



North Carolina

Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

Securities Division



PO Box 29622 | Raleigh NC | 27626-0622 | (919) 733-3924 | (800) 688-4507 | www.sosnc.com or www.sos.nc.gov

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Secretary of State Urges Investors to be Vigilant about Cybersecurity



Responding to the ever-growing list of financial institutions targeted by organized cyber-attacks, Secretary of State Elaine F. Marshall has issued an advisory encouraging investors to ask how their financial firms are protecting their personal information. The advisory is included on pages 2-3 of this newsletter and is available for download on the Secretary of State's website at sosnc.com.

"The constantly-evolving threat of increasingly sophisticated cyber-attacks means investors need to understand what their firms are doing to safeguard their sensitive financial information," Secretary Marshall said.

In September 2014, the North American Securities Administrators Association (NASAA), of which the NC Secretary of State's Office is a member, reported that 62 percent of state-registered investment adviser firms participating in a NASAA pilot survey had undergone a cybersecurity risk assessment, and 77 percent had established policies and procedures related to technology or cybersecurity.

"We all need to be thinking in terms of best practices to protect our financial information from cybercriminals and how firms should respond if client data is compromised. Investors should be proactive and talk with their investment professionals about what steps the firms are taking to protect their clients from data breaches. You have a right to ask these questions and firms have a responsibility to give you clear answers in writing. I would urge all investors to simply consider this part of their typical due diligence in being an informed investor," advised Secretary Marshall.

For more information, contact the Securities Division of the NC Secretary of State's Office at 1-800-688-4507, 919-807-2100 or secdiv@sosnc.com.

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CYBERSECURITY: IS YOUR INVESTMENT PROFESSIONAL TAKING STEPS TO SAFEGUARD YOUR FINANCIAL INFORMATION?

... If not, it's time to have "The Talk!"

The list of financial institutions targeted by organized cyber attacks continues to grow with ever-increasing frequency. Since investors are encouraged to take steps to ensure their own personal systems are updated with the latest anti-virus and anti-malware software, and to follow proper account password safety protocol, they generally trust their investment professionals to do the same on their behalf.

But do they?

In September 2014, the North American Securities Administrators Association (NASAA), the longest-serving international investor protection organization, released results of a pilot survey designed to better understand the cybersecurity practices of state-registered investment advisers. These advisers account for more than half of the registered investment advisers conducting business in the United States.

The survey, conducted in early summer 2014 in nine states, found that 62 percent of firms have undergone a cybersecurity risk assessment, and 77 percent have established policies and procedures related to technology or cybersecurity. The pilot survey also found that very few state-registered investment advisers reported experiencing a cybersecurity issue.

While the relatively low rate of cybersecurity incidents identified in the pilot survey is encouraging, investors should think about the safety of their financial information, and talk with their investment professionals about what steps firms are taking to safeguard client information.

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(over)



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

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www.sosnc.com | Phone: (800) 688-4507 or (919) 733-3924 | Fax: (919) 807-2183 | E-mail: secdiv@sosnc.com

Be an Informed Investor

Here are some questions that investors should ask their investment professionals:

- **Cyber preparedness:**
Has the firm addressed which cybersecurity threats and vulnerabilities may impact its business?
- **Cybersecurity compliance program:**
Does the firm have written policies, procedures, or training programs in place regarding safeguarding client information?
- **Cyber insurance:**
Does the firm maintain insurance coverage for cybersecurity?
- **Cyber expertise:**
Has the firm engaged an outside consultant to provide cybersecurity services for your firm?
- **Cyber confidentiality:**
Does the firm have confidentiality agreements with any third-party service providers with access to the firm's information technology systems?
- **Cyber incident:**
Has the firm ever experienced a cybersecurity incident where, directly or indirectly, theft, loss, unauthorized exposure, use of, or access to customer information occurred? If so, has the firm taken steps to close any gaps in its cybersecurity infrastructure?
- **Cybersecurity safeguards:**
Does the firm use safeguards such as encryption, antivirus and anti-malware programs? Does the firm contact clients via email or other electronic messaging, and if so, does the firm use secure email and/or any procedures to authenticate client instructions received via email or electronic messaging, to work against the possibility of a client being impersonated?

The Bottom Line

As a customer, you have the right to ask these questions and get answers you can understand in writing. This is all part of the process of doing your due diligence and becoming ... an Informed Investor!

If you have any questions, contact the North Carolina Securities Division at (800) 688-4507 or (919) 733-3924.

This **Informed Investor Advisory** is brought to you by the North Carolina Securities Division, a member of the North American Securities Administrators Association. For more investor alerts and advisories, visit the NASAA website at www.nasaa.org.



NC Securities Division Conducts Compliance Workshops for State-Registered Investment Advisers and Representatives

As part of its multi-faceted investor protection program, the NC Securities Division has conducted another round of its popular compliance seminars for state-registered investment advisers and their representatives.

The day-long seminars were conducted February 10 through 13 in Charlotte and Raleigh, and attracted nearly 100 investment advisers from all across North Carolina. Ms. Elizabeth Guido, ChFC®, CLU®, the Division's Senior Securities Examiner, led the seminars, which were organized by John Maron, Director of the Division's Investor Education Program.



Ms. Elizabeth Guido (in red) guiding investment advisers through provisions of the Dodd-Frank Act during the February 11th workshop held at Central Piedmont Community College in Charlotte.

Under federal and state law, anyone who is paid to provide advice to clients about investing in securities must either be registered to do so with the U.S. Securities and Exchange Commission or the NC Securities Division, or qualify for an exemption from registration. Because registered investment advisers are considered to be fiduciaries, they are legally obligated to put their clients' interests ahead of their own. As such, investment advisers are held to a higher standard of care for their clients than are other types of financial services providers, including stock brokers and insurance agents. The Division has a responsibility to conduct periodic audits of investment advisory firms to ensure they and their representatives are complying with the law. This helps protect investors from predators who seek to defraud them through phony investment schemes. The Division's compliance seminars offer advisers a way to interact with Division personnel and better understand their legal obligations, while demystifying and streamlining the audit process so that advisers can spend less time correcting problems and more time helping clients reach their financial goals.

Since 2010, nearly 550 people have attended at least one of the seventeen seminars that the Division has conducted. The Division wishes to thank Ms. Cynthia Savage, Director of the James R. Worrell, Sr. Financial Services Institute, and Mr. Michael Matlock, Director of Campus Administration, both of Central Piedmont Community College in Charlotte, for making their wonderful auditorium available for the sessions conducted on February 10th and 11th. The sessions conducted in Raleigh on February 12th and 13th were held at the offices of the NC Securities Division.



Resolve to be a Smart Investor

Like many people, you probably made a few New Year's resolutions to start 2015 off on the right foot. Here's one you should add to your list if you haven't already: a resolution to check the background of your financial professional.

Just as it's wise to get an annual physical exam from your physician, it's a good idea to get an annual check-up on the people you entrust with your financial health.

Whether you're shopping for a new broker dealer or investment adviser representative or you've been working with the same person for years, checking out their background just makes good business sense.

With a call to the NC Securities Hotline at 1-800-688-4507, you can find out whether the firm and the person you are dealing with is licensed to sell securities in North Carolina and whether the investment opportunity itself is properly registered in the state. You can also check the disciplinary history of your broker-dealer representative or your investment adviser representative. A lot can happen in a year, so it's always wise to check up on your financial professional's history each year.

When you call, be sure to have the complete name and address of the specific firm and/or individual you're asking about, as well as their CRD number if you have it.

You can also do an online search of the Central Registration Depository (CRD) on FINRA's [BrokerCheck](#) site.

AMERICA SAVES WEEK

Secretary of State Joins National Campaign to Improve Americans' Financial Habits

The North Carolina Secretary of State's Office is marking America Saves Week 2015 this month by encouraging investors to think and talk about their personal finances during the national savings campaign.

According to a survey by the Employee Benefit Research Institute (EBRI), only about half of Americans reported having good savings habits. Other findings revealed:

- 54-percent said they "have a savings plan with specific goals."
- 43-percent said they "have a spending plan that allows you to save enough money to achieve the goals of your saving plan."
- 50-percent of those not retired said they "save for retirement at work through a 401(k) or other contributory plan."
- 41-percent said that, "outside of work," they "save automatically through regular preauthorized transfers from checking to savings or investments."
- 49-percent know their net worth.

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- 65-percent “have sufficient emergency savings to pay for unexpected expenses like car repairs or a doctor visit.”
- 49-percent of the non-retired are “saving enough for a retirement in which with a desirable standard of living.”

“We are joining the North American Securities Administrators Association (NASAA) in urging investors not only to save more but also to protect their savings by taking steps to avoid investment fraud,” said Secretary Elaine Marshall. “Developing better savings and investing practices begins with simply talking about these issues.”

Conversation Starters, developed by NASAA, is a program of open-ended questions designed to help kick-start an ongoing dialogue about budgeting, saving, investing, and avoiding scams and frauds. The series contains discussion springboards designed for seven categories: new couples, families with children, employers and employees, retirees and seniors, military families, and persons in crisis. They are available to everyone on the [NASAA](#) website.

Individuals are encouraged to *Pledge to Save* at www.americasavesweek.org.

Secretary Marshall notes that investor education is a key part of protecting your savings. “The single most important thing you can do to protect your nest egg from investment scam artists is to call the Secretary of State’s Securities Division for detailed information about an investment product, broker or adviser. With a call to us at 800-688-4507 or 919-733-3924 you can find out whether the salesperson and the investment opportunity itself are properly registered in North Carolina, and find out what kind of disciplinary history the broker or adviser has.”

Other tips to avoiding investment fraud:

- Be wary if someone is guaranteeing rates of return much higher than you can get from any FDIC-insured account, and if those rates seem to remain stable regardless of market fluctuations. If it sounds too good to be true, it usually is.
- Ask questions and don’t give in to high-pressure sales tactics. The person offering you an investment should be able to explain their business model and how it will turn a profit.
- Watch out for people who may use some common bond, be it your faith or your membership in a professional or civic organization, to gain your trust. So-called “affinity fraud” is a common theme in many investment scams.

The Secretary of State Investor Education Team is ready to assist all North Carolinians with free group presentations on investment fraud prevention. You can check out our educational materials on our [website](#) and look for a presentation near you on our calendar of events in this newsletter and [online](#).

Please contact [John Maron](#) at (919) 807-2106 or [Barbara Bennett](#) (919) 807-2015 to request a group presentation in your area.

If you have been a victim of investment fraud, contact the Securities Division at (800) 688-4507 or (919) 733-3924 or go online and [file a complaint](#).

The North Carolina Secretary of State’s Office is a proud partner in Military Saves Week and America Saves Week, a national public awareness effort led by the Consumer Federation of America to motivate people to save for their financial future. To learn more, visit www.americasaves.org.

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, the provinces and territories of Canada, and Mexico.

The SEC's Office of Investor Education and Advocacy originally issued this [bulletin](#). It is reprinted here for educational purposes only



Investor.gov

U.S. Securities and Exchange Commission

INVESTOR BULLETIN: 15 INVESTMENT TIPS FOR 2015

Whether you're a first-time investor or have been investing for years, here are fifteen tips to help you make more informed financial decisions and avoid common investment scams in 2015.

Always check the background of an investment professional -- it is easy and free. Details on an investment professional's background and qualifications are available through the SEC's Investment Adviser Public Disclosure [website](#) and FINRA's [BrokerCheck](#). If you have any questions on checking the background of an investment professional, call the SEC's toll-free investor assistance line at (800) 732-0330.

Promises of high returns, with little or no associated risk, are classic warning signs of fraud. Every investment carries some degree of risk and the potential for greater returns comes with greater risk. Ignore so-called "can't miss" investment opportunities or those promising "guaranteed returns." Better yet, [report them](#) to the SEC.

Paying off high-interest debt may be your best "investment" strategy. Few investments pay off as well as eliminating high-interest debt on credit cards or other loans.

It can be costly to ignore the fees associated with buying, owning, and selling an investment product. Expenses vary from product to product, and even small differences in these costs can translate into large differences in earnings over time.

Diversification can help reduce the overall risk of an investment portfolio. By picking the right mix of investments, you may be able to limit your losses and reduce the fluctuations of your investment returns without sacrificing too much in potential gains. Some investors find that it is easier to achieve diversification through ownership of mutual funds or exchange-traded funds rather than through ownership of individual stocks or bonds.

Any offer or sale of securities must be either registered with the SEC or exempt from registration. Otherwise, it is illegal. Registration is important because it provides investors access to key information about the company's management, products, services, and finances. While many companies that do not register or file reports with the SEC may be legitimate investments, you assume more risk when you invest in a company about which little or no information is publicly available. Always check whether an offering is registered with the SEC by using the SEC's [EDGAR database](#) or contacting the SEC's toll-free investor assistance line at (800) 732-0330.

Active trading and some other very common investing behaviors actually undermine investment performance. According to researchers, other [common investing mistakes](#) include focusing on past performance, favoring investments from your own country, region, state or company, and holding on to losing investments too long and selling winning investments too soon.

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Research shows that con-artists are experts at the art of persuasion, often using a variety of influence tactics tailored to the vulnerabilities of their victims. Common tactics include *phantom riches* (dangling the prospect of wealth, enticing you with something you want but can't have), *source credibility* (trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience), *social consensus* (leading you to believe that other savvy investors have already invested), *reciprocity* (offering to do a small favor for you in return for a big favor) and *scarcity* (creating a false sense of urgency by claiming limited supply).

Some investments provide tax advantages. For example, employer-sponsored retirement plans and individual retirement accounts generally provide tax advantages for retirement savings, and 529 college savings plans also offer tax benefits. Individuals who are interested in learning about the tax impact of their investment decisions should consult their tax adviser or visit the [IRS website](#).

Mutual funds, like other investments, are not guaranteed or insured by the FDIC or any other government agency. This is true even if you buy a mutual fund through a bank and the fund carries the bank's name.

Be careful when using social media as an investment tool. Social media and the Internet have become important tools for investors. While social media can provide benefits for investors, it also presents opportunities for fraudsters to lure investors into a wide range of investment scams. You should carefully consider any investment opportunity you learn about through social media and always be on the look out for fraud. For additional information on ways to avoid fraud through social media please read the SEC's bulletin on [Social Media and Investing](#).

It can be risky to invest heavily in shares of only one stock. In particular, think twice before investing heavily in shares of your employer's stock. If the value of your employer's shares declines significantly, or the company goes bankrupt, you may lose money.

Be alert to affinity fraud. [Affinity frauds](#) target members of identifiable groups, such as the elderly, religious or ethnic communities, or the military. Even if you know the person making the investment offer, be sure to check out the investment and the person's background – no matter how trustworthy the person seems.

Unbiased resources are available to help individuals make informed investing decisions. Whether checking the background of an investment professional, researching an investment, or learning about new products or scams, unbiased information can be a significant advantage for investing wisely. A good starting point for this information is the SEC's [Investor.gov website](#).

If you have questions about your investments, your investment account or a financial professional, don't hesitate to contact the SEC's Office of Investor Education and Advocacy [online](#) or on our toll-free investor assistance line, (800) 732-0330.



Investor.gov

U.S. Securities and Exchange Commission

INVESTOR BULLETIN: HOW HARMED INVESTORS MAY RECOVER MONEY

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to educate investors about how they may be able to recover money if they have been harmed by a violation of the federal securities laws.

Every year, thousands of U.S. investors lose money to fraudulent investment schemes. In some cases, investors harmed by securities fraud or other securities law violations may be eligible to receive money recovered by the SEC. A number of different processes exist to help harmed investors, including: fair funds and disgorgement funds; receiverships; brokerage account customer protections; corporate bankruptcy proceedings; and private class action lawsuits.

It is important to understand, however, that not all harmed investors will be able to recover money, and many of those who recover money receive less, often substantially less, than their losses from the securities fraud. In addition, even when harmed investors are able to recover money, the process for distributing the money to harmed investors may take a long time.

Fair Funds and Disgorgement Funds

When the SEC brings a successful enforcement action, in court or in an administrative proceeding, the court or the SEC may order the individual or entity to disgorge the funds (give up the ill-gotten gains) resulting from the illegal conduct. The disgorged funds may be distributed to investors who were harmed or injured by the securities violation.

In addition, whether or not disgorgement is ordered, a court or the SEC may impose a monetary penalty both to punish the party and to deter others from committing similar misconduct. A monetary penalty may only be distributed to investors if the court or the SEC orders that any penalty collected be placed in what is called a "fair fund" for distribution to investors who were harmed by the violation.

In an administrative proceeding, notice of a proposed plan of disgorgement or a proposed fair fund plan is published in the [SEC Docket](#) and on the [SEC website](#). The notice states how to obtain copies of the proposed plan and explains that persons desiring to comment on the proposed plan may submit their views, in writing, to the SEC. In court proceedings, documents filed in the case are generally publicly available. The court or the SEC must approve an administration and distribution plan before any money can be distributed to harmed investors. Typically, a fund administrator or distribution agent will implement a claims process or other notification process to identify injured investors who may be eligible for distribution from a fair fund or disgorgement fund.

One step in the process of distributing money to harmed investors is the collection of civil monetary penalties and disgorgement ordered by a court or the SEC. In fiscal year 2013, the SEC collected more than \$1.6 billion in monetary penalties and disgorgement that were ordered that year. When a monetary penalty or disgorgement is not paid as ordered, the SEC's Division of Enforcement has an Office of Collections that uses every available method to identify, liquidate, and collect assets that can be used to satisfy the delinquent debt. These efforts may include sending a demand letter, negotiating a payment plan, filing a property lien, garnishing wages, or filing a contempt action in federal court.

For more information, read [Rules on Fair Fund and Disgorgement Plans](#).

For a list of certain SEC lawsuits where a distribution of money to harmed investors may occur, including cases in which a receiver has been appointed, see [Information for Harmed Investors](#).

For a list of SEC administrative proceedings where the SEC has required a distribution of money to harmed investors, see [Distributions in Commission Administrative Proceedings: Notices and Orders Pertaining to Disgorgement and Fair Funds](#).

Receiverships

When the SEC brings a lawsuit in federal court, the SEC may ask the court to appoint a receiver. A receiver is a disinterested officer of the court who works to recover and to protect money and other assets that the defendant obtained in connection with the alleged securities law violation. If the defendant is found liable, the court may order that those assets be distributed to harmed investors.

Brokerage Account Protection

SEC rules provide extensive protections to customers of U.S. [registered broker-dealers](#). For example, the [Customer Protection Rule](#) requires a broker-dealer to segregate a customer's securities and cash from the broker-dealer's securities and cash, with the objective of making customer assets readily available to be returned to customers if the broker-dealer goes out of business.

If your broker-dealer goes out of business, is a member of the [Securities Investor Protection Corporation \(SIPC\)](#), and owes you cash or securities, then your cash and securities held by the brokerage firm in your account are protected up to \$500,000, including up to \$250,000 protection for cash in the account. SIPC works to restore to customers the securities and cash that are in their accounts when the broker-dealer goes out of business, but SIPC does not protect against a decline in the value of your securities. You can visit SIPC's [website](#) to find out whether your broker-dealer is a [member](#) and, if your broker-dealer is in liquidation under the Securities Investor Protection Act, how you can file a claim form.

Corporate Bankruptcy

Federal bankruptcy laws govern how companies go out of business or recover from crippling debt. The company's reorganization plan will spell out your rights as an investor, and what you can expect to receive, if anything, from the company.

During bankruptcy, bondholders stop receiving interest and principal payments, and stockholders stop receiving dividends. Bondholders may receive new stock in exchange for their bonds, new bonds, or a combination of stock and bonds. Stockholders may be able to exchange their old shares for new shares in the reorganized company.

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The new shares may be fewer in number and may be worth less than their old shares. In bankruptcy, stockholders are last in line to be repaid.

Stockholders of a company in bankruptcy may be able to report their securities as a loss on their personal income tax returns. For more information, contact your local Internal Revenue Service (IRS) office or call 1-800-829-1040. If you don't know whether the stock has value, ask your broker-dealer or the company.

For more information, read our publication, [Corporate Bankruptcy](#).

Private Class Actions

In addition to, and separate from, enforcement actions filed by the SEC, a private party may file a lawsuit under the federal securities laws seeking class action status and relief on behalf of harmed investors (in certain circumstances). You may be eligible to participate in any recovery obtained through such a lawsuit. Visit the website of the [Securities Class Action Clearinghouse](#) to find out whether a private class action lawsuit relating to your investment has been filed.



Five Minutes Could Save Your Life Savings

Is that individual offering you an investment opportunity licensed to sell securities in North Carolina? Is the investment opportunity itself registered? Know before you sign!

While registration in and of itself is no guarantee against fraud, not being registered is a very big red warning flag. We urge you to take five minutes to call our NC Securities Hotline at 1-800-688-4507 to see if the person you have been dealing with – perhaps even for years – is properly registered and/or has a disciplinary history. You owe it to yourself and your family to check.

Calendar of Upcoming Events



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

Date	City	Details
3/2/15	Lincolnton	"Elder Investment Fraud and Financial Exploitation Prevention" presentation at the Lincoln County Senior Center, 514 S. Academy Street. Time: 10:00 AM – 11:00 AM. For more information, click here or contact Marti Hovis at (704) 732-9053.
3/3/15	Garland	"Elder Investment Fraud & Financial Exploitation Prevention Program," Garland Senior Center , 106 W 3rd Street. Time: 10:45 AM -- 11:45 AM. For more information, contact Marie Faircloth at (910) 529-3931.
3/4/15	Apex	55+ Health & Wellness Fair at the Apex Community Center, 53 Hunter Street. Time: 9:00 AM – 12:00 PM. For more information, please visit the Apex Community Center programs site .
3/9/15	Thomasville	"Business Essentials" presentation at Davidson Community College, 297 Davidson Community College Road. Time: 6:00 PM -- 8:00 PM. Event is free, but registration is required. To register, please go to: http://www.dornc.com/business/smallbusseminars.html#franklinton .
3/10/15	Jacksonville	"Guarding Your Assets in a Scary World" Investment fraud prevention presentation at Onslow County Senior Services , 4024 Richlands Highway. Time: 10:00 AM – 11:00 AM. For more information, contact Denise Leyva at (910) 989-3106. visit OnslowCounty.nc.gov .
3/11/15	Goldsboro	Wayne County Services on Aging at The Peggy M. Seegars Senior Center, 2001 E Ash Street. Time: 10:30 AM -- 11:30 AM. For more information, contact Eryn McAuliffe at (919) 705-1785.
3/12/15	Durham	Lakeside Gardens , 820 Martin Luther King Jr Pkwy. Time: 2:00 PM -- 3:00 PM. For more information, contact Shanika Etheridge at (919) 484-0390.
3/13/15	Raleigh	Investment fraud presentation at Five Points Center for Active Adults , 2000 Noble Road. Time: 10:00 AM -- 11:00 AM. For more information, contact Susan McGuire at (919) 966-4738.
3/17/15	Clyde	"Business Essentials" presentation at Haywood Community College, 185 Freedlander Drive. Event is free, but registration is required. To register, please go to: http://www.dornc.com/business/smallbusseminars.html#franklinton . Time: 10:00 AM- 12:00 PM.
3/17/15	Boone	Investment fraud presentation at Lois E. Harrill Senior Center, 132 Poplar Grove Connector, Suite A. Time: 11:00 AM --11:45 AM. For more information, please click here or call Jennifer Teague at (828)265-8090.
3/17/15	Sugar Grove	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Western Watauga Senior Center, 1081 Old US Hwy 421. Time: 12:15 PM – 1:15 PM. For more information, please click here or call Toni Wait at (828) 297-5195.
3/18/15	Sparta	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Alleghany Council on Aging/Senior Center, 85 E. Whitehead Street. Time: 10:30 AM – 11:30 AM. For more information, please click here or call Karon Edwards at (336) 372-4640.

Date	City	Details
3/18/15	Durham	IBM Retirees Club, 3039 E Cornwallis Road. Time: 1:00 PM -- 2:00 PM. Open to club members and their guests only.
3/19/15	Newland	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Avery County Senior Center , 1655 Shultz Circle. For more information, contact Becky Keener at (828) 733-8220.
3/20/15	Fuquay-Varina	Fuquay-Varina Middle School Career Day, 109 North Ennis Street. Time: 7:15 AM -- 11:15 AM. Open to students only. For more information, contact Rodney Jenkins at (919) 557-2755.
3/25/15	Bolivia	"Business Essentials" presentation, Small Business Center, Brunswick Community College, 50 College Road. Time: 1:00 PM – 3:00 PM. Event is free, but registration is required. To register, please go to: http://www.dornc.com/business/smallbusseminars.html#franklinton .
3/25/15	Powell's Point	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Powell's Point Senior Center , 8011 Caratoke Highway. Time: 10:30 AM -- 11:30 AM. For more information, contact Stacy Joseph at (252) 232-3505 ext. 305.
3/25/15	Barco	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Currituck Senior Center , 130 Community Way. Time: 12:15 PM -- 1:15 PM. For more information, contact Stacy Joseph at (252) 232-3505.
3/26/15	Brevard	"Elder Investment Fraud and Financial Exploitation Prevention" presentation, Silvermont Opportunity Center , 364 E. Main Street. Time: 2:00 PM – 3:00 PM. For more information, contact Sheila Galloway at (828) 884-2255.
3/27/15	Wadesboro	Grace Senior Center , 199 Hwy 742 South. Time TBD. For more information, contact Bernice Bennett at (704) 694-6616.
3/26/15	Hamlet	"Business Essentials" presentation, Richmond Community College, 1042 W. Hamlet Avenue. Time: 9:00 AM -- 12:00 PM. Event is free, but registration is required. To register, please go to: http://www.dornc.com/business/smallbusseminars.html#franklinton .
3/30/15	Fayetteville	"Entrepreneurs Seeking to Raise Business Capital" presentation. Learn what every entrepreneur or small business owner should know about raising business capital through a securities offering. Fayetteville Technical Community College's Center for Business & Industry, RM 135, 2723 Fort Bragg Road. Time: 6:00 PM – 8:00 PM. For more information, please click here or call Small Business Center Director Tamara Bryant at (910) 678-8462.
3/31/15	Statesville	"Business Essentials" presentation, Mitchell Community College, Technology & Workforce Development Center , 701 West Front Street. Time: 6:00 PM – 8:00 PM. Event is free, but registration is required. To register, please go to: http://www.dornc.com/business/smallbusseminars.html#franklinton .
4/01/15	Raleigh	Investment fraud presentation at Anne Gordon Center for Active Adults at Millbrook Exchange Park, 1901 Spring Forest Road. Time: 2:00 PM -- 3:00 PM. For more information, contact Susan McGuire at (919) 966-4738.
4/07/15	Weldon	"Business Essentials" presentation at Halifax Community College, 100 College Drive, Building 400. Time: 4:00 PM – 7:00 PM. Event is free, but registration is requested.
4/07/15	Clinton	Butler Court Senior Center , 501 Bethune Circle. Time: 10:00 AM -- 11:00 AM. Free. For more information, contact Mattie Murphy at (910) 592-5604.
4/18/15	Matthews	"Women in Transition" presentation, Matthews Library , 230 Matthews Station Street. Time: 2:00 PM -- 3:30 PM. Free. For more information, contact Jennifer Stith at (704) 416-5000.



On The Docket

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

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

Michael Anthony Jenkins, of Raleigh, NC, was served on August 17, 2012, with three felony arrest warrants for securities fraud. Investigators with the Secretary of State Securities Division allege that Jenkins told investors he would use their funds to trade commodities futures or “E-mini futures” through his company, Harbor Light Asset Management, LLC. Investigators allege Jenkins instead converted funds to his personal use and used money from later investors to pay earlier investors in what is commonly referred to as a Ponzi scheme. Jenkins is in the Wake County Jail under \$500,000 secured bond. During his first hearing on August 20, 2012, the prosecutor told the court that there are 377 known victims of Jenkins’ approximately \$1.79 million Ponzi scheme. 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 **January 27, 2015**, the Securities Division of the North Carolina Department of the Secretary of State entered into a **Final Consent Order** with Respondent, **McGrath & Associates, Inc.** McGrath & Associates, Inc. is a registered investment adviser in the State of North Carolina. McGrath & Associates, Inc. violated the registration provisions of the North Carolina Investment Advisers Act by employing an unregistered investment adviser representative. The unregistered investment adviser representative was fully qualified for registration. The registration violation came to the Securities Division’s attention through a routine audit of the investment adviser. McGrath & Associates, Inc. properly registered the investment adviser representative on May 13, 2014. Click [here](#) to view the Final Order.

On **December 19, 2014**, the Securities Division of the North Carolina Department of the Secretary of State entered into a **Consent Order** with respondents, **Senior Veterans Council, LLC, and David L. Cole**. Respondent Senior Veterans Council, LLC, through its agent, Respondent David L. Cole improperly held itself out to the North Carolina investing public as an investment adviser licensed to legally engage in investment advisory business. The Consent Order also found that respondents 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. To read the Consent 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.)

[ZeekRewards Receiver Wins Approval to Pursue Class-Action Suit Against ‘Net Winners’](#)

February 10, 2015 -- U.S. District Judge Graham Mullen ruled this month that nearly 10,000 people who profited from ZeekRewards can be collectively sued. According to court documents, more than 700,000 investors lost more than \$700 million to the Lexington-based Rex Venture Group that operated ZeekRewards and penny auction site Zeekler.com. ZeekRewards President Paul Burks has been indicted on federal charges of wire and mail fraud, conspiracy and tax fraud in the case. Court appointed receiver Kenneth Bell says nearly 100,000 checks for about \$147 million have been mailed to victims since September as the first part of reimbursement. Investors should visit the receivership site at <http://www.zeekrewardsreceivership.com/> for more information.

[SEC Proposes Rules for Hedging Disclosure](#)

February 9, 2015 -- The Securities and Exchange Commission announced it has approved the issuance of proposed rules that would enhance corporate disclosure of company hedging policies for directors and employees, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposal would require disclosure about whether directors, officers and other employees are permitted to hedge or offset any decrease in the market value of equity securities granted by the company as compensation or held, directly or indirectly, by employees or directors. The proposed rules would require disclosure in proxy and information statements for the election of directors and apply to companies subject to the federal proxy rules, including smaller reporting companies, emerging growth companies, business development companies, and registered closed-end investment companies with shares listed and registered on a national securities exchange. The proposal specifies that disclosure would apply to equity securities of the company, its parent, subsidiary, or any subsidiary of any parent of the company that is registered under Section 12 of the Exchange Act. Section 955 of the Dodd-Frank Act amended Exchange Act Section 14 to add paragraph (j), which requires annual meeting proxy statement disclosure of whether employees or members of the board of directors are permitted to purchase financial instruments, including prepaid variable forward contracts, equity swaps, collars, and exchange funds that are designed to hedge or offset any decrease in the market value of company equity securities. The SEC will seek public comment on the proposed rule amendments for 60 days following their publication in the Federal Register. For more information, click the link above.

[SEC Charges Oppenheimer with Securities Law Violations Related to Improper Penny Stock Sales](#)

January 27, 2015 --The Securities and Exchange Commission has charged Oppenheimer & Co. with violating federal securities laws while improperly selling penny stocks in unregistered offerings on behalf of customers. Oppenheimer agreed to admit wrongdoing and pay \$10 million to settle the SEC's charges. Oppenheimer will pay an additional \$10 million to settle a parallel action by the Treasury Department's Financial Crimes Enforcement Network (FinCEN). According to the SEC's order instituting a settled administrative proceeding, Oppenheimer engaged in two courses of misconduct. The first involved aiding and abetting illegal activity by a customer and ignoring red flags that business was being conducted without an applicable exemption from the broker-dealer

registration requirements of the federal securities laws. The customer was Gibraltar Global Securities, a brokerage firm in the Bahamas that is not registered to do business in the U.S. According to the SEC's order, the second course of misconduct involved Oppenheimer again engaging on behalf of another customer in unregistered sales of billions of shares of penny stocks. The SEC's investigation, which is continuing, found that the sales generated approximately \$12 million in profits of which Oppenheimer was paid \$588,400 in commissions. The firm's liability stems from its failure to respond to red flags and conduct a searching inquiry into whether the sales were exempt from registration requirements of the federal securities laws, and its failure reasonably to supervise with a view toward detecting and preventing violations of the registration provisions. For more information, click the link above.

[SEC Announces Charges Against Standard & Poor's for Fraudulent Ratings Misconduct](#)

January 21, 2015 -- The Securities and Exchange Commission has announced a series of federal securities law violations by Standard & Poor's Ratings Services involving fraudulent misconduct in its ratings of certain commercial mortgage-backed securities (CMBS). S&P agreed to pay more than \$58 million to settle the SEC's charges, plus an additional \$19 million to settle parallel cases announced today by the New York Attorney General's office ([\\$12 million](#)) and the Massachusetts Attorney General's office ([\\$7 million](#)). The SEC issued three orders instituting settled administrative proceedings against S&P. One order, in which S&P made certain admissions, addressed S&P's practices in its conduit fusion CMBS ratings methodology. Another SEC order found that after being frozen out of the market for rating conduit fusion CMBS in late 2011, S&P sought to re-enter that market in mid-2012 by overhauling its ratings criteria. A third SEC order issued in this case involved internal controls failures in S&P's surveillance of residential mortgage-backed securities (RMBS) ratings. The order finds that S&P allowed breakdowns in the way it conducted ratings surveillance of previously-rated RMBS from October 2012 to June 2014. The SEC's orders find that S&P violated Section 17(a)(1) of the Securities Act (fraud), Section 15E(c)(3) of the Securities Exchange Act (internal controls violations), Securities Exchange Rules 17g-2(a)(2)(iii) (books and records violations), Rule 17g-2(a)(6) (books and records violations), and 17g-2(a)(2)(iii) (failure to maintain records explaining differences between numerical model output and ratings). For more information, click the link above.

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

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

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

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