



January/February 2013 NEWSLETTER • Vol. 5, Nos. 1 & 2

**TWO CHARLOTTE MEN SENTENCED TO PRISON
 FOR OPERATING SEPARATE PONZI SCHEMES**

The Defendants Falsely Promised Victims Huge Profits from Trading in the Commodities Futures Market

Two Charlotte men were sentenced January 17, 2013, for carrying out two separate Ponzi schemes involving trading in the commodities futures market, announced Anne M. Tompkins, U.S. Attorney for the Western District of North Carolina. Joining U.S. Attorney Tompkins in making this announcement are Roger A. Coe, Acting Special Agent in Charge of the Federal Bureau of Investigation (FBI), Charlotte Division, and North Carolina Secretary of State Elaine F. Marshall.



Mitchell Brian Huffman

Mitchell Brian Huffman, 52, of Charlotte, was sentenced by Chief U.S. District Court Judge Robert J. Conrad, Jr. to serve 60 months in prison, followed by three years of supervised release. Huffman was also ordered to pay restitution to his victims, the final amount of which will be determined by the Court within 60 days. During the sentencing hearing, Judge Conrad also ordered the defendant to forfeit approximately \$2.5 million the Court deemed as proceeds of Huffman’s criminal conduct.

In September 2011, Huffman pleaded guilty to engaging in a \$2.5 million Ponzi scheme. According to filed court documents and court proceedings, from 2006 through in or about March 2011, Huffman raised approximately \$3.2 million dollars from his victims by falsely claiming that he was generating annual rates of return between 100% to 150% using his proprietary trading program to trade in the commodities futures market.

Based on information in court documents and court proceedings, Huffman directed his victims to transfer their funds to his personal bank account. Court records show that of the \$3.2 million Huffman fraudulently obtained from his victims, he only utilized a little over 50% of the funds (approximately \$1.7 million) to engage in trading activities. To conceal the fraudulent scheme, Huffman generated bogus monthly statements to his victims which falsely reflected fictitious profits from trading activities, when in fact Huffman sustained massive losses. During this time, Huffman made also Ponzi payments of approximately \$834,160 to victim investors, falsely representing that these payments were profits from trading activity.

Huffman also used the victims’ funds, without their knowledge or consent, for personal expenses, including to purchase multiple vehicles, take luxurious vacations, and to make charitable contributions. At the sentencing hearing, Judge Conrad said that Huffman took away “retirements, college education funds and houses” from his victims and caused them to go through “financial hardships and depression.”

Robert S. Moss, 49, also of Charlotte, was sentenced to 57 months in prison followed by three years of supervised release, and was ordered to pay \$1,460,121 as restitution. Moss pleaded guilty in September 2011 to one count of commodities fraud, for engaging in a \$1.5 million Ponzi scheme. From at least in or about 2001 through in or about February 2009, Moss solicited investments totaling approximately \$3.1 million from victims nationwide. Court records show that Moss lured his victims by falsely claiming that he was



Robert S. Moss

UPDATE: *Investor Education in Your Workplace® Program*



As the Fall 2012 *Investor Education in Your Workplace® (IEiYW®) Program* is winding down (final statistics will be included in next month's newsletter), the NC Department of the Secretary of State Securities Division is pleased to announce that it will sponsor another round that will commence in May 2013.

As the charts below demonstrate, North Carolina participants rank second overall in the number of courses completed and in the number of participants who have passed all ten courses and who have graduated from the program. More importantly, statistics show that among all participants, the average improvement in financial knowledge from start to finish is just over 30%.

As mentioned, the Division will sponsor another round of the IEiYW® program this May. Once again the Division is using a grant from the Investor Protection Trust, a Washington, DC-based non profit organization that is devoted to funding investor education programs and materials, to enable up to 1185 people to participate in the program free of charge. If you think your company would benefit from having a more financially literate workforce, please encourage your company's decision makers to register for one or more of the upcoming free webinars designed to explain how the program works. To register for a webinar, go to <http://www.ieiyw.com/webinars/>.

Overall Fall 2012 IEiYW® Summary by State as of 02/19/2012

State	Orgs	Total # of Participants	Courses	% Courses	# of Participants Who Have Passed All 10 Courses	# of Participants Who Have Graduated
AK	8	307	2398	78%	216	209
CO	12	694	3241	47%	254	245
DC	5	69	379	55%	29	27
DE	5	146	1253	86%	120	119
IA	18	816	5211	64%	451	441
NC	20	815	5063	62%	432	420
OK	7	177	1089	62%	85	80
WA	10	125	916	73%	79	75
WI	9	875	4867	56%	411	401
OVERALL	94	4024	24417	61%	2077	2017

Fall 2012 IEiYW® Knowledge Improvement				
	Course Pre-Tests	Course Post-Tests	Points Improved	% Improved
OVERALL	68.17%	88.65%	20.48	30.05%

Barbara Bennett Named Department's "Employee of the Year"!



Secretary of State Elaine F. Marshall presents Barbara Bennett with the Department's "Employee of the Year" award.

Over the past 4+ years, people have come to know Barbara Bennett as a passionate advocate for investor rights and protections as she criss-crossed the state as the Securities Division's Investor Education Specialist.

Her dedication and commitment to this mission was formally recognized by Secretary of State Elaine F. Marshall when naming Barbara the Department's "2012 Employee of the Year"!

Secretary Marshall made the surprise announcement during the Department's year-end holiday and employee recognition ceremony. Barbara's husband and two daughters and their families had been secretly invited to share in her recognition.

Reading from Barbara's nomination form, Secretary Marshall said that "Barbara has been instrumental in an outreach program that has conducted or planned over 440 events providing educational information to over 22,500 North Carolinians. As she plans her events, [Barbara] has tried to maximize the efficiency of her time by scheduling other outreach activities along her route to or from an event. She has frequently attended public events on the weekends, including Sundays, when it appeared that doing so would enable her to spread the investor education/protection message to groups of people who might not otherwise get the information."

In addition to her regular job responsibilities with the Securities Division, Barbara has taken on a voluntary role with the North American Securities Administrators Association (NASAA). She currently serves on the Investor Education Section's Promotion and Coordination Project Group and has been a member of the Women in Transition Project Group. In these roles, she has helped develop investor education/protection information materials that have been distributed throughout North America let alone North Carolina.

If you would like Barbara to speak to your group or organization about investment fraud and how you can protect yourself, contact her at (919) 807-2015 or via email at bbennett@sosnc.com.

Department Partners with Small Business Center Network to Provide Training to Business Counselors

With the promotion of economic development in North Carolina as its central mission, the NC Department of the Secretary of State recently conducted training sessions for many of the directors of the state's Small Business Center Network (SBCN).



The training, conducted in Greensboro, Charlotte, Morganton, Leland, Greenville and Clayton, was provided by representatives of the Department's Corporations and Securities Divisions. Attendees received training about the state's corporations, securities and corporate finance laws.

By partnering with and training SBC counselors on matters vital to the success of the state's small businesses, the Department seeks to promote a better business climate and improve the odds that more businesses will succeed, thus fueling the state's economic recovery. If your business group would like to schedule similar presentations, please contact John Maron at (919) 807-2106 or via email at jmaron@sosnc.com.

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Securities Division Promotes Investor Protection During *Military Saves / America Saves Week*

The NC Department of the Secretary of State Securities Division encourages all families, including those in the armed services, to shore up their defenses against investment fraud during **Military Saves** and **America Saves Week** (February 25—March 2).

“All families should be on guard for con artists who target them for their hard-earned savings,” said David Massey, Deputy Securities Administrator and Director of the NC Securities Division.

“Before investing, investors should contact their state securities regulator to verify that the investment and the person recommending it are properly registered,” Massey said.

The NC Securities Division can provide detailed information about an investment product, broker or adviser. This information is easy to obtain and more extensive than information from other sources.

Emphasizing the importance of this campaign, Barbara Bennett, the Division’s Investor Education Specialist and military liaison, conducted an educational seminar at Seymour Johnson Air Force Base on February 27.

The NC Securities Division encourages members of the military to visit its [website](#) to take advantage of the investor education materials provided, including:

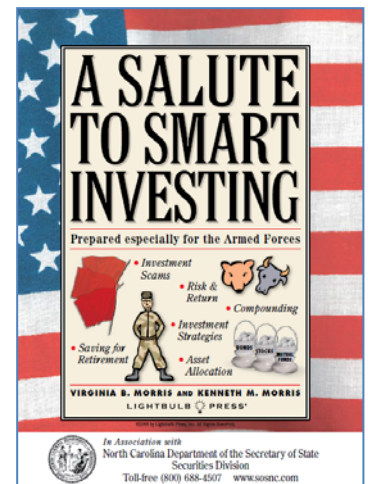
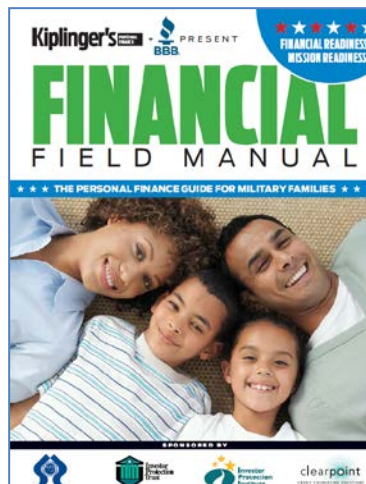
- [Financial Field Manual: The Personal Finance Guide for Military Families](#), and
- [A Salute to Smart Investing](#)

Both of these guides are free to download or [order](#) from the Securities Division. Both guides provide information about investing, retirement planning and fraud prevention that is specifically tailored to the unique needs of military personnel and their families.

All families are also encouraged to visit the website of the [North American Securities Administrators Association \(NASAA\)](#) which features other resources designed to help military and civilian families learn how to avoid investment fraud, including:

- [Conversation Starters for Military Families](#). Click through this series of open-ended questions to help your family kickstart an ongoing dialogue about budgeting, saving, investing and avoiding scams and frauds.
- [Investor Resource Library](#). Learn more about the Top 10 Investor Traps threatening investors and explore additional resources to help you invest safely.

Military Saves Week and America Saves Week is a national public awareness effort led by the Consumer Federation of America to motivate people to save for their financial future. To learn more, visit www.militarysaves.org and www.americasavesweek.org.



These two publications are free to order from the NC Securities Division.



NFA Improves Transparency for Futures Customers

Public now has online access to FCM financial information

For the last several years, investors wishing to research the professional backgrounds of their stockbrokers or investment advisors have been able to do so by using the free online [BrokerCheck®](#) tool offered by the Financial Industry Regulatory Authority (FINRA), the securities industry's self-regulating organization. However, futures investors have not been able to do similar background research on their commodities brokers.

Until now.

In a move seen as beneficial to the interests of futures customers, the National Futures Association (NFA), the commodities industry's self-regulating organization, launched a new service last November that allows customers to review the professional backgrounds of Futures Commission Merchants (FCM). Investors may now view certain financial information of any FCM via an easy-to-read display that appears on each FCM's [Background Affiliation Status Information Center](#) (BASIC) system page on NFA's website.

From an FCM's BASIC page, the public will now be able to access general information about an FCM, as well as publicly available disciplinary information and financial information for an FCM. Information on how to access these financial reports is available on the new [FCM Financial Information page](#) in the Investor Information section of NFA's website. (The screenshot below demonstrates the service's search capabilities.)

The financial information included on an FCM's BASIC page will include three reports:

- **FCM Capital Report:** This report will show the most recent month's information on adjusted net capital, required net capital and excess net capital;
- **FCM Customer Segregated Funds Report:** This report will show total funds held in segregated accounts, total funds required to be held in segregated accounts, excess segregated funds, the percentage of segregated funds that are held in cash and each of the investments permitted under CFTC Regulation 1.25 and whether the FCM held any funds at a depository that is an affiliate of the FCM during the previous month; and
- **FCM Customer Secured Amount Funds Report:** Identical to the FCM Customer Segregated Funds Report, this report will show the same information in regard to an FCM's secured funds.

NFA will collect and archive this information. The first month for which reports are available is September 2012. NFA will update the FCM Capital Report on a monthly basis. The Customer Segregated Funds Report and Customer Secured Amount Funds Report will be updated on a semi-monthly basis. NFA will collect and display these reports until the prior 12 months are available for all report types; going forward NFA will maintain the prior 12 months of reports.

The screenshot displays four search forms arranged in a 2x2 grid. Each form has a title bar, a search input field, and a 'GO' button. The top-left form is titled 'Search by NFA ID Number' and includes a text input field for 'NFA ID' and a 'GO' button. Below the input field is the instruction 'Enter an NFA ID Number.' The top-right form is titled 'Search by Firm Name' and includes a text input field for 'Firm name' and a 'GO' button. Below the input field is the instruction 'Search for information associated with a firm only.' The bottom-left form is titled 'Search by Individual Name' and includes two text input fields for 'Last Name*' and 'First Name', each with a 'GO' button. Below the input fields is the instruction 'This search may return both individuals and firms. *Required Field'. The bottom-right form is titled 'Search by Pool Name' and includes a text input field for 'Pool name' and a 'GO' button. Below the input field is the instruction 'Search for information associated with a commodity pool only.'

Screenshot of the BASIC system's search capabilities.



CFTC Consumer Information – Commodity Trading Systems Sold on the Internet

The Commodity Futures Trading Commission (CFTC) is the federal government agency that regulates the commodity futures, commodity options and swaps markets. (The NC Department of the Secretary of State Securities Division is the state regulator.) The CFTC has seen an increase in websites that fraudulently promote commodity trading systems and advisory services. The following information is designed to help you identify this potential swindle.

What Are Commodity Trading Systems?

- Computer programs that signal when to buy and sell commodity futures and options contracts
- Signals are based on mathematical formulas and are typically technical analyses of trading data, such as trading volume and prices
- Signals are not based upon fundamental analyses of economic factors, such as supply and demand
- Technical analysis attempts to predict future price movements based on historical prices, price relationships and price trends

Problems You May Encounter

Beware of Hypothetical Trading

- False claims of performance based on real trading when in fact the results are based on “hypothetical” or “real-time” trading
- Hypothetical results may not adequately take into account the ability of a trader to absorb trading losses or to meet margin calls. Many traders are unable to survive several consecutive trading losses and/or margin calls
- Hypothetical trading results assume that futures contracts have been bought and sold at specific prices. Since these assumptions have not been subjected to actual market conditions, they may overestimate or underestimate the performance of a system

System Shortcomings

- Systems often fail to consider:
 - market circumstances that affect traders and their decision-making processes
 - a change in the trader's financial condition
 - a stop-loss order might be executed at a better or worse price, or not be executed at all
 - bid/ask spreads that might not be reflected in the prices used in hypothetical trading
- Be alert for the possibility that the system promoter manufactured results by selecting historical trades that would have yielded the greatest returns.
- The actual execution of a trade could impact the price paid, especially in less liquid or illiquid markets

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Beware of Hidden Costs

- Profit claims of promoters may fail to take into consideration the cost of purchasing or leasing a trading system and a subscription for a mandatory data feed from a vendor
- System promoters may also fail to take into consideration the impact on profits of commissions and fees charged by brokers in connection with futures and options trading
- A user should take all of these costs into account because they raise the break-even point in trading

Is a Futures/Options Trading System Right For You?

- Are you able and ready to educate yourself about futures and options?
- Can you afford to lose your entire investment and more without a change to your lifestyle?
- Do you have the financial ability to risk losing much more money than the initial margin amount and sustain trading losses to meet margin calls?
- Do you know if the advertised results are based on actual or "hypothetical" trading?
- If the trader used the system in actual trading, how did he or she fare?
- Will the system promoter provide you with independent verification of the claimed trading results?
- Do you know the total cost of the system including purchase, fees and subscriptions?
- Do you know the current and past disciplinary status of the system promoter?

Warnings

- The CFTC urges you to be skeptical when promoters of trading systems and advisory services claim that their products and services will earn high profits with minimal risks
- Whether or not a trading system is used, commodity futures and options are typically high-risk endeavors
- No trading system can guarantee profits
- Not all system promoters are required to be members of the National Futures Association or registered with the CFTC.
- Check any promoter's registration and disciplinary status with the CFTC and the NFA

For more information: If you have questions, are aware of suspicious activities, or believe you have been defrauded, please let the CFTC or the North Carolina Securities Division know immediately. Call the CFTC or visit www.cftc.gov/TipOrComplaint. Call the Securities Division at (919) 733-3924 or (800) 688-4507 or visit <http://www.secretary.state.nc.us/sec/complaint.aspx>.

Hypothetical Trading Insights

Hypothetical trading results typically are based on simulations using historical price data or "real time" computer trading.

Promoters typically pretend they traded futures contracts at market prices that occurred sometime in the past.

Trading results calculate what these purported trades would have achieved had they been placed, based on actual historical prices.

Results often show impressive trading results and large net profits with only a few, small margin calls.

The CFTC requires that the presentation of hypothetical trading results be accompanied by a specific cautionary statement warning of the inherent limitations of these results.

The SEC's Office of Investor Education and Advocacy has provided this [Investor Bulletin](#) 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. It is reprinted here for informational purposes.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

INVESTOR BULLETIN:

Municipal Bonds: Understanding Credit Risk

The SEC's Office of Investor Education and Advocacy is issuing this [Investor Bulletin](#) to help educate investors about assessing credit risks they face when purchasing municipal bonds, which may also be called notes or certificates of participation. Credit risk—or default risk—is the risk that interest and/or principal on the securities will not be paid on time and in full. Investors need to know who is responsible for repayment of the securities and the financial condition of that entity to assess the credit risk and decide whether to purchase the securities. It is important to look beyond the short-hand label given to a municipal bond, such as "general obligation bond" or "revenue bond," or the bond's credit rating. Investors should read the disclosure document, known as the "official statement," which provides important details about the offering, including the factors described below.

What are Municipal Bonds?

Municipal bonds 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 issuer in exchange for a promise of regular interest payments, usually semi-annually, and the return of the original investment—or principal. The entity responsible for repaying the principal and interest on the bonds may be the issuer, or an underlying borrower, known as the obligor or "obligated person." Obligors could be another governmental entity, a for-profit firm, or a non-profit entity. The date on which the principal is scheduled to be repaid, known as the security's maturity date, may be years in the future.

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 or if issued by a U.S. territory, such as Puerto Rico. Given the tax benefits, the interest on municipal bonds is usually lower than on taxable fixed-income securities such as corporate bonds.

Factors investors should consider when assessing the credit risk of municipal bonds:

1. Types of Municipal Bonds

The type of municipal bond issued affects both the risk of default and the value of the municipal bond. Repayment may come from the issuer, an obligor, or from a single tax or revenue source. There are two major types of

municipal bonds: “general obligation bonds” and “revenue bonds.” Because these types come in many varieties, you should look beyond the short-hand label when deciding whether to purchase.

- ❖ **General obligation bonds** are issued by governmental entities and are not backed by revenues from a specific project or source. Some general obligation bonds are backed by dedicated taxes on real property and, on occasion, other taxes. Other general obligation bonds are payable from general funds and are often referred to as backed by the “full faith and credit” of the governmental entity. While in many instances “general obligation” means that the issuer or other governmental entity responsible for repaying the bonds has the unlimited authority to tax residents to pay bondholders, in other cases, the issuer or other governmental entity may have limited or no taxing authority. ***Investors should carefully read the official statement describing the general obligation bond before making an investment decision.***
- ❖ **Revenue bonds** are backed by revenues from a specific project or source. There is a wide diversity of types of revenue bonds, each with unique credit characteristics. For example, municipal entities frequently issue securities on behalf of other borrowers such as non-profit colleges or hospitals or certain for-profit entities. These underlying “conduit” borrowers typically agree to repay the issuer, who pays the interest and principal on the securities solely from the “revenue” provided by the conduit borrower. ***Investors should carefully read the official statement describing the revenue bond, and understand both the identity of the conduit borrower, if any, and what revenues are actually pledged to back the bonds, before making an investment decision.***

2. Non-Recourse Financings

Some revenue bonds are “non-recourse,” meaning that if the revenue stream dries up, or if payments on the bonds are otherwise not paid, the bondholders do not have a claim on the underlying revenue source or against the conduit borrower. In instances where a conduit borrower fails to make a payment to the municipal issuer, the issuer is usually not required to pay the bondholders. ***For these reasons, it is essential to understand the source of the revenues that will be used to repay the bonds.***

3. Purpose of the Financing

Municipal bond default rates vary considerably depending on a variety of factors, including the types of bonds issued and whether the ultimate obligor is a municipal entity or a non-municipal entity (i.e., a conduit borrower). For example, if you are considering purchasing municipal securities that finance speculative projects, including those involving for-profit businesses, pay close attention to the potential risks involved. The official statement for this kind of offering usually will include a feasibility study showing the key assumptions made in evaluating the project. Understanding those assumptions can help you evaluate the risks.

4. Financial Condition of the Issuer or Other Obligor

A key concern is whether the issuer or other obligor will be able to pay interest and principal in full. To evaluate the financial condition of the issuer or other obligor, consider (among other things):

- ❖ Debt and other longer-term liabilities payable from or impacting the same source of revenue as the bonds, including, if applicable, pension and other post-employment benefit obligations of the municipal bond issuer;
- ❖ The underlying local economy, including employment, income, wealth, and tax burden; and
- ❖ The audited financial statements of the issuer or obligor, including both revenues and expenses.

5. Other Sources of Funds to Pay Principal and Interest

While some municipal bonds are general obligation bonds, others are repaid not by an issuer or other obligor, but from a specific payment stream. You should evaluate the viability of the sources of revenue to be used to make these payments. In evaluating the source of payment for the bonds, you should consider (among other things):

(See “Municipal Bonds”, continued on p. 10)

("Municipal Bonds", continued from p. 9)

- ❖ Economic or social trends that may limit demand for particular goods or services (such as gasoline or cigarettes) when those goods or services are being taxed to fund the repayment of the securities; and

- ❖ Statutory limits on raising revenues, such as the need for voter approval.

What are Credit Ratings?

While some investors find it helpful to consider credit ratings when making an investment decision, it is important that you not rely solely on credit ratings when deciding whether to purchase municipal bonds. ***Investors need to undertake their own independent review of the municipal bonds' risk by reading the official statement and other relevant information described below.***

Credit ratings are assessments of municipal bonds' credit risk at a particular point in time. You should be aware that because credit ratings may change over time, the credit rating found on the official statement may not be the credit rating of the municipal bonds if you purchase them on a subsequent date. Investors should also be aware that, in general, credit rating agencies are paid by the issuer whose municipal bonds they are rating.

Credit ratings are only assessments by credit rating agencies of the credit risk associated with a municipal bond. Each credit rating agency evaluates credit risk based on its own standards, applies its own ratings methodology, and weighs the various factors in the methodology differently. Credit ratings are not investment advice, guarantees of credit quality or of future credit risk, or indications that an investment is suitable. They are designed to address only one aspect of an investment decision—credit risk. As an investor, you may or may not agree with the credit rating.

Where should I look for information regarding municipal securities?

In most cases, official statements as well as updated information regarding the issuer and the municipal bonds can be found on the Electronic Municipal Market Access (EMMA) website, <http://www.emma.msrb.org/>. The issuer's financial information is often updated each year. In addition, many municipal bond issuers provide "material event notices" that contain information concerning, among other things, delinquent principal and interest payments, other types of defaults, rating changes, events impacting the tax status of the securities, and bond redemptions or calls. EMMA also has some credit ratings information.

Often, the official statement contains a section titled "investment risk factors" or "investment considerations," which provides information relevant to your investment decision. In addition, pertinent financial information regarding the issuer generally may be found in an appendix attached to the official statement.

This publication focuses on credit risk. Investments in municipal bonds entail other risks, such as call risk, interest rate risk, inflation risk, and liquidity risk. Please refer to the material listed below for more information on these risks.

Related Information

Investor Bulletin: Municipal Bonds (available at <http://www.sec.gov/investor/alerts/municipalbonds.htm>)

FINRA and MSRB Investor Alert: Municipal Bonds—Staying on the Safe Side of the Street in Rough Times (available at <http://www.finra.org/%20investors/protectyourself/investoralerts/bonds/p118923>)

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
02/27/13	Goldsboro	Seymour Johnson AFB for Military Saves Week, Time: 11:00 AM -- 1:00 PM. Information table at the Commissary and Base Exchange.
02/28/13	Raleigh	"Basics of Saving & Investing" presentation for teachers. Atlantic Coast Business, Marketing, & IT Education Conference , Hilton Hotel, 3415 Wake Forest Road. Time: 10:15 AM -- 11:05 AM. For conferees only.
03/01/13	Buxton	Cape Hatteras College & Career Expo , 48576 Hwy. 12, Buxton. Time: 8:30 AM -- 11:30 AM. For more information, contact Elaine Whitaker at (252) 9495-5730, ext. 3028.
03/04/13	Jacksonville	Jacksonville Senior Center , 4022 Richlands Highway. Time: 3:00 PM -- 4:00 PM. For more information, contact Sheri Slater at (910) 455-2747.
03/04/13	Jacksonville	Camp Lejeune National Sojourners , Sempere Fidelis Masonic Lodge , 727 Henderson Drive Time: 7:00 PM -- 8:30 PM. For more information, contact Johnny Surles at (252) 224-5791.
03/05/13	Snow Hill	Greene County Senior Services , 104 Greenridge Road. Time: 11:00 AM -- Noon. For more information, contact Sharon Harrison at (252) 747-5436.
03/07/13	Garner	Vandora Masonic Lodge #745 , 1118 Benson Road. Time: 6:30 PM -- 8:30 PM. Open to lodge members and guests only.
03/11/13	Goldsboro	Wayne County AARP Chapter #3381, meets at K&W Restaurant, 621 N. Berkeley Boulevard. Time: Noon -- 1:00 PM. Open to AARP members and their guests. For more information, contact Hilda Rouse at (919) 330-5681.
03/13/12	Winston-Salem	Healthcare Industry Providing Services to Seniors (HIPSS). Kate B. Reynolds Hospice Home, 101 Hospice Lane. Time: 11:00 AM -- 12:30 PM. For more information, contact Stephanie Zanari at (336) 768-4889.
03/14/13	Southern Pines	Southern Pines Gracious Retirement Living , 205 SE Service Road. Time: 2:30 PM - 3:30 PM. Open to residents and their guests only. For more information, contact: Susan Rodgers at (910) 692-3367.
03/14/13	Fayetteville	Community Crime Awareness, location TBD; 6:00 - 7:00 pm
03/15/13	Chapel Hill	"Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program", Meadowmont Aging in Place , UNC Wellnes Center, 100 Sprunt Street. Time: 3:00 PM -- 4:00 PM. For more information, contact Janis Wells at (919) 259-8693.
03/20/13	Raleigh	Wake Senior Democrats , Marriott Crabtree Valley, 4500 Marriott Drive. Time: 11:00 AM -- 12:30 PM. Open to club members and their guests only.

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- 03/21/13 High Point [The Stratford Retirement Community](#), 1573 Skeet Club Road. Time: 2:00 PM – 3:00 PM. Open to residents and their guests only. For more information, contact Susan Garner at (336) 841-1746.
- 03/21/13 Charlotte [Carmel Place Independent Senior Living Community](#), 5512 Carmel Road. Time: 7:00 PM – 8:00 PM. Open to residents and their guests only. For more information, contact Michele Cook at (704) 541-8012.
- 03/25/13 Burlington [John Robert Kernodle Senior Activity Center](#), 1535 S. Mebane Street. Time: 10:00 AM -- 11:00 AM. For more information, contact Jane Smith at (336) 222-5135.
- 03/26/13 Greensboro [Senior Resources of Guilford](#), 301 E. Washington Street. Time: 9:00 AM – 10:00 AM. For more information, contact Tiffany Mumford at (336) 373-4816.
- 03/26/13 Lexington Scam Jam featuring **NC Secretary of State Elaine F. Marshall**, [Lexington Senior Center](#), 555-B West Center Street Extension. Time: 1:00 PM – 4:00 PM. For more information, contact Jim Brown at (336) 242-2290.
- 03/27/13 Asheville “[Fourth Annual Financial Fraud, Scams & Exploitation Prevention Summit](#)”, sponsored by a sub-committee of the Aging Coordinating Consortium of Buncombe County. The summit will be held in Simpson Hall on the campus of AB Tech, 340 Victoria Road. Time: 9:30 AM -- 12:30 PM. Free, but registration required. To register, email mariah@landofsky.org.
- 04/02/13 Goldsboro Scam Jam, [Wayne County Cooperative Extension Service Center](#), 208 W. Chestnut Street. Time: 9:00 AM -- Noon. Free, but registration is required. For more information, contact Delbra McIntyre at (919) 734-1178, Ext. 214.
- April 4-5, 2013 Wilmington "Elder Abuse: A Multi-Disciplinary Approach to Justice" fraud summit. Hilton Wilmington Riverside, 301 N. Water Street. Co-sponsored by the NC Conference of District Attorneys and the NC Department of the Secretary of State. This two-day multidisciplinary course will offer an intense training regarding the investigation and prosecution of elder abuse. This conference will address the common misconceptions that often hinder the successful prosecution of such crimes, offer practical tools for overcoming these barriers, and assist in understanding the dynamics of working with elder victims. This course will address all areas of elder abuse including physical and sexual abuse, financial exploitation and fraud. For prosecutors, victim witness legal assistants, law enforcement, Adult Protective Services staff, advocates, and other allied professionals. (Preference will be given to teams). Registration information available at <http://www.ncdistrictattorney.org/training.html>

4th Annual Financial Fraud, Scam & Exploitation Prevention Summit

For a fourth consecutive year, the Land-of-Sky Regional Council's Area Agency on Aging (AAA) is hosting its Financial Fraud, Scam and Exploitation Prevention Summit. The Summit will be held from 9:30 a.m. to 12:30 p.m. in Simpson Hall on the campus of Asheville-Buncombe Technical Community College (see the informational bulletin below).

As in past years, speakers will include representatives from the Buncombe County Department of Social Services, Buncombe County Sheriff's Office, local financial institutions and representatives from the NC Attorney General's office and NC Department of the Secretary of State's office. Barbara Bennett, Investor Education Specialist, will once again represent the Secretary of State's office.

To register for the summit, please contact Mariah Landy at (828) 251-6622 or via email at mariah@landofsky.org.

Financial scams, frauds and exploitation:

- Misuse of personal checks, credit cards, or accounts
- Stealing cash, income checks, or household goods
- Forging signatures
- Engaging in identity theft
- Transferring property
- Announcements of a "prize" that has been won but requires money to claim
- Phoney charities
- Investment fraud
- Telephone and Internet scams

Save the Date!

Financial Institutions, Human Service Organizations and Members of the Business Community are invited to the **4th Annual Summit** on

Financial Fraud, Scams and Exploitation



This meeting will focus on how elders and people with disabilities are affected in our region. State and local professionals will address the financial crimes committed against people each day and how we can help.

Wednesday, March 27, 2013
AB Tech - Simpson Hall
340 Victoria Road, Asheville, NC 28801
9:30 am - 12:30 pm

To register, email mariah@landofsky.org.

Sponsored by a sub-committee of the Aging Coordinating Consortium of Buncombe County.



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. His trial is expected to begin later this year.

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.)

On **February 4, 2013**, the Securities Division of the North Carolina Department of the Secretary of State issued a **Final Order to Cease and Desist** against **Hedrick Consulting, Incorporated** and **Rondell Scott Hedrick**. 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 Hedrick Consulting, Incorporated. The Final Order to Cease and Desist found that Hedrick Consulting, Incorporated and Rondell Scott Hedrick are in violation of N.C.G.S. §§78A-24 and 78A-36. 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.)

[SEC Announces 2013 Examination Priorities](#)

Feb. 21, 2013 — The Securities Exchange Commission has published its [examination priorities for 2013](#), which cover a wide range of issues at financial institutions, including broker-dealers, clearing agencies, exchanges and self-regulatory organizations, investment companies, hedge funds and private equity funds, and transfer agents.

[SEC to Hold National Compliance Event for Broker-Dealers](#)

Jan. 23, 2013 — The Securities and Exchange Commission has announced the opening of registration for its National Compliance Outreach Program for Broker-Dealers that will take place at the SEC's headquarters at 100 F Street NE in Washington D.C. on April 9. The event is sponsored by the SEC's Office of Compliance Inspections and Examinations in coordination with the SEC's Division of Trading and Markets and the Financial Industry Regulatory Authority (FINRA). It provides a forum for open discussions about effective compliance practices for

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broker-dealers and will focus on topics of interest to compliance, risk, and audit officers of large broker-dealers with multiple and complex business lines. There is no cost to attend the event. Registration for in-person attendance is limited to 500 people on a first-come, first-serve basis. There will be a maximum of 10 attendees per firm. The event also will be webcast on the SEC website. To register for the 2013 National Compliance Outreach Program for Broker Dealers, visit the SEC website at www.sec.gov/info/complianceoutreach-bd.htm.

SEC Approves New Rules Regarding Lost Holders of Securities

Dec. 21, 2012 — The Securities and Exchange Commission has unanimously approved new rules requiring broker-dealers to conduct searches for holders of securities with whom they have lost contact. The new rules also require broker-dealers and other securities market participants to provide notifications to persons who have not processed checks that they have received in connection with their securities holdings. Click [here](#) to view the draft final rules.

FINRA Regulatory Notice 12-55 -- Guidance on FINRA's Suitability Rule

Dec. 10, 2012 -- In November 2010, the Securities and Exchange Commission (SEC) approved [FINRA Rule 2111 \(Suitability\)](#), which became effective on July 9, 2012. In May 2012, FINRA issued [Regulatory Notice 12-25](#), which provides guidance on the rule in a "frequently asked questions" (FAQ) format. This **Notice** addresses two issues discussed [in Regulatory Notice 12-25](#): the scope of the terms "customer" and "investment strategy." In addition, FINRA has created a [suitability Web page](#) that, among other things, will locate in one place questions and answers regarding FINRA Rule 2111. **Editor's Note: Although this information is specifically intended for broker-dealers and their registered representatives, the NC Securities Division is publishing it here so that the investing public will know what is expected when a broker makes an investment recommendation.**

("Ponzi Schemes", continued from p. 1)

generating substantial profits through options trading in the commodities futures market. Filed documents indicate that Moss told his victims that he had not had a losing year trading since 1993, that he generated annual returns of between 22% and 41% annually, and that none of his investors had ever lost any capital. In fact, between 2003 and 2009, Moss suffered losses of \$342,264 in the commodities futures market. Moss also advised the victims that his liquid assets were more than three times the size of his trading account when in fact they were not.

According to filed documents and statements made during court proceedings, in exchange for their investment Moss provided his victims with promissory notes either guaranteeing annual rates of return of 16 to 18%, or a variable rate tied to the level of Moss' trading profits. To conceal his scheme, Moss made Ponzi payments to his victims totaling \$1.6 million and falsely represented that these payments were the result of successful trading profits. In addition, Moss unlawfully used money invested by the victims for personal expenditures such as mortgage payments, groceries, and other household expenses.

Both Huffman and Moss have been ordered to self-report to the Federal Bureau of Prisons upon designation of a federal facility. Federal sentences are served without the possibility of parole. The investigation of Huffman was handled by the FBI. The investigation of Moss was handled by the FBI and the Securities Division of the N.C. Secretary of State's office. Both cases are related to the work of Charlotte's Securities and Financial Crimes Task Force, a group made up of the FBI, the Securities Division of the N.C. Secretary of State's office, the N.C. Attorney General's Office, the IRS criminal division, the U.S. Postal Inspection Service, the Mecklenburg County District Attorney's Office, the Securities and Exchange Commission, and the U.S. Attorney's Office. The multi-agency Task Force promotes collaboration between the agencies in the fight against corporate fraud, insider trading, accounting fraud, market manipulation schemes, and other finance-related crimes.

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!