



North Carolina
Department of the Secretary of State
Hon. Elaine F. Marshall, Secretary Securities Division



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We Have a New Look!

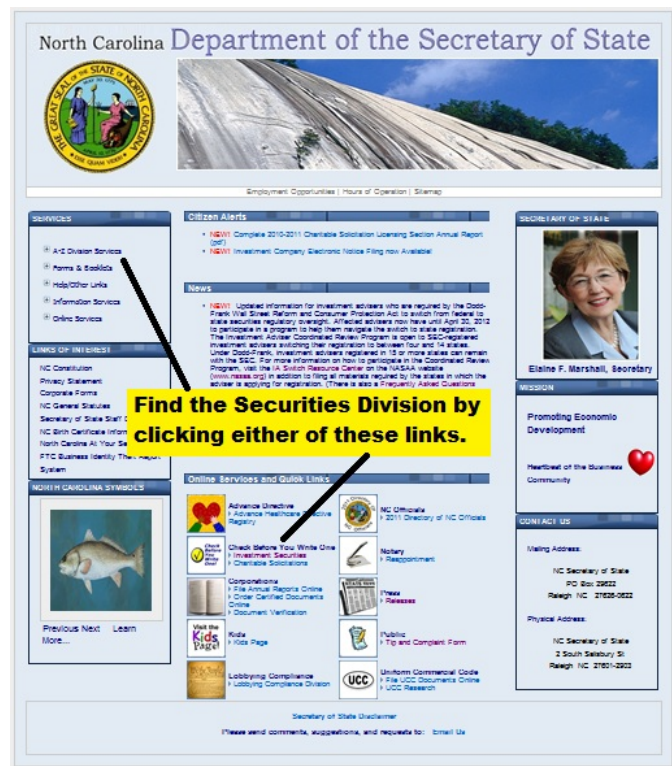
(And you now have two ways to find us!)

The NC Department of the Secretary of State unveiled its redesigned homepage (right) earlier this month.

We also added a new Web address. We can now be found at both our old address (www.sosnc.com) **AND** our new address (www.sos.nc.gov). Both will be included in this newsletter's masthead (above) and the footers of each page.

The more modern-looking homepage arranges information in several different ways, making it easier and more natural for visitors to find the information they need quickly and efficiently.

Surf on over and take a look. Let us know what you think by emailing us at webhelp@sosnc.com.



Former Atlanta Securities
 Attorney Given 23-Year
 Sentence for Million-Dollar
 Fraud Scheme



Gregory Bartko

Gregory Bartko, an Atlanta attorney and securities broker, was sentenced yesterday in U.S. District Court in Raleigh, North Carolina, announced U.S. Attorney for the Eastern District of North Carolina Thomas G. Walker. Bartko received a prison sentence of 23 years for his conduct related to the sale of unregistered securities.

A jury convicted Bartko following a 13-day trial during which Assistant U.S. Attorney David Bragdon presented evidence that Bartko's fraud harmed approximately 200 victims in 21 different states.

Bartko's trial centered around his conspiracy with salesman Scott Hollenbeck. Hollenbeck, a member of Gospel Light Baptist Church at the time, used his religious connections to raise millions from investors. Hollenbeck falsely promised guaranteed interest rates of 12-14 percent and AIG insurance protecting the investment. In early

Snapshot of the Department's new homepage. Find us at www.sosnc.com or www.sos.nc.gov.

2004, Hollenbeck sent \$701,000 to the Caledonian Fund—a fund owned and operated by Bartko and his partner Darryl Laws. In 2008, Hollenbeck was convicted for his role in a separate fraud scheme, Mobile Billboards of America. Bartko and Laws spent all \$701,000 of the Caledonian Fund money.

In April, 2004, the North Carolina Secretary of State's Office issued a [temporary cease and desist order](#) against Hollenbeck, forbidding him from committing fraud or selling unregistered securities. Despite this order, in late 2004, Bartko decided to have Hollenbeck directly raise money for another fund he developed, the Capstone Fund. Using the same fraudulent methods, Hollenbeck ultimately raised \$2,784,928 for this fund. **[On October 20, 2004, the Secretary of State's office issued a [final order to cease and desist](#) against Hollenbeck.]**

In January, 2005, Bartko distanced himself from Hollenbeck by filtering the money Hollenbeck raised through a Winston-Salem, North Carolina business, Legacy Resource Management, which was run by Rebecca Plummer and Levonda Leamon. In this way, Bartko appeared to be accepting money from Legacy, not individual investors, concealing his violation of securities laws and burying his involvement with Hollenbeck. Before Bartko's trial, Plummer pleaded guilty to the conspiracy to defraud.

Bartko's lengthy sentence was based in part on his numerous attempts to obstruct justice and his extensive perjury at trial. Notably, Bartko committed fraud on the Forsyth County, NC court by hiding his role in the Caledonian Fund and acting as an attorney to recover money for the very victims he defrauded. Without knowing Bartko's role in the fraud or his inherent conflict of interest, the Forsyth court awarded Bartko \$2 million in attorney's fees.

U.S. Attorney Thomas G. Walker said, "Defrauding decent folks of their life savings amounts to robbing them of their dreams. Such conduct is criminal and deserves severe punishment."

"Gregory Bartko targeted church members and made empty promises for big investment returns. The FBI and our federal partners dismantled his fraud ring, and we will keep pursuing con men who put their own greed above the law," said Chris Briese, Special Agent in Charge of the Charlotte Division of the FBI.

"Mr. Bartko victimized everyday hardworking people," said Internal Revenue Service (IRS)-Criminal Investigations Special Agent in Charge Jeannine A. Hammett. "That makes his crimes even more horrible. It is despicable that Mr. Bartko violated his position of trust for his own personal gain."

"The Inspection Service will continue to vigorously pursue those who use the U.S. mail to defraud investors of their hard earned money," said U.S. Postal Inspection Service (USPIS) Charlotte Division Inspector in Charge Keith Fixel. "Cases like this are particularly devastating because people like Gregory Bartko try to hide behind their professional credentials while using them to gain the trust of their victims. Investors should remain vigilant and verify all information for a potential investment, especially if there are claims of outperforming the market."

The FBI, USPIS, IRS, and North Carolina Secretary of State's Office all assisted in this investigation. Assistant U.S. Attorney David Bragdon of the Economic Crimes Division of the U.S. Attorney's Office for the Eastern District of North Carolina represented the government.

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

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



Learn to Spot and Avoid Fraud

June 7, 2012

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

Free Dinner and Presentation

At this free seminar, you will learn:

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

Learn more at SaveAndInvest.org:

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

Register for this free event:

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

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

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AARP



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

SEC CHARGES PONZI SCHEMER TARGETING CHURCH CONGREGATIONS

On April 12, 2012, the Securities and Exchange Commission charged a self-described "Social Capitalist" with running a Ponzi scheme that targeted socially-conscious investors in church congregations.

In its [complaint](#), the SEC alleges that Ephren W. Taylor II made numerous false statements to lure investors into two investment programs being offered through City Capital Corporation, where he was the CEO. Instead of investor money going to charitable causes and economically disadvantaged businesses as promised, Taylor secretly diverted hundreds of thousands of dollars to publishing and promoting his books, hiring consultants to refine his public image, and funding his wife's singing career.

business of promoting Ephren Taylor," said David Woodcock, Director of the SEC's Fort Worth Regional Office. "He preyed upon investors' faith and their desire to help others, convincing them that they could earn healthy returns while also helping their communities."

"Self-proclaimed 'Social Capitalist'...Ephren W. Taylor, II, operated a Ponzi scheme to swindle over \$11 million, primarily from African-American churchgoers."

--SEC Complaint

The SEC alleges that Taylor and City Capital offered two primary investments: promissory notes supposedly funding various small businesses, and interests in "sweepstakes" machines. In addition to promising high rates of return, Taylor assured investors that he had a long track record of success and that investor funds would be used to support businesses in economically disadvantaged areas. A portion of profits were to go to charity. Taylor dismissed traditional investment vehicles like CDs, mutual funds, and the stock market, calling them "foolish" and "money losers." He told groups they could make more money using their self-directed IRAs for investments in small businesses and sweepstakes machines offered by City Capital.

[On March 29, 2012, in a separate but related action, the North Carolina Securities Division issued a [Final Order to Cease and Desist](#) against Ephren W. Taylor, City Capital Corporation, City Laundry Services, LLC, City Petroleum, LLC, and Clean Sweeps Holdings Group, LLC. For more information, click the link above or see the entry under ["Recent Enforcement Actions"](#).]

The SEC also charged City Capital and its former chief operating officer Wendy Connor who lives in North Carolina and, along with Taylor, received hundreds of thousands of dollars from investors in salary and commissions.

"Ephren Taylor professed to be in the business of socially-conscious investing. Instead, he was in the

According to the SEC's complaint filed in federal court in Atlanta, Taylor strenuously cultivated an image of a highly successful and socially conscious entrepreneur. He marketed himself as "The Social Capitalist" and touted that he was the youngest black CEO of a public company and the son of a Christian minister who understands the importance of giving back. He authored three books and appeared on national television programs, and promoted his investment opportunities through live presentations, Internet and radio ads. He conducted a multi-city "Building Wealth Tour" during which he spoke to church congregations, including Atlanta's New Birth Church, and at various wealth management seminars.

According to the SEC's complaint, more than \$11 million that Taylor and City Capital raised from hundreds of investors nationwide from 2008 to 2010 was instead used to operate the Ponzi scheme. Investor money was misused to pay other investors, finance Taylor's personal expenses, and fund City Capital's payroll, rent, and other costs. City Capital's business ventures were consistently unprofitable, and no meaningful amounts of investor money were ever sent to charities.

The SEC's complaint seeks disgorgement, financial penalties and permanent injunctive relief against City Capital, Taylor, and Connor as well as officer and director bars against Taylor and Connor. For more information, contact the SEC's Fort Worth Regional Office at (817) 978-3821.

The following is an [Investor Bulletin](#) that was issued by the [U.S. Securities and Exchange Commission](#). It is reprinted here for informational purposes only.

Investor Bulletin: Municipal Bonds

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to help educate individual investors about municipal bonds. For additional information about municipal bonds or other investments, investors can call the SEC's Office of Investor Education and Advocacy at 1-800-SEC-0330, or ask a question [using this online form](#).



What are municipal bonds?

Municipal bonds (or “munis” for short) are debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects such as building schools, highways or sewer systems. By purchasing municipal bonds, you are in effect lending money to the bond issuer in exchange for a promise of regular interest payments, usually semi-annually, and the return of the original investment, or “principal.” A municipal bond’s maturity date (the date when the issuer of the bond repays the principal) may be years in the future. Short-term bonds mature in one to three years, while long-term bonds won’t mature for more than a decade.

Generally, the interest on municipal bonds is exempt from federal income tax. The interest may also be exempt from state and local taxes if you reside in the state where the bond is issued. Bond investors typically seek a steady stream of income payments and, compared to stock investors, may be more risk-averse and more focused on preserving, rather than increasing, wealth. Given the tax benefits, the interest rate for municipal bonds is usually lower than on taxable fixed-income securities such as corporate bonds.

The two most common types of municipal bonds are the following:

General obligation bonds are issued by states, cities or counties and not secured by any assets. Instead, general obligation are backed by the “full faith and credit” of the issuer, which has the power to tax residents to pay bondholders.

Revenue bonds are not backed by government’s taxing power but by revenues from a specific project or source, such as highway tolls or lease fees. Some revenue bonds are “non-recourse”, meaning that if the revenue stream dries up, the bondholders do not have a claim on the underlying revenue source.

In addition, municipal borrowers sometimes issue bonds on behalf of private entities such as non-profit colleges or hospitals. These “conduit” borrowers typically agree to repay the issuer, who pays the interest and principal on the bonds. In cases where the conduit borrower fails to make a payment, the issuer usually is not required to pay the bondholders.

Where can investors find information about municipal bonds?

Investors wishing to research municipal bonds may access a range of information online free of charge at the Municipal Securities Rulemaking Board’s [Electronic Municipal Market Access \(EMMA\) website](#). Information available to you includes:

Disclosure documents going back as early as 1990, including a bond’s official statement, which is a disclosure document similar to a prospectus that includes important characteristics, such as type, yield, maturity, credit quality, call features and risk factors, as well as audited financial statements, material event notices and other continuing

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disclosures (including ratings changes, principal and interest payment delinquencies and non-payment related defaults).^[1]

Historical and real-time transaction price data, including information relating to a type of municipal bond called a “variable rate demand obligation” that resets its interest rate periodically. Investors should be aware that recent price information may not be available for bonds that do not trade frequently.^[2]

What are some of the risks of investing in municipal bonds?

As with any investment, investing in municipal bonds entails risk. Investors in municipal bonds face a number of risks, specifically including:

Call risk. Call risk refers to the potential for an issuer to repay a bond before its maturity date, something that an issuer may do if interest rates decline -- much as a homeowner might refinance a mortgage loan to benefit from lower interest rates. Bond calls are less likely when interest rates are stable or moving higher. Many municipal bonds are “callable,” so investors who want to hold a municipal bond to maturity should research the bond’s call provisions before making a purchase.

Credit risk. This is the risk that the bond issuer may experience financial problems that make it difficult or impossible to pay interest and principal in full (the failure to pay interest or principal is referred to as “default”). Credit ratings are available for many bonds. Credit ratings seek to estimate the relative credit risk of a bond as compared with other bonds, although a high rating does not reflect a prediction that the bond has no chance of defaulting.

Interest rate risk. Bonds have a fixed face value, known as the “par” value. If bonds are held to maturity,

the investor will receive the face value amount back, plus interest that may be set at a fixed or floating rate. The bond’s market price will move up as interest rates move down and it will decline as interest rates rise, so that the market value of the bond may be more or less than the par value. U.S. interest rates have been low for some time. If they move higher, investors who hold a low fixed-rate municipal bond and try to sell it before it matures could lose money because of the lower market value of the bond.

Inflation risk. Inflation is a general upward movement in prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. It also can lead to higher interest rates and, in turn, lower market value for existing bonds.

Liquidity risk. This refers to the risk that investors won’t find an active market for the municipal bond, potentially preventing them from buying or selling when they want and obtaining a certain price for the bond. Many investors buy municipal bonds to hold them rather than to trade them, so the market for a particular bond may not be especially liquid and quoted prices for the same bond may differ.

In addition to the risks, what other factors should you consider when investing in municipal bonds?

Tax implications. Consider consulting a tax professional to discuss the bond’s tax implications, including the possibility that your bond may be subject to the federal alternative minimum tax or eligible for state income tax benefits.

Broker compensation. Most brokers are compensated through a markup over the cost of the bond to the firm. This markup is usually not disclosed on your confirmation statement. If a commission is charged, it will be reported on your confirmation statement. You should ask your broker about markups and commissions.

The background of the broker or adviser selling the bond. A securities salesperson must be properly licensed, and, depending on the type of business the firm conducts, his or her firm must be registered with the MSRB and with FINRA, the SEC or a state securities regulator. You can check out an investment adviser on the SEC’s Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/> and a broker on FINRA’s

BrokerCheck website at www.finra.org/brokercheck. To confirm MSRB registration, you can review the MSRB's registered dealers list at <http://www.msrb.org/msrb1/pqweb/registrants.asp>

Related Information:

[A Primer for Investing in Bonds](#) (right) (Click the link to order a free copy.)

[Investor Bulletin: Focus on Municipal Bonds \(September 2010\)](#)

[FINRA and MSRB Investor Alert: Municipal Bonds—Staying on the Safe Side of the Street in Rough Times](#)

[SEC's Office of Municipal Securities](#)

[Spotlight on Municipal Securities Markets](#)

[Municipal Securities Rulemaking Board EMMA Education Center](#)

[Municipal Securities Rulemaking Board](#)

The image shows the cover of a brochure titled "A Primer for Investing in Bonds". The title is in large, bold, black font. Below the title is a blue banner with a white play button icon and the text "Bonds can provide a predictable stream of income that you can use for living expenses." Below the banner is a photograph of a smiling Black couple in white shirts. To the left of the photo are several logos: the North Carolina Department of the Secretary of State, the Investor Protection Trust, the Investor Education Foundation, and the Investor Protection Institute. At the bottom right of the photo, it says "By the Editors of Kiplinger's Personal Finance".

To order your free copy of this or any of our brochures, call John Maron (919-807-2106) or Barbara Bennett (919-807-2015) or go online at: <http://www.secretary.state.nc.us/sec/brochures.aspx#>.

¹ Official statements produced before June 1, 2009 and continuing disclosure documents produced before July 1, 2009, may be available from one of the following organizations: [Bloomberg Municipal Repository](#), [DPC Data](#), [Interactive Data Pricing and Reference Data](#) or [Standard & Poor's](#). These organizations may charge a fee. ([Back to previous location.](#))

² FINRA's Market Data Center also offers price and trade information at www.finra.org/marketdata. ([Back to previous location.](#))

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.



[Investor Alert: Pre-IPO Investment Scams](#)

(Updated 04-24-12)

The SEC's Office of Investor Education and Advocacy is issuing this updated Investor Alert to warn investors about investment scams that purport to offer investors the opportunity to buy pre-IPO shares of companies, including social media and technology companies such as Facebook and Twitter. SEC staff is aware of a number of complaints and inquiries about these types of frauds, which may be promoted on social media and internet sites, by telephone, email, in person, or by other means.

The Commission's Division of Enforcement continues to take action in this area. On April 4, 2012, the U.S. District Court for the Southern District of Florida in Miami issued an Order to Show Cause and Other Emergency Relief to halt a defendant's fraudulent sale of securities of an investment vehicle that he falsely represented owned pre-IPO shares of Facebook, Inc. In that matter, the Commission's motion for an order to show cause alleges that Allen Weintraub, using entities with names such as "Private Stock Transfer, Inc.," "PST Investments III, Inc.," and "World Financial Solutions" falsely represented that he would sell the investors pre-IPO shares of Facebook, Inc., and that PST Investments had an ownership interest in Facebook stock. The Commission's motion also alleges that Weintraub utilized the website privatestocktransfer.com to perpetrate his scheme. ***The Division of Enforcement urges anyone who believes that Allen Weintraub may have recently defrauded them to contact John Rossetti, Senior Counsel, at 202-551-4819.***

In another matter in September 2010, a judgment order was entered in favor of the SEC based on allegations that a scam artist had misappropriated more than \$3.7 million from 45 investors in four states by offering fake pre-IPO shares of companies, including AOL/Time Warner, Inc., Google, Inc., and Rosetta Stone, Inc. before the companies went public.

While legitimate offerings of pre-IPO shares in a company are not uncommon, unregistered offerings may violate federal securities laws unless they meet a registration exemption, such as restricting the private offering to "accredited investors" -- investors who meet certain income or net worth requirements. Investors should be mindful of the risks involved with an offer to purchase pre-IPO shares in a company. ***As with any investment, we encourage investors to research thoroughly both the investment product and the professional offering the product before making any investment decision.***

For additional information, please visit the following web pages on the [SEC's website](#) and [Investor.gov](#):

- Litigation Release: [SEC v. Allen E. Weintraub and AWMS Acquisitions, Inc., d/b/a Sterling Global Holdings, Case No. 11-21549-CIV-HUCK/BANDSTRA \(S.D. Fla.\)](#)
- SEC Office of Investor Education and Advocacy Investor Alert: [Pre-IPO Investment Scams](#) (March 2011)
- FINRA Investor Alert: ["Pre-IPO Offerings – These Scammers Are Not Your Friends"](#)
- [Risky Business: "Pre-IPO" Investing](#)
- [Questions You Should Ask About Your Investments](#)

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

The following is an [investor alert](#) issued by the [Financial Industry Regulatory Authority \(FINRA\)](#) and is reprinted here for informational purposes only.



Well-Traveled Fraud—Advance-Fee Scams Target Non-U.S. Investors Using Fake Regulator Websites and False Broker Identities

It's nice to get attention—unless you're a non-U.S. investor targeted by con artists trying to steal your money.

We are issuing this Alert to warn non-U.S. investors that scammers are using fraud—including setting up phony "regulator" websites and fake identities—to separate you from your money. No regulator is immune. In fact, in a recent twist, some scammers have misused FINRA's name and impersonated FINRA employees in email correspondence in an apparent attempt to lend legitimacy to their schemes.

The scam generally begins with a phone call offering to pay you an enticingly high price to buy shares of stock you own that are virtually worthless (sometimes referred to as "non-performing"). To build legitimacy, the caller refers you to a phony website that contains investor protection information, or poses as a legitimate securities professional or regulator. To take the "deal," you are asked to send a fee in advance to pay for their services. Once your money is sent, you never see it—or any of the money from the deal—again.

Facebook Ploy and SIPC Scams

Investors in the United Kingdom have recently received calls to purchase pre-IPO shares of Facebook. Fraudsters use an array of high-pressured sales tactics to convince investors to send money to lock in the purchase of non-existent shares of the social networking company. One investor was told she "must" send money because she had verbally committed to purchase the shares over the phone—and that her call had been recorded as evidence of the purchase.

U.S. investors are not immune to advance-fee scams. The Securities Investor Protection Corporation (SIPC), which maintains a special reserve fund mandated by the U.S. Congress to protect the customers of insolvent brokerage firms, issued a [warning](#) to consumers who are contacted by individuals falsely claiming to represent SIPC. Scammers ask for personal information or payments in order to return funds lost in investment scams. In some cases, those contacted have lost money to past frauds and are asked to pay an up-front fee to recover lost funds.

Because it is very difficult for regulators and law enforcement agencies to recover any losses from these "advance fee" scams, your best defense is to avoid being defrauded in the first place. This Alert describes real-life tactics of recent advance-fee scams and offers tips on how to avoid becoming a victim, such as using FINRA's [BrokerCheck](#) to check out the caller, as well as where to turn for legitimate help and advice.

False Hope

Advance fee scams play on investor hopes that they will be able to reverse a previous investment mistake when they purchased a low-priced stock. Scammed investors say this is how they lost their money in these schemes:

- The investor gets a call out of the blue (a "cold call") from an individual offering to buy shares of a low-priced stock at a premium to the current market value. (Con artists use shareholder lists of defunct companies or other lists that contain names, phone numbers and financial holdings of targets).
- The caller purports to be a U.S. broker, regulator or "stock recovery agent" and claims to be able to recover losses from a previous stock purchase by exchanging or swapping an investor's near-worthless stock for a name-brand stock, or buying the stock outright from the investor for more than the market value. The fraudsters may steal the identity of a legitimate securities firm and provide the customer with information such as the legitimate firm's FINRA registration number (CRD number). Caution: The phone number may be altered or removed from this report in the hope that you do not contact the legitimate firm. You may contact FINRA to verify the actual phone number of a registered firm by calling (800) 289-9999.
- A bogus email from FINRA and regulatory report is sent to the customer validating the legitimacy of the firm.
- The caller may also refer the investor to a website of a "regulator" that can vouch for the recovery techniques, or even endorse the caller or to another "investor" who can vouch for the transaction.
- The caller faxes the investor a "Stock Purchase Agreement" or other official looking form. The form requests you send a transaction fee that may have a fancy name such as "performance bond," "transaction tax," "share restriction removal fee," "penalty restriction removal fee," "equity evaluation deposit," or the like.
- The form also requests a statement of investment holdings and bank account information. And the form often ends with a statement such as: "Processing of the above transaction will commence upon the receipt of payment..." In other words, the investor gets nothing until money is sent in advance.
- The caller continues to keep in touch with the investor by phone and fax—working to win their trust—until the advance-fee money has been sent.
- In some cases, once the money has been sent, the investor is called back to send even more money to assure the delivery of their stock.

Regardless of the tale, or where the caller claims to be from, the punch line is always the same—you must make the advance fee payment before the caller can deliver a much larger sum of money to the investor.

Lying for Legitimacy: Real-Life Tactics

Confident talk and elaborate deceptions go hand-in-hand with these fraudulent schemes. The key to success is to appear legitimate. Scams aimed at international investors often prey on the investor's lack of understanding of U.S. securities products, markets and regulations, as well as the regulatory organizations that govern them.

Here are some real-life examples of how scammers operate:

- **Posing as FINRA.** We have received multiple complaints from U.K. investors associated with a scheme to buy back worthless U.S. securities. The fraudsters claim to be with a legitimate U.S. securities firm—but while the firm is indeed legitimate, its identity has been stolen by the fraudsters. To build trust, the fraudsters email a letter purportedly from FINRA that verifies that the firm is "properly licensed by FINRA to perform transfer or stock recovery functions" in the investor's country. Along with the letter, a copy of the firm's BrokerCheck report (see below) is attached. The report has been altered to remove the firm's phone number. The letter is signed by a representative of "FINRA Shareholder Support." The name of the FINRA representative and FINRA department are both fake.
- **Fraudulent use of FINRA BrokerCheck.** We received a complaint from an international investor whose "broker" encouraged him to check out his credentials using FINRA BrokerCheck which contains the professional background, registration/license status and disciplinary history of all FINRA-registered firms and registered securities professionals. In reality, the caller was an impersonator who stole the name of a legitimate securities professional and boldly used FINRA BrokerCheck for fraudulent purposes. FINRA knows of more than 50 legitimate U.S. securities firms and individual brokers whose identities have been hijacked by scammers to create an appearance of legitimacy. Note: Unsolicited provision to a potential investor of a firm's Central Registration Depository (CRD) number, which FINRA assigns to each registered firm, or recommendations to "check me out on FINRA BrokerCheck," may be tip offs to fraud. Also, be wary if the "broker" mails you documents from BrokerCheck: They may have been altered.
- **Fabricating an official regulator.** We received a complaint from an Australian investor involved in a scheme to buy back shares of nearly worthless stock. He was told to do his due diligence by checking with the "International Compliance Commission." Another investor was told to visit a site run by the "Regulatory Compliance Commission." Both organizations are phony but their websites look real and contain plenty of investor information, which is stolen from the sites of legitimate regulators. Note: These fake sites are often "cookie'd" to track visitors and gather information. These sites may vanish at any time, or pop up in the guise of a different fictitious entity. (See an example of a fake regulatory website on the next page.)

Mimics SEC seal



Regulatory Compliance Commission

Organization name and Home page copy designed to build credibility

Unlicensed Cold Callers:

List

Copied from lists maintained by legitimate regulators

- Fraud**
- Class Action Litigations
 - Can U.S. Securities laws assist you?
 - Actions Against International Broker - Dealers

Class Cases

- Class Cases
- Criticism Of Class Action Litigation
- Larger Role For Institutional Investors
- Regulatory Investigations and Corporate Restatements

Warnings

- Tips for Online Investing
- How to Spot Online Investment Scams
- Techniques Promoters Use to Promote Online Investments
- Lines of a Promoter

Drilldown information copied from SEC Web site or sites of other legitimate regulators

- Online Scams
- Fallible Technology
- Free Stock Offerings
- Prime Bank Investments
- Investment Newsletters
- Analysis or Advertising
- Penny Stocks - OTC Markets and Pink Sheets explained
- Pump and Dump Classic
- Short and Distort: The Less Publicized Sister of the Pump and Dump
- Differences between NASDAQ and the OTC Market
- Off-Exchange Foreign-Currency Speculation: Investing, Gambling or Fraud?
- Top 10 Investor Scams

Welcome to Regulatory Compliance Commission

This is the official web site of the Regulatory Compliance Commission. Since our inception in 2001, we have remained vigilant in our efforts to regulate the international securities industry, firmly and fairly in a transparent and accountable manner. Our mission is to effectively oversee and regulate the activities of the securities and capital markets, to protect investors while strengthening public and international confidence in the integrity of those markets.



As we embrace the challenges of the millennium, investor protection through education remains our primary objective. We are committed to the principle that investors should have access to the tools they need to make informed decisions. In this vein, we will continue to develop a public presence, and through the use of the media and published materials to impart knowledge and confidence in financial products. In our endeavor to keep abreast in an ever-changing global regulatory environment and to ensure a contribution in improving the efficiency and conduct of international markets, Regulatory Compliance Commission (RCC) became a member of the Council of Securities Regulators in 2002 and 2003 respectively.

As we look ahead, we remain committed to building a dynamic regulatory regime that not only best serves the interest of international participants but maintains the standards necessary to conform to international benchmarks.

Search a Company

Check here if the company who contacted you is an Unlicensed Cold Caller.

Search

Active Unlicensed Cold Callers

The most recent Unlicensed Cold Caller uncovered by Regulatory Compliance Commission.

- Lavery Assets Limited > more...
- Lavery Assets Limited > more...
- Porter Ventures > more...

Help

- Investor Complaints and Questions
- Direct Registration FAQ
- Online Offerings
- Securities Industry Regulations
- Transferring Stock & Other Questions
- Microcap Stock Guide
- Restricted Stock
- Signature Guarantees

CONTACT US

Contact

Report

Privacy

Callers usually reach an answering machine. If they are called back, it is from a different number.

Tips

Report a potential violation of the laws directly to justice@regcc.us.

Please do not use this email box for general comments or questions.

Advises To Do a Good Deal

Be wary of any promotion of a stock found in bulletin boards, newsgroups, newsletters or emails unless you know the persons disseminating such information.

Tools and resources designed to build legitimacy

Official Use Only

This is a restricted area for Official Use Only (FOUO) to the RCC's intelligence support issue.

Username

Password

Login

Address may belong to a legitimate business. In this case, the property exists, but there is no Suite 390 in the building. Phone number may belong to a legitimate company. In this case, a Regulatory Compliance Commission "representative" answered the phone.

Regulatory Compliance Commission
4900 S. Monaco, Suite 390 Denver, Colorado 80237
Phone: 1 (720) 221-7220 Fax: 1 (720) 221-7229

- **Mirrored information.** Fraudsters who employ FINRA BrokerCheck in their con will typically use much of a legitimate firm's information. For example, the firm will use the same address on their letterhead. If a phone number is provided, the area code will be the same as the number listed on FINRA BrokerCheck, however, the remaining numbers following the area code will be different. Fraudsters may use the exact spelling of legitimate firms, or alter their names slightly. Be wary: Slightly irregular phone numbers or names may indicate fraudulent impersonation.
- **"Official" letterhead.** An Australian investor was urged by a "fraud investigator" to contact the Anti-Fraud Task Force to verify the investigator's credentials. The investor did so and received a letter, on official-looking letterhead, giving the organization's seal of approval to the investigator and the method of recovery he was recommending. It is not uncommon for scammers to claim affiliation with legitimate U.S. regulatory organizations such as the [SEC](#), [FINRA](#) and [SIPC](#).
- **False addresses and answering machines.** The website of the "International Equity Commission" lists the address of a Greensboro, NC skateboard shop. The address of the "Regulatory Compliance Commission" in Denver, CO is a real office building, but the suite number is fictitious. Most phone numbers listed on scammer websites lead to answering machines that offer no information about the identity of the organization.
- **References to the IRS and other US government agencies.** An international investor received an official-looking letter from a fake brokerage firm that stated, "The Internal Revenue Service (IRS), by default, is also involved in monitoring each transaction in an auditing capacity..." And, "In conjunction with the SEC and the IRS, the Transfer Agent is further charged with ensuring compliance in respect of rules and regulations that apply to the directors and stockholders of the corporation." These statements are simply ploys to sound legitimate and build credibility.

Avoid Being Scammed

The best way to avoid losing money in these scams is simply to hang up—the sooner the better. This is easier said than done, since the callers are con artists highly skilled at delivering their fraudulent pitches.

Regardless of how convincing a caller's pitch, you can take action to sniff out fraud and avoid losing money:

- **Source of your name.** Ask the caller how your name was obtained. If they say a shareholder list, ask for the company that compiled the list and contact information. If they refuse any request for information related to how they got your name, hang up.
- **Offering a premium.** If the caller offers you more money for shares of stock than the current value at which the stock is trading, assume you are being scammed and hang up.
- **Advance fee.** If you are asked to pay a "penalty restriction fee" or fee to "release restricted shares," or if you are asked to pay for a "performance bond" or send an "equity evaluation deposit," assume you are being scammed and hang up.

- **Firm license.** Verify that the firm is licensed to do business in the country where the firm or broker is located. If the firm is located in the United States, use FINRA BrokerCheck to check the status of a broker or brokerage firm. If the firm is not listed in BrokerCheck, chances are it is fraudulent.
- **BrokerCheck verification.** It's possible that the caller may be impersonating an actual broker or firm, so as an extra precaution, use the contact information in [FINRA BrokerCheck](#)—not information given to you by the caller—to contact the broker or firm yourself. Ask to speak to the compliance officer of the firm to verify its identity. Remember, slight variations of FINRA BrokerCheck information, such as the omission of a phone number, may indicate fraudulent impersonation. When using FINRA BrokerCheck, you will find a brokerage firm's phone number in the "Firm Profile" section of the "Full PDF Report."
- **Verify address and phone number.** Personally verify the addresses and phone numbers that may be listed on either the firm's website or the site of any "regulator" that you may be directed to. If you reach an answering machine, particularly one that offers little or no information about the organization, assume you are being scammed.
- **Avoid scam websites.** Don't go to websites recommended by cold callers—they may not only provide deceptive information, but may track your visit and get your personal information for future scams. Remember that official U.S. government sites end in ".gov," but the sites of FINRA and other government-sanctioned regulators, like stock exchanges, end in ".com" or ".org."
- **Check with regulators before sending money.** Don't send any money until you have contacted the REAL regulators in your own country. Although they will not "approve" or "endorse" particular transactions, they are trained to spot fraud if you run the offer by them.
- **Check with banks before sending money.** Never send money to a bank you have not heard of. Deal only with major banks, preferably with branch offices in your area. Call the bank first to inquire about the company or individual asking you to send money.
- **Keep your guard up.** Expect ready responses and a cool demeanor in the face of your skepticism. These scammers lie for a living.

Returning to the Well

Once scammers have your contact (and possibly financial) information, they will likely try repeatedly to separate you from your money, even months or years later or for a new scam. Scammers may attempt to solicit additional funds from you by creating false roadblocks to the proposed transaction. These roadblocks might be presented to you as administrative fees, such as bank transfer fees or fees to lift unexpected stock restrictions. Be advised: If you have already sent money to a scammer, don't send more!

Where to Turn for Help and Advice

If you suspect that you are being scammed or have lost money, the best place to start is with your home country securities regulator. Don't hesitate to call or email them at the first sign of impropriety. Use the International Organization of Securities Commissioners (IOSCO) website to find your country's official regulatory organizations: www.iosco.org. Call them if you have any questions about a regulatory organization. If official regulators have not

North Carolina Department of the Secretary of State
Securities Division • PO Box 29622 • Raleigh, NC 27626-0622
(919) 733-3924 • (800) 688-4507
secdiv@sosnc.com • www.sosnc.com • www.sos.nc.gov

heard of the organization, it is most likely fraudulent. In the US, major regulators include the SEC (<http://www.sec.gov/>), FINRA (<http://www.finra.org/>), the exchanges and the States (see <http://www.nasaa.org/>). In addition, the University of Toledo Law School maintains a list of financial regulators at <http://law.utoledo.edu/students/financialregulators/index.htm>. Don't simply click on links in a suspected email to access these regulators; the address in the email may look right, but may take you to a different location. Type the regulator Web address directly in the Web browser address bar or search feature.

[Public Alert: Unregistered Soliciting Entities \(PAUSE\)](#) is a new resource from the Securities and Exchange Commission to help investors avoid online and boiler room scams. PAUSE lists information the SEC has received through complaints from investors and others—including foreign securities regulators—about securities solicitations made by entities that falsely claim to be registered in the U.S., use phony U.S. addresses or provide fake endorsements from fictitious government agencies or international organizations.

A number of international sites make a point of publicizing unlicensed cold-calling firms. The following list of regulatory organizations comes from the SEC's publication [Worthless Stock: How to Avoid Doubling Your Losses](#):

- [Australian Securities and Investment Commission](#)
- [Bermuda Monetary Authority](#)
- [Guernsey FSC](#)
- [Hong Kong Securities and Futures Commission](#)
- [Indonesian Capital Markets Supervisory Agency \(BAPEPAM\)](#)
- [Irish Financial Services Authority](#)
- [Isle of Man FSC](#)
- [Italian CONSOB](#) (click on "Warnings")
- [Netherlands Authority for Financial Markets](#)
- [New Zealand Securities Commission](#)
- [Philippines SEC](#)
- [Spanish CNMV](#)
- [United Kingdom Financial Services Authority](#)

If you suspect fraud on the part of a U.S. firm or individual, or simply want to talk through an investment that seems a little too good to be true, call FINRA at (240) 386-4357 or file a complaint or question using FINRA's online [Investor Complaint Center](#).

For additional information and recent alerts on international investor fraud see:

- The SEC's Alert [Investors Beware of Entity Calling Itself "U.S. Securities and Equities Administration."](#)
- The SEC's publications [Fake Seals and Phony Numbers: How Fraudsters Try to Look Legit](#) and [The Fleecing of Foreign Investors: Avoid Getting Burned by "Hot" U.S. Stocks](#).
- Australian Securities and Investment Commission's information on [Fake Regulators & Exchanges](#).
- North American Securities Administrators Association's Alert [NASAA Warns Investors to Beware of Phantom Regulators](#).

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
05/12/12	Cary	Jordan Oaks Retirement Community , 10820 Penny Rd. Time: 11:00 AM – Noon. “Women In Transition” presentation. Open to residents and guests only. For more information, contact Shelia Bullock at (919) 387-0430.
05/17/12	Matthews	Plantation Estates , 733 Plantation Estates Drive. Time: 10:00 AM – 11:00 AM. Open to residents and guests only. For more information, contact Stephanie Harper at (800) 582-4316.
05/17/12	Columbus	Tryon Estates , 617 Laurel Lake Drive. Time: 2:30 PM -- 3:30 PM. Open to residents and guests only. For more information, contact Sara Staton at (828) 894-3083.
05/18/12	Columbus	Senior Resource Fair, The Meeting Place , 75 Carmel Lane. Time: 10:00 AM – 2:00 PM. For more information, contact Pam Doty at (828) 894-0001.
05/22/12	Jacksonville	Jacksonville Kiwanis Club , Golden Corral, 2055 N. Marine Blvd. (US Hwy 17-Business) Time: 12:30 PM -- 2:00 PM. Open to Kiwanis members and their guests only. For more information, contact Sam North at (910) 330-0381.
05/24/12	Louisburg	Louisburg Senior Center , 127 Shannon Village. “Women In Transition” presentation. Time: 10:00 AM – 11:00 AM. For more information, contact: Debbie Conner at (919) 496-1131.
05/25/12	Raleigh	Magnolia Glen Senior Living Community , 5301 Creedmoor Road. Time: 3:30 PM -- 4:30 PM. Open to residents and guests only. For more information, contact: Meredith Brown LaVind at (919) 841-4747.
06/05/12	Morehead City	Leon Mann Jr. Enrichment Center , Carteret County Senior Services, 3820 Galantis Drive. Time: 10:00 AM -- 11:30 AM. For more information, contact: Mary Elizabeth Dixon at (252) 247-2626.
06/07/12	Concord	Outsmarting Investment Fraud Seminar, sponsored by FINRA, the NC Department of the Secretary of State, AARP North Carolina and the Securities and Exchange Commission. Embassy Suites Charlotte/Concord, 5400 John Q. Hammons Drive, NW. Time: 5:30 PM – 8:00 PM. Dinner provided. Free, but registration required by calling toll-free (866) 862-0110 or online at www.SaveAndInvest.org/events/charlotte . (See invitation on p. 3.)
06/13/12	Hendersonville	Emeritus at Pine Park , 2601 Chimney Rock Road. Time: 2:30 PM -- 3:30 PM. Open to residents and guests. For more information, contact Greg Penfold at (828) 692-1911.
06/14/12	Hendersonville	Kiwanis Club of Hendersonville , The Chariot Restaurant, 715 N. Church Street. Time: Noon - 1:15 PM. Open to club members and their guests only.
06/14/12	Charlotte	South County Library , 5801 Rea Road. “Women In Transition” presentation (men are welcome). Time: 6:00 PM -- 7:30 PM. Free, but registration is requested. Click here for more information.
06/15/12	Charlotte	Steele Creek Library , 13620 Steele Creek Road. Time: 2:00 PM -- 3:00 PM. Free. Click here for more information or contact the library at (704) 416-6800.

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On The Docket

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

Sean Fitzgerald Mescall, of Denver, NC, was arrested by law enforcement agents of the Securities Division on September 9, 2009, on charges of securities fraud, obtaining property by false pretense and conducting an unlawful telephone room. He is alleged to have defrauded approximately 69 victims of approximately \$1.3 million in a Ponzi scheme involving foreign currency trading since at least September 2006. In a separate action, the CFTC has filed a civil action against Mescall and Capital Street Financial. On May 25, 2010, US District Court Judge Robert Conrad, Jr., ruled Mescall to be in contempt of the Court's Sept. 2009 Preliminary Injunction. On May 4, 2011, he was sentenced to 27 months in federal prison for criminal contempt relating to the CFTC action.

Walter Ray Reinhardt, of Durham, NC, was served with 62 felony arrest warrants for securities violations on November 17, 2010. He is alleged to have defrauded 16 victims in Durham County out of more than \$1 million. Reinhardt had his first appearance in Durham County District Court on November 18, 2010 on 38 felony counts of securities fraud, 12 felony counts of common law forgery, and 12 felony counts of common law uttering. He is currently being held in the Durham County Jail under a \$4 million bond. No trial date has been set.

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was released from custody on a \$100,000 secured bond. His next court appearance in Ashe County is expected in March 2012.

Recent Enforcement Actions

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

On **March 29, 2012**, the Securities Division of the North Carolina Department of the Secretary of State issued a **Final Order to Cease and Desist** against **Ephren W. Taylor, City Capital Corporation, City Laundry Services, LLC, City Petroleum, LLC, and Clean Sweeps Holdings Group, LLC**. The **Final Order to Cease and Desist** permanently ordered that Respondents shall cease and desist from offering for sale, soliciting offers to purchase or selling, in or from North Carolina, any securities, including but not limited to the securities of **City Capital Corporation, City Laundry Services, LLC, City Petroleum, LLC, and Clean Sweeps Holdings Group, LLC**. The **Final Order to Cease and Desist** finds that **Ephren W. Taylor** was not licensed to sell securities in North Carolina and **City Capital Corporation, City Laundry Services, LLC, City Petroleum, LLC, and Clean Sweeps Holdings Group, LLC** employed unlicensed salespersons to offer and sell their securities, in violation of the North Carolina Securities Act. The **Final Order to Cease and Desist** also permanently ordered Respondents to cease and desist from making untrue statements of a material fact and omitting to state material facts in connection with the offer, sale or purchase of any security. Click [here](#) to view the Final Order.



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.)

[NASAA Statement on “Investment Adviser Oversight Act” Introduction](#)

April 25, 2012 -- Jack E. Herstein, president of the North American Securities Administrators Association (NASAA) and Assistant Director of the Nebraska Department of Banking & Finance, Bureau of Securities, issued a statement regarding the “Investment Adviser Oversight Act of 2012” introduced on April 25 by House Financial Services Committee Chairman Spencer Bachus (R-AL). Click the link above to read Mr. Herstein’s entire statement.

[SEC Adopts Rule Defining Swaps-Related Terms for Regulating Derivatives](#)

April 18, 2012 – The Securities and Exchange Commission has unanimously adopted a new rule to define a series of terms related to the over-the-counter swaps market. The rules, written jointly with the Commodity Futures Trading Commission (CFTC), implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that established a comprehensive framework for regulating derivatives. The final rule will become effective 60 days after the date of publication in the Federal Register. Click the link above for more information.

[SEC Seeks Public Comment Prior To JOBS Act Rulemaking](#)

April 11, 2012 -- The Securities and Exchange Commission has announced it will begin accepting comments from the public as the agency sets out to make rules required under the recently-signed Jumpstart Our Business Startups (JOBS) Act. To facilitate public comment, the SEC is providing [a series of links on its website organized by titles of the JOBS Act](#). In addition, to ensure full transparency, the SEC will post information on its website about any JOBS Act meetings with interested parties. Staff will request that meeting participants provide an agenda of intended topics in advance, which will become part of the public record. Meeting participants will be encouraged to submit written comments to the public file so that all interested parties have the opportunity to review and consider the views expressed.

[SEC: Jumpstart Our Business Startups Act Frequently Asked Questions](#)

April 11, 2012 – The SEC has prepared Frequently Asked Questions (FAQs) on the changes to the requirements for Exchange Act registration and deregistration under the newly enacted JOBS Act.

[SEC: Jumpstart Our Business Startups Act Frequently Asked Questions](#)

April 10, 2012 – The SEC has prepared Frequently Asked Questions (FAQs) on the confidential submission process for emerging growth companies under the newly enacted JOBS Act.

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

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

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

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