



September/October 2012 NEWSLETTER • Vol. 4, No. 9/10

Securities Division Holds 10th Workshop for Investment Advisers



Secretary of State Elaine F. Marshall.

On October 16, a group of forty-eight investment advisers and their representatives attended a workshop conducted by the NC Department of the Secretary of State Securities Division. The workshop was held in the Harris Conference Center Auditorium on the Harris Campus of Central Piedmont Community College in Charlotte.

Since September 2010, the Securities Division has conducted similar workshops around the state for registered investment advisers as part of its investor education outreach effort.

In her opening remarks, Secretary of State Elaine F. Marshall put the dual purpose for the series of workshops into context by telling attendees, “There is nothing I take more seriously as Secretary of State than protecting investors. I want them to get the best advice, the best service, and the best returns they can when they invest their nest eggs into our economy.

“I will happily ‘turn loose the dogs’ of my law enforcement staff on any and all scam artists and crooks who try to rip them off. But, I never want things to reach a ‘law enforcement moment’ with legitimate businesses who work for investors. I never want a lack of communication between you [registered investment advisers] and us to cause problems where anyone loses their livelihood or suffers economic hardship, or makes us look heavy-handed in enforcing the law for that matter. I never want to play ‘gotcha’ with us hitting a business with fines or cease and desist orders just because that business did not understand the rules. This is why I personally like to open these IA events: to make sure you know that I want us all working together for the same purpose: helping North Carolina’s investors. I have zero interest in harming or damaging your business in any way, unless you decide to knowingly break the rules. This is the goal for today. To get us communicating, learning, sharing and understanding.”

Steven Butz, Director of Examinations, then explained the major provisions of the NC Investment Advisers Act and the corresponding regulations, answering questions and providing guidance on how advisers may remain compliant.

During the lunch break, John Maron, Director of the Investor Education Program, spoke briefly about the many educational outreach programs the Division has undertaken, including outreach to seniors, civic organizations, churches, the military, women, law enforcement and medical professionals servicing seniors.



Steven Butz, Director of Examinations.

If you are a state-registered investment adviser or adviser representative, or are thinking of becoming one and you would like to attend a future workshop, contact John Maron at (919) 807-2106 or via email to jmaron@sosnc.com and he will notify you when other workshops are scheduled.

Securities Division Conducts Outreach to Local Law Enforcement



As part of the NC Department of the Secretary of State Securities Division's investor education program, the Division recently stepped up efforts to meet with local law enforcement agencies around the state and train their investigators to recognize potential securities fraud cases.

Billing the training as "Securities 101 for Law Enforcement Officials," Special Agent-in-Charge John Curry, the Division's chief law enforcement investigator, and John Maron, the Division's investor education director, have conducted presentations at eight different jurisdictions in seven counties across the state with more presentations planned before the end of the year.

Since local jurisdictions often receive complaints first, the goal of the training program is to establish lines of communication and cooperation between the Division and local jurisdictions and to acquaint investigators with some of the characteristic hallmarks of securities fraud cases and the tools available to them to thwart these crimes and punish their perpetrators. As the state agency statutorily designated as both the administrator and enforcer of the state's securities law, the Department of the Secretary of State Securities Division has the experience to assist or consult with local investigators on any securities-related investigation. By helping local jurisdictions better understand and respond to these crimes, the hope is these crimes will be detected earlier, resulting in greater protection for the state's investing public.

Such training presentations come at a critical time. On October 23, the North American Securities Administrators Association (NASAA) [reported](#) a significant increase in enforcement actions against investment adviser firms last year and a sharp rise in prison time for securities law violators.

According to [NASAA's annual enforcement survey](#), the number of enforcement actions involving investment adviser firms nearly doubled to 399 in 2011 and accounted for 15 percent of all enforcement actions handled by state securities regulators.

Overall, state securities regulators conducted 6,121 investigations in 2011, which led to 2,602 criminal, administrative and civil enforcement actions. The report noted that financial abuse of seniors was identified in nearly 600 reported enforcement actions. Prison time resulting from state-initiated actions totaled 1,662 years, up 47 percent from the year before.

"The report demonstrates that investors continue to rely upon state securities regulators. Enforcement remains one of our most fundamental responsibilities, if for no other reason, because no other regulator is going to act to protect hometown investors," said Heath Abshire, NASAA President and Arkansas Securities Commissioner.

State securities regulators also took important investor protection actions by removing or barring unscrupulous brokers and investment advisers from the licensed community. In 2011, nearly 2,800 licenses were withdrawn due to state action, up 7.7 percent from the year before; and 774 licenses were denied, revoked, suspended or conditioned, up 20 percent from the previous year.

State-initiated enforcement actions resulted in more than \$2.2 billion in investor restitution orders in 2011. Abshire noted that much of this restitution is attributable to repurchases of auction rate securities (ARS) stemming from state-led actions. State securities regulators also levied fines or penalties of \$126 million.

The majority of the investment fraud cases reported by state securities regulators featured unregistered individuals selling unregistered securities. More than 800 reported actions involved unregistered securities, and more than 800 actions involved unregistered firms or individuals. For the second consecutive year, Regulation D Rule 506 private offerings and real estate investment schemes were the most reported products at the heart of state securities enforcement actions.

Senior Fraud Task Force Honors 2012 Award Nominees

Since 1999, the North Carolina Senior Consumer Fraud Task Force has recognized individuals and organizations that have made significant contributions in combating consumer fraud and helping seniors in some combination of the following areas: Awareness, Enforcement, Public Relations, and Legislation. There are separate awards for government (federal, state, county and/or local) and for the private or non-profit sector.

This year, voting among members of the North Carolina Senior Consumer Fraud Task Force for the Public Sector Award resulted in a tie between Nancy Warren, Adult Services Program Administrator of the NC Department of Health and Human Services Division of Aging and Adult Services, and John Maron, Director of the Investor Education Program for the NC Department of the Secretary of State Securities Division. The Task Force voted to honor Thomas "Tommy" Goldsmith, Generations Reporter with the *Raleigh News and Observer*, with its Private Sector Award. The awards were presented to each recipient by David Kirkman, Deputy Attorney General, during the awards luncheon of the 2012 Southeastern Association of Area Agencies on Aging Conference held in Asheville, NC.



(L-R) Nancy Warren, David Kirkman, John Maron and Thomas Goldsmith.

The North Carolina Senior Consumer Fraud Task Force was established in 1998 by the Office of the Attorney General, the North Carolina Division of Aging and Adult Services and AARP to fight consumer fraud that targets seniors in our State. Federal, state and local law enforcement, consumer networks, crime prevention agencies and the state's aging network have formed an alliance to take action against consumer fraud. For more information about the Task Force, visit its website at <http://www.ncdhhs.gov/aging/fraud/alert.htm>.

In his acceptance remarks, John thanked members of the Task Force for the award, noting that he was "especially grateful because the award is voted on by my peers which means a great deal to me." The Task Force presented Secretary of State Elaine F. Marshall with its Public Sector Award in 2011 for her leadership in rooting out frauds targeting the elderly, including securities and charities scams.

As part of his official responsibilities, John criss-crosses the state as a regular presenter at Scam Jams and other investor education seminars. Recently, he has spearheaded the promotion of the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program which trains medical professionals who provide front-line elder care to refer at-risk seniors to the appropriate authorities. The next EIFFE event will be held on November 30, 2012, at the [Mountain Area Health Education Center \(MAHEC\)](#). For more details, either click the link or see pages 4-5 of this newsletter.

Following the luncheon, the other half of the Securities Division's Investor Education team, Barbara Bennett, along with Angela Tyler, MSW, Adult Protective Services Supervisor and Pam Baker, Associate County Attorney, Assistant District Attorney 26th Judicial District, jointly presented a workshop entitled "Financial Exploitation and Elder Abuse" to over 40 conference attendees.

For more information about EIFFE or any other investor education program, contact [John Maron](#) at (919) 807-2106 or [Barbara Bennett](#) at (919) 807-2015.

Preventing Elder Investment Fraud and Financial Exploitation:

The Key Role of the Physician and Medical Practice in Screening

Friday, November 30, 2012

Date, Time, Place

Date: Friday, November 30, 2012

Times: **Registration:** 12:00pm - 12:30pm
Program: 12:30pm - 1:30pm

Place: MAHEC Biltmore Campus
121 Hendersonville Rd.
Asheville, NC 28803

Includes lunch for attendees at MAHEC.

Also available via live web streaming to your computer. For more information, see the box below at right.

Audience

Geriatrics, Family Medicine, Internal Medicine, Psychiatry and Neurology physicians; nurses, social workers and practice administrators.

Welcoming Remarks by



Elaine F. Marshall
NC Secretary of State

Jointly sponsored by



North Carolina
Department of the Secretary of State



Public Health Education
Continuing Medical Education

"Part of the North Carolina AHEC Program"

Recent literature has shown that physicians should view their patients' financial losses as a clinical issue since adverse health effects can occur due to significant loss of funds to pay for out of pocket healthcare costs. Physicians generally have not had the experience nor resources to screen for vulnerability to financial fraud; thus, the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program shows them how to conduct a simple, efficient screen that can lead to an appropriate referral.

Objectives:

At the conclusion of this activity, the participant should be able to:

- Assess vulnerability of older adult patients to investment fraud and financial exploitation
- Refer vulnerable patients for further evaluation or potential intervention sources
- Share components of Clinician's Pocket Guide with other clinicians

Faculty

Jan Busby-Whitehead, MD is a Professor of Medicine, Chief of the Division of Geriatric Medicine, Director of the Center for Aging and Health, Director of the Carolina Geriatric Education Center (CGEC), and Director of the Geriatric Fellowship Program in the UNC School of Medicine. She is also the Medical Director of the Carol Woods Retirement Community, and Director of the UNC Hospitals Continence Clinic.

John J. Maron is Director of Investor Education at North Carolina Department of the Secretary of State. He is responsible for the Securities Division's Investor Education Program, a multi-faceted public outreach program designed to raise awareness of investment fraud.

Credit: 1.0 hour CME AMA PRA Category 1™; 1 contact hour; .1 CEU

Your choice: Participate in-person at MAHEC or by web streaming to your computer.

About Live Web Streaming

Now, in the comfort of your home or the convenience of your office, you can "attend" the same, high quality programs you expect when you come to a MAHEC educational event! You can participate by asking questions or making comments through a live, interactive bulletin board. In addition to reducing your travel expenses, you are being "greener" by reducing emissions! This option can also help those who have competing family responsibilities or mobility issues.

Before registering for the Live Web Streaming version of an event, you are encouraged to test your PC or Mac to verify your ability to receive video and audio successfully. To test, please open Internet Explorer, and go to <http://video.mahec.net> and click on any pre-recorded program that does not have a small padlock icon beside it. Many institutions block Internet video via a firewall. If you plan to access a live streaming event from the workplace, you may need to contact your agency's network administrator for assistance or advice.



Credit

Continuing Medical Education

Accreditation: This activity has been planned and implemented in accordance with the Essential Areas and policies of the Accreditation Council for Continuing Medical Education through the joint sponsorship of Mountain AHEC and the NC Department of the Secretary of State. The Mountain AHEC is accredited by the North Carolina Medical Society/AC-CME to provide continuing medical education for physicians.

Credit: MAHEC designates this live activity for a maximum of **1.0 AMA PRA Category 1 Credit(s)**™. Physicians should only claim credit commensurate with the extent of their participation in the activity.

Disclosure Statement: MAHEC adheres to the ACCME Standards regarding industry support to continuing medical education. Disclosure of faculty and commercial support relationships, and planners and commercial support relationships, if any, will be made known at the time of the activity.

CEU

MAHEC designates this continuing education activity as meeting the criteria for **0.1 CEUs** as established by the National Task Force on the Continuing Education Unit. You must attend the entire workshop to receive CEUs.

Medical Course Director

Jan Busby-Whitehead, MD

Director, Geriatric Fellowship Program

UNC School of Medicine

Planning Committee

Jan Busby-Whitehead, MD

UNC School of Medicine

John Maron

Investor Education Coordinator

North Carolina Department of the Secretary of State

Terry Cordell, MPH

Director, Continuing Medication Education, MAHEC

Registration

Please pre-register by November 23rd to ensure a lunch is reserved for you. There is no fee for this program.

Directions to MAHEC Biltmore Campus 121 Hendersonville Rd., Asheville, NC, 28803

From I-40 Eastbound, take Exit 50 and turn left onto Hendersonville Rd.

From I-40 Westbound, take Exit 50B and merge onto Hendersonville Rd.

At the first light, turn left into the Double Tree Hotel complex. Turn left towards the Sleep Inn. Just before the Sleep Inn turn right and go up the hill to the MAHEC Biltmore Campus.

From 19-23 (I-26) take 240 East to Exit 5B (Charlotte Street). Exit right onto Charlotte Street. At the 4th light, make a left onto Biltmore Avenue. Proceed through 8 traffic lights. At the 9th light turn right into the Double Tree Hotel complex. Turn left towards the Sleep Inn. Just before the Sleep Inn turn right and go up the hill to the MAHEC Biltmore Campus.

Preventing Elder Investment Fraud

November 30, 2012

Updated contact info

Name _____

Credentials _____

Social Security # **XXX-XX-** _____ (last 4 digits required)

Occupation _____

E-mail Address _____

Home Address _____

City _____ State _____ Zip _____

Home County _____

Home # _____ Work # _____

Employer _____

Department _____

Employer's Address _____

City _____ State _____ Zip _____

Work County _____

Brochures go to home email

Please remove my name from the MAHEC mailing list.

#13CH001/38679

I will attend at MAHEC Biltmore Campus.

I will attend via live web streaming.

Please pre-register by November 23rd to ensure a lunch is reserved for you.

Send to:

MAHEC Registration

121 Hendersonville Rd.

Asheville, NC 28803

Fax to: 828-257-4768

Have a question?

Registration Information: 828-257-4475

Want to register?

Fax Registration: 828-257-4768

Online Registration: www.mahec.net

Mail: MAHEC Registration
121 Hendersonville Rd., Asheville, NC 28803

Special Services: 828-257-4485



THOUSANDS VISIT SECRETARY OF STATE'S BOOTH AT 2012 NC STATE FAIR

Over 965,000 people attended the 2012 NC State Fair, making it the third most-attended Fair in state history.

A significant number of that total streamed by the Department of the Secretary of State's display booth, picking up pamphlets on such topics as investor education, e-commerce, and the NC Advance Health Care Directive Registry. Many took home with them the ever-popular Secretary of State ruler, pencil and sticker!

Many fairgoers also had a chance to speak personally with Secretary Elaine F. Marshall herself.

The Secretary of State's booth continued to prove especially popular with the state's Fourth Grade teachers. It is during Fourth Grade that many of the state's students do an in-depth study of North Carolina. As the keeper of the state's official symbols, the Department publishes a pamphlet chronicling when each symbol was officially adopted by the General Assembly. The Department also publishes a full-color organization chart of state government. Many teachers came by and stocked up on these resources for their students.



John Maron (Securities Division) and Wendy Haynes (Corporations Division) were just two of the many smiling faces to staff the Department's booth during the NC State Fair's 11-day run.

If you didn't have a chance to visit us this year, plan to stop by next year! The booth is located in the Governor Kerr Scott Building and is typically located opposite the booths of Bobbee's Honey and the NC Peanut Association.



To learn more about North Carolina and its history, visit the Department's Kids Page at <http://www.secretary.state.nc.us/kidspg/ThePage.aspx>.

If you would like copies of the North Carolina State Symbols pamphlet or the organization chart of state government, contact the Publication's Division at (919) 807-2149.

You may view, download or order free copies of any of the Department's investor education materials at <http://www.secretary.state.nc.us/sec/brochures.aspx>.



NC Securities Division Sponsors Workplace-Based Investor Education Program

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

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

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

The *Investor Education in Your Workplace*® program is an award-winning ten-part course of instruction that began in North Carolina on October 22, 2012 and will run through the first week of February 2013. It provides unbiased information that has been field tested by over 11,000 employees in hundreds of workplaces in North Carolina and thirteen other states and the District of Columbia.

The cost for North Carolina residents to participate in this program is being covered by a grant from the Investor Protection Trust, a DC-based nonprofit organization that funds non-commercial, unbiased investor education programs and materials. The grant is allowing up to 1,500 employees of such companies as those listed to the right to participate in this program free-of-charge, making this an investor education program worth up to \$150,000.

The topics covered during the program include:

1. Getting Started with Saving and Investing
2. Basics of Personal Finance
3. Basics of Investing
4. Basics of Investment Strategies
5. Understanding Investment Risks
6. Basics of Retirement Planning
7. Retirement Plan Options
8. Mutual Funds
9. Working With Financial Advisers
10. Putting It All Together

If your company is interested in participating in this program possibly next year, please contact John Maron at (919) 807-2106 or via email at jmaron@sosnc.com. Please include "Investor Education in Your Workplace" in the subject line.

Employers Participating in Fall 2012

The following are participating in the Fall 2012 IEiYW® program:

- Acclaim Federal Credit Union (Greensboro)
- Champion Credit Union (Canton)
- Cumberland County DSS (Fayetteville)
- Decal Source, Inc. (McLeansville)
- Duplin County DSS (Kenansville)
- Emergency Responders Credit Union (Winston-Salem)
- First Carolina Corporate Credit Union (Greensboro)
- Fort Bragg Federal Credit Union (Fayetteville)
- Goodwill Industries of Central NC (Greensboro)
- Harland Clarke Corp. (High Point)
- Kao Specialties America LLC (High Point)
- Marine Federal Credit Union (Jacksonville)
- Mountain Credit Union (Waynesville)
- National Board for Certified Counselors (Greensboro)
- NC Department of the Secretary of State (Raleigh)
- NC National Guard (State-wide)
- Sharonview Federal Credit Union (State-wide)
- Summit Credit Union (Greensboro)
- The Timken Company (State-wide)
- Truliant Federal Credit Union (Winston-Salem)



Seventeen Members of A Racketeering Enterprise Indicted on Investment Fraud, Mortgage Fraud and Related Charges

A Total of 81 Defendants Have Been Charged To Date in “Operation Wax House”

A federal indictment charging 17 defendants in Charlotte and elsewhere with racketeering, investment fraud, mortgage fraud, bank bribery, and money laundering was unsealed October 24, 2012, in U.S. District Court, announced the U.S. Attorney’s Office for the Western District of North Carolina. Fourteen additional defendants have agreed to plead guilty in connection with the latest round of criminal charges resulting from "Operation Wax House," a mortgage fraud investigation which began in the Western District in 2007.

Chris Briese, Special Agent in Charge of the Federal Bureau of Investigation (FBI), Charlotte Division, Jeannine A. Hammett, Special Agent in Charge of the Internal Revenue Service, Criminal Investigation (IRS-CI), and Elaine Marshall, North Carolina Secretary of State join the U.S. Attorney’s Office in making the announcement.

The federal racketeering indictment was returned by a federal grand jury sitting in Charlotte on July 26, 2012, but remained sealed until October 24, 2012. The indictment alleges that the 17 defendants and others were part of a criminal organization (the “Enterprise”) that operated principally in the cities of Charlotte and Waxhaw, N.C., and stole more than \$75 million from investors and mortgage lenders. The indictment was unsealed following the arrests of 11 members of the Enterprise, including three of its leaders, James Tyson, Jr., his mother, Carrie Tyson, and Victoria Hunt. James Tyson Jr. was arrested on Sunday, October 21st at Washington Dulles International Airport upon arrival in the United States from a flight originating in Dakar, Senegal, which is Tyson’s last known residence.

The racketeering charges contained in the indictment are the result of “Operation Wax House,” an ongoing investigation into securities and mortgage fraud targeting communities in the Mecklenburg and Union Counties of North Carolina’s Western District. The investigation was conducted jointly by the FBI and IRS’s Criminal Investigation Division, along with the North Carolina Secretary of State, Securities Division.

According to allegations contained in the unsealed indictment:

The Enterprise, which operated from about 2005 through the present, engaged in an extensive pattern of racketeering activities, consisting of investment fraud, mortgage fraud, bank fraud, money laundering, and distribution of illegal drugs. Members of the Enterprise also bribed bank officials and committed perjury before the Grand Jury. The co-conspirators targeted professional athletes and doctors as well as their personal and professional acquaintances and convinced them to invest in a series of sham corporations controlled by the Enterprise. The co-conspirators stole over \$27 million from more than 50 investor victims, including monies that the investor victims were induced to obtain as loans from financial institutions. Rather than investing victims’ money as promised, the Enterprise diverted victims’ money to finance its mortgage fraud operations and to support its members’ lifestyles. For example, members of the Enterprise used the stolen money to purchase luxury vehicles, take lavish vacations, organize extravagant dinners and parties, and invest in other sham businesses or investments. In addition, the conspirators made Ponzi-style payments to other victims.

The Enterprise's mortgage fraud operations involved acquiring luxury homes in neighborhoods in South Charlotte and Waxhaw. One member of the Enterprise would agree with a builder to purchase a property at the "true price." The Enterprise would then arrange for a buyer to purchase the property at an inflated price. In most circumstances, the buyer would agree to purchase the property in his or her own name and sign whatever documents were necessary, in exchange for a hidden kickback. The builder would sell the property at the inflated price, the lender would make a mortgage loan on the basis of that inflated price, and the difference between the inflated price and the true price would be extracted at closing by the Enterprise.

The 17 defendants charged in the indictment and the 14 defendants who have agreed to plead guilty bring to a total of 81 the number of defendants charged in connection with "Operation Wax House" to date. Charged in the indictment are:

- **Ramin Amini**, 44, of Tehran, Iran, is charged with racketeering conspiracy, mortgage fraud and money laundering conspiracy. Role: Leader and promoter in the scheme. Status: **Fugitive**.
- **Vonetta Tyson Barnes**, 38, of Wahiawa, Hawaii, is charged with racketeering conspiracy, securities fraud, wire fraud to defraud investors and money laundering conspiracy. Role: Promoter. Status: Released following arrest and initial appearance.
- **Travis Bumpers**, 36, of Charlotte, is charged with racketeering conspiracy, securities fraud, mortgage fraud, wire fraud to defraud investors, bank bribery and money laundering conspiracy. Role: Promoter. Status: **Fugitive**.
- **Glynn Hubbard**, 35, of Charlotte is charged with Racketeering conspiracy, mortgage fraud and money laundering conspiracy. Role: Promoter. Status: In federal custody, pending release on conditions, following arrest and initial appearance.
- **Victoria Hunt**, 36, of Charlotte, is charged with racketeering conspiracy, securities fraud, mortgage fraud, wire fraud to defraud investors and money laundering. Role: Leader and promoter. Status: Currently in federal custody pending detention hearing.
- **Toby Hunter**, 37, of Fort Mill, S.C., is charged with racketeering conspiracy, securities fraud, wire fraud to defraud investors and money laundering. Role: Promoter. Status: Released following arrest and initial appearance.
- **Steven Jones**, 44, of Waxhaw, is charged with securities fraud, wire fraud to defraud investors and money laundering conspiracy. Role: Promoter. Status: Currently in federal custody pending detention hearing.
- **John McDowell**, 40, of Dunn, N.C., is charged with racketeering conspiracy, securities fraud, mortgage fraud, wire fraud to defraud investors and money laundering. Role: Promoter. Status: Arrest warrant issued.
- **Kurosh Mehr**, 52, of Charlotte is charged with racketeering conspiracy, mortgage fraud and money laundering. Role: Promoter and buyer. Status: Currently in federal custody pending detention hearing.
- **Ann Tyson Mitchell**, 61, of Charlotte, is charged with racketeering conspiracy, mortgage fraud and money laundering. Role: Facilitator. Status: Released following arrest and initial appearance.
- **John Wayne Perry, Jr.**, 31, of Charlotte, is charged with racketeering conspiracy and money laundering conspiracy. Role: Promoter. Status: Released following arrest and initial appearance.
- **Donte Thorogood**, 34, of Durham, N.C., is charged with racketeering conspiracy, mortgage fraud and money laundering. Role: Promoter. Status: To appear for an initial appearance pursuant to a summons.
- **Carrie Tyson**, 58, of Winterville, N.C., is charged with racketeering conspiracy, securities fraud, mortgage fraud, wire fraud to defraud investors and money laundering. Role: Leader and promoter. Status: Released following arrest and initial appearance.
- **James Tyson, Jr.**, 32, of Dakar, Senegal, is charged with racketeering conspiracy, securities fraud, mortgage fraud, wire fraud to defraud investors, bank bribery and money laundering. Role: Leader and promoter. Status: Currently in federal custody pending detention hearing.

- **James Tyson, Sr.**, 61, of Charlotte, N.C., is charged with racketeering conspiracy, securities fraud, wire fraud to defraud investors and money laundering. Role: Promoter. Status: Currently in federal custody pending detention hearing.

- **Nathan Shane Wolf**, 41, of Charlotte, is charged with racketeering conspiracy, mortgage fraud and money

laundering. Role: Real estate agent. Status: To appear for an initial appearance pursuant to a summons.

- **Purnell Wood**, 41, of Palmyra, N.J., is charged with racketeering conspiracy, mortgage fraud and money laundering. Role: Promoter. Status: Arrest warrant issued.

The U.S. Attorney's Office also filed criminal bills of information and plea agreements against 14 other defendants who acted as mortgage brokers, real estate agents, straw buyers and a home builder in the scheme. They acknowledge taking part in the mortgage fraud conspiracy and have agreed to plead guilty. They are:

- **Crystal Goodson-Hudson**, 44, of Kannapolis, N.C., is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Mortgage broker. Status: To appear for initial appearance upon a summons.

- **Shannon Lee (Sommer Bey)**, 47, of Charlotte, is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Real estate agent. Status: To appear for initial appearance upon a summons.

- **Robert Mahaney**, 52, of Ridgeway, S.C., is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Mortgage broker. Status: To appear for initial appearance upon a summons.

- **George Moore**, 44, of Charlotte, is charged with mortgage fraud conspiracy. Role: Buyer. Status: To appear for initial appearance upon a summons.

- **Kevin Smith**, 46, of Oxford, N.C., is charged with mortgage fraud conspiracy. Role: Buyer. Status: To appear for initial appearance upon a summons.

- **Holly Pasut**, 56, of Charlotte, is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Real estate agent. Status: To appear for initial appearance upon a summons.

- **Danielle Vaughn**, 34, of Greenbelt, Md., is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Mortgage broker. Status: To appear for initial appearance upon a summons.

- **Mary Vaughn**, 58, of Charlotte, is charged with mortgage fraud conspiracy. Role: Buyer. Status: To appear for initial appearance upon a summons.

- **Jamaine Wallace**, 41, of Conyers, Ga., is charged with mortgage fraud conspiracy. Role: Buyer. Status: To appear for initial appearance upon a summons.

- **Phillip Wellington**, 46, of Charlotte, is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Promoter. Status: To appear for initial appearance upon a summons.

- **William Wellington**, 30, of Amityville, N.Y., is charged with mortgage fraud conspiracy. Role: Buyer. Status: To appear for initial appearance upon a summons.

- **Marcia Williams**, 36, of York, S.C., is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Mortgage broker. Status: To appear for initial appearance upon a summons.

- **Sean Williams**, 41, of Orangeburg, S.C., is charged with mortgage fraud conspiracy and money laundering conspiracy. Role: Mortgage broker. Status: To appear for initial appearance upon a summons.

- **Mark Wittig**, 41, of Matthews, N.C., is charged with mortgage fraud conspiracy. Role: Builder. Status: To appear for initial appearance upon a summons.

The conspiracy to participate in the racketeering activities charge carries a maximum term of 20 years in prison and a \$250,000 fine or twice the gross profits or other proceeds. The securities fraud charge carries a maximum term of 20 years in prison and a \$250,000 fine. The bank fraud charge carries a maximum term of 30 years in prison and a \$1 million fine. The wire fraud charge carries a maximum term of 20 years in prison and a \$250,000 fine. The money laundering conspiracy charge carries a maximum term of 20 years in prison and a \$500,000 fine or twice

the amount of criminally derived proceeds. And, the bank bribery conspiracy charge carries a maximum term of five years in prison and a \$250,000 fine.

An indictment is merely an allegation, and the defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law. In addition, the guilty plea of any other person is not relevant to the guilt of any indicted person.

"Operation Wax House" in the Western District of North Carolina is being handled by the Charlotte Division of the FBI and the Criminal Division of the IRS for the Financial Fraud Enforcement Task Force, and the Securities Division of the North Carolina Secretary of State. The prosecution for the government is being handled by Assistant United States Attorneys Kurt W. Meyers and Maria K. Vento and Special Assistant United States Attorney Kevin M. Harrington.

The President's Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.stopfraud.gov.

The names and case numbers of all the defendants charged to date in Operation Wax House are listed below, organized by their alleged role in the scheme.

Attorneys and Paralegals

Crawford/Mallard, Michelle 3:11cr374
Gates, Christine 3:09cr100
Norwood, Kelli, 3:09cr162
Rainer, Demetrius 3:08cr239/241
Smith, Troy, 3:08cr264

Bank Insiders

Brown, Jamilia, 3:10cr124
Eason, Danyelle, 3:10cr116
Henson, Vic. F., 3:10cr124
Jackson, Mitzi, 3:11cr374
Ramey, Bonnie Sue, 3:10cr124

Builders and Sellers

Fink, James, 3:11cr374
Jackson, Jennifer, 3:09cr241
Smith, Kelvis, 3:12cr238
Viegas, Jeffrey, 3:12cr298
Wittig, Mark, 3:12cr335
Wood, Gary, 3:09cr208

Facilitators and Financiers

Hickey, Denis, 3:09cr103
McClain, Landrick, 3:10cr124
Mitchell, Ann Tyson, 3:12cr239
Panayoton, Sherrill, 3:11cr176
Taylor, Alicia Renee, 3:10cr124
Wilson, Willard, 3:09cr161

Buyers

Banks, Arketa, 3:12cr297
Hillian, Kirk, 3:12cr83

Mathis, Charles, 3:10cr1
Mobley, Sarena, 3:10cr124
Moore, George, 3:12cr337
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Smith, Kevin, 3:12cr341
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FINRA Announces 2013 Web CRD[®]/IARD[™] Renewal Procedures

On September 14, the Financial Industry Regulatory Authority (FINRA) announced the 2013 Web CRD[®]/IARD[™] renewal procedures in its [annual notification](#) to regulators and member institutions.

Beginning October 1, 2012, FINRA suggests that firms review their registered persons to ensure that they have properly and timely reported all appropriate information to Web CRD[®] and that all open branch offices have individuals assigned to them and are accurately reported. The deadline by which FINRA must receive all final renewal statement payments and reports of any renewal discrepancies is February 1, 2013. To view the entire 2013 renewal calendar, click [here](#).

For the 2013 FINRA Renewal Program, FINRA will assess and invoice firms for the following fees:

- Regulator registered representative (RR)/agent (AG) renewal fees
- Regulator broker-dealer (BD) renewal fees
- Jurisdiction investment adviser representative (RA) renewal fees
- Jurisdiction investment adviser (IA) firm renewal fees
- Jurisdiction branch renewal fees
- FINRA branch renewal processing fees - \$20 per registered FINRA branch
- FINRA system processing fees - \$45 per RR/AG
- FINRA IARD firm system processing fee - waived for any state-registered IA firm that renews through IARD
- FINRA RA renewal processing fee - \$10 for each RA who renews through Web CRD[®]

All renewal statements will be available to firms online in the **Accounting** section on Web CRD[®] and IARD[™]. Joint BD/IA firms will receive a combined statement that is viewable through either system.

MASS TRANSFER MORATORIUM:

There will be a moratorium on processing mass transfers from December 8, 2012, through January 15, 2013, due to renewal processing. The last day firms will be able to request a mass transfer to occur in 2012, is November 20, 2012. A mass transfer is used to programmatically transfer individuals and/or branches and their registrations from one firm to another firm as a result of a merger, acquisition, succession or consolidation. Notices will not populate in the Mass Transfer Queue from December 8, 2012 through January 1, 2013.

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to help educate investors about lost and stolen securities and the Commission's Lost and Stolen Securities Program ("LSSP"), a database for securities certificates reported lost, stolen, missing, or counterfeit. It is reprinted here for informational purposes only.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor Bulletin: Lost and Stolen Securities

About Lost and Stolen Securities

When a security certificate is retired, such as when a bond is redeemed or ownership of stock is transferred, the certificate is cancelled by the [transfer agent](#). Cancellation normally involves both an accounting entry on the books of the transfer agent and an alteration of the certificate itself. After cancellation of a registered certificate, the [Exchange Act's](#) record retention rules require that the certificate or appropriate record of the certificate be retained for not less than six years. In recent years, many corporate bond issues have been called for redemption and cancelled decades before their maturities. These bond redemptions and an active stock market have generated vast amounts of cancelled securities certificates that must be processed, stored, and safeguarded.

Certificate processing of retired certificates can involve significant costs and risks. For example, in 1992, cancelled bond certificates with a face amount of approximately \$111 billion disappeared after being delivered from a transfer agent's warehouse to a certificate destruction vendor. The certificates later began to resurface worldwide. A number of banks and brokers, as well as individuals, were defrauded through sales of the cancelled certificates for cash or through use of the cancelled certificates as loan collateral. In another instance, a transfer agent's shipping bags filled with cancelled certificates were stolen while in commercial air transit. When the shipping bags were stolen, neither the transfer agent nor its bank processing agent realized that the certificates were missing. A number of the certificates later resurfaced in off-market transactions.

In many cases, the stolen certificates have reentered the marketplace either through sales or as collateral for loans, resulting in fraud on public investors, public companies, creditors, broker-dealers, and transfer agents. Not only do situations such as these present potential liability for the transfer agents responsible, but they consume the resources of regulatory and criminal law enforcement agencies.

The SEC's Lost and Stolen Securities Program

Congress directed the establishment of the LSSP to curtail tracking in lost, stolen, missing, and counterfeit securities certificates. [Rule 17f-1 under the Exchange Act](#) governs LSSP operations. The LSSP consists mainly of a database for securities that have been reported lost, stolen, missing, or counterfeit. The LSSP has two essential parts: "reports" and "inquiries." Most financial institutions (including exchanges, banks, brokers, clearing agencies, and transfer agents) are required to report any certificates that they discover to be lost, stolen, missing, or counterfeit. These institutions also must inquire of the LSSP about any securities certificate valued at more than \$10,000 that comes into their "possession or keeping." These financial institutions also may voluntarily report or inquire about other certificates.

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Beginning in 2000, LSSP members began voluntarily adding reports of cancelled securities certificates to the database as a result of an industry-wide initiative to make the database more complete and to assist LSSP participants in determining whether securities certificates that come into their possession are valid.

The LSSP is operated by the Securities Information Center (“SIC”) as the SEC’s designee pursuant to a contract. SIC receives all reports and inquiries, responds to inquiries, and maintains the LSSP’s database. As of December 31, 2011, the LSSP’s database reflected securities with a value of approximately \$801 billion. There were 24,969 reporting institutions. During the year 2011, reports were made on 512,807 certificates (an average of 2,035 certificates per business day); inquiries were made on 10,998,507 certificates (an average of 43,642 certificates per business day); and matches or “hits” resulting from inquiries occurred on 348,791 certificates, which had a value of approximately \$8,789,674,628. The hits essentially warned the inquirers that the certificates had been reported as lost, stolen, missing, or counterfeit and were not eligible for transfer.

What can investors do?

Investors holding certificates should take care in safeguarding them from theft or other loss. If your securities certificate is lost, accidentally destroyed, or stolen, you should immediately contact the transfer agent and request a “stop transfer” to prevent ownership of the securities from being transferred from your name to another’s. Your broker may be able to assist you with this process. The broker or transfer agent will report the certificates as missing to the LSSP. If you later find the missing certificate, you should notify whomever you called to place the “stop transfer” so that the lost or stolen securities report may be removed. Otherwise, you may have difficulty selling or transferring the securities.

If you are expecting a certificate through the mail and it doesn’t arrive, you should immediately contact the organization that arranged the transaction – typically your brokerage firm. While many companies choose to use registered or certified mail to deliver securities certificates to individuals, some prefer to use regular mail so as not to call attention to the potential value of the item.

You can get a new certificate to replace the missing one. However, before issuing a new certificate, issuers usually require the following:

- The owner must state all the facts surrounding the loss in an affidavit;
- The owner must buy an indemnity bond to protect the issuer and the transfer agent against the possibility that the lost certificate may be presented later by an innocent purchaser. The bond usually costs between two or three percent of the current market value of the missing certificates; and
- The owner must request a new certificate before an innocent purchaser acquires it.

We recommend that you keep a copy of both sides of your certificates separate from the certificates themselves. If a certificate is lost or stolen and then transferred on the books of the transfer agent to another owner, it may be impossible for you to establish that you owned it because the transfer agent will no longer have a record of your name. But if you have a record of the certificate numbers, the transfer agent should be able to reconstruct when it was transferred and to whom.

Securities certificates are valuable and should be safeguarded. To avoid the cost and burden of safeguarding certificates, some investors let their brokerage firm hold their securities for them in “[street name](#).” And increasingly, certificates for many securities are not even available, as companies may use direct registration “[book entry](#)” securities where your ownership is reflected on the books of a company.

For more information on how investors can hold securities, please see our publication [Holding Your Securities – Get the Facts](#).

More information on lost and stolen certificates and advice for investors is available at <http://www.sec.gov/answers/lostcert.htm>.



When Trading Stops: What You Need to Know About Halts, Suspensions and Other Interruptions

Thousands of stocks are quoted and traded every day in U.S. securities markets. Trading in most stocks takes place without interruption throughout the trading day—but some stocks are subject to short-term trading halts and longer-term trading suspensions. In rare instances when the market experiences a very steep decline, trading across the entire market can be stopped. This [alert](#) explains how, when and why interruptions in trading occur—and what investors can do in some of these situations.

Trading Halts to Allow the Market to Digest New Company Information

When a company is listed on a U.S. stock exchange, including NYSE, NYSE MKT, NYSE Arca, the NASDAQ Stock Market and the BATS Exchange, it agrees to notify the listing exchange about any corporate developments that could affect trading activity in its stock—before announcing them to the public. These developments can include:

- changes related to the financial health of the company;
- major corporate transactions like restructurings or mergers;
- significant positive or negative information about its products;
- changes in key management individuals; and
- legal or regulatory developments that affect the company's ability to conduct business.

For their part, the listing U.S. stock exchanges have the authority to halt trading based on their evaluation of a given announcement. Generally, the more likely the announcement is to affect the stock price, whether positively or negatively, the more likely the exchange is to call for a trading halt pending dissemination of news by the issuer. An exchange can also halt trading after news affecting the company has been released. This could happen when the company releases information without notifying the exchange in advance—or when another company announces an unsolicited tender offer for the company whose stock is now subject to the trading halt. In very rare instances, an exchange may choose to halt trading when, regardless of the timing of any announcement, a high-impact event outside the

company's control occurs—such as an unforeseen natural disaster or a significant market disruption—that can affect trading in a stock.

These temporary trading interruptions, also known as regulatory halts, tend to be relatively short and are designed to allow prompt and full dissemination of the news to the marketplace at large.

What Happens During a Trading Halt?

When a trading halt is implemented, the listing exchange notifies the market that trading is not allowed in that stock. Other U.S. markets trading the stock must observe the trading halt as well. While the halt is in effect, brokers are prohibited from publishing quotations or indications of interest and from trading the stock. The listing exchange will end the trading halt by taking the steps required by its rules. In general, the market is made aware that a trading halt is coming to an end, either at the same time the halt ends or a few minutes before.

Information about current and past trading halts for [exchange-listed stocks](#) and [over-the-counter \(OTC\) stocks](#) is published daily.

Trading Delays Can Also Occur at the Market Open

Typically, companies make material news announcements after the market has closed. In these situations, investors have time to evaluate the significance of the news and place orders for the following day at prices they deem appropriate. This can result in an imbalance between the buy and sell orders

at the opening of trading the following day. In this situation, an exchange may delay the opening of trading to allow orders to be entered to correct the imbalance. These opening delays, also known as operational or non-regulatory trading halts, are usually short-lived since the exchange is focused on ensuring an orderly and prompt opening for the stock. Non-regulatory trading halts do not require other exchanges that list the security, and that do not have the sort of imbalance described above, to follow suit and halt trading.

SEC Trading Suspensions to Protect Investors

The Securities and Exchange Commission (SEC) is authorized under federal law to suspend trading in any stock for a period of up to 10 business days. The SEC issues a suspension when it believes that the investing public may be at risk. Many factors influence the SEC's decision. A very important one is a company's failure to keep up the required filing of periodic reports—such as annual and quarterly reports—that provide the public with information about the company's business, corporate outlook and financial performance to date. Another factor is the quality of the publicly available information, particularly if it appears to be inaccurate. The SEC will also consider the trading activity in a stock, evaluating who is actively trading and whether market manipulation may be taking place.

Once the SEC decides to suspend trading, it will issue an order of suspension and announce the reasons(s) for its decision and the actual dates. If the reason is a lack of current information, the SEC will state when the company last filed public reports. This information provides an indication of how stale available information is. Current and past [trading suspensions](#) are available on the SEC's website.



What Happens After a Trading Suspension Ends?

Historically, most companies subject to trading suspensions by the SEC have been quoted in the over-the-counter (OTC) market on the OTC Bulletin Board or other broker-dealer operated systems prior to the suspension—and most SEC suspensions are based on a lack of current information about the company. The end of a trading suspension does not mean that quoting and trading automatically start again for OTC stocks. Instead, certain requirements in [SEC Rule 15c2-11](#) must be met. A broker must also file a form with FINRA that needs to be approved before quoting can resume. The broker can file the form after it obtains and reviews current information about the company, including:

- the company's organization, operations and certain control affiliates;
- the title and class of securities outstanding and being traded; and
- the company's most recent balance sheet and profit and loss and retained earnings statement.

The broker filing the form must have a reasonable basis for believing the information is accurate and that it comes from reliable sources. A broker generally cannot quote the stock or solicit or recommend the stock to any investor until the form is approved. After approval, the broker can begin quoting—and other brokers may also quote the stock relying, or "piggybacking," on the first broker's quote without filing the form or reviewing the company information on their own. Be aware that the SEC's ability to continue a trading suspension indefinitely is strictly limited. As a result, the lifting of a trading suspension does not mean that the SEC's concerns have been addressed and no longer apply.

Investors need to be careful before purchasing a stock after an SEC trading suspension has ended. If you are

considering this move, here are several things you can do to help protect yourself:

- Ask the broker quoting the stock what information it has on the company and how recent that information is, bearing in mind that the SEC's reasons for imposing a trading suspension typically involve a lack of current, reliable information.
- Look for information on your own and evaluate carefully whatever you find.
- Understand that there may be an illiquid market for some of these stocks, particularly if the company does not have to file periodic reports with the SEC.
- Use extreme caution if anyone is recommending you purchase the stock without offering current information about the company.

Controlling Market Volatility

The U.S. securities markets trade enormous volumes of stocks every day. Investors have come to expect prices to be set and transactions to be completed in the most efficient manner possible. Regulators work with market professionals to ensure that prices are set, and clearance and settlement take place, without disruptions. Every once in a while, markets may experience events, referred to as extreme market volatility, during which prices become erratic. The exchanges and FINRA have rules in place to take coordinated action to control market volatility for the benefit of investors. Those rules call for a pause in the trading of a single stock across all markets when the price changes by a certain percentage over the preceding five minutes, and for a market-wide trading halt when the Dow Jones Industrial Average (DJIA) declines by specified percentages. Read on to learn

how single-stock trading pauses and market-wide circuit breakers work.

Single-stock trading pauses: a five-minute pause to let the price stabilize

Rapid price movement in a short period of time may signal that the price-setting process for a stock may be distorted. To keep the process from getting out of control, the listing exchange will call for a trading pause if the price moves up or down by specified percentages in a rolling, five-minute period. Here are the price moves that trigger the pause:

- 10 percent price movement, up or down, for securities in the S&P 500, the Russell 1000 Index and some exchange-traded products (ETPs);
- 30 percent price movement for other stocks priced at least \$1.00; and
- 50 percent price movement for other stocks priced at less than \$1.00.



The trading pause must be observed by all other markets, including stock, options and single-stock future markets that trade the stock. The pause across all markets allows time for buyers and sellers to consider the situation and decide what price makes sense, and to enter orders accordingly. A pause is set to last five minutes, but the listing market can extend it if there is a significant imbalance between buy and sell orders. Other exchanges may resume trading after 10 minutes have passed and then trading can resume in the OTC market. A trading pause may be called from 9:45 a.m. Eastern Standard Time (EST) to 3:35 p.m. (EST). Information about [current trading pauses](#) is published daily.

Market-wide circuit breakers: giving markets time to breathe after certain declines in the DJIA

After certain periods of extreme market volatility in the late 1980s, the SEC asked the exchanges to come up with a way to implement market-wide trading halts during such events. These periods are now identified by a decline of a certain number of points in the DJIA. These point declines, known as "circuit breakers," were activated for the first and only time on October 27, 1997, when the DJIA fell 350 points, initiating a 30-minute, market-wide trading halt. Following that event, the trigger levels for circuit breakers were set at 10 percent, 20 percent and 30 percent declines of the DJIA. The actual point number is calculated at the beginning of each calendar quarter, using the average closing value for the prior month. The length of the market-wide halt depends on the percentage decline and the time of day it occurs. The halt can be as short as 30 minutes or the decline may cause the markets to close for the day. Information on [current point](#) levels is updated quarterly.

New Volatility Rules Starting in 2013: The SEC has approved [new rules](#) that provide for different measures to control market volatility for both individual stocks and the market at large. These rules will be implemented in phases starting February 2013.

Trading Halts and Delays

- [Trading Halts and Delays](#)—U.S. Securities and Exchange Commission (SEC)

Trading Suspensions

- [Investor Bulletin: Trading Suspensions](#)—SEC
- [Trading in Stock After an SEC Trading Suspension—Be Aware of the Risks](#)—SEC
- [Microcap Stock: A Guide for Investors](#)—SEC

Market-Wide Circuit Breakers

- [Investor Bulletin: New Measures to Address Market Volatility](#)—SEC

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
11/06/12	Havelock	"Securities 101 for Law Enforcement Officers". Havelock Police Department , 2 Governmental Avenue. Time: 10:00 AM -- Noon. Open to law enforcement officers only.
11/13/12	Matthews	Secretary Elaine F. Marshall & Commissioner Wayne Goodwin -- "Protecting Older Adult Clients from Scams, Fraud & Financial Exploitation", Levine Senior Center , 1050 Devore Lane. Time: 7:00 AM – 1:00 PM. Professional training seminar sponsored by the Better Business Bureau of Southern Piedmont. Click here for more information or contact Kim Henderson or Maryanne Dailey at (704) 927-8623.
11/13/12	Havelock	"Securities 101 for Law Enforcement Officers". Havelock Police Department , 2 Governmental Avenue. Time: 10:00 AM -- Noon. Open to law enforcement officers only.
11/13/12	Raleigh	"Confidently Planning Your Retirement" lunch and learn at The News & Observer , 215 S. McDowell Street. Time: Noon – 1:00 PM. Open to N&O employees only.
11/15/12	Nash Co. (TBA)	"Securities 101 for Law Enforcement Officers". Regional meeting with Nash, Edgecombe and Wilson County law enforcement officers. Time/Place: TBA. Open to law enforcement officers only.
11/15/12	Alliance	Pamlico County Senior Services , 800 Main Street. Lunch & Learn. Light lunch provided but registration is required. Time: Noon – 1:00 PM. To register, contact Linda Potter at (252) 745-7196.
11/15/12	New Bern	McCarthy Court Independent Living , 1321 McCarthy Blvd. Time: 2:00 PM -- 3:00 PM. Open to residents and their guests only. For more information, contact Diane McKeel at (252) 637-7133.
11/16/12	Charlotte	Future Business Leaders of America (FBLA) Southern Regional National Fall Leadership Conference , Westin Hotel, 601 S. College Street, Grand Ballroom A. Time: 1:00 PM – 1:45 PM. Open to conference attendees only. Click the link above for more details.
11/16/12	Charlotte	Future Business Leaders of America (FBLA) Southern Regional National Fall Leadership Conference , Charlotte Convention Center, 501 S. College Street, Room 107. Time: 2:00 PM – 2:45 PM. Open to conference attendees only. Click the link above for more details.
11/17/12	Raleigh	"Money Matter for New (and Not So New) Couples", St. Francis of Assisi Church , 11401 Leesville Road. Time: 10:00 AM – Noon. For more information, contact Kathy Owen at (919) 847-8205 ext. 241.
11/28/12	Apex	Apex Senior Health Fair, Apex Community Center , 53 Hunter Street Time: 9:00 AM – Noon. For more information, contact Jessica Puckett at (919) 249-3402.0.
11/28/12	Fayetteville	National Active and Retired Federal Employees (NARFE) – Cape Fear Chapter 276 , Wellington Room, Holiday Inn Bordeaux, 1707 Owen Drive. Time: 11:00 AM – 1:00 PM. Open to NARFE members and their guests only.
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.

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- 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.



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.)

[CFTC Proposes New Regulations and to Amend Existing Regulations to Enhance Protections for Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations](#)

Oct. 23, 2012 – The Commodity Futures Trading Commission (CFTC) has approved for public comment proposed new regulations, and amendments to existing regulations, to enhance protections for customers and to strengthen the safeguards surrounding the holding of money, securities and other property deposited by customers with futures commission merchants (FCMs) and derivatives clearing organizations (DCOs). The proposals are the result of the Commission's efforts to coordinate and consult with the futures industry on enhancing customer protections, including two public roundtables that were hosted by Commission staff. The proposals also expand upon previous Commission actions to enhance customer protections, including rolling back certain exemptions from investment standards for customer funds under Regulation 1.25 and the adoption of the legal segregation with operational commingling (LSOC model) for cleared swap transactions. Click the link above for more information.

[SEC Charges Three in North Carolina With Insider Trading](#)

Sept. 20, 2012 – The Securities and Exchange Commission today charged a former member of the board of directors at a North Carolina-based insurance company with illegally tipping inside information about an impending merger. The SEC alleges that H. Thomas Davis, Jr., who has a home in Wilmington N.C., breached his fiduciary duty to Mercer Insurance Group and its shareholders when he shared confidential details about the company's negotiations to be acquired by United Fire. Davis tipped his friend and business associate Mark W. Baggett with the nonpublic information and Baggett later tipped his golfing partner Kenneth F. Wrangell. Baggett and Wrangell, who both live in Wilmington, made more than \$83,000 in illicit profits when they traded on that confidential information illegally. Click the link above for more information.

[SEC Issues Risk Alert on "Pay-To-Play" Prohibitions Under MSRB Rules](#)

Aug. 31, 2012 – The Securities and Exchange Commission has issued an alert to strengthen compliance with a Municipal Securities Rulemaking Board rule that limits political contributions by municipal securities professionals to campaigns of public officials of issuers with whom they are doing or seek to do business. The [Risk Alert](#) issued by the agency's Office of Compliance Inspections and Examinations notes that SEC examiners have observed practices that raise concerns about firms' compliance with their obligations under MSRB Rule G-37, which clamped down on so-called "pay to play" practices. The Risk Alert identifies practices that examiners have seen some firms use to comply with applicable federal, state, and local rules on contributions. These include training programs for municipal finance professionals, self-certification of compliance with restrictions on political contributions, surveillance for unreported political contributions, and preclearance or restrictions on political contributions when permitted by state or local law. The Risk Alert stresses that the practices are described only to inform firms about approaches being used to strengthen compliance efforts; these practices may not be applicable to a particular firm, and other practices may be appropriate to consider instead.

[SEC Issues Financial Literacy Study Mandated by the Dodd-Frank Act](#)

Aug. 30, 2012 — The Securities and Exchange Commission has issued a [staff study](#) with findings on what investors want to know about financial professionals and investment products and services, and when and how investors want to receive such information. Mandated by the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, the study draws on numerous sources, including [online survey research](#), [focus group research](#), public comments to the SEC, and a [Library of Congress review](#) of studies of financial literacy among U.S. retail investors. The study identifies investor perceptions and preferences regarding a variety of investment disclosures. The study shows that investors prefer to receive investment disclosures before investing, rather than after, as occurs with many investment products purchased today. The study identifies information that investors find useful and relevant in helping them make informed investment decisions. This includes information about fees, investment objectives, performance, strategy, and risks of an investment product, as well as the professional background, disciplinary history, and conflicts of interest of a financial professional. Investors also favor investment disclosures presented in a visual format, using bullets, charts, and graphs.

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[SEC Proposes Rules to Implement Jobs Act Provision About General Solicitation and Advertising in Securities Offerings](#)

Aug. 29, 2012 – The Securities and Exchange Commission has [proposed rules](#) to eliminate the prohibition against general solicitation and general advertising in certain securities offerings. Under the proposed rules, which are mandated by the Jumpstart Our Business Startups Act, companies would be permitted to use general solicitation and general advertising to offer securities under Rule 506 of Regulation D of the Securities Act and Rule 144A of the Securities Act. The Commission requested [public comment](#) on the proposed rules for 30 days. Thereafter, the Commission will review the comments and determine whether to adopt the proposed rules.

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!