundation issued a new research report—[Financial Fraud and Fraud Susceptibility in the United States](#)—which reveals that over 80 percent of respondents have been solicited to participate in potentially fraudulent schemes, and over 40 percent of those surveyed cannot identify some classic red flags of fraud. According to experts, this fraud activity may be costing Americans about \$50 billion annually (see the infographic on p. 9).

"When it comes to financial fraud, America is a nation at risk. Fraudsters are very effective at reaching and enticing vulnerable populations into turning over their money, and far too few Americans are able to detect likely fraudulent sales pitches," said FINRA Foundation President Gerri Walsh.

The FINRA Foundation's new survey of nearly 2,400 U.S. adults age 40 and older revealed that financial fraud solicitations are commonplace, many Americans are unable to spot fraudulent sales pitches, and older Americans (age 65 and older) are particularly vulnerable. Specific findings include:

- More than 8 in 10 respondents were solicited to participate in a potentially fraudulent offer. And 11 percent of all respondents lost a significant amount of money after engaging with an offer.
- More than 4 in 10 respondents found an annual return of 110 percent for an investment appealing, and 43 percent found "fully guaranteed" investments to be appealing.
- Americans age 65 and older are more likely to be targeted by fraudsters and more likely to lose money once targeted.

Con artists are adept at using a variety of tactics to get their hands on consumers' money. The FINRA Foundation's survey found that 64 percent of those surveyed had been invited to an "educational" investment meeting that was likely a sales pitch. Additionally, 67 percent of respondents said they had received an email from another country offering a large amount of money in exchange for an initial deposit or fee.

Financial Fraud and Fraud Susceptibility in the United States also found that under-reporting of fraud is a major concern. Although 11 percent of those surveyed lost money in a likely fraudulent activity, only 4 percent admitted to being a victim of fraud when asked directly—***an estimated under-reporting rate of over 60 percent***.

The FINRA Foundation's report is based on an online survey of 2,364 Americans age 40 and over that was conducted between September 28, 2012, and October 4, 2012. For analysis purposes, the total sample was weighted to match 2010 Census distributions for ethnicity and gender. The full research report, methodology and questionnaire are available at <http://www.saveandinvest.org/FraudCenter/Research>.

FINANCIAL FRAUD in THE UNITED STATES



LEARN TO PROTECT YOURSELF

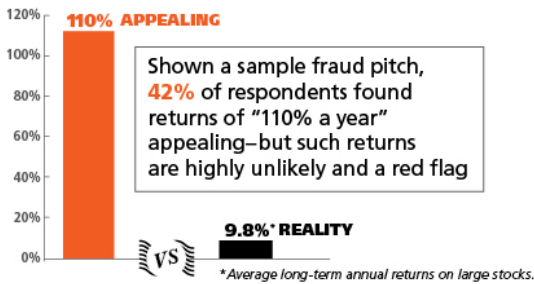


\$50 BILLION
per year lost to fraud

More than
8 in 10
solicited for
potentially fraudulent offers



Part of the problem is that many Americans have **unrealistic expectations of market returns.**



Americans age 65 and older are more likely to be targeted and 34% more likely to lose money once targeted than respondents in their 40s.



BE SURE TO ASK and CHECK.



ASK if the person is licensed to sell you the investment and if the investment is registered.



CHECK the answers with FINRA or the SEC. You can use FINRA's BrokerCheck and the SEC's EDGAR database.

Fraudsters use many tactics to get to your money.

WHAT DO THESE OFFERS LOOK LIKE?

67% of survey respondents received an email offering a large amount of money but required an initial deposit or fee.



64% were invited to an "educational" investment meeting that was likely a sales pitch.

36% received a letter stating they had won the lottery in another country.

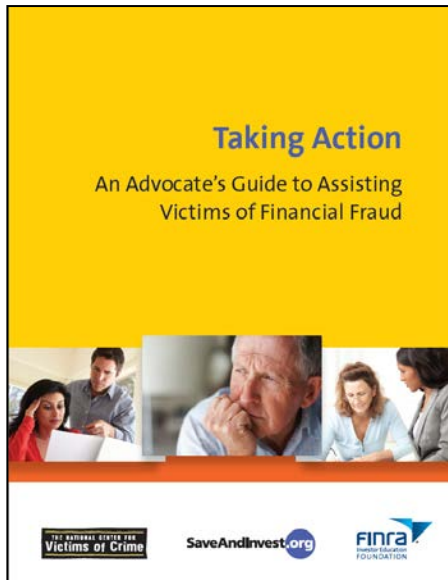


VISIT SAVEANDINVEST.ORG FOR MORE INFORMATION.

Source: FINRA Investor Education Foundation research report, *Financial Fraud and Fraud Susceptibility in the United States* (2013). Study and methodology available online at www.SaveAndInvest.org.

SaveAndInvest.org

Victim Advocate Guide from NCVC, FINRA Foundation



The National Center for Victims of Crime (NCVC) and the FINRA Foundation have released [Taking Action: An Advocate's Guide to Assisting Victims of Financial Fraud](#).

It's a groundbreaking new guide designed for consumer advocates, lawyers, counselors and others who serve the more than 30 million Americans who are victims of financial fraud every year.

The guide, which you can download for free, provides step-by-step strategies for addressing the major types of financial crime—including investment fraud, identity theft, mortgage and lending fraud, and mass-marketing scams.

CFTC's Whistleblower Program

The Commodity Futures Trading Commission's (CFTC) [whistleblower program](#) was established to combat insider fraud by providing monetary awards to persons who voluntarily report original information that leads the CFTC to bring an action for violations of the Commodity Exchange Act that result in more than \$1 million in monetary sanctions. The CFTC can also pay whistleblower awards based on monetary sanctions collected by other authorities in actions that are related to a successful CFTC enforcement action and are based on [information](#) provided by a CFTC whistleblower.

For whistleblowers who meet all eligibility criteria, the CFTC will pay between 10 and 30 percent of the monetary sanctions collected in either the CFTC action or a related action. The CFTC's whistleblower provisions also provide anti-retaliation protections for whistleblowers who share information with or assist the CFTC. [Retaliation against whistleblowers](#) by employers is prohibited by the Dodd-Frank Act.

For more information, visit www.cftc.gov/ConsumerProtection/WhistleblowerProgram.



In addition to the Whistleblower [web page](#), the CFTC's Office of Consumer Outreach also makes available a print brochure (right). View the [brochure](#) and email consumers@cftc.gov if you would like it or any of the other materials listed on the site.

NASAA Reports Similarities in Deficiencies Among Existing and Switching Investment Advisers

[Download: 2013 IA Examination Report](#) (pdf)

State securities regulators report little difference in the type or frequency of deficiencies between existing state investment and those advisers who switched from federal to state oversight as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the North American Securities Administrators Association (NASAA) reported on October 7, 2013.

“This demonstrates that states and NASAA worked hard to inform and educate switching advisers before and during the switch,” said Heath Abshure, NASAA President and Arkansas Securities Commissioner. Since September 2010, the NC Department of Secretary of State Securities Division has conducted thirteen regional compliance workshops for state registered investment advisers and their representatives. Over 400 advisers have attended these workshops.

Under the Dodd-Frank Act, about 2,100 mid-sized investment advisers with assets under management between \$30 million and \$100 million switched from federal to state oversight earlier this year. More than one-third of the investment advisers examined by state securities regulators as part of NASAA's 2013 Coordinated Examination Program had assets under management more than \$30 million.

Every two years, state securities examiners voluntarily report sample data from their investment adviser examinations as to NASAA's Investment Adviser Operations Project Group. “Using this sample data helps NASAA identify common regulatory deficiencies and recommend best practices that investment advisers should consider to minimize the risk of regulatory violations,” Abshure said.

Abshure said sample examination data was reported by 44 state and provincial securities examiners between January and June 2013. The 1,130 reported examinations uncovered 6,482 deficiencies in 20 compliance areas, compared to 3,543 deficiencies in 13 compliance areas identified in a similar 2011 examination of 825 investment advisers.

The top five deficiencies for advisers with less than \$30 million in assets under management involved books and records, registration, contracts, privacy and brochure delivery. The top five deficiencies found among investment advisers with more than \$30 million in assets under management involved: books and records, registration, contracts, advertising and fees. The examinations also revealed that:

- Top books and records deficiencies: suitability documentation, missing client contracts, and trial balance/financial statements.
- Top registration deficiencies: Form ADV— Part 1 vs. Part 2, fee structures, and services provided.
- Top contracts deficiencies: improper execution, fees, and fee formula.
- Top privacy deficiencies: annual delivery of privacy policies, initial delivery of privacy policies, no privacy policy.
- Top brochure delivery deficiencies: annual offerings, update/material change, and initial deliveries.

Deficiencies also were found in advertising, fees, supervision, custody, financials, investment activities, and unethical practices.

Based on the 2013 sample data, NASAA recommends the following “Best Practices” as a guide to assist advisers in developing compliance practices and procedures.

- Prepare and maintain all required records, including financial records. Back-up electronic data and protect records. Document checks forwarded.
- Review and revise Form ADV and disclosure brochure annually to reflect current and accurate information.
- Review and update all contracts.
- Prepare and distribute a privacy policy initially and annually.
- Deliver disclosure brochure initially and annually as required.
- Review all advertisements, including website and performance advertising, for accuracy.
- Calculate and document fees correctly in accordance with contracts and ADV.
- Prepare a written compliance and supervisory procedures manual relevant to the type of business to include business continuity plan. Assess and update periodically.
- Implement appropriate custody safeguards, as applicable. Pay close attention to direct fee deduction invoices.
- Keep accurate financials. File timely with the jurisdiction. Maintain surety bond if required.
- Make sure client’s investment policy and suitability information are current.
- Disclose soft dollars or benefits received.
- Prepare and maintain current client profiles.
- Review solicitor agreements, disclosure, and delivery procedures.

NASAA Announces IARD System Fee Waiver for Investment Adviser Firms

On October 23, 2013, the North American Securities Administrators Association (NASAA) announced the waiver of the Investment Adviser Registration Depository (IARD) system fees for investment adviser firms and the continuation of substantially reduced initial set-up and annual system fees paid by investment adviser representatives (IARs).

“The continuation of substantially reduced IARD fees for individual investment adviser representatives enables state securities regulators to ensure that the IARD system maintains a sufficient reserve for operations and enhancements without charging a fee to firms, many of which are small, local businesses,” said Andrea Seidt, NASAA President and Ohio Securities Commissioner.

For 2014, the initial IARD set-up and renewal fee will be \$10 for IARs. These fees were \$45 when the IARD system first became operational.

“We will continue our efforts to ensure that the system operates efficiently,” Seidt said. “NASAA’s Board of Directors will monitor the system’s revenues and make future adjustments, including, if warranted, waiving the system fees as we have done in the past.”

The IARD system is an Internet-based national database sponsored by NASAA and the SEC. IARD provides investment advisers and their representatives a single source for filing state and federal registration and notice filings, and serves state and federal regulators as a nationwide database for the collection and dissemination of information about individuals and firms in the investment advisory field. The system contains the employment and disciplinary histories of more than 28,000 investment adviser firms and nearly 300,000 individual investment adviser representatives. IARD system fees are used for user and system support and for enhancements to the system.



Managing Someone Else's Money

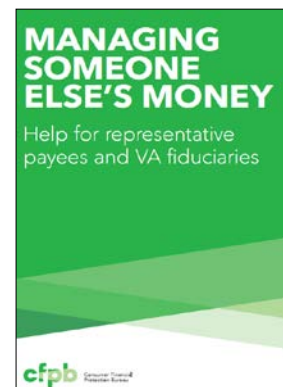
Millions of Americans are managing money or property for a loved one who is unable to pay bills or make financial decisions. This can be very overwhelming. But, it is also a great opportunity to help someone you care about, and protect them from scams and fraud.

The Consumer Financial Protection Bureau (CFPB) has released four easy-to-understand booklets to help financial caregivers. The ***Managing Someone Else's Money*** guides are for agents under [powers of attorney](#), [court-appointed guardians](#), [trustees](#), and [government fiduciaries](#) (Social Security representative payees and VA fiduciaries.)

The guides help financial caregivers in three ways:

- The guides walk caregivers through their duties.
- The guides tell caregivers how to watch out for scams and financial exploitation, and what to do if their loved one is a victim.
- The guides tell caregivers where they can go for help.

You can also [order free print copies](#) (including [bulk orders](#)) online.



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
11/04/13	Lexington	Carolina Senior Care , 802 E. Center Street. Time: 10:30 AM -- 11:30 AM. For more information, contact Ms. Fallon Holt at (336) 746-3518.
11/05/13	Jacksonville	Business Essentials seminar, Carolina Coastal Community College, 444 Western Boulevard. Time: 10:00 AM – Noon. The NC Dept of Revenue and NC Secretary of State and NC Industrial Commission will present a seminar titled "Business Essentials". Each agency will cover basic requirements to help businesses in North Carolina understand the laws and obligations necessary to be a compliant business. Free, but registration is requested. To register, visit http://dornc.com/business/smallbusseminars.html .
11/12/13	West End	Scam Jam, Senior Enrichment Center , 8040 US Hwy 15-501. Time: 12:30 PM -- 4:00 PM. For more information, contact Lynne Drinkwater at (910) 215-0900, Ext. 206.
11/13/13	Knightdale	Elder fraud presentation at Knightdale Parks & Recreation , 950 Steeple Square Ct. Time: 9:00 AM – 10:00 AM. For more information, contact: Michelle Wester at (919) 217-2236.
11/13/13	Durham	Small business presentation at Durham Technical Community College Small Business Center , 400 West Main Street, 3rd Floor. For more information, contact LaShon Harley, at (919) 536-7241, Ext. 4501.
11/14/13	Buxton	Scam Jam, The Fessenden Center , 46830 NC 12. For more information, contact Laura Alvarico of the Albemarle Commission's Area Agency on Aging at (252) 426-5753 ext 224.
11/18/13	Durham	Business Essentials seminar, Durham Public Library, 300 N. Roxboro Road. Time: 10:00 AM – Noon. The NC Dept. of Revenue, NC Secretary of State and NC Industrial Commission will present a seminar titled "Business Essentials". Each agency will cover basic requirements to help businesses in North Carolina understand the laws and obligations necessary to be a compliant business. Free, but registration is requested. To register, visit http://dornc.com/business/smallbusseminars.html .
11/19/13	Lexington	Carolina Senior Care , 802 E. Center Street. Time: 10:30 AM -- 11:30 AM. For more information, contact Ms. Fallon Holt at (336) 746-3518.
11/19/13	Sanford	Senior Enrichment Center , 1615 S. Third Street. Time: 6:30 PM -- 7:30 PM. For more information, contact Debbie Williams at (919) 776-0501, Ext. 2203.
11/20/13	Raleigh	Holy Trinity Evangelical Lutheran Church , 2723 Clark Avenue. Time: Noon -- 1:30 PM. For more information, contact Alice Nelson at (919) 828-1687.
12/03/13	Raleigh	Business Essentials seminar, NC Department of Revenue, 4701 Atlantic Avenue, Suite 118. Time: 10:00 AM – Noon. The NC Dept. of Revenue, NC Secretary of State and NC Industrial Commission will present a seminar titled "Business Essentials". Each agency will cover basic requirements to help businesses in North Carolina understand the laws and obligations necessary to be a compliant business. Free, but registration is requested. For more information and to register, visit http://dornc.com/business/smallbusseminars.html .

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

Date	City	Details
12/03/13	Raleigh	Business Essentials seminar, NC Department of Revenue, 4701 Atlantic Avenue, Suite 118. Time: 10:00 AM – Noon. The NC Department of Revenue, NC Secretary of State and North Carolina Industrial Commission will present a seminar titled "Business Essentials". Each agency will cover basic requirements to help businesses in North Carolina understand the laws and obligations necessary to be a compliant business. Free, but registration is requested. For more information and to register, visit http://dornc.com/business/smallbusseminars.html .
12/06/13	Louisburg	Franklin County Co-op Extension Annex , 103 S. Bickett Boulevard. Time: 1:00 PM -- 4:00 PM. For more information, contact Sheila Brown at (252) 436-2040.
12/11/13	Charlotte	Business Essentials seminar, Central Piedmont Community College, 1112 Charlottetowne Avenue. Time: 10:00 AM – Noon. The NC Department of Revenue, NC Secretary of State and North Carolina Industrial Commission will present a seminar titled "Business Essentials". Each agency will cover basic requirements to help businesses in North Carolina understand the laws and obligations necessary to be a compliant business. Free, but registration is requested. For more information and to register, visit http://dornc.com/business/smallbusseminars.html .



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.

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.

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was released from custody on a \$100,000 secured bond. His next court appearance in Ashe County has not been scheduled.

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

Recent Enforcement Actions

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



On **October 27, 2013**, Law Enforcement agents with the North Carolina Secretary of State Division of Securities charged **Rondell Scott Hedrick**, 48, of Lexington, NC, with 27 felony counts related to an alleged precious metals investment scam. For more information, see story on [page 1](#).

On **October 23, 2013**, a federal jury convicted **Nathan Shane Wolf**, 42, of Charlotte, a licensed real estate agent in North Carolina, and **Denetria Montresa Myles**, 42, also of Charlotte, a loan processor and licensed notary public in North Carolina, on all charges relating to a \$75 million racketeering conspiracy. These convictions are the latest in **Operation Wax House**, an investigation which began in 2007 and has netted 91 defendants to date, 80 of which have pleaded guilty or have been convicted following a trial. Wolf was convicted of all three charges against him in the indictment: Racketeering Conspiracy, Bank Fraud, and Money Laundering Conspiracy. Myles was also convicted of all charges against her in the indictment: Racketeering Conspiracy, and Bank Fraud. The North Carolina Secretary of State Division of Securities is one of several state and federal agencies involved in the investigation of this case. For more information about this case, please read the [press release](#).

On **September 6, 2013**, the Securities Division of the North Carolina Department of the Secretary of State issued a **Final Order to Cease and Desist** to respondents, **Ballantyne Wealth Advisors, LLC, Ballantyne Wealth Management Group, LLC, and Ronald J. Walters**. The Final Order to Cease and Desist made final the Temporary Order to Cease and Desist issued and entered by the Division on June 21, 2013, ordering each respondent to cease and desist from transacting business in the State of North Carolina as investment advisers and investment adviser representative in violation of the North Carolina Investment Advisers Act. The Temporary Order to Cease and Desist found that respondents were engaged in the business of providing investment advisory services in North Carolina without being properly registered to do so under the North Carolina Investment Advisers Act. Additionally, respondents continued to hold themselves out as registered investment adviser and investment adviser representative in violation of the anti-fraud provisions of the North Carolina Investment Advisers Act. The Temporary Order to Cease and Desist gave **Ballantyne Wealth Advisors, LLC, Ballantyne Wealth Management Group, LLC, and Ronald J. Walters** 30 days in which to request a hearing. Respondents failed to file such a request within the time allowed, causing the Temporary Order to Cease and Desist to become permanent and final. To read the **Final Order**, please click here.

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 Issues Proposal on Crowdfunding](#)

October 23, 2013 — The Securities and Exchange Commission has voted unanimously to propose rules under the JOBS Act to permit companies to offer and sell securities through crowdfunding. Crowdfunding describes an evolving method of raising capital that has been used outside of the securities arena to raise funds through the Internet for a variety of projects ranging from innovative product ideas to artistic endeavors like movies or music. Title III of the JOBS Act created an exemption under the securities laws so that this type of funding method can be easily used to offer and sell securities as well. The JOBS Act also established the foundation for a regulatory structure for this funding method. The SEC is seeking public comment on the proposed rules for a 90-day period following their publication in the Federal Register.

[Federal Regulators Issue Guidance on Reporting Financial Abuse of Older Adults](#)

September 24, 2013 — Seven federal regulatory agencies have issued guidance to clarify that the privacy provisions of the Gramm-Leach-Bliley Act generally permit financial institutions to report suspected elder financial abuse to appropriate authorities. The Gramm-Leach-Bliley Act generally requires that a financial institution notify consumers and give them an opportunity to opt out before providing nonpublic personal information to a third party.

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 [interagency guidance](#) clarifies that it is generally acceptable under the law for financial institutions to report suspected elder financial abuse to appropriate local, state or federal agencies. Older adults can be attractive targets for financial exploitation and may be taken advantage of by scam artists, financial advisors, family members, caregivers, or home repair contractors. Recent studies suggest that financial exploitation is the most common form of elder abuse and that only a small fraction of incidents is reported. Older adults often are targeted because they have retirement savings, accumulated home equity, or other assets. They also are more likely to experience cognitive decline, which can impair their capacity to recognize financial exploitation and scams. Employees of financial institutions may be able to spot irregular transactions, account activity, or behavior that signals financial abuse. They can play a key role in preventing and detecting elder financial exploitation by reporting suspicious activities to the proper authorities. The interagency guidance is being issued by the Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Federal Trade Commission, National Credit Union Administration, Office of the Comptroller of the Currency, and the Securities and Exchange Commission. The Commodity Futures Trading Commission is issuing the document as staff guidance.

[SEC Approves Registration Rules for Municipal Advisors](#)

September 18, 2013 – The Securities and Exchange Commission has voted unanimously to adopt rules establishing a permanent registration regime for municipal advisors as required by the Dodd-Frank Act. State and local governments that issue municipal bonds frequently rely on advisors to help them decide how and when to issue the securities and how to invest proceeds from the sales. These advisors receive fees for the services they provide. Prior to passage of the Dodd-Frank Act, municipal advisors were not required to register with the SEC like other market intermediaries. This left many municipalities relying on advice from unregulated advisors, and they were often unaware of any conflicts of interest a municipal advisor may have had. After the Dodd-Frank Act became law, the SEC established a temporary registration regime. More than 1,100 municipal advisors have since registered with the SEC. The new rule approved by the SEC requires a municipal advisor to permanently register with the SEC if it provides advice on the issuance of municipal securities or about certain “investment strategies” or municipal derivatives. For more information, click the link above.

[SEC Proposes Rules for Pay Ratio Disclosure](#)

September 9, 2013 -- The Securities and Exchange Commission has voted 3-2 to propose a new rule that would require public companies to disclose the ratio of the compensation of its chief executive officer (CEO) to the median compensation of its employees. The new rule, required under the Dodd-Frank Act, would not prescribe a specific methodology for companies to use in calculating a “pay ratio.” Instead, companies would have the flexibility to determine the median annual total compensation of its employees in a way that best suits its particular circumstances. For specific information about the proposed rule, click the link above.

[SEC Charges North Carolina-Based Investment Adviser for Misleading Fund Board About Algorithmic Trading Ability](#)

August 21, 2013 -- The Securities and Exchange Commission has announced charges against a North Carolina-based investment adviser, Chariot Advisors LLC, and its former owner, Elliott L. Shifman, for misleading an investment fund’s board of directors about the firm’s ability to conduct algorithmic currency trading so they would approve the firm’s contract to manage the fund. The SEC’s Enforcement Division alleges that Chariot Advisors LLC and Mr. misled the fund’s board about the nature, extent, and quality of services that the firm could provide as he touted the competitive benefits of algorithmic trading in two presentations before the board. Contrary to what Shifman told the directors, Chariot Advisors did not devise or otherwise possess any algorithms capable of engaging in the currency trading that Shifman was describing. For more information, click the link above.

[SEC Approves JOBS Act Requirement To Lift General Solicitation Ban](#)

July 10, 2013 — The Securities and Exchange Commission adopted a [new rule](#), which becomes effective on September 23, 2013, implementing a JOBS Act requirement to lift the ban on general solicitation or general advertising for certain private securities offerings. ([Fact Sheet](#))

In connection with this new rule, the Commission voted to issue a rule proposal requiring issuers to provide additional information about these securities offerings to better enable the SEC to monitor the market with that ban

now lifted. The proposal also provides for additional safeguards as this market changes and new practices develop. ([Fact Sheet](#))

The SEC also adopted rules that disqualify felons and other bad actors from participating in certain securities offerings as required by the Dodd-Frank Act. ([Fact Sheet](#))

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!