



November 2012 NEWSLETTER • Vol. 4, No. 11

**CAROLYN GRANT CHARGED WITH
 MULTI-MILLION DOLLAR INVESTMENT FRAUD SCHEME**



Carolyn W. Grant

United States Attorney Thomas G. Walker announced November 13, 2012, that the United States has filed a Criminal Information charging Carolyn Willis Grant with one count of mail fraud, in violation of Title 18, United States Code, Section 1341.

On November 21, Grant pleaded guilty to one felony count of mail fraud in federal court. She is expected to be sentenced in February 2013.

In an earlier statement admitting her offense, Grant admitted that she used various business entities to solicit investments and defrauded those investors of millions of dollars.

"I thank our federal U.S. Postal Inspector and U.S. Attorney partners for joining us in this case," N.C. Secretary of State Elaine F. Marshall said. "It took real

law enforcement teamwork to get the results we see today."

The criminal investigation of this case was conducted by the Securities Division of the North Carolina Secretary of State's Office and by the Postal Inspector's Office. Assistant United States Attorney David A. Bragdon is handling the prosecution on behalf of the Eastern District of North Carolina.

On September 27, 2011, the Securities Division of the North Carolina Department of the Secretary of State issued a Final Order to Cease and Desist against Carolyn W. Grant and Omega Property Group, LLC. The Final Order to Cease and Desist permanently ordered that Grant and Omega Property Group shall cease and desist from offering for sale, soliciting offers to purchase, or selling, in or from North Carolina, promissory notes or any other security unless and until such securities and Respondents have been registered under the Securities Act. The Final Order to Cease and Desist also permanently ordered Respondents from making untrue statements of a material fact in connection with the offer, sale or purchase of any security. Click [here](#) to view the Final Order.

CFTC Charges Michael Anthony Jenkins

On November 23, the U.S. Commodity Futures Trading Commission (CFTC) [announced](#) the filing of a federal civil enforcement action in the U.S. District Court for the Eastern District of North Carolina, charging Michael Anthony Jenkins of Raleigh, N.C., and his company, Harbor Light Asset Management, LLC (HLAM), with operating a Ponzi scheme for the purpose of trading E-mini S&P 500 futures contracts. From at least January 2011 through January 2012, the defendants fraudulently solicited at least \$1.79 million from approximately 377 persons, primarily located in Raleigh, N.C., according to the complaint.

In a related criminal action by the Securities Division of the North Carolina, Department of the Secretary of State, Jenkins was indicted on August 20, 2012 on three counts of securities fraud in the General Court of Justice, State of North Carolina, Wake County, and is in custody awaiting trial.



Michael Anthony Jenkins

For more information, click [here](#).

Secretary Marshall Speaks at BBB Fraud Seminar



Secretary of State Elaine F. Marshall

On November 13, NC Secretary of State Elaine F. Marshall spoke about efforts she and her department have undertaken to combat investment and charity fraud.

Secretary Marshall's remarks came during her keynote address to a gathering of almost 70 adult services professionals organized by the Better Business Bureau Consumer Foundation of Southern Piedmont. The professional training seminar, entitled, "**Protecting Older Adult Clients from Scams, Fraud & Financial Exploitation,**" was held at the Levine Senior Center in Matthews, NC.

Secretary Marshall was joined by NC Insurance Commissioner Wayne F. Goodwin and Ms. Caroline Farmer, Deputy Director of the Victims and Citizens Section of the NC Attorney General's office. Commissioner

Goodwin spoke about insurance and Medicare fraud while Ms. Farmer spoke about identity theft and general consumer fraud.

During her remarks, Secretary Marshall urged attendees to help their clients recognize, avoid and report "too good to be true" investment schemes.

"Scam artists are not mosquitoes sucking a little blood," she said. "They are vampires out to take it all. And they will not stop, until **they** are stopped. Financial fraudsters are not like most other criminals. Unlike most criminals, these are not dumb people. They plan. They calculate. They plot. They execute incredibly clever, well-timed cons on their victims aimed at achieving maximum theft."

Secretary Marshall also reminded attendees that her office maintains the Advance Health Care Directive Registry, an online database where citizens may file various legal documents. Examples include a health care power of attorney, a declaration of a desire for a natural death, an advance instruction for mental health treatment, and/or a declaration of an anatomical gift.

Once registered with the Department, these documents are easily accessible and available via the Internet whenever the registrant or his or her designee needs them. (For more information about the Advance Health Care Directive Registry, visit <http://www.secretary.state.nc.us/ahcdr/>.)

GAO REPORT: *National Strategy Needed to Effectively Combat Elder Financial Exploitation*

In response to congressional inquiry about elder financial exploitation, the US Government Accountability Office (GAO) has released its findings and recommendations ([GAO-13-110](#)).

Among other things, the GAO recommends:

- The Secretary of Health and Human Services, as chair of the Elder Justice Coordinating Council, direct the Council to develop a written national strategy for combating elder financial exploitation;
- The Attorney General complete the construction of a website to develop expertise on this issue among prosecutors and other criminal justice officials;
- The Attorney General conduct outreach to state/local law enforcement to facilitate investigation and prosecution of interstate and international elder financial exploitation;
- The Director of the Consumer Financial Protection Bureau develop a plan to educate banks on identifying and reporting possible exploitation and about the circumstances under which banks are permitted to release relevant records to law enforcement and Adult Protective Services agencies; and
- The Chairman of the Federal Trade Commission encourage state/local law enforcement to report relevant individual complaints about elder financial exploitation to the Consumer Sentinel and to query the Consumer Sentinel as they receive complaints.

Massey Reappointed to Two-Year Term Representing NASAA on FSOC



David S. Massey

The North American Securities Administrators Association (NASAA) announced on November 6, 2012, that North Carolina Deputy Securities Administrator David S. Massey has been reappointed to a two-year term representing state securities regulators on the Financial Stability Oversight Council (FSOC).

The FSOC is responsible for coordinating financial regulators to identify systemic risks to the nation's financial stability. The Dodd-Frank Wall Street Reform and Consumer Protection Act authorizes a

state securities regulator, state insurance commissioner, and a state banking supervisor to serve as non-voting members of the FSOC.

"The inclusion of a NASAA representative on the FSOC represents a hard-earned recognition by Congress of the value of state securities regulation," said NASAA President and Arkansas Securities Commissioner A. Heath Abshire. "As the regulator closest to investors, state securities regulators have a track record of identifying developing trends before they impact the larger financial system. I am glad that NASAA will continue to be well represented on the FSOC."

Massey, a former NASAA President, was selected by NASAA's Board of Directors to represent state securities regulators on the FSOC. He has served as Director of the North Carolina Securities Division since June 1997. Previously, he served as General Counsel for the Department of the Secretary of State of North Carolina and as General Counsel for the North Carolina Securities Division, a division within the Department of the Secretary of State.

Massey also has served on NASAA's Board of Directors and as Chair of the NASAA Enforcement Section. He earned a Master's in Business Administration from East Carolina University in Greenville, North Carolina; a Juris Doctor at Wake Forest University School of Law; and a Master's in Law & Taxation from the Marshall-Wythe School of Law at the College of William & Mary.

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.

Workplace-Based Investor Education Program Showing Results

On October 22, North Carolinians across the state accepted the challenge of becoming better educated about their personal finances as the *2012 Investor Education in Your Workplace®* (IEiYW) program got under way.

The IEiYW program is a workplace- and Internet-based investor education program sponsored by the NC Department of the Secretary of State through a grant by the Investor Protection Trust. The program, which runs in North Carolina through the first week in February, has already begun to show results:

- 21 organizations with 1014 individuals are participating;
- Participants have successfully passed a combined total of 1689 courses;
- 48 participants have already passed all 10 courses; and,
- Most importantly, participants in North Carolina, the District of Columbia and the seven other states are experiencing a 31.86% improvement in their financial knowledge, proof that the program is having a positive effect.



The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to help educate investors about affinity fraud, a type of investment scam that preys upon members of identifiable groups, such as religious or ethnic communities or the elderly. It is reprinted here for informational purposes.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

INVESTOR BULLETIN: Affinity Fraud

What is Affinity Fraud?

Affinity fraud almost always involves either a fake investment or an investment where the fraudster lies about important details (such as the risk of loss, the track record of the investment, or the background of the promoter of the scheme). Many affinity frauds are [Ponzi](#) or [pyramid](#) schemes, where money given to the promoter by new investors is paid to earlier investors to create the illusion that the so-called investment is successful. This tricks new investors into investing in the scheme, and lulls existing investors into believing their investments are safe. In reality, even if there really is an actual investment, the investment typically makes little or no profit. The fraudster simply takes new investors' money for the fraudster's own personal use, often using some of it to pay off existing investors who may be growing suspicious. Eventually, when the supply of investor money dries up and current investors demand to be paid, the scheme collapses and investors discover that most or all of their money is gone.

How Does Affinity Fraud Work?

Fraudsters who carry out affinity scams frequently are (or pretend to be) members of the group they are trying to defraud. The group could be a religious group, such as a particular denomination or church. It could be an ethnic group or an immigrant community. It could be a racial minority. It could be members of a particular workforce – even members of the military have been targets of these frauds. Fraudsters target any group they think they can convince to trust them with the group members' hard-earned savings.

At its core, affinity fraud exploits the trust and friendship that exist in groups of people who have something in common. Fraudsters use a number of methods to get access to the group. A common way is by enlisting respected leaders from within the group to spread the word about the scheme. Those leaders may not realize the "investment" is actually a scam, and they may become unwitting victims of the fraud themselves.

Because of the tight-knit structure of many groups, it can be difficult for regulators or law enforcement officials to detect an affinity scam. Victims often fail to

notify authorities or pursue legal remedies. Instead, they try to work things out within the group. This is particularly true where the fraudsters have used respected community or religious leaders to convince others to join the investment.

How to Avoid Affinity Fraud

Here are a few tips to help you avoid affinity fraud.

- Even if you know the person making the investment offer, be sure to research the person's background, as well as the investment itself – no matter how trustworthy the person who brings the investment opportunity to your attention seems to be. Be aware that the person telling you about the investment may have been fooled into believing that the investment is legitimate when it is not.
- Never make an investment based solely on the recommendation of a member of an organization or group to which you belong. This is especially true if the recommendation is made online. An investment pitch made through an online group of which you are a member, or on a chat room or bulletin board catered to an interest you have, may be a fraud.

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- Do not fall for investments that promise spectacular profits or “guaranteed” returns. Similarly, be extremely leery of any investment that is said to have no risks. Very few investments are risk-free. Promises of quick and high profits, with little or no risk, are classic warning signs of fraud.
- Be skeptical of any investment opportunity that you can’t get put in writing. Fraudsters often avoid putting things in writing. Avoid an investment if you are told they do “not have the time to put in writing” the particulars about the investment. You should also be suspicious if you are told to keep the investment opportunity confidential or a secret.
- Don’t be pressured or rushed into buying an investment before you have a chance to research the “opportunity.” Just because someone you know made money, or claims to have made money, doesn’t mean you will, too. Be especially skeptical of investments that are pitched as “once-in-a-lifetime” opportunities, particularly when the salesperson bases the recommendation on “inside” or confidential information.

Recent Affinity Fraud Schemes

The SEC’s Division of Enforcement regularly investigates and prosecutes affinity frauds targeting a wide spectrum of groups. Here are examples of some recent cases. (For more details about each, just click the link.)

[SEC Charges Ponzi Scheme Promoter Targeting Primarily African-American Churchgoers](#) - Ponzi scheme promoter sold promissory notes bearing purported annual interest rates of 12% to 20%, telling primarily African-American investors that the funds would be used to purchase and support small businesses such as a laundry, juice bar, or gas station. Promoter also sold “sweepstakes machines” that he claimed would generate investor returns of as much as 300% or more in the first year.

[SEC Charges Company and its Owners with Conducting an Offering Fraud Targeting Christian Investors](#) - Ponzi scheme promoters raised almost \$6 million from nearly 80 evangelical Christian investors through fraudulent, unregistered offerings of stock and short-term, high-yield promissory notes issued by their company, which was marketed as a voice-over-internet-protocol video services provider around the world.

[SEC Shuts Down Ponzi Scheme Targeting Persian-Jewish Community in Los Angeles](#) - SEC obtained an emergency court order to halt an ongoing \$7.5 million Ponzi scheme that targeted members of the Persian-Jewish community in Los Angeles. The SEC’s complaint alleged that the promoter, himself a member of the Persian-Jewish Los Angeles community, raised funds from 11 investors and used nearly \$1.6 million investor funds to buy jewelry, high-end cars, and VIP tickets to sporting events. He lured investors with promises of exorbitant returns in purported pre-IPO shares of well-known companies.

[SEC Charges South Florida Man in Investment Fraud Scheme](#) - Fraudster raised nearly \$11 million claiming returns as high as 26%. He typically met and pitched prospective investors over meals at expensive restaurants in and around Fort Lauderdale. His clients typically came to him through word-of-mouth referrals among friends and relatives. A significant number of the victims of his scheme were members of the gay community in Wilton Manors, Florida.

[SEC Halts Affinity Fraud Aimed at the Hispanic community](#) - Defendants raised \$817,500 from investors representing to them that their funds would be used to develop a financial services firm serving the Hispanic community. The promoter used a large part of the investors’ money to engage unsuccessfully in high risk “day-trading” of stocks, pay personal living, travel and entertainment expenses or make other, unexplained expenditures with no connection to the purported start-up business activities.

[SEC Charges Real Estate Developer in Miami Affinity Fraud](#) - Miami-based developer conducted an affinity fraud and Ponzi scheme involving real estate investments that raised \$135 million from more than 400 investors, primarily from the South Florida Cuban exile community. Among other things, the developer paid existing investors with new investors’ funds and assigned the same real estate collateral to multiple investors.

[SEC Halts Online Affinity Fraud](#)

Fraudster raised at least \$2.4 million from at least five individuals in 2008 and 2009. He offered and sold promissory notes and convinced investors to grant him trading authority over money contained in online brokerage accounts. While doing so, he misrepresented his intended use of the money, the risks of his trading, the source of the money used to pay the guaranteed fixed returns, and falsely guaranteed repayment of investors' principal.

What Should You Do If You Suspect Affinity Fraud?

If you think you may be aware of a possible affinity fraud – or may have lost money in an affinity fraud – please contact the SEC through the SEC Complaint Center, <http://www.sec.gov/complaint/select.shtml>. You can also contact the North Carolina Department of the Secretary of State Securities Division at (919) 733-3924 or (800) 688-4507 or via the Internet at www.sosnc.com. If you would like for a representative of the Securities Division to speak to members of your church, organization or business about this or any other topic involving securities fraud, please contact John Maron at (919) 807-2106 or jmaron@sosnc.com, or Barbara Bennett at (919) 807-2015 or bbennett@sosnc.com. You may also download a copy of our brochure entitled, "[Affinity Fraud: Scamming An Entire Group](#)".

New Anti-Fraud Ad to Run in *Retirement Resource Guide*

Residents in the Triad and Triangle should soon begin to see the advertisement to the right in the **Retirement Resource Guide**, a free quarterly publication produced and distributed in convenient locations throughout the Greater [Triad](#) and [Triangle](#) NC area by Southern Trade Publications.

The full-page ad, sponsored by the NC Department of the Secretary of State Securities Division, makes the point that investment fraud is being committed throughout North Carolina by people who are often well-known and respected within their communities. The Securities Division wants citizens to invest, but to do so as safely as possible.

One easy step investors can take to protect their hard-earned savings is to call the Division at (800) 688-4507 to check the registration status of the person trying to sell the investment. With a few exceptions, a person must be registered with the Division in order to sell investments. Not being registered is one of the biggest red flags that the seller may be a crook.

BEWARE

**This Is What
Investment Fraud
Looks Like**

			
<small>Shelby Dean Martin Mooresville, NC 100+ victims Losses: ~\$18.5M Prison: 9+ years</small>	<small>Joseph L. Jones Rocky Mount, NC 100+ victims Losses: ~\$8.6M Prison: 20+ years</small>	<small>Sidney S. Hanson Charlotte, NC 100+ victims Losses: ~\$30M Prison: 22 years</small>	<small>Bryan K. Noel Hendersonville, NC 100+ victims Losses: ~\$10M Prison: 25 years</small>

All four of these men were respected in their communities.
All four of these men took advantage of people's trust.
All four of these men told victims their investments were **safe**.

None Were Registered To Sell Investments.

One five-minute telephone call to the NC Secretary of State Securities Division might have prevented these men's victims from losing their money.

Will ***YOU*** make the call?
(800) 688-4507 or (919) 733-3924

For more information, visit:
www.sosnc.com



To schedule an investor education presentation at your church, business or organization, please contact John Maron at (919) 807-2106 or Barbara Bennett at (919) 807-2015.

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NC Securities Division Warns Investors to Watch for Sandy-Related Schemes



Brooklyn, N.Y., Nov. 5, 2012 – (Photo by Jocelyn Augustino/FEMA)

Following the widespread destruction caused by Hurricane Sandy along the Eastern seaboard, the North Carolina Department of the Secretary of State Securities Division warns investors to beware of opportunistic investment schemes related to the storm.

“Unfortunately, we know from experience that disasters bring out the worst in people, especially those seeking to profit from the misfortunes of others. Potential investors should be very cautious if approached with unsolicited Sandy-related investment offers,” said David S. Massey, Deputy Securities Director.

In particular, Massey noted that cold-calling telephone salespeople, advertisements, and Internet postings that promote investment pools or

bonds to help storm victims, or tout water-removal or purification technologies, electricity-generating devices and distressed real estate remediation programs should be a red flag for investors.

People also should be aware of the rush of solicitations – both legitimate AND fraudulent -- that follow a highly publicized natural disaster or other crises. Some will be looking for money; some will be attempting to steal a giver’s credit card information for identity theft. As with any charitable contribution, people wanting to help with relief efforts following Sandy should send contributions to only those charities with an established track record and who are properly registered with the NC Department of the Secretary of State. To check the registration status of any charitable solicitor, contact the Secretary of State’s Charitable Solicitation Licensing Division at (888) 830-4989.

The Securities Division also warned that fake victims may attempt to use social media to dupe well-intentioned donors. Do not donate to unknown individuals that purport to need aid that post on Facebook, Craigslist, Twitter or other social media sites. These are likely to be fraudsters, who may not have even been a resident of the United States much less a victim of the storm. (For additional tips on how to avoid social media scams, download our brochure entitled “[Are You’re an Informed Investor? Social Networking](#)”.)

Recalling that many con artists attempted to exploit investors in the aftermath of Hurricane Katrina in 2005, the Securities Division urged investors to:

- Hang up on aggressive cold callers promoting hurricane-related investments and delete unsolicited e-mail or Internet messages discussing small companies with new hurricane-related technologies or products.
- Use common sense. Pie-in-the-sky promises often signal investment fraud.

Contact the Securities Division to check that both the seller and investment are licensed and registered. If not, they may be operating illegally. The Division can be reached at (919) 733-3924 or (800) 688-4507.

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to provide you with guidance on how to read confirmation statements. It is reprinted here for informational purposes only.



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INVESTOR BULLETIN: How to Read Confirmation Statements

What is a Confirmation Statement?

Under SEC rules, whenever you purchase or sell a security, the broker-dealer through whom you bought or sold the security is generally required to give or send you a written notification – or confirmation – with information about the transaction. The confirmation statement contains basic information about the transaction, such as the identity of the security, the amount of securities you purchased or sold, and the price that you paid or received. The confirmation statement serves a basic investor protection function by:

- Containing information that allows you – the investor – to verify the terms of your transactions;
- Alerting you to potential conflicts of interest with your broker-dealer;
- Acting as a safeguard against fraud by informing you of the activities in your account; and
- Providing you a means by which to evaluate the costs of your transaction and the quality of your broker-dealer's execution.

When you receive a confirmation statement, you should verify that the information is correct. **If you have questions, spot any errors, or see transactions that you did not make or authorize, you should contact your broker-dealer immediately.** It also is a good idea to compare confirmation statements with periodic account statements for any discrepancies.

Format of the Confirmation

While the SEC's confirmation rule identifies the information that a broker-dealer is required to disclose to you when you purchase or sell a security, the rule does not require that the information be presented in any particular format. A confirmation statement may not always look the same across broker-dealers. Some broker-dealers, for example, may use alphanumeric codes on the front of the confirmation statement with information about what each code means located on the back of the confirmation statement. Often times, the back of a confirmation statement will contain lots of additional information that may not be directly relevant to your transaction. **If your broker-dealer uses alphanumeric codes in its confirmation statements,**

or if you have questions about information that is on the back of a confirmation statement, you should contact your broker-dealer.

A Broker-Dealer's "Capacity" and Compensation

In addition to information about the security you purchased or sold, the confirmation statement also tells you the "capacity" your broker-dealer acted in when effecting your transaction. The term capacity, in general, refers to whether your broker-dealer acts as your agent, on your behalf, in the transaction; or whether your broker-dealer acts as a principal, for its own account, in the transaction. Illustrated below is the difference between a broker-dealer acting as an agent

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and a broker-dealer acting as principal, and how a broker-dealer's capacity often will determine whether and how a broker-dealer's compensation is disclosed on the confirmation statement. When you engage in a securities transaction, whether you buy or sell the security, you will generally incur a transaction charge, which is the way you compensate the broker-dealer. When the broker-dealer acts as your agent, the charge will be called a commission; when the broker-dealer acts as a principal (as the opposite party to you in the transaction), the charge is called the "mark-up" or "mark-down" (described more below).

Agent – Suppose that you want to buy 100 shares of ABC stock. In this very simple illustration, your broker-dealer executes your order through the facilities of a stock exchange, buying it from a third party through the exchange. In doing so, your broker-dealer acts as your agent and probably charges you a commission. You can find the amount of the commission on the confirmation statement.

A broker-dealer also may act as an agent for both you and someone else. In that case, the broker-dealer acts as a dual agent. This is similar to a real estate agent who has one client who wants to buy a house and a second client who is selling that house. In some cases, if you want to buy a security in a mutual fund through your broker, the broker may act as your agent and the mutual fund's selling agent.

Principal – Let's suppose again that you want to buy 100 shares of ABC stock and that your broker-dealer has enough shares of ABC stock to fulfill your order. The broker-dealer sells you the shares out of its inventory. In this case, the broker-dealer acts as a principal in the transaction (that is, selling to you directly, as an opposite party). When acting in a principal capacity, the broker-dealer generally will not charge you a commission, but rather, is compensated for executing the transaction by charging you the "mark-up" or "mark-down" on the market price of the security being bought or sold by you.

A mark-up is the difference in price between the current market price for the security and what the broker-dealer charged you for executing your security transaction. Conversely, if you place a sell order, the broker-dealer may buy your security to place into its inventory. The broker-dealer, acting as principal, may buy the security from you at the current market price and charge you for executing the transaction, thereby reducing your sales proceeds. This difference, or execution charge, is called

a mark-down. For example, broker-dealers typically mark-up (or mark-down) the price when they buy (or sell) bonds from (to) investors.

Confirmation statements disclose mark-ups and mark-downs only for exchange-traded stock trades. For over-the-counter security transactions, such as bond trades, confirmations only show the price you paid; they do not break out any mark-up/mark-down. For example, if you buy or sell a bond with the broker-dealer acting as a principal, the confirmation statement will show only the price you paid (i.e., the net price), which includes the cost of the mark-up or mark-down and does not break it out separately.

In some instances, the broker-dealer may enter the marketplace to purchase the security for itself and then turn around and sell you the security. The broker-dealer may choose to sell you the security at the same price for which it purchased the security, plus a mark-up. This is generally called a riskless principal transaction. It is called riskless because the broker-dealer, when purchasing the security, already knows that it can sell it to you at a certain price.

Payment for Order Flow – The transaction confirmation statement also must disclose whether the broker-dealer receives payment from third parties for "order flow." Exchanges and market makers sometimes pay broker-dealers as an incentive to encourage the broker-dealers to route their customer orders to them, which is referred to as paying for order flow. For "order flow," the confirmation statement must say that the source and nature of the compensation received by the broker-dealer in connection with the specific transaction are available to the customer upon written request.

SIPC Coverage

The confirmation statement generally will tell you whether your broker-dealer is a member of the Securities Investor Protection Corporation (SIPC). This information is important to you, because SIPC coverage may provide you some financial protection if a brokerage firm goes bankrupt or if your securities are lost or stolen. If that happens and your brokerage firm is a member of SIPC, then your cash and securities held by the brokerage firm may be protected up to \$500,000, including a \$250,000 limit for cash. SIPC covers most types of securities, such as stocks, bonds, and mutual funds. SIPC does not protect you, however, against losses caused by a decline in the market value of your securities. In addition, certain mutual fund broker-dealers are not required to disclose whether they are a SIPC member.

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
11/29/12	Louisburg	"Women in Transition" presentation. Louisburg Senior Center , 127 Shannon Village. Time: 10:00 AM – 11:00 AM. For more information, contact Debbie Conner at (919) 496-1131.
11/30/12	Asheville	" Elder Investment Fraud and Financial Exploitation Prevention Program " presentation for doctors and medical professionals featuring Secretary of State Elaine F. Marshall and Dr. Jan Busby-Whitehead. Mountain Area Health Education Center (MAHEC) , Cherokee Room, 121 Hendersonville Road. Time: 11:30 AM – 1:00 PM. 1.0 AMA PRA Category 1 Credit™ available. For more information and to register, click the program title link above.
12/06/12	Snow Hill	"Elder Investment Fraud". Greene County Senior Services , 104 Greenridge Road. Time: 11:00 AM – Noon. For more information, contact Sharon Harrison at (252) 747-5436.
01/10/13	Cape Carteret	Crystal Coast Republican Men's Club , Ribeye's Steakhouse, 104 Golfin Dolphin Drive. Time: 5:30 PM – 7:30 PM. Open to club members and their guests only.



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. No trial date has been set.

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

No new actions this month.



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 Chairman Mary Schapiro to Step Down Next Month](#)

Nov. 26, 2012 — After nearly four years in office, SEC Chairman Mary L. Schapiro has announced that she will step down on Dec. 14, 2012.

[SEC Receives More Than 3,000 Whistleblower Tips in FY2012](#)

Nov. 15, 2012 — Over the past year, the Securities and Exchange Commission received more than 3,000 whistleblower tips from all 50 states and from 49 countries, according to the agency's [2012 Annual Report on the Dodd-Frank Whistleblower Program](#). Among other things, the report notes:

- The SEC made its first award under the new program to a whistleblower who helped the SEC stop an ongoing multi-million dollar fraud.
- The SEC received 3,001 tips, complaints, and referrals from whistleblowers from individuals in all 50 states, the District of Columbia, and the U.S. territory of Puerto Rico as well as 49 countries outside of the United States.
- The most common complaints related to corporate disclosures and financials (18.2 percent), offering fraud (15.5 percent), and manipulation (15.2 percent).
- There were 143 enforcement judgments and orders issued during fiscal year 2012 that potentially qualify as eligible for a whistleblower award. The Office of the Whistleblower provided the public with notice of these actions because they involved sanctions exceeding the statutory threshold of more than \$1 million.

[SEC's Enforcement Program Continues to Show Strong Results in Safeguarding Investors and Markets](#)

Nov. 14, 2012 — Building on last year's record results, the Securities and Exchange Commission has announced that it filed 734 enforcement actions in the fiscal year that ended Sept. 30, 2012, one shy of last year's record of 735. Most significantly, that number included an increasing number of cases involving highly complex products, transactions, and practices, including those related to the financial crisis, trading platforms and market structure, and insider trading by market professionals. Twenty percent of the actions were filed in investigations designated as National Priority Cases, representing the Division's most important and complex matters. The SEC also announced that it obtained orders in fiscal year 2012 requiring the payment of more than \$3 billion in penalties and disgorgement for the benefit of harmed investors. It represents an 11 percent increase over the amount ordered last year. In the past two years, the SEC has obtained orders for \$5.9 billion in penalties and disgorgement.

[SEC and Justice Department Release FCPA Guide](#)

Nov. 14, 2012 — The Securities and Exchange Commission and the Department of Justice has released [A Resource Guide to the U.S. Foreign Corrupt Practices Act](#). The 120-page guide provides a detailed analysis of the U.S. Foreign Corrupt Practices Act (FCPA) and closely examines the SEC and DOJ approach to FCPA enforcement. The guide provides helpful information to enterprises of all sizes from small businesses doing their first transactions abroad to multi-national corporations with subsidiaries around the world. The guide addresses a wide variety of topics including who and what is covered by the FCPA's anti-bribery and accounting provisions; the definition of a "foreign official"; what constitute proper and improper gifts, travel, and entertainment expenses; facilitating payments; how successor liability applies in the mergers and acquisitions context; the hallmarks of an effective corporate compliance program; and the different types of civil and criminal resolutions available in the FCPA context. On these and other topics, the guide takes a multi-faceted approach toward setting forth the

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statute's requirements and providing insights into SEC and DOJ enforcement practices. It uses hypotheticals, examples of enforcement actions and matters that the SEC and DOJ have declined to pursue, and summaries of applicable case law and DOJ opinion releases.

CFTC Issues Proposed Swaps Report for Public Comment

Nov. 14, 2012 – The Commodity Futures Trading Commission (CFTC) has issued, for public comment, a proposed [CFTC Swaps Report](#) that, when the proposal is finalized, will give the public a view into the previously dark swaps market. The CFTC Swaps Report will offer the public a comprehensive view of the size, risks and activities in the swaps market. The proposal for this new market transparency initiative grew out of the swaps market reforms of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). While the Dodd-Frank Act only requires the Commission to publish a report on trading, clearing, participants, and products in the swaps market on a semiannual and annual basis (H.R. 4173-322), the agency elected to publish this information on a weekly basis. This much greater level of transparency will allow market participants and the public to gain a more thorough understanding of risks and developments in the swaps market. Members of the public are invited to send their comments and suggestions to swapsreport@cftc.gov. The deadline for public comments is December 14, 2012. Comments and suggestions submitted after the close of the comment period may be considered, at the discretion of the Commission.

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!