

North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

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Ponzi Scheme Operator Sentenced to 6.5 Years for Securities Fraud

Claude Darrell McDougal, 56, formerly of



Claude McDougal

Charlotte, was sentenced on July 23, 2015 to 78 months in prison for orchestrating a Ponzi scheme that defrauded his investor victims of over \$2.5 million, announced Jill Westmoreland Rose,

Acting U.S. Attorney

for the Western District of North Carolina. U.S. District Judge Max O. Cogburn, Jr. also ordered McDougal to serve two years under court supervision after he is released from prison and to pay \$2,020,078.26 as restitution to the victims of his fraud.

North Carolina Secretary of State Elaine F. Marshall and John A. Strong, Special Agent in Charge of the Federal Bureau of Investigation (FBI), Charlotte Division joined Acting U.S. Attorney Rose in making the announcement.

According to court documents, from 2006 to 2010 McDougal induced over 25 investors in Charlotte and elsewhere to invest more than \$2.5 million, by promising his victims their money would be invested in securities, in the form of promissory notes offered by “US Financial Alliance Consultants, LLC” (Financial Alliance). McDougal created Charlotte-based Financial Alliance in 2005, a company that was never registered as a dealer of securities in North Carolina or elsewhere, according to court records. Also, according to court records, McDougal was not registered to sell securities in North Carolina or in any other state, following termination from his previous employer in August 2009. Court documents show that

See “[McDougal](#)” continued on p. 5

Mason Sentenced to 8 Years in \$4.7 Million Ponzi Scheme

On Monday, August 3, 2015, Chief U.S.

District Judge Frank D.

Whitney sentenced the owner of a North Carolina investment firm to 96 months in prison, for orchestrating a Ponzi scheme that solicited victims to invest millions in the foreign currency market



James Mason

(“forex”), announced Jill Westmoreland Rose, Acting U.S. Attorney for the Western District of North Carolina. James H. Mason, 67, of Graham, N.C., was also ordered to serve three years under court supervision and to pay \$4,325,820 as restitution to the victims of his fraud.

North Carolina Secretary of State Elaine F. Marshall and John A. Strong, Special Agent in Charge of the Federal Bureau of Investigation (FBI), Charlotte Division, and Thomas J. Holloman III, Special Agent in Charge of the Internal Revenue Service, Criminal Investigation Division (IRS-CI), joined Acting U.S. Attorney Rose in making the announcement.

According to filed court documents, beginning in 2010 and continuing through March 2013, Mason solicited at least 500 victims to invest over \$4.7 million in his fraudulent Ponzi scheme. Court records indicate that Mason executed the scheme by inducing victims to invest with his investment companies, “JHM Forex Only Pool” and “Forex Trading at Home Association,” and other related entities, for the supposed purpose of investing in Over-the-Counter (OTC) foreign currency exchange. Mason lulled his victims into a false sense of security by falsely projecting substantial returns on their investments, as

See “[Mason](#)” continued on p. 6



Securities Division Director David Massey seen here testifying before the Senate Banking Committee in July of 2011.

NC Securities Division Director David Massey Announces Retirement

David Massey will retire at the end of August after more than 18 years at the helm of the NC Secretary of State's Securities Division.

Dave's leadership has been invaluable, and he has become a notable leader on the national stage through challenging economic times. Dave served from 2010 to 2011 as President of the North American Securities Administrators Association (NASAA), and has been a member of the nation's Financial Stability Oversight Council since its inception in 2010 to identify systemic risks to the nation's financial stability in the wake of the 2008 financial crisis.

"I have been honored to count Dave Massey as a colleague and friend throughout my time as Secretary of State," said NC Secretary of State Elaine F. Marshall. "From regulating Investment Adviser firms and pursuing scam artists to helping North Carolina investors regain control over more than \$3 billion worth of investments in the aftermath of the auction rate securities collapse, Dave has steered the Securities Division through challenging regulatory terrain during his tenure."

"As President of the North American Securities Administrators Association (NASAA), I am extremely thankful for Dave's many years of service to our organization," said William Beatty, NASAA President and Washington Securities Director. "Dave is beloved by our members for his intelligence, eloquence, friendship, humor, and commitment to investor protection. On a personal level, I recall attending a meeting of NASAA's Board of Directors during Dave's presidency. At the conclusion of the meeting, Dave came up to me and said: 'Your know what, you're competent.' Coming from Dave, this meant a great deal to me."

"I've had the opportunity to work with Dave in my capacity as NASAA's General Counsel and more recently as Executive Director," said Joseph Brady, Executive Director of NASAA. "Dave has served NASAA in several important roles including as a member of the NASAA Board, as NASAA President, and as NASAA's representative to the Financial Stability Oversight Council (FSOC). In fact, he is one of the two original members of the FSOC having served with two different Treasury Secretaries. His distinguished service to NASAA has been recognized in the awarding of NASAA's highest honor, the Blue Sky Cube.

"During our many discussions on the way to and from FSOC meetings or on other occasions Dave has always had sage advice to offer in response to whatever issue might arise. Sometimes this advice was offered as "rules of conduct" and two come to mind. The first is – 'When speaking, get to the point as soon as possible, then add details later if you have the time.' I think we're both still trying to master that one. The second is – 'Be courteous and gracious at all times -- it makes a better person of you, and provides a model for others.' There's no doubt among his many friends at NASAA and elsewhere that Dave has mastered this rule. All of us at the NASAA corporate office have enjoyed working with Dave over the years and wish him the very best of luck in the future."

Prior to heading the Securities Division, Dave served as General Counsel for the Secretary of State's Office and as an Associate Attorney General at the NC Attorney General's Office. We wish Dave all the best on his retirement as he looks forward to travelling and adding to his impressive collection of Hawaiian shirts!



Secretary of State Marshall to Lead NASS Securities Committee

NC Secretary of State Elaine F. Marshall has been chosen to Co-Chair the National Association of Secretaries of State (NASS) Standing Committee on Securities for the 2015-2016 term.

Secretary Marshall, Immediate Past President of NASS, will work with Co-Chair Barbara Cegavske, Secretary of State of Nevada to guide discussions among NASS membership on securities and investor protection issues.

"I am grateful to our committee leaders for sharing their expertise on issue areas of national importance to our members," remarked NASS President and Louisiana Secretary of State Tom Schedler, who named the bipartisan slate of state officials. "Together, we will pursue our recipe for success, which includes: governing with excellence, unwavering public engagement, modernizing elections, building business and economic growth and operating with accountability."

The oldest, nonpartisan professional organization of public officials in the U.S., NASS fosters cooperation in the development of public policy.

White House Conference on Aging Highlights Financial Issues

The decennial White House Conference on Aging, held on July 13, shone a spotlight on the wide range of issues confronting older Americans, including financial security in retirement and the growing concern about the financial exploitation of seniors.

Consumer Financial Protection Bureau (CFPB) Director Richard Cordray announced during the Conference that the CFPB is currently working with industry and consumer advocates to develop an advisory by year's end that will help financial institutions prevent, recognize and report elder financial exploitation.

In his remarks to the Conference, Cordray noted the vital role financial institutions can play in protecting seniors. "When seniors fall victim to a scam or to theft by a trusted family member, they may be too embarrassed or too frail to pursue legal action or even to report that they have suffered harm. So it is crucial that others are looking out for them. Financial institutions are especially well-positioned to prevent such fraud."

You can read Cordray's remarks to the Conference in their entirety [here](#).

Save the Date!



The NC Securities Division will be conducting another round of its popular series of compliance workshops for all state-registered investment advisers and their representatives.

Invitations and registration forms are being emailed out this month. However, interested firms and persons should note that four one-day workshops will be held on the following dates/locations and they should think about which session they would like to attend. When the registration process opens, seats will be available on a first-come, first-served basis. Each session will run from 9 AM—4 PM, and the registration fee will be \$35/person. We are only able to accept checks or money orders made payable to the "NC Department of the Secretary of State."

Sept. 15: Central Piedmont Community College—Harris 1, 3216 CPCC Harris Campus Drive, Charlotte, NC (80 seats)

Sept. 16: Guilford Technical Community College, 3505 E. Wendover Avenue, Rooms 152 B&C, Greensboro (60 seats)

Sept. 17 & 18: NC Securities Division, 4701 Atlantic Avenue, Suite 116, Raleigh (30 seats)



NC Secretary of State's Office Teams Up with USO of North Carolina to Provide Financial Readiness Training for Military Personnel

On August 26, 2015, the USO of North Carolina will provide financial readiness training for members of the 261st Multifunctional Medical Battalion (MMB) at Ft. Bragg. The training is part of a pilot project made possible by a grant from the North Carolina Department of the Secretary of State Securities Division to improve the financial readiness of members of the US Armed Forces.

In 2003, the U.S. Department of Defense announced that “[t]he financial well-being of the force is a significant readiness issue” and that junior enlisted servicemembers, as well as the spouses of servicemembers, are most at risk to falling victim to financial predators. For many years, the Securities Division has been proactive in its efforts in providing anti-fraud presentations and materials to all military installations in the state. The joint effort by the Securities Division and USO of North Carolina is a continuation of these efforts, and is in keeping with the state’s reputation as one of the most military-friendly states in the country.

The August 26 program at Ft. Bragg is the first of what will be a series of three programs conducted at different military installations. USO of North Carolina organizers are working to identify other locations. Each program will include a four-hour educational portion focusing on topics such as debt, saving, investing and fraud prevention, a lunchtime roundtable discussion on investing, followed by 15-minute private one-on-one counseling sessions for attendees.

For more information about this program, please contact John Maron, Director of the Securities Division’s Investor Education Program (919-807-2106), or Kelli Davis, the USO of North Carolina’s Troop and Family Programs Director (919-840-3000).

That Time an IA Audit Helped Shut Down Pot Grow Houses...

Sometimes IA audits are routine. And sometimes they help unravel multi-million dollar marijuana rings.

Check out this story on WRAL.com about the case of Jothan Walker Pruitt and Cinchpoint.

Pruitt recently pleaded guilty to federal charges including bank fraud and money laundering after it was discovered that he had fraudulently obtained mortgage loans to buy five houses in Orange County that he then turned into marijuana grow houses.

The operation was discovered through a routine IA audit of Pruitt and his former IA firm Cinchpoint, conducted by the NC Securities Division. The Securities Division referred the matter to the US Attorney’s Office in October of 2010. The Securities Division issued a [Final Order to Cease and Desist](#) against Pruitt, Cinchpoint and Ramses Capital Partners in June of 2011.

[“McDougal”](#) continued from p. 1

McDougal induced his victims to invest with Financial Alliance by falsely “guaranteeing” fixed rates of return between 6-percent and 15-percent annually.

McDougal collected over \$2.5 million dollars from victim-investors, many of whom were elderly and invested most, if not all, of their life-savings with him. Instead of investing the victims’ money as promised, McDougal squandered it. According to court records, over the course of the three-year scheme, McDougal invested only \$580,000 of the victims’ money and used approximately \$450,000 to pay some victims supposed “payouts” from profits made on investments. However, these payments were not based on profits, but came from funds contributed by new investors, commonly referred to as “Ponzi” payments. Court records show that McDougal used approximately \$1.19 million of the investors’ funds to support his own lifestyle, including to buy dinners, jewelry and electronics, and to pay for hotel stays, furniture and other business-related expenses. McDougal pleaded guilty to securities fraud in July 2014.

Following the sentencing hearing McDougal was released on bond. He will be ordered to report to the Federal Bureau of Prisons upon designation of a federal facility. All federal sentences are served without the possibility of parole.

The case was investigated by the North Carolina Secretary of State, Securities Division, with assistance from the FBI’s Charlotte Division.

Special Assistant U.S. Attorney Kevin M. Harrington prosecuted the case. Mr. Harrington is an Enforcement Attorney with the North Carolina Department of Secretary of State, Securities Division, and was appointed to serve as a Special Assistant United States Attorney (SAUSA) with the U.S. Attorney’s Office in Charlotte in September 2011. The SAUSA position reflects the partnership between the North Carolina Securities Division and the United States Attorney that helps ensure the effective and vigorous prosecution of white collar criminals, particularly in the area of securities fraud.



It’s Your Money: Investigate Before You Invest

When it comes to investing your hard-earned money, the only bad questions are the ones you don’t ask. If someone is offering you an investment opportunity, here are a few questions you should ask:

- ◆ Are you—and the investment opportunity you are marketing—registered with the NC Securities Division?
- ◆ Have you ever been disciplined by a regulator?
- ◆ What financial training do you have?
- ◆ Are you paid by commission or by the amount of assets under your management? Which method would be most beneficial to me given my specific circumstances?

Before you sign over any of your money, please call the NC Secretary of State’s Investor Hotline at 1-800-688-4507 to confirm whether the people offering you an investment opportunity—and the investment opportunity itself—are registered to sell securities in North Carolina and whether they have a disciplinary history.

Registration in and of itself is no guarantee against fraud, but not being registered is a very big red warning flag. Know before you invest.

[“Mason”](#) continued from p. 1

much as \$100 million, depending on the amount of their initial investment. Furthermore, Mason lied to his victims, falsely claiming that he had over 35 years of experience in commodity futures and options trading, when he had no such experience. According to court records, Mason also failed to disclose to his investor victims a wire fraud conviction in 2000, for which he was sentenced to 18 months in prison.

According to court records, Mason put only a portion of investors’ money into the foreign currency exchange, and lost essentially all the money he did invest while conducting FOREX trading. Court records indicate that Mason failed to disclose his actual trading results to his victims, and instead made false oral representations and provided bogus statements to clients, fraudulently reporting profits. According to court records, in order to induce individuals to further invest in his fraudulent foreign currency commodity pool, Mason established a website so that investors could access their accounts online, which fraudulently depicted that investors were making money – in some cases significant profits – through successful FOREX trading. The profits depicted on individual investor accounts were in fact false, and, in many cases, there was no actual money in the victims’ accounts.

According to court documents, rather than investing the funds as promised, Mason simply deposited victims’ money into various bank accounts he controlled and used a substantial portion of it to pay for personal and business expenses, real estate, cars and other expenses unrelated to any foreign exchange. For example, court records indicate that Mason spent approximately \$435,000 of the investors’ money on a residence in Greensboro, N.C., and more than \$222,000 for two residences and office space in Hickory, N.C. Court records show that Mason did not claim the additional income on his federal income tax returns filed with the IRS. Mason also used the rest of investors’ money to make “Ponzi” payments to other victims, fraudulently claiming they were “profits” from successful FOREX trading.

Mason pleaded guilty in June 2014 to one count of securities fraud conspiracy and one count of filing a false federal income tax return for tax year 2011. He has been in federal custody since April 2013 and will be transferred to the custody of the Federal Bureau of Prisons upon designation of federal facility. All federal sentences are served without the possibility of parole.

The case was investigated by the North Carolina Secretary of State, Securities Division with assistance from the FBI, Charlotte Division. Acting U.S. Attorney Rose also thanked Commodities Futures Trading Commission for their assistance in this case.

The prosecution is being handled by Special Assistant United States Attorney Kevin M. Harrington and Assistant U.S. Attorney Kurt W. Meyers of the Western District of North Carolina.

Mr. Harrington is an Enforcement Attorney with the North Carolina Department of Secretary of State, Securities Division, and was appointed to serve as a Special Assistant United States Attorney (SAUSA) with the U.S. Attorney’s Office in Charlotte in September 2011. The SAUSA position is reflection of the partnership between the North Carolina Securities Division and the United States Attorney that helps ensure the effective and vigorous prosecution of white collar criminals, particularly in the area of securities fraud.

The charges were brought in connection with the President’s Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Since fiscal year 2009, the Justice Department has filed over 18,000 financial fraud cases against more than 25,000 defendants. For more information on the task force, please visit www.StopFraud.gov.

Whistleblower Award Claims in Mason Case

Please note in our [News From the Regulators](#) Section that the US Commodity Futures Trading Commission (CFTC) is now accepting whistleblower award claims until October 20 in the Mason case. Individuals who voluntarily provided the CFTC with original information after July 21, 2010 that led to the successful enforcement of a Covered Action are eligible to claim a whistleblower award.

Crowdfunding is Changing the Female Entrepreneurial Landscape

By Chris Tyrrell

Reprinted with Permission from [Crowdfund Insider](#)



According to Inc.com, the emergence of the JOBS Act has created around 1,500 to 2,000 jobs since its inception. And according to the organization Women Entrepreneurs as Economic Drivers, [women will create more jobs](#) and keep the economy churning, provided they have the capital they need to fund their ventures. Given these facts, it's prudent to explore the underpinning gender relationships inherent in raising capital. More importantly, it's requisite to examine the role of new alternative financing tools, such as crowdfunding, in solving this well-known yet tacit problem.

Female Entrepreneurs Face Roadblocks

In Silicon Valley women serve as business leaders, and engage in all-female networks of angel investors to originate opportunities and advise one another on investments. Furthermore, the inclusion of women creates a broader network and diversifies the potential for recruiting and finding new startups. Additionally, women may offer greater insights for understanding female consumers. A relatively recent trial involved a former partner of a financial firm, exposing elements of a male-dominated culture and showcasing how women are sorely underrepresented in these industries.

The U.S. Senate Committee on Small Business and Entrepreneurship found that female entrepreneurs receive fewer loans or receive less favorable terms than men. A recent study by Babson University found that women ran only 2.7 percent of the small businesses that received venture funding between 2011 and 2013. All things equal, women led companies can expect 25% less revenue than the typical male-owned firm.

These statistics reflect the general outlook on female entrepreneurship in America and signifies a negative sentiment towards female-led projects compared to ventures with male leadership. This inherent problem destabilizes the funding process, creating undeserved and unintentional hurdles for entrepreneurial women. The gender disparity has forced these aspiring leaders to seek other financing avenues for their projects. Crowdfunding may be the answer.

Women-led Businesses Find Solace in Crowdfunding

Hillary Clinton, Wendy Kopp, Meg Whitman have made strides towards women empowerment across a breadth of professional disciplines. Among these attempts to eliminate the gender gap, crowdfunding is serving as another channel to level the playing field in business. In the last couple years, an influx of female entrepreneurs have entered the crowdfunding sphere and leveraged the democratization ethos that this funding mechanism promises.

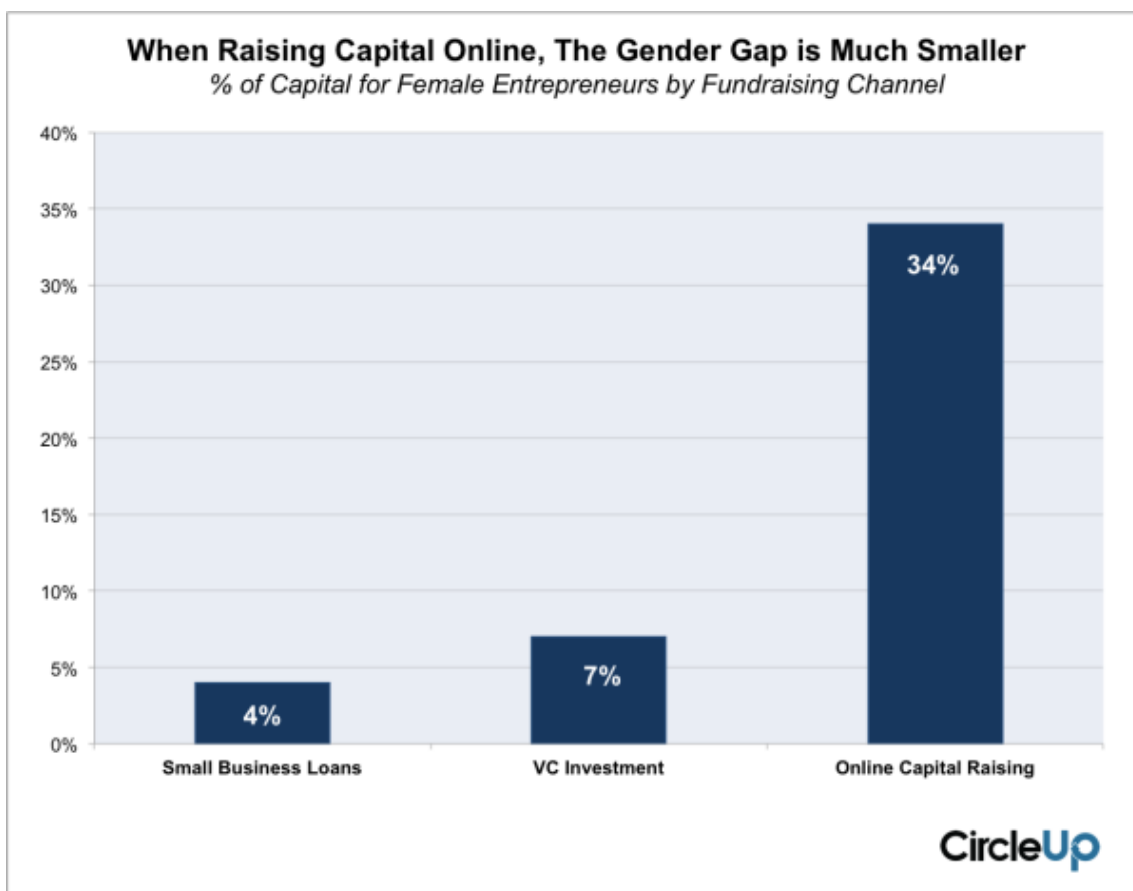


Although women hold a disadvantage in securing capital, crowdfunding has proved to be a successful alternative. In fact [Mrs. Weisul of Inc.com notes that female founders](#) are more likely to achieve their fundraising goals than men when posting their pitches on crowdfunding platforms. Simply put, the democratized nature of crowdfunding is more attractive with female spearheads. If one interprets businesses as communal organizations coupled with the element of transparency, a fundamental aspect of crowdfunding, female leadership is more trusted. One thing's for sure: there is no obvious explanation for this phenomenon.

Moreover, women make up a large portion of potential investors that can facilitate the progress of enterprises regardless of gender. At the annual Summits of the Angel Capital Association, 28 percent of the investor attendees were women. The summit can be considered a sample of the general investor population, and the percentage can be reasonably appropriated to the actualized demographic breakdown. But in order to make this feasible, many agree that women need the same level of trust and autonomy in the capital-raising sphere. Crowdfunding is providing an alternative channel that is reinvigorating the way women are securing capital, amidst the subliminal biases working against them.

Females Find Saving Grace in Equity Crowdfunding

Although women today create twice as many businesses as men, they face more impediments. Female founders have experienced more success with fundraising platforms as opposed to more traditional means of capital raising, such as venture capital and investment banks. [According to CircleUp](#), female business leaders are almost ten times more successful in raising capital with online platforms than with traditional banks, and five times more successful compared to their venture capital investments. One variable compounding this effect is the surge of women-led venture capitalist firms. More female venture capitalists lead to more female entrepreneurs being funded. Nowadays, women own close to 10 million businesses in the U.S.



Crowdfunding may not only grow the overall amount of money available to small businesses, but it may also augment the slice of funding that female entrepreneurs receive.

Women are finding more success on crowdfunding platforms, but more importantly, they are also seeing a competitive advantage over their male counterparts. Teams made up of only women have seen a 40 percent increase in their chances of achieving fundraising goals. Similar success stories are found in the tech industry. The success rate for women-led crowdfunding projects was 65 percent as opposed to just 35 percent for men.

Analyzing crowdfunding campaigns collectively, about 42 percent are run by women. Furthermore, women raise more money on these platforms than men both in terms of the number of contributors and the nominal amount.

Why Crowdfunding Fits with the Female Disposition



Women are great collaborators and communicators, which are necessary skills in order to succeed in the crowdfunding space. On the other hand, according to USA Today, women tend to lack confidence and consistently rank behind men in understanding financial products and possessing acumen for valuable financial investments. Therefore, women hold an inclination towards charity – read as rewards-based capital raising – as opposed to traditional investment tools.

The strong emphasis on pitches to secure funding necessitates confidence and presentation as the core characteristics of an entrepreneur. Women may be at a disadvantage due to this unconscious and frankly, unintentional bias. The format of pitch sessions force women to carefully craft a pitch that demonstrates a dynamic and compelling disposition, and men are found to be more suitable for this supposition. On the other hand, the online platform provides an opportunity for women to write strong profiles that demonstrate the leadership qualities investors are seeking. Crowdfunding eliminates the pitch stage and therefore excludes the bias that may emerge during a presentation by a female entrepreneur.

Companies specifically geared towards women's products are also prominent in the crowdfunding sphere. For example, [Willa is a natural skincare company](#) and raised about \$1 million in 2012. Sustain is a socially conscious condom company, which raised \$600,000 and markets primarily to women. Sustain also donates a part of its profits to improving women's reproductive health. Moreover, Thinx is an underwear and feminine hygiene startup, which raised almost \$85,000 last year. [Thinx makes fashionable underwear for menstruating women](#), providing an alternative to tampons and pads. The company easily surpassed its fundraising goals, and a subsequent crowdfunding campaign raised almost twice its initial ask. Finally, Ouya is a video game console-maker that raised \$8.6 million and has a female spearhead.

Implications for the Future of the Female Entrepreneurial Landscape

Undoubtedly, the next decade will be fruitful for female entrepreneurs, as online equity crowdfunding platforms provide an effective avenue to access large networks of investors in an efficient manner. Evidently, online platforms have served to mitigate the often stubborn gender bias that permeates through the financial services industry. Crowdfunding is leveling the playing field by providing a buffer to diffuse this unconscious and unintentional bias.



Moreover, crowdfunding's benefit towards women is multifaceted. For one, crowdfunding increases the participation of women on the investing side while also providing more financing outlets for female entrepreneurs. The long-term effects of crowdfunding's emergence also appear bright, as women can find subtle benefits for starting businesses. If women's businesses flourished at the same rate as men's, they would spark 15 million jobs in the United States. Crowdfunding can make up the difference for women-owned businesses in male-dominated industries, such as tech and videogaming.



Admittedly, the roadblocks outlined above pose many problems for the rise of female entrepreneurship. In order to circumvent some of these challenges, women entrepreneurs could serve as mentors and role models in order to help stereotypes change. Additionally, the media can play a role in fostering more positive portrayals of women. A study by the [Global Media Monitoring Project](#) found that media coverage seldom features women as subjects and when they do, almost half of the content reinforces negative stereotypes.

Many assert that the unconscious bias will persist long into the future and regardless of the medium. Whether or not fundraising takes place online or in person, the bias will likely continue unless something disrupts the status quo. And one can only hope.



Federal Court Orders North Carolina Resident Carl David Wright to Pay a \$1 Million Civil Penalty for Commodity Pool Fraud

In a parallel criminal action in 2014, Wright was sentenced to four years in prison and ordered to pay \$817,975 as restitution

The U.S. Commodity Futures Trading Commission (CFTC) announced on July 10 that the Honorable Richard L. Voorhees of the U.S. District Court for the Western District of North Carolina entered a Supplemental Order imposing a \$1 million civil monetary penalty against Defendant **Carl David Wright**, of Iron Station, North Carolina, for operating a commodity pool fraud in violation of the Commodity Exchange Act (CEA). The Court previously on October 28, 2013, entered a Consent Order finding that Wright committed fraud in connection with a commodity pool Ponzi scheme. The Consent Order also imposes a permanent trading and registration ban on Wright and prohibits him from violating the Commodity Exchange Act, as charged.

The Court's Orders arise out of the CFTC enforcement action filed on June 24, 2013, charging Wright with violating the anti-fraud provisions of the CEA by fraudulently soliciting and accepting at least \$1 million from approximately 16 customers (see CFTC Complaint and Press Release [6618-13](#)). According to the Consent Order, although Wright told participants that their funds would be invested in a variety of investments, including commodity futures, he in fact misappropriated most of the funds, using them to pay personal expenses and to make so-called profit payments to participants.



The CFTC appreciates the assistance of the U.S. Attorney's Office for the Western District of North Carolina in this matter. In a parallel criminal action based upon the same underlying facts, District Judge Robert C. Conrad of the U.S. District Court for the Western District of North Carolina in October 2014 sentenced Wright to four years in prison and ordered Wright to pay \$817,975 as restitution to injured customers (*United States of America v. Wright*, No. 13-cr-186).

The CFTC cautions victims that restitution orders may not result in the recovery of money lost because the wrongdoers may not have sufficient funds or assets. The CFTC will continue to fight vigorously for the protection of customers and to ensure the wrongdoers are held accountable.

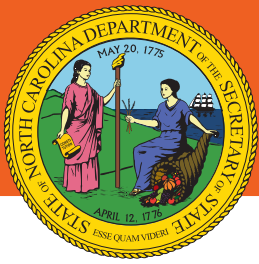
CFTC Division of Enforcement staff members responsible for this case are Jennifer E. Smiley, Mary Beth Spear, Ava Gould, Scott Williamson, and Rosemary Hollinger.

Five Minutes Could Save Your Life Savings



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

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



NORTH CAROLINA DEPARTMENT OF THE SECRETARY OF STATE

Securities Division

ARE YOU AN INFORMED INVESTOR?

CYBERSECURITY:

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

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

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

But do they?

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

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

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

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

NC Department of the
Secretary of State, Securities
Division, PO Box 29622,
Raleigh, NC 27626-0622

www.sosnc.com

Phone: (800) 688-4507 or
(919) 733-3924

Fax: (919) 807-2183

E-mail: secdiv@sosnc.com

For more investor education resources, visit the website of the
North American Securities Administrators Association
at www.nasaa.org.

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

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

The Bottom Line

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

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

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

NC Department of the Secretary of State, Securities Division PO Box 29622, Raleigh, NC 27626-0622
Phone: (800) 688-4507 or (919) 733-3924 | Fax: (919) 807-2183 | E-mail: secdiv@sosnc.com
Visit us at: www.sosnc.com or www.sos.nc.us



Investor Bulletin: Regulation A

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to educate investors about Regulation A. The SEC has recently [amended](#) Regulation A in order to create a new exemption from registration under the Securities Act, as mandated by the [Jumpstart Our Business Startups \(JOBS\) Act](#), to enhance the ability of smaller companies to raise money.

What is Regulation A?

Regulation A allows companies to offer and sell securities to the public, but with more limited disclosure requirements than what you would currently expect from publicly reporting companies. In comparison to registered offerings, smaller companies in earlier stages of development may be able to use this rule to more cost-effectively raise money.

How does Regulation A affect me?

With recent changes, Regulation A may present new opportunities for you to invest in early stage and smaller companies and businesses. ***If you take advantage of these opportunities, however, you should also be fully aware that your investment will involve risk.*** Following are some general risks to keep in mind:

- **Speculative.** Investments in startups and early-stage ventures are speculative and the businesses may fail. Unlike an investment in a mature business where there is a track record of revenue and income, a startup often relies on the development of a new business, product or service that may or may not find a market. ***The SEC does not pass upon the merits or give its approval to any securities offered.***
- **Illiquidity.** ***Even though there is no resale restriction, you may need to hold your investment for an indefinite period of time.*** If the securities are not to be listed on an exchange where you can quickly and easily trade the securities, you will have to locate an interested buyer when you do seek to resell your investment.

If I want to invest, what do I need to know?

Regulation A allows companies to raise money under two different *tiers*. ***If you are interested in investing in a company relying on Regulation A to sell its securities, then it is very important for you to know which tier the offering is being conducted under.*** Companies are required to indicate the tier their offerings are being conducted under on the cover of their primary disclosure document—the *offering circular*. The two different tiers mean two different types of investments for you. Regardless of the tier, however, any offering under Regulation A is subject to both federal and relevant state jurisdiction for any fraudulent and other unlawful conduct.

Tier 1

Under Tier 1, a company can raise up to \$20 million in any 12-month period. ***In connection with any offering under Regulation A, all investors must be provided with, or given information to access, an offering circular.*** For Tier 1 offerings, this offering circular must also be filed with, and is subject to review and *qualification* by, the staff at the SEC as well as by the securities regulator in the states where the offering is being conducted. There may be additional materials that you receive in addition to the offering circular.

Qualification. For both tiers under Regulation A, a company can only accept payment for the sale of its securities once its offering materials have been qualified by the staff at the SEC. Additionally, companies that are conducting a Tier 1 offering must generally have their offering materials qualified by state securities regulators in the states in which the company plans to sell its securities. ***It is therefore important to know whether an offering has been qualified. Investors, however, should understand that the SEC's qualification of an offering statement does not mean that the SEC has assessed the accuracy of the offering statement or the merits of the securities offered.***

It is important that you review the information disclosed in the offering circular before making your investment decision. The offering circular will contain important information such as information about the offering and the securities offered, risks of the investment, use of proceeds, any *selling shareholders*, the company's business, management, performance, plans and financial statements. The financial statements disclosed in a Tier 1 offering do not have to be audited by an independent accountant.

One notable distinction about investing in a Tier 1 offering is that companies relying on Tier 1 do not have ongoing reporting requirements other than a final report on the status of the offering. Accordingly, you will not have the regular flow of company information that you are familiar with when investing in companies listed on the NYSE or NASDAQ, for example.

Tier 2

Companies offering securities under Tier 2 can offer up to \$50 million in any 12-month period. ***As with Tier 1, all investors must be provided with, or given information to access, an offering circular.*** For Tier 2 offerings, the offering circular is subject to review and *qualification* by the staff at the SEC, but is not subject to review by state securities regulators.

It is similarly important that you review the information in the offering circular to learn about what you are investing in. The offering circular will contain important information such as information about the offering and the securities offered, risks of the investment, use of proceeds, any *selling shareholders*, the company's business, management, performance, plans and financial statements. Financial statements disclosed in a Tier 2 offering have to be audited by an independent accountant.

Selling shareholders. For both tiers under Regulation A, companies can include shares in their offerings held by other shareholders. In this case, your investment may be a purchase of shares from an existing shareholder. It is worthwhile to note that your investment in these resale shares will not be used to fund the company's future development and plans. ***The offering circular will disclose whether any shares in the offering are being offered by an existing shareholder.***

Companies offering securities under Tier 2 become subject to ongoing reporting requirements. Like public companies that regularly disclose their financial results, companies raising money under Tier 2 will also file regular reports with the SEC. However, unlike the quarterly reporting that you may be use to, Tier 2 companies are only required to file a semiannual and annual report as well as interim current reports upon the occurrence of certain enumerated events.

Securities offered under Tier 2, however, may be listed on a national exchange to the extent that the company applies for listing and meets the listing requirements for that particular exchange. In such circumstances, the company would be required to comply with the more extensive ongoing reporting requirements of public companies including, for example, the requirement to file quarterly reports.

Am I limited in whether and how much I can invest?

There are ***no limitations*** on whether you can invest, or how much you can invest, if you are investing ***in an offering relying on Tier 1 of Regulation A.***

Am I limited in whether and how much I can invest?

There are *no limitations* on whether you can invest, or how much you can invest, if you are investing *in an offering relying on Tier 1 of Regulation A*.

If, however, you are offered an opportunity to invest:

- in a *Tier 2 offering*;
- you are *not an accredited investor*; and
- the *securities are not going to be listed on a national securities exchange* upon qualification;

there are *some investment limitations* of which you should be aware. In such circumstances, individual investors are limited in how much they can invest to no more than 10% of the greater of the person's, alone or together with a spouse, annual income or net worth (excluding the value of the person's primary residence and any loans secured by the residence (up to the value of the residence)).

Accredited investor. An individual will be considered an *accredited investor* if he or she:

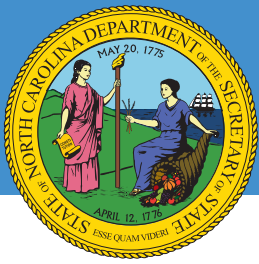
- ◆ earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, *OR*
- ◆ has a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence and any loans secured by the residence (up to the value of the residence)).

How do I stay informed about my investment?

Companies conducting offerings under either Tier 1 or Tier 2 of Regulation A must file disclosure information with the SEC using EDGAR. Companies relying on Tier 2 have ongoing reporting requirements and these reports can also be found on EDGAR. Following are descriptions of the forms related to a Regulation A offering:

<u>Form</u>	<u>Description</u>	<u>Tier 1</u>	<u>Tier2</u>
1-A	The <i>offering statement</i> which includes the offering circular and other disclosure about the offering.	•	•
1-Z	The <i>exit report</i> that details the termination or completion of an offering. Companies relying on Tier 2 can instead disclose this on Form 1-K.	•	•
1-K	The <i>annual report</i> to be filed within 120 days after the end of the fiscal year that includes audited financial statements for the year, a discussion of the company's financial results for the year and information about the company's business and management, related-party transactions and share ownership.	◦	•
1-SA	The <i>seminannual report</i> to be filed within 90 days after the end of the semiannual period that includes unaudited interim financial statements and a discussion of the company's financial results for the period.	◦	•
1-U	The <i>current report</i> to be filed within four business days of certain events including a fundamental change, bankruptcy, change in accountant, non-reliance on prior financial statements or audit report, change in control and departure of officers.	◦	•

If you have a question or concern about an investment, or you think you have encountered fraud, please contact the North Carolina Secretary of State's Securities Division at 1-800-688-4507, the SEC or FINRA.



ARE YOU AN INFORMED INVESTOR?

UNDERSTANDING BROKER-DEALER FEES

Savvy consumers know it is important to compare prices on similar products to get the best value for their money. Wouldn't it be nice if the same were true when shopping for a broker-dealer firm to handle your investments?

New research from the North American Securities Administrators Association (NASAA) shows investors are confused about the fees brokers charge for services and maintenance of their brokerage accounts. The research also shows investors want clear and easy access to fee information from their brokerages. Broker-dealer firms must disclose all fees to customers; however, brokerage firms are largely free to decide for themselves how to do this. In an effort to do comparison shopping of broker-dealer firms, NASAA also surveyed brokerage firms to determine how firms disclosed their fees to customers and the amount they charged. The survey found:

- How and when firms disclosed fees to clients varied tremendously from firm to firm.
- Markups for some of the services charged to clients were routine among the surveyed brokerage firms, ranging in some cases from 100 percent to 280 percent. In one case, a firm charged \$500 for a securities certificate when its cost was \$60, a 733 percent markup!

Despite these discrepancies, firms are compliant with the law as long as they disclose their fees to customers. Therefore, investors must be vigilant and know what to look for when comparison shopping for broker-dealers.

It can be difficult for investors to comparison shop among different broker-dealer firms due to the different terminology used by the firms and the lack of consistent fee descriptions or definitions. Until fee disclosures are more consistent and transparent, the burden falls to the investor to understand all the fees.

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

NC Department of the
Secretary of State, Securities
Division, PO Box 29622,
Raleigh, NC 27626-0622

www.sosnc.com

Phone: (800) 688-4507 or
(919) 733-3924

Fax: (919) 807-2183

E-mail: secdiv@sosnc.com

For more investor education resources, visit the website of the North American Securities Administrators Association at www.nasaa.org.

The Needle in the Haystack:

How to find the fees in disclosures

The NASAA survey found differences among broker-dealer firms in the timing, method, manner, and length of the fee disclosures.

Timing of Disclosure

Fees are typically disclosed when a customer account is opened. **Ask for the fee schedule** – make sure it's up-to-date. If it is not readily available, do not place any assets until it is provided. You have the right to know the fees in advance.

Watch out for fee changes. Most broker-dealers disclose fee changes at least 30 days in advance, but they may use different methods to notify you (e.g., email, postal mail, or their website). At your first meeting, clarify how you want to be notified, and how the fees and fee changes will be disclosed. Before authorizing any service, ask the broker-dealer firm to provide the fee in writing.

Method of Disclosure

Most broker-dealers disclose fees for certain services on a table, chart, or list, while some use a narrative, but it may not list dollar amounts or formulas. Either way, **read the fine print and ask questions.**

If you do not readily see a section on fees and charges, ask for it. You are responsible for reading and understanding all materials the broker-dealer firm sends.

Disclosure Length and Content

There are no defined minimum or maximum length requirements for disclosure, but whether it's one page or 10, take your time to review the information and be sure to ask questions. **Talk the talk.** Different firms may use different terms for the same service. Know the services you may be using regularly and ask specifically what terms the firm uses for the services and the associated fees.

The Bottom Line:

Remember, every broker-dealer firm and broker-dealer representative must be registered to lawfully sell you any security. Check out the firms or representatives with your state or provincial securities regulator before placing any assets with them or authorizing them to conduct a trade. Your securities regulator can tell you if there are any complaints or past actions against any firms or representatives you are considering. If you have any questions, contact the North Carolina Securities Division at (800) 688-4507 or (919) 733-3924.

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

NC Department of the Secretary of State, Securities Division PO Box 29622, Raleigh, NC 27626-0622
Phone: (800) 688-4507 or (919) 733-3924 | Fax: (919) 807-2183 | E-mail: secdiv@sosnc.com
Visit us at: www.sosnc.com or www.sos.nc.us



SSA Tool Makes it Easier to Start Planning For Retirement Today

Most people would agree that planning is essential to achieving any goal. This is especially true for reaching retirement milestones. Luckily, there are tools and resources that can help you plan for—and reach—your retirement goals. One valuable tool is [my Social Security](#), brought to you by the Social Security Administration (SSA).

This online account lets you check your earnings record and see estimates of the future retirement, disability and survivor benefits you and your family may receive. My Social Security is a free and secure account that lets you access and manage your personal Social Security information online, whether you're still working or already receiving benefits.



During your working years, you can use your account to see your Social Security statement. This allows you to check your earnings record and see estimates of the future retirement, disability and survivor benefits you and your family may receive based on your earnings. If you already receive Social Security benefits or have Medicare, you can use my Social Security to check your benefit information, change your address and phone number, change your electronic payment methods, obtain a benefit verification letter, get a replacement Medicare card and more.

After checking your online Social Security statement, try out the SSA's Retirement Estimator. This tool lets you compute your potential future Social Security benefits by changing variables like retirement dates and future earnings. You may discover, for instance, that you'd rather delay retirement for another year or two so that you can earn a higher benefit. The Retirement Estimator gives you instant, personalized estimates of your future benefits. For more information about my Social Security, check out www.socialsecurity.gov.



Getting calls from your own number?

From the FTC's [Consumer Information Blog](#)

It's like a scene out of a strange sci-fi movie. You get a call, look at the caller ID, and see that your own number is calling. Weird! No, this isn't an alternate reality where your future self is calling the present you. It's a scammer making an illegal [robocall](#).

Technology makes it easy for scammers to fake or "spoof" caller ID information. They can make it look like they're calling from a different place or phone number. Even **your** number. Scammers use this trick as a way to get around call-blocking and hide from law enforcement. They hope you'll be curious enough to pick up. Don't fall for it.

The real callers could be calling from anywhere in the world. We've written about these kinds of tricks before — like when [scammers pretended to be the IRS](#) and faked caller ID so people thought it really was the IRS calling.

Bottom line? These calls from your own number are illegal. Don't pick up — or press buttons to be taken off the call list or to talk to a live person. That just leads to more calls. It's best to ignore them, and move on with your day. Maybe watch a really good sci-fi movie.

Save The Date

FRAUD & SCAM PREVENTION FOR SENIORS

Modern Times



Modern Crimes:

“Are You Protected?”

Wednesday, August 12, 2015



Registration 8:30 a.m. - 9:00 a.m.

Program 9:00 a.m. - 12:00 p.m.

Southeastern Community College

T-building, Room 120

4564 Chadbourn Hwy

Whiteville, NC

FREE OF CHARGE



You Must Pre-Register by August 10th to Attend

Elizabeth Chase 910-642-7141 ext. 360 or Elizabeth.Chase@sccnc.edu

A Light Breakfast will be Provided

Speakers:

Elaine Marshall

N.C. Secretary of State

Sheriff Lewis Hatcher

Columbus County

Caroline Farmer

N.C. Attorney General's Office

Chief of Police Jeff Rosier

Whiteville

Stephanie Bias

N.C. Seniors' Health Ins. Information Program

N.C. Department of Insurance

Jonathan David

District Attorney

13th Judicial District

CO-SPONSORED BY:



Area Agency On Aging
Cape Fear Council of Governments

RSVP

Lead With Experience





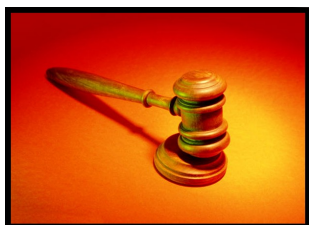
Calendar of Upcoming Events

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](#), [Leo John](#) or [Lauren Benbow](#) at (800) 688-4507. For a complete list of all upcoming events, please check out our online [calendar](#).

Date	City	Details
8/11/15	Cary	“Business Essentials” Presentation offering information to help new businesses navigate government regulations. Cary Innovation Center, 201 W. Chatham Street. Time: 11 AM—1 PM. For more information, contact Van Carpenter at (919) 539-3499 or visit www.caryinnovationcenter.com .
8/12/15	Whiteville	“Modern Times, Modern Crimes: Are Your Protected?” Secretary of State Elaine F. Marshall will join Columbus County Sheriff Lewis Hatcher and officials from the US Commodity Futures Trading Commission and the Cape Fear Council of Governments Area Agency on Aging to discuss how people can protect themselves from investment scams. Southeastern Community College, Building T, 4564 Chadbourn Highway. Time: 9 AM—Noon. For more information, contact Jane S. Jones, Director, Area Agency on Aging, Cape Fear Council of Governments, at (910) 395-4553 ext. 209.
8/25/15	Wilmington	Starting and Financing a Business in N.C.” An official from the NC Secretary of State’s Office will discuss what startups need to know when starting and financing new businesses. tekMountain, 1844 Sir Tyler Drive. Time 5 PM—7 PM. For more information, contact Sean Ahlum at (910) 815-3880, Ext. 7271 or visit www.tekmountain.com .
8/26/15	Sanford	The 13th Annual “Boomer, Senior and Caregiver Expo” will include a presentation from an NC Secretary of State’s Office official providing tips on recognizing and avoiding investment scams, as well as information about the Secretary of State’s Advance Healthcare Directive Registry. The Dennis A. Wicker Civic Center, 1801 Nash Street. Time: 10 AM—2:30 PM. For more information please contact Judi Womack or visit the Expo website .
8/28/15	Asheville	“Starting and Financing a Business in N.C.” An official from the NC Secretary of State’s Office will discuss what startups need to know when starting and financing new businesses. Venture Asheville, Asheville Chamber of Commerce, 36 Montford Avenue. For more information, contact Josh Dorfman .
8/29/15	Asheville	“Startup Weekend Asheville” is a 54-hour event designed to teach the skills of entrepreneurship by having participants work on a team to convert an idea into an operating business. On Saturday, August 29, an official from the NC Secretary of State’s Office will be on hand to discuss what new startups need to know from a state government perspective when starting and financing a new business. Nesbitt Discovery Academy, 175 Bingham Road. For more information, please visit Asheville.startupweekend.org .

- 9/10/15 Candler “Business Essentials” presentation, offering information to help new businesses navigate government regulations. Asheville-Buncombe Technical Community College, Room 2046 of the Small Business Center, 1465 Sand Hill Road. Time: 2 PM—4 PM. Event is free, but [registration](#) is requested.
- 9/23/15 Cary Investment fraud presentation, Heritage Pines Clubhouse, 2000 Heritage Pines Drive. Time: 10 AM—11 AM. Free, but open to Heritage Pines residents and their guests only. For more information, please contact Sharon Toomey at (919) 466-0016 or visit www.heritagepinesnc.com.
- 10/9/15 West End Officials from the Secretary of State’s Office, the NC Department of Justice and the NC Department of Insurance will make presentations offering tips on how to protect yourself from a wide variety of scams. Moore County Senior Enrichment Center, 8040 US-15. Time: 9 AM—Noon. The event is free and open to the public. For more information, please contact Lynne Drinkwater, Moore County Department of Aging (910) 215-0900 ext. 206.
- 10/13/15 St. James “Modern Times, Modern Crimes” anti-fraud workshop will feature comments from Secretary of State Elaine F. Marshall. St. James Community Center, 4136 Southport-Supply Road SE. Time: 9:30 AM—2:00 PM. For more information, please contact Jane S. Jones at (910) 395-4553 ext. 209.
- 10/14/15 Southport Elder fraud prevention training for law enforcement officers. Southport Community Building, 223 E. Bay Street. Time: 9:30 AM—2:30 PM. For more information, please contact Jane S. Jones, Director, Area Agency on Aging, Cape Fear Council of Governments, at (910) 395-4553 ext. 209.
- 10/15/15 Salisbury “Business Essentials” presentation offering information to help new businesses navigate government regulations. Rowan-Cabarrus Community College North Campus, Building 400, Room 4133, 1333 Jake Alexander Blvd. South. Time: 9 AM—11 AM. Event is free, but [registration](#) is requested.
- 10/16/15 Raleigh “Nothing Ventured, Nothing Gained: The Evolving Impact of Investment Crowdfunding on Modern Legal Markets” symposium. Hosted by the Campbell Law Review, this symposium will feature a day of panel discussions and group collaboration. Campbell University School of Law, 225 Hillsborough Street. Time: 9AM—5 PM. For more information, contact [Lillie Seifart](#).
- 10/20/15 Clyde “Business Essentials” presentation offering information to help new businesses navigate government regulations. Haywood Community College Auditorium, Room 1502 of 1500 Building, 185 Freedlander Drive. Time: 2 PM—4 PM. Event is free, but [registration](#) is requested.
- 11/10/15 Concord Investment fraud presentation. Gardens or Taylor Glen, 3700 Taylor Glen Lane NW. Time: 11 AM—Noon (followed by lunch at Noon). Open to Gardens of Taylor Glen residents and their guests only. For More information, contact Sharon Stoudemayer at (704) 788-6510 or visit www.taylorglencommunity.org.

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|----------|-----------------|---|
| 11/12/15 | Charlotte | “Consumer Fraud Prevention for Veterans” program. Secretary of State Elaine F. Marshall will speak at this event, which is being sponsored by the BBB Consumer Foundation. For more information, contact Maryanne Dailey at (704) 927-8625. |
| 11/17/15 | Barco | “Scam Jam” anti-fraud event. Officials from the NC Secretary of State’s Office, NC Department of Justice and the NC Department of Insurance will make presentations offering tips on how to protect yourself from a wide variety of scams. Currituck County Senior Center, 130 Community Way. Time: 10 AM—2 PM. This event is free and open to the public. For more information, contact Laura Alvarico, Director, Area Agency on Aging, Albemarle Commission at (252) 426-5753 ext. 224. |
| 11/18/15 | Swan
Quarter | “Scam Jam” anti-fraud event. Officials from the NC Secretary of State’s Office, NC Department of Justice and the NC Department of Insurance will make presentations offering tips on how to protect yourself from a wide variety of scams. Hyde County Senior Center, 160 Juniper Bay Road. Time: 10 AM—2 PM. This event is free and open to the public. For more information, contact Laura Alvarico, Director, Area Agency on Aging, Albemarle Commission at (252) 426-5753 ext. 224. |



On The Docket

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

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was released from custody on a \$100,000 secured bond. His next court appearance in Ashe County has been scheduled for September 28, 2015.

David Alan Topping, of Oak Island, NC, was arrested by law enforcement agents with the NC Secretary of State Securities Division on November 4, 2014 and charged with one felony count of securities fraud. The Brunswick County Sheriff’s Office also charged Topping with one felony count of obtaining property by false pretenses and one misdemeanor charge for solicitation to obtain property by false pretenses. Topping is alleged to have defrauded multiple victims out of more than \$100,000. He is currently out of jail on a \$250,000 unsecured bond.

Charles Caleb Fackrell, of Booneville, NC, was arrested by the Yadkinville Police Department in December, 2014 and to date has been charged with seven felony counts of obtaining property by false pretense. He is currently in the Yadkin County Detention Center under a \$2.5 million secured bond.

To assist in the NC Securities Division’s ongoing criminal investigation into Fackrell, we ask that any person who may have invested with Fackrell or his company, Fackrell Trivette Wealth Management, LLC, **please contact the Division immediately at 1-800-688-4507**. The Division would be interested in receiving **copies – not originals** – of any and all correspondence anyone may have had with Fackrell relating to the offer, sale of purchase of any investments. Anyone wishing to file a complaint against Fackrell or his company may do so by submitting a complaint form, located on the NC Secretary of State’s [website](#).

Recent Enforcement Actions



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

On **May 15, 2015**, the Securities Division of the North Carolina Department of Secretary of State issued a **Final Order of Revocation (Order) against Aegis Capital, LLC** (Aegis). The Order revoked Aegis's registration to operate as an Investment Adviser in North Carolina. The Order found that Aegis had violated provisions of the Investment Advisers Act. Click [here](#) to view the Final Order Revocation.

On **May 4, 2015**, the Securities Division of the North Carolina Department of Secretary of State issued a **Final Order to Cease and Desist to CAUSwave, Inc.** CAUSwave, Inc. This Order made permanent the terms of the Temporary Order to Cease and Desist issued on March 12, 2015. The Final Order found that CAUSwave, Inc. has violated the North Carolina Securities Act. The Order directs CAUSwave, Inc. and any person, employee, officer, director, entity or independent contractor under the direction or control of CAUSwave, Inc. to cease and desist from offering for sale, soliciting offers to purchase or selling, in or from North Carolina, any securities unless and until: (1) such securities have been registered under the provisions of the North Carolina Securities Act, and (2) CAUSwave, Inc. and any person or entity under the direction or control of CAUSwave, Inc. is properly registered as a securities dealer or salesman under the provisions of the North Carolina Securities Act. Click [here](#) to view the Final Order.

On **February 12, 2015**, the Securities Division of the North Carolina Department of the Secretary of State issued a **Final Order to Cease and Desist** to Respondents **Stark Innovations, L.L.C.**, and **David Alan Topping**, doing business as "Stark Investments, Inc." This Order made permanent the terms of the Temporary Order to Cease and Desist issued on November 5, 2014 in this matter. Respondents failed to object to the issuance of the Final Order or to seek any hearing in this matter. Respondents are prevented and restrained from offering to sell, or selling, securities interests in Stark Innovations, L.L.C., or any other security, in North Carolina without first complying with the North Carolina Securities Act. Click [here](#) to see the Order.

On **January 27, 2015**, the Securities Division of the North Carolina Department of the Secretary of State entered into a **Final Consent Order** with Respondent, **McGrath & Associates, Inc.** McGrath & Associates, Inc. is a registered investment adviser in the State of North Carolina. McGrath & Associates, Inc. violated the registration provisions of the North Carolina Investment Advisers Act by employing an unregistered investment adviser representative. The unregistered investment adviser representative was fully qualified for registration. The registration violation came to the Securities Division's attention through a routine audit of the investment adviser. McGrath & Associates, Inc. properly registered the investment adviser representative on May 13, 2014. Click [here](#) to view the Final Order.

On **December 19, 2014**, the Securities Division of the North Carolina Department of the Secretary of State entered into a **Consent Order** with respondents, **Senior Veterans Council, LLC**, and **David L. Cole**. Respondent Senior Veterans Council, LLC, through its agent, Respondent David L. Cole improperly held itself out to the North Carolina investing public as an investment adviser licensed to legally engage in investment advisory business. The Consent Order also found that respondents engaged in the business of providing investment advisory services in North Carolina without being properly registered to do so under the North Carolina Investment Advisers Act. To read the Consent Order, please click [here](#).



News from the Regulators

The following are links to selected public notices issued by one or more securities regulator. Click the links to view the full notices. These are offered for informational purposes only.

[CFTC Accepting Whistleblower Award Claims in James Harvey Mason Case](#)

July 22, 2015—The Commodity Futures Trading Commission (CFTC) is accepting whistleblower award claims until October 20 in the case of James Harvey Mason. Mason, of Graham, North Carolina, was ordered in April to pay a civil penalty and restitution totaling \$5.5 million in connection with off-exchange foreign currency (forex) commodity pool fraud. The CFTC Consent Order found that from at least July of 2010 to March of 2013, Mason fraudulently solicited, accepted and pooled at \$5.3 million from approximately 500 participants. According to the Consent Order, only a portion of those funds were placed in forex trading accounts in the commodity pools' names, while Mason deposited the rest of the participant funds in various bank accounts for other purposes including making "Ponzi" payments to other participants. Mason was also never registered with the CFTC in any capacity. The Consent Order imposed permanent trading and registration bans on him. The NC Secretary of State's Securities Division worked with the CFTC and the US Attorney's Office for the Western District of North Carolina on the case.

As is noted on the [front page](#) of this newsletter, Mason was sentenced on August 3rd to eight years in federal prison for his forex scheme.

Individuals who voluntarily provided the CFTC with original information after July 21, 2010 that led to the successful enforcement of a Covered Action are eligible to claim a whistleblower award. To make an award claim, you must submit a Form [WB-APP](#) by mail or facsimile to:

Commodity Futures Trading Commission

Whistleblower Office
1155 21st Street, NW
Washington, DC 20581
Fax: (202) 481-5975

Please email any questions about this Notice to the Whistleblower Office at whistleblower@cftc.gov.

[FINRA Issues Investor Alert on Bond Liquidity](#)

July 10, 2015—The Financial Industry Regulatory Authority (FINRA) issued a new Investor Alert called [Bond Liquidity—Factors to Consider and Questions to Ask](#). FINRA is publishing this article to educate investors about bond liquidity, and the potential for decreased liquidity and investment losses for those who sell their bonds before maturity at a time of market stress.

"Even buy-and-hold investors who have no intention of selling their bonds before maturity can benefit from better understanding how bond markets work. If you are investing in bonds, you need to be aware of how the potential for decreased liquidity might impact your ability to sell a bond before maturity," said Gerri Walsh, FINRA's Senior Vice President for Investor Education.

The Investor Alert provides investors with a basic primer on how bonds are bought and sold, and discusses some of the factors that have the potential to put pressure on bond liquidity.

Court Orders \$76 Million in Civil Monetary Penalties against Keith F. Simmons, Deanna Salazar and Their Companies in Connection with Foreign Currency Ponzi Scheme

In Related Criminal Actions, Simmons Sentenced to 40 Years' and Salazar Sentenced to 4.5 Years' Incarceration and Ordered to Pay in Total \$40 Million in Criminal Restitution

Both Simmons and Salazar Currently are Serving Their Prison Sentences

The U.S. Commodity Futures Trading Commission (CFTC) announced on Friday, July 31 that Judge Robert J. Conrad, Jr. of the U.S. District Court for the Western District of North Carolina entered separate Consent Orders (Orders) against Defendants **Keith F. Simmons** and his company, **Black Diamond Capital Solutions, LLC**, and **Deanna Salazar** and her companies, **Life Plus Group, LLC** and **Black Diamond Holdings, LLC**, imposing a total of \$76 million in civil monetary penalties in connection with a foreign currency exchange (forex) scheme in violation of the Commodity Exchange Act (CEA). The Orders also impose permanent trading and registration bans on the Defendants and prohibit them from further violations of the anti-fraud provisions of the CEA, as charged.

Simmons was a resident of West Jefferson, North Carolina, and Salazar was a resident of Yucca Valley, California.

The Orders arise out of a CFTC Complaint, filed on January 13, 2011, charging Simmons, Salazar, and their companies with fraudulent solicitation and misappropriation of customer funds in connection with a Ponzi-style scheme involving forex trading (see CFTC Press Release and Complaint [5985-11](#), February 16, 2011). Also charged in the CFTC complaint are **Bryan Coats** of Clayton, North Carolina and his company, **Genesis Wealth Management, LLC**, and **Jonathan Davey** of Newark, Ohio and his companies, **Divine Circulation Services, LLC**, **Divine Stewardship, LLC**, **Safe Harbor Ventures, Inc.**, **Safe Harbor Wealth Investments, Inc.**, and **Safe Harbor Wealth, Inc.** The CFTC's litigation against these Defendants is ongoing.

The Orders find that from at least April 2007 through at least 2009, Simmons and Salazar, acting through their companies and with others, fraudulently solicited and accepted at least \$35 million from at least 240 individuals to engage in off-exchange forex trading through a trading platform known as Black Diamond. In fact, according to the Orders, no forex trading was ever conducted through the Black Diamond trading platform, and the Black Diamond trading platform never existed. Rather, Simmons and Salazar misappropriated millions of dollars of customer funds to make purported profit payments to customers, as is typical of a Ponzi scheme, and for personal and unrelated business expenses, according to the Orders.

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:jmaron@sosnc.com), Director of the Investor Education Program, or call (919) 807-2106.

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