



North Carolina Department of the Secretary of State

Hon. Elaine F. Marshall, Secretary

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Kevin Harrington Named Director of NC Secretary of State's Securities Division

North Carolina Secretary of State Elaine F. Marshall has named Senior Enforcement Attorney Kevin Harrington as Director of the Department of the Secretary of State's Securities Division and Deputy Securities Administrator.

Harrington succeeds longtime Securities Director Dave Massey, who recently retired following 28 years in state government and 18 years at the helm of the Securities Division.

Harrington, 43, has served as an Enforcement Attorney in the Securities Division since 2008. He co-prosecuted the case against Ponzi scheme operator Walter Reinhardt, who was sentenced in 2014 to 15-20 years in prison for defrauding retired educators in Durham of more than \$1 million.

Harrington was appointed in 2011 to serve part-time as a Special Assistant United States Attorney with the U.S. Attorney's Office in Charlotte, where he led successful prosecutions in a number of financial crime cases, including the cases of Ponzi scheme operators Claude McDougal and James Mason. He also prosecuted cases in the wide-ranging "Operation Wax House" investment and mortgage fraud scheme. Harrington will continue in his role as a Special Assistant United States Attorney.

"Kevin's strength as a litigator has been essential in our fight to protect North Carolina's investors," said Secretary of State Marshall. "He has also worked tirelessly to maintain the close partnership between the Secretary of State's Office and the U.S. Attorney's Office. That great state and federal partnership has been crucial in convicting many financial criminals and finding justice for investors harmed by fraud."

"I am excited to take on this opportunity and I look forward to leading our agency's vital mission to protect North Carolina's investing public," said Harrington.

Prior to joining the Secretary of State's Office, Harrington served as a Special Agent with the United States Air Force Office of Special Investigations where he investigated terrorism, counterintelligence and criminal matters in the United States and abroad. He is a graduate of the State University of New York at Albany and the Hofstra University School of Law.



Federal Court in NC Enters Judgment against Ron Earl McCullough and David Christopher Mayhew in Foreign Currency Ponzi Scheme

The U.S. Commodity Futures Trading Commission (CFTC) announced on August 28 that Senior Judge James C. Fox of the U.S. District Court for the Eastern District of North Carolina entered a default judgment Order against Defendants Ron Earl McCullough and David Christopher Mayhew, both from Raleigh, North Carolina. The Order requires McCullough and Mayhew jointly to pay \$1,223,388.43 in restitution and a \$2,486,619.87 civil monetary penalty. The Order also enters a permanent injunction that imposes permanent trading and registration bans against the Defendants and prohibits them from violating the Commodity Exchange Act (CEA) and CFTC regulations, as charged.

[Editor's Note: As was noted in our [July newsletter](#), a federal jury on June 12, 2015 found Mayhew guilty of one count of conspiracy, ten counts of wire fraud, four counts of mail fraud and three counts of unlawful monetary transactions. Mayhew's sentencing hearing on that conviction has been scheduled for September 28, 2015. The grand jury also indicted McCullough, but McCullough is currently a fugitive. That investigation was conducted by the FBI, the IRS Criminal Investigation Division, the North Carolina Secretary of State's Securities Division, and the Postal Inspection Service.]

The Court's Order stems from a CFTC Complaint filed on February 18, 2014 against McCullough and Mayhew (see Complaint and CFTC Press Release [6860-14](#)).

In the Order, the Court found that, from approximately December 2008 to January 2012, McCullough and Mayhew operated a fraudulent scheme that solicited approximately \$2.3 million from at least 11 members of the public to trade leveraged or margined off-exchange foreign currency contracts. The Court also found that McCullough and Mayhew misrepresented their trading record, used some customer funds to repay other customers in the manner of a Ponzi scheme, and misappropriated more than \$1.6 million from their customers, including \$829,000 for their personal use.



CFTC Earlier Issued an Administrative Order against Travis Cox, a Partner of McCullough and Mayhew
In a separate but related matter, on February 19, 2014, the CFTC issued an Administrative Order against Travis Maurice Cox also from Raleigh, North Carolina, that sets forth Cox's fraudulent conduct in connection with his solicitations on behalf of his forex trading partners, McCullough and Mayhew (see Administrative Order and CFTC Press Release [6860-14](#)). The CFTC Order found that Cox misrepresented the results of McCullough and Mayhew's trading on his behalf and misappropriated approximately \$114,000 of his customers' funds. The Order also required Cox to pay restitution of \$1,306,010.95 to his defrauded customers and a \$330,000 civil monetary penalty.

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 that persons who violate the CEA by committing fraud are held accountable.

The CFTC thanks the U.S. Attorney's Office for the Eastern District of North Carolina, the Federal Bureau of Investigation, the Internal Revenue Service, and the U.S. Postal Inspection Service for their assistance. CFTC Division of Enforcement staff members responsible for this case are Glenn Chernigoff, Maura Viehmeyer, James H. Holl, III, Rick Glaser, and Gretchen L. Lowe.

Secretary of State Warns North Carolinians to Stay Vigilant Against Investment Scams

“Crooks are real, so always check the deal.”

Well over a hundred Columbus County residents packed into the auditorium of Southeastern Community College in August for a three hour “Scam Jam” that offered a primer from local and state law enforcement leaders on the dangers posed by a wide range of fraud and how to avoid them.

Secretary of State Elaine F. Marshall joined Columbus County Sheriff Lewis Hatcher, Whiteville Police Chief Jeff Rosier, District Attorney Jon David and other local and state officials in citing examples of everything from complex investment fraud to identity theft and consumer scams. All of the speakers urged Scam Jam-goers to protect themselves by keeping a keen eye out for the tell-tale signs of a scam, and to report suspected scams to the authorities.

Secretary Marshall reported that just in the past year Secretary of State agents and enforcement attorneys worked investment fraud cases where 19 individuals were fined, charged, convicted or sentenced, and that at least 679 victims lost a combined total of more than \$89 million as a result of those crimes.



Secretary Marshall addressing Scam Jam goers.



Photo courtesy of the Cape Fear Council of Governments

Noting that she’d even titled her talk “Crooks are real, so always check the deal,” Secretary Marshall said that such stats make clear that investment fraud poses a clear financial threat to everyday people all across North Carolina. Then she challenged everyone to be proactive about protecting themselves and their friends and family from investment scams and other white collar crime.

“No matter how many crooks we throw in jail, we can never win that fight without the public getting more educated, more aware and more wary of the scam artists out there looking to rip them off,” said Secretary Marshall.

District Attorney Jon David advised against allowing anyone access to your Social Security numbers, passwords or bank information, cautioning that “you can steal a lot more money with a computer than you can with a gun.”

Caroline Farmer with the Attorney General’s Office also addressed Scam Jam attendees, urging them to monitor their bank accounts, credit ratings and cell phone accounts carefully, and to avoid using public space Wi-Fi in order to protect vital data on their mobile devices.



Caroline Farmer from the NC Attorney General’s Office (Photo courtesy of the Cape Fear Council of Governments)

NC Securities Director Dave Massey Retires



NC Secretary of State Elaine F. Marshall presented outgoing Securities Division Director Dave Massey with the National Association of Secretaries of State Medallion Award on August 31 to honor his 28 years of exemplary leadership and service.

As we noted in the August Securities newsletter, Dave has been at the helm of the Securities Division since 1997, becoming a nationally respected expert on state regulation of securities.

CFTC Approves Rule Requiring Introducing Brokers to Have NFA Registration

The U.S. Commodity Futures Trading Commission (Commission) issued a final rule on September 10 (new Commission regulation 170.17) requiring that all registered introducing brokers and commodity pool operators, and certain commodity trading advisors (CTAs) become and remain members of a registered futures association (RFA). All persons subject to the final rule must comply by December 31, 2015.

Registered CTAs who qualify for an exemption from registration as a CTA based on Commission regulation 4.14(a)(9) are not subject to this requirement to become a member of an RFA. Currently, the National Futures Association is the only RFA.



The SEC will host a conference Tuesday, Sept. 29, commemorating the 75th Anniversary of the Investment Company Act and the Investment Advisers Act. The event will include remarks from SEC Chair Mary Jo White and fellow commissioners, as well as a series of panel discussions featuring industry pioneers, former SEC chairmen and division directors, academics and other distinguished leaders from the asset management field.

The Investment Company Act and the Investment Advisers Act, which were signed into law by Pres. Roosevelt in August 1940, are the primary laws governing investment companies and investment advisers, and give the SEC the power to regulate these entities. Investment companies and investment advisers are a significant part of the U.S. capital markets, and in 2015, the SEC oversees registered investment companies with a combined \$17.8 trillion in assets and registered investment advisers with approximately \$67 trillion in regulatory assets under management.

The 75th Anniversary event will be held on Sept. 29 from 9:15 a.m. to 4 p.m. at the auditorium of the US Securities and Exchange Commission, located at 100 F. St. NE in Washington, DC. The event is open to the public on a first come, first serve basis, but it will also be streamed in a webcast at www.sec.gov.



[FINRA Podcast](#)

What You Should Know About Automated Investment Tools

Click on the link above to check out this informative podcast from FINRA about the automated investment tools now available at the consumer level.

At the swipe of a fingertip or the click of a mouse, you can access a broad range of automatic investment tools. Financial professionals have used auto tools for decades to help customers build and manage investment portfolios, and a growing number of these tools are now available directly to investors. The tools may offer benefits, but it's important to understand their risks and limitations before using them.

SOSNC Educational Outreach Program: Helping North Carolina's Economy Grow, One Start-Up at a Time

Ray Chow and Chris Wellington wish they had attended one of the N.C. Secretary of State's educational presentations months ago. They might have avoided making mistakes which cost them both time and money when they began the process of incorporating their company.

"Having to spend the time and money to correct errors - that is the cost of the mistake," says Chow, a co-founder of, Foosye, a Raleigh software company with 17 workers that aims to organize and digitize the burgeoning food truck industry. "Had we done it correctly upfront - that is hundreds of dollars that could have been saved. Money is certainly a cost, but it's also the time."

After Chow and Wellington attended the Secretary of State's presentation, "Starting and Financing a Business in North Carolina," at American Underground in Raleigh, they walked away with a better understanding of incorporating a venture, registering for state trademarks, complying with securities regulations when fundraising, and avoiding investor fraud.

The Department of the Secretary of State promotes a competitive and ethical business climate in North Carolina. Among other things, the Department registers business entities, helps safeguard a company's identity and intellectual property, registers notaries public, authenticates certain documents, and ensures that businesses and investors alike have the information they need to make informed investment decisions.

"These educational outreach presentations are a natural outgrowth of our investor education efforts," said NC Secretary of State Elaine F. Marshall. "They are designed to help entrepreneurs and small business start-ups navigate state regulations and properly set up shop at the outset. That means investors are better protected down the line and that those businesses ultimately have a better chance of thriving and growing the economy. That's what I call a win-win-win for North Carolina. We're basically taking to heart Ben Franklin's wise old adage 'An ounce of prevention is worth a pound of cure.'"

Leo John, a North Carolina licensed attorney, was hired as an Agency Investor & Business Outreach Legal Specialist in January 2015. Leo has delivered presentations at various business incubators and accelerators in recent months, including American Underground in Raleigh and Durham, Packard Place in Charlotte, TekMountain in Wilmington and Venture Asheville.

Other organizations that help foster entrepreneurship (business chambers, venture capital firms, angel investor groups, MBA classes or law schools) could also be excellent venues for presentations. If you are interested in having a representative from the NC Secretary of State's Office make a presentation to your group, please e-mail Leo John at ljohn@sosnc.com or call 919-807-2249.

SOSNC Investor Education Hits High Gear Across North Carolina

SOSNC Investor Education Legal Specialist Lauren Benbow has spent the past few months traveling around the state meeting with senior citizens, health care professionals, lawyers and CPAs as part of SOSNC's Investor Protection & Education outreach efforts.



Lauren took to the airwaves at WDSG in Sanford to talk about the risks facing senior investors.

Lauren recently spoke to the Alzheimer's Task Force with the North Carolina Institute of Medicine about SOSNC's online registry for advance health care directives, the North Carolina Chapter of the National Academy of Elder Law Attorneys, and she gave a presentation at the Senior, Boomer and Caregiver Exposition in Sanford. In September she was interviewed on WDSG-FM in Sanford about investment fraud's impact on senior citizens, what the Secretary of State's Office is doing to combat investment fraud around North Carolina and how seniors can protect themselves.

In the coming months Lauren will speak at the Case Management Conference in Concord, a Scam Jam in Cabarrus County with the Department of Justice and the Department of Insurance, and the Internal Medicine Conference in Atlantic Beach. Email Lauren at lbenbow@sosnc.com or call 919-807-2166 if you'd like her to speak to your group.

CFTC Publishes List of Foreign Entities that Illegally Solicit U.S. Residents to Trade Foreign Currency and Binary Options



THE NEW REGISTRATION DEFICIENT ‘RED LIST’ IDENTIFIES COMPANIES OPERATING ILLEGALLY

As part of the U.S. Commodity Futures Trading Commission’s (CFTC) ongoing efforts to help protect Americans from fraud, the agency on September 9 launched the “RED List,” a new tool that allows investors to identify unregistered foreign entities that may be engaged in illegal practices.

The RED List, which stands for Registration Deficient List, identifies unregistered foreign entities the CFTC has reason to believe are illegally soliciting and/or accepting funds from U.S. residents. Companies soliciting U.S. customers to trade in foreign currency (forex) or binary options, for example, are required to register with the CFTC. The RED list can be found at: www.SmartCheck.gov/REDList.

“I’m pleased we are launching the RED List, an important new tool that will further protect customers from bad actors. This initiative will allow people to make more informed decisions about investing – and help protect themselves against financial fraud,” said CFTC Chairman Tim Massad.

Registration is no guarantee against fraud or mismanagement by an otherwise unscrupulous firm; however, it does bring a higher level of security and accountability to the public. For example, registration enables the CFTC to examine whether firms meet minimum financial standards as well as disclosure, reporting, and recordkeeping requirements.

The RED List joins [CFTC’s SmartCheckSM](#) campaign, launched last year, to help investors identify and protect themselves against financial fraud. CFTC is actively working with other regulators, consumer groups, industry participants, self-regulatory organizations, exchanges, and industry associations to further protect individual investors from fraud.

CFTC Approves National Futures Association Rules Enhancing Protections for Retail Forex Customers

The U.S. Commodity Futures Trading Commission (Commission) on August 27, 2015 approved rule amendments and a new interpretive notice filed by the National Futures Association (NFA). NFA is a registered futures association under section 17 of the Commodity Exchange Act (Act), and is a self-regulatory organization for the U.S. derivatives industry, including on-exchange traded futures, retail off-exchange foreign currency transactions, and swap transactions. NFA submitted the proposed rule amendments and interpretive notice to the Commission for review and approval pursuant to section 17(j) of the Act.

The rule amendments and interpretive notice enhance protections afforded to retail customers of NFA Forex Dealer Members (FDMs) by, among other things: (1) imposing additional capital requirements on FDMs; (2) requiring FDMs to collect security deposits for off-exchange foreign currency transactions from eligible contract participant counterparties in addition to retail counterparties; (3) requiring FDMs to adopt and implement rigorous risk management programs; and (4) requiring FDMs to provide additional market disclosures and firm-specific information on their websites to permit current and potential counterparties to better assess the risks of engaging in off-exchange foreign currency transactions and with conducting business with a particular FDM.

NFA’s submission to the Commission is available [here](#).

SOSNC and USO of NC Team Up to Help Military Families Avoid Financial Fraud

Soldiers at Fort Bragg focus on military readiness as a core part of their training every day. A workshop held at Bragg in August put the focus on training for “financial readiness” to help soldiers and their families sharpen their skills at avoiding pitfalls in their personal financial decisions.



Secretary Marshall welcoming soldiers to the training workshop. (Photo courtesy of Fort Bragg Public Affairs.)

Some 300 soldiers of the 261st Multifunctional Medical Battalion attended a four-hour training workshop on August 26, the first in a series of at least three workshops being provided thanks to a new partnership between the USO of North Carolina and the NC Secretary of State’s Securities Division. Soldiers and their families were also invited to stick around after the workshop for a lunchtime roundtable discussion and one-on-one financial counseling sessions.

In her opening remarks, Secretary of State Elaine F. Marshall warned soldiers that their steady income stream can make them a target for everything from Ponzi scams to unscrupulous businesses charging high interest rates.



SOSNC in the News

Be sure to check out the Fayetteville Observer’s [story](#) on the Fort Bragg training workshop, as well as their [op-ed](#) piece on the importance of financial education for the military and high school students.

Driving home the risk of falling prey to an investment scam, Secretary Marshall pointed out that on average two people in North Carolina invest in scams every day.

This training workshop was part of a pilot project made possible through a grant from the Secretary of State’s Securities Division to the USO of North Carolina. That partnership will produce at least two similar workshops at other military installations across North Carolina and possibly more training events at Fort Bragg.

The Secretary of State Securities Division enforces and administers North Carolina’s securities laws, which are designed to protect the investing public. Anyone considering a securities investment is encouraged to call the Department’s Securities Hotline toll-free at 1-800-688-4507 to verify the registration or disciplinary history of a securities salesperson or the salesperson’s firm.

For more investor education and protection information, please visit the Secretary of State’s website at www.sosnc.com.



Soldiers of the 261st Medical Battalion looking over financial ed materials (Photo courtesy of Fort Bragg Public Affairs.)

Are they your battle buddy – or just unbelievable?

by Carol Kando-Pineda

Attorney, FTC's Division of Consumer & Business Education

If you serve – or have served – in the military, chances are you feel a pretty tight bond with your brothers-and sisters-in-arms. If you share a common experience with someone, it only makes sense that you trust them, want to associate with them, or even do business with them.

But here's something to bear in mind: scammers count on your trust in fellow servicemembers – and use it against you. A con artist might have actual service experience or they might be lying about it. Either way, they're highly skilled at exploiting a military connection to get in good with you. Once they have your trust, they use it to deflect any questions and to throw you off track while they cheat you. It's known as affinity fraud – when someone uses their membership in a group to scam another member. It could be someone claiming you can trust them because of the shared experience of serving in the military.

Scammers try to use a supposed military bond to take your hard-earned cash. They may pursue servicemembers, families, or anyone with sympathy for the military community. The scams can take many forms, from [promises for quick and easy credit](#) and [car title loans](#) to [sky-high returns on bogus investment deals](#). Or they might lure you with hopes for [online romance](#), interest in [charitable giving](#), or the appeal of getting [super sweet housing](#) at eye-catching prices. Here are a few tips to help you see clearly if a scammer tries blowing smoke at you.

- ◆ Walk, don't run. Take your time. Any deal that pressures you to act immediately probably doesn't end well for you. Slow down and think about it – rushing into a supposed “deal” will usually just buy you trouble.
- ◆ Hold the line on the hype. Is this deal promising you the moon and the stars? Are they claiming you'll [see risk-free results on an investment](#)? Stop – there's no such thing as “risk-free.” Don't let a scammer's skillful hype cloud your thinking.
- ◆ Listen for the name game. Do they throw around the words “veterans” or “military families” in their name or ads? That doesn't necessarily mean that veterans or the families of active-duty personnel support the organization or will benefit from a [donation](#).
- ◆ Get it in writing. Before you open your wallet, look at the terms of the deal in writing. Then take your time and review. Are the terms what you expected? If not, can you really trust that company?
- ◆ Check it out. Always do your homework. Talk to others. Look up the company online and search for consumer complaints. Consider whether this deal works for you. Can you afford to lose your money?

Servicemembers: Protect your credit when you're away from home

We hope military families will check out this important [story](#) and [Fraud Alert Fact Sheet](#) from the Consumer Financial Protection Bureau offering servicemembers some sage advice on protecting your financial accounts from fraud and identity theft while you are on long deployments.

Servicemembers can sign up for a free Active Duty alert to notify companies when they are deployed and verify the identity of anyone requesting new credit in that servicemember's name.



Military Spouses Receive Fellowships to Conduct Financial Counseling

Fifty military spouses throughout the United States and overseas have been awarded the FINRA Investor Education Foundation's 2015 Military Spouse Fellowship. The FINRA Foundation fellowship provides spouses with the training necessary to earn the AFC[®] (Accredited Financial Counselor) designation. This accreditation will provide these military spouses with marketable job skills and the resources and experience they need to help military families build brighter financial futures.

The FINRA Foundation first launched the FINRA Foundation Military Spouse Fellowship program in 2006—and continues to administer it in partnership with the Association for Financial Counseling and Planning Education[®] (AFCPE[®]) and the National Military Family Association. The fellowship covers the costs associated with completing the AFC[®] training and testing. Since its inception in 2006, the program has awarded more than 1,360 fellowships to military spouses across the United States and around the world.



"For nearly a decade, FINRA Foundation Military Spouse Fellows have worked to build the financial capability of tens of thousands of military service members and their spouses, both at home and around the world," said FINRA Foundation President Gerri Walsh. "Spouse fellows are helping service members and their families avoid financial traps and take charge of their financial futures."

Recipients of the FINRA Foundation Military Spouse Fellowship commit to completing the courses of study and working in the financial counseling field serving their communities for up to two years. Since the program's inception, fellows working toward accreditation have collectively conducted in excess of 60,000 counseling sessions and classes reaching over 160,000 clients, logging more than 407,000 hours assisting service members and their communities.

Current accredited spouses serve as financial counselors at family readiness and support centers, credit counseling and tax centers, financial aid offices and local military credit unions throughout the United States and abroad.

"FINRA Foundation Fellows commit to completing the rigorous AFC[®] coursework along with earning field experience through practicum work in military communities. This innovative program is tailored to meet and support the needs of military spouses through instructional webinars, self-scheduled exams and flexible practicum opportunities," said Rebecca Wiggins, Executive Director of AFCPE[®].

"Military spouses truly understand the financial challenges that military life brings," said Joyce Wessel Raezer, Executive Director of the National Military Family Association. "This program helps military spouses build portable career skills while helping military families."

The program is open to spouses of active-duty or retired Army, Navy, Air Force, Marine Corps, Coast Guard, and Army or Air National Guard or reserve component service members, as well as to spouses of U.S. Public Health Service Commissioned Corps and National Oceanic and Atmospheric Administration professionals. A list of the 2015 class of spouse fellows is available upon request. Full biographies of selected accredited spouse fellows are available at www.saveandinvest.org/military/military-spouse-fellowship-program.

Messaging Apps Are Latest Platform for Delivering Pump-And-Dump Scams

FINRA is issuing this Investor Alert to warn investors to be wary of stock promotions sent through popular messaging apps such as WhatsApp that allow users to almost instantly exchange messages. The messages could be coming from fraudsters looking to trick unsuspecting investors.



Scam Details

In recent weeks, scammers have been using messaging apps to transmit spam messages that promote penny or "[microcap](#)" stocks. Recently, WhatsApp users were flooded with text messages touting Avra, Inc. (OTC: AVRN). The messages appeared to be sent from individuals at well-known brokerage firms. Using only a first name ("Hi it's Will at XYZ firm..."), the text would talk up the stock. One message claimed AVRN was "going to double in the next few days." Another said it "is going up 300% next week."

Same Scam, Different Technology

This is a variation of the pump-and-dump scam, where fraudsters use spam—in this case transmitted through the mass push feature of a messaging app—to tout a stock. The buying that follows will "pump" up the price—until the fraudsters "dump" their shares by selling them at a peak. Once the fraudsters stop hyping the stock, the price typically falls dramatically—and investors lose their money or are left with worthless, or near worthless, stock.

Users of app messaging services should treat these messages with extreme caution. When it comes to pump-and-dump spam, the smartest play is the easiest. Don't respond—just delete.

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.

Pick up the phone and call us. You owe it to yourself and your family to check.



Investor Bulletin: Non-traded REITs

The SEC's Office of Investor Education and Advocacy is issuing this bulletin to educate investors about investing in non-traded REITs.

What are REITs?

A REIT, or real estate investment trust, is a company that owns – and typically operates – income-producing real estate or real estate-related assets. The income-producing real estate assets owned by a REIT may include real assets (e.g., an apartment or commercial building) or real estate-related debt (e.g., mortgages). Most REITs specialize in a single type of real estate – for example, apartment communities. There are retail REITs, office REITs, residential REITs, healthcare REITs and industrial REITs, to name a few.

What is the difference between publicly traded REITs and non-traded REITs?

Publicly traded REITs (also called *exchange-traded REITs*) are registered with the SEC, file regular reports with the SEC and are listed on an exchange such as the NYSE or NASDAQ. As with stocks listed on an exchange, you can buy and sell a publicly traded REIT with relative ease. An investment in publicly traded REITs is typically a liquid investment. Similarly, you can easily assess the value of the publicly traded REIT by noting the share price at which the REIT is trading on the exchange.

In contrast, there are also *non-traded REITs* that are registered with the SEC, file regular reports with the SEC, but are *not* listed on an exchange and are *not* publicly traded. An investment in a non-traded REIT poses risks different than an investment in a publicly traded REIT.

Some risks of non-traded REITs to consider before investing

- **Lack of liquidity.** Non-traded REITs are illiquid investments, which mean that they cannot be sold readily in the market. Instead, investors generally must wait until the non-traded REIT lists its shares on an exchange or liquidates its assets to achieve liquidity. These liquidity events, however, might not occur until more than 10 years after your investment. Non-traded REITs usually offer investors' opportunities to redeem their shares early but these share redemption programs are typically subject to significant limitations and may be discontinued at the discretion of the REIT without notice. Redemption programs also may require that shares be redeemed at a discount, meaning investors lose part of their investment if they redeem their shares. ***For these reasons, investors with short time horizons or who may need to sell an asset to raise money quickly may not be able to do so with shares of a non-traded REIT.***
- **High fees.** Non-traded REITs typically charge high upfront fees to compensate a firm or individual selling the investment and to lower their offering and organizational costs. ***These fees can represent up to 15 percent of the offering price, which lowers the value and return of your investment and leaves less money for the REIT to invest.*** In addition to the high upfront fees, non-traded REITs may have significant transaction costs, such as property acquisition fees and asset management fees.
- **Distributions may come from principal.** Investors may be attracted to non-traded REITs by their high distributions,

Check your broker or investment adviser. Whether working with a broker or an investment adviser, it is important to check that they are registered with the SEC or a state securities regulator. ***If the person is not registered, it could be a red flag for fraud.*** You can find out if someone is registered and obtain information about the person by visiting the SEC's Investment Adviser Public Disclosure (IAPD) website or FINRA's BrokerCheck website. You can also check with your state securities regulator about the person soliciting your investment.

which may be referred to as dividend yields, compared to other investment options, including publicly traded REITs. However, the initial distributions may not represent earnings from operations since non-traded REITs often declare these distributions prior to acquiring significant assets. Investors should consider the total return of a non-traded REIT – capital appreciation plus distributions – instead of focusing exclusively on the high distributions. ***Non-traded REITs may use offering proceeds, which includes the money you invested, and borrowings to pay distributions. This practice reduces the value of the shares and reduces the cash available to the REIT to purchase real estate assets.***

- **Lack of share value transparency.** Because non-traded REITs are not publicly traded, there is no market price readily available. Consequently, it can be difficult to determine the value of a share of a non-traded REIT or the performance of your investment. In addition, any share valuation will be based on periodic or annual appraisals of the properties owned by the non-traded REIT, and therefore may not be accurate or timely. ***As a result, you may not be able to assess the value or performance of your non-traded REIT investment for significant time periods.***

Conflicts of interest. Non-traded REITs are typically externally managed – meaning the REITs do not have their own employees. *As noted above, the external manager may be paid significant transaction fees by the REIT for services that may not necessarily align with the interests of shareholders, such as fees based on the amount of property acquisitions and assets under management.* In addition, the external manager may manage or be affiliated with other companies that may compete with the REIT in which you are invested or that are paid by the REIT for services provided, such as property management or leasing fees.

Where can I get information about a non-traded REIT?

When offered an opportunity to invest in a non-traded REIT, your financial professional should provide you with a copy of a *prospectus* for the investment. The prospectus is the offering document describing the REIT’s investment strategy, offering terms, risks and other information that you should consider when deciding whether to invest. There may also be *supplements* to the prospectus detailing changes since the original date of the prospectus. ***You should carefully review the prospectus and any prospectus supplements before making any investment decision.*** The prospectus and any supplements can also be found through the SEC’s EDGAR database usually identified as a “424B3” filing.

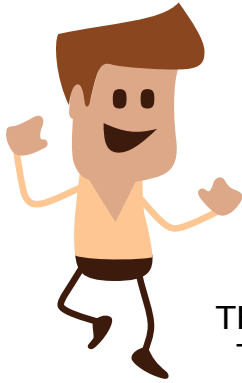
Non-traded REITs that are registered with the SEC also must regularly file quarterly and annual reports detailing the financial results of the non-traded REIT. These reports can be found on the SEC’s EDGAR database and are identified as a Form 10-Q for a quarterly report and a Form 10-K for an annual report. Forms 8-K may also be filed in connection with the occurrence of certain events that require disclosure. ***You should carefully review these reports before investing.***

Chart comparing REIT types

	Publicly traded REITs	Non-traded REITs
Overview	REITs that file with the SEC and whose shares trade on national stock exchanges.	REITs that file with the SEC but whose shares do not trade on national stock exchanges.
Liquidity	Shares are listed and traded, like any publicly traded stock, on major stock exchanges. Most are NYSE listed.	Shares are not traded on public stock exchanges. Redemption programs for shares vary by company and are limited. Generally a minimum holding period for investment exists. Investor exit strategy generally linked to a required liquidation after some period of time (often 10 years) or, instead, the listing of the stock on a national stock exchange at such time.
Transaction costs	Brokerage costs the same as for buying or selling any other publicly traded stock.	Typically, fees of 10-15 percent of the investment are charged for broker-dealer commissions and other up-front costs. Ongoing management fees and expenses also are typical. Back-end fees may be charged.
Management	Typically self-advised and self-managed.	Typically externally advised and managed.
Minimum investment amount	One share.	Typically \$1,000 - \$2,500.
Performance measurement	Numerous independent performance benchmarks available for tracking listed REIT industry. Wide range of analyst reports available to the public.	No independent source of performance data available.

Source: National Association of Real Estate Investment Trusts (NAREIT)

Private REITs. In addition to publicly traded REITs and non-traded REITs, there are also *private REITs*. Similar to non-traded REITs, private REITs are not listed making them hard to value and trade. Private REITs also do not regularly file disclosure reports with the SEC possibly making it difficult for you to keep informed of your investment. Instead, private REIT offerings are private placements and rely on an exemption from the obligation to register with the SEC. Investors are typically limited to accredited investors.



TWO STEPS AHEAD

PROTECT YOUR DIGITAL LIFE

THE NATIONAL CYBER SECURITY ALLIANCE IS HOSTING AN EVENT TO EDUCATE BUSINESSES AND CONSUMERS ABOUT IMPROVING SECURITY THROUGH LESSONS LEARNED AND BEST PRACTICES

FEATURED GUESTS

U.S. Congressman David E. Price
Serving the 4th District of North Carolina

Cindy Liebes, Director
Federal Trade Commission Southeast Region

Rodney Maddox
Chief Deputy Secretary
N.C. Department of Secretary of State

Kevin Anderson, Director
Consumer Protection Division
N.C. Department of Justice

Steve Fromme, President and CEO
Better Business Bureau Serving Eastern NC

Dr. Laurie Williams, Professor
Department of Computer Science
North Carolina State University

John J. Maron
Director, Investor Education Program
NC Department of the Secretary of State

TIME AND PLACE

Monday, September 21st
Free and Open to the Public

9 a.m. Meet and Greet

9:15 a.m. U.S. Congressman David E. Price
Chief Deputy Secretary Rodney Maddox

9:30 a.m. FTC “Start with Security”

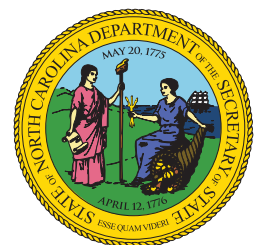
10:00 a.m. Online Safety Presentation

10:20–11:00 a.m. “Ask the Expert” Panel

Archie K. Davis Conference Center
12 Davis Drive
Research Triangle Park, NC 27709

To Register:

www.twostepsnorthcarolina.eventbrite.com
or email kristin@staysafeonline.org



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Make plans to attend BBB's

Annual Consumer Protection Seminar

Wednesday, October 7, 2015

Levine Senior Center • 1050 DeVore Lane, Matthews, NC 28105



Registration & Exhibits Open: 8:15am | Program: 9am - 12:30pm

Fake Calls from the IRS

Medicare Fraud

Data Breaches

Collection Agency Scams

WHAT'S NEXT?



FEATURED SPEAKERS INCLUDE REPRESENTATIVES FROM:
Office of the N.C. Attorney General, Office of the N.C. Secretary of State,
N.C. Department of Insurance, Federal Bureau of Investigation (FBI).

This event is FREE, but registration is requested.
Please call 704-846-4654 or sign up at Levine Senior Center

EVENT QUESTIONS?

Email: khenderson@charlotte.bbb.org

Light Refreshments Provided!



Attention Veterans, Active Duty Military, Reservists and Families



Fraud Awareness & Prevention for the Military

A Consumer Protection Seminar designed just for you!

Thursday, November 12, 2015

Registration & Exhibits Open: 8:15am

Program: 9:00am-12noon

Pritchard Memorial Baptist Church 1117 South Blvd, Charlotte, NC 28203

Featuring N.C Secretary of State, Elaine Marshall

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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
9/22/15	Louisburg	The Secretary of State's Office will be on hand to provide information about investment fraud and advance health care directives at the 26th Annual Senior Fun Day in the Park, Riverbend Park, S. Church Street. Time: 10 AM — 2 PM. This event is free and open to the public. For more information, contact Tara Goolsby at (919) 496-1131.
9/22/15	Rocky Mount	"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, from getting incorporated to raising money from investors to registering trademarks. Gateway Technology Center, 3400 N. Wesleyan Boulevard. Time: 5 PM — 7 PM. This event is free and open to the public, but registration is requested. To register, email Leo John at ljohn@sosnc.com .
9/22/15	Raleigh	Presentation to the Triangle Chapter of the NC Association of Certified Public Accountants. Manchester's Grill, 9101 Leesville Road. Time: 6:30 PM—7:30 PM. This presentation is open to the NC Assoc. of CPAs and their guests. For more information, contact Stephen Metelits at metelits@usa.net .
9/24/15	Pinehurst	Investment fraud and advance health care directives presentation to the Sandhills Chapter of the NC Association of Certified Public Accountants. This event is open to members of the NC Association of CPAs and their guests. Time: 6 PM— 9 PM. Table on the Green Restaurant, 2205 Midland Drive. For more information, please contact April Eads at angelicape@aol.com .
9/25/15	Concord	"Cabarrus County Scam Jam." Representatives from the NC Secretary of State's Securities Division, the Cabarrus County District Attorney's Office, the NC Department of Justice Consumer Protection Division, and the NC Department of Insurance Senior Health Insurance Information Program will provide information on how to avoid falling victim to a wide range of scams. Cabarrus County Senior Center, 331 Corban Avenue SE. Time: 8:30 AM—1:00 PM. This event is free and open to the public. For more information, please contact Laurie Abounder, Centralina AAA, at (704) 348-2739.
10/1/2015	Greensboro	"2015 NC Business Incubation Association Annual Conference." A representative from the NC Secretary of State's Securities Division will discuss how to start and finance a business in North Carolina. Location: The Nussbaum Center for Entrepreneurship, 1451 South Elm-Eugene Street. Time: Noon—6:30 PM. Registration is required.

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|----------|----------------|--|
| 10/6/15 | Raleigh | “7th Annual Making Energy Work Conference.” An official from the Secretary of State Securities Division will take part in a panel discussion, :The Business of Clean Energy: Financing Your Venture for Success” at 4:15. Location: Raleigh Convention Center, 500 S. Salisbury St. Time: 12:30 PM—7:30 PM. Go to energync.org to register and learn more. |
| 10/8/15 | Raleigh | NC Senior Tar Heel Legislature Meeting. An official from the Secretary of State’s Securities Division will present information about SOSNC’s Advance Health Care Directive Registry. Double Tree Raleigh Brownstone-University, 1707 Hillsborough Street. Time: 2:30 PM—3PM. This event is open to members of the NC Senior Tar Heel Legislature and their guests. For more information, visit www.ncsthl.org . |
| 10/9/15 | West End | Moore County “Scam Jam.” 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. |
| 10/14/14 | Williamston | An official from the Secretary of State’s Securities Division will give a presentation on preventing fraud aimed at senior citizens as part of Martin Community College’s Lifelong Learning Program. Location: Martin Memorial Library, 200 N Smithwick St. Time: 1:30 PM—2:30 PM. |
| 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. |
| 10/15/15 | Atlantic Beach | An official from the Secretary of State’s Securities Division will make a presentation on the Elder Investment Fraud & Financial Exploitation (EIFFE) Prevention program at ECU Medical School’s CME, Coral Bay Club, 1901 W Fort Macon Rd. To register and learn more visit eahec.edu.edu . |
| 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.
10/22/15	New Bern	An official from the Secretary of State’s Office will give a presentation on preventing investment fraud aimed at senior citizens. Location TBA. Time: 10 AM—11 AM.
10/22/15	Charlotte	“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. Packard Place, 222 S Church Street. Time: 5 PM—7 PM. For more information, contact Chelsea Barrett at cbarrett@packardplace.us or call (716) 969-4808.
10/22/15	Gibsonville	An official from the Secretary of State’s Office will give a presentation on how accountants and bookkeepers can help in the fight against investment fraud. This event is open to members of the NC Association of CPAs and their guests. Kimbers Restaurant, 230 W Main St. Time: 6:30 PM—8 PM.
10/23/15	Greensboro	An official from the Secretary of State’s Office will speak at the “Practitioners’ Tax Forum,” presented by the NC Society of Accountants. SOSNC’s presentation, scheduled to run from 2 PM — 3 PM, will focus on investment fraud and how accountants can help protect their clients. Accountants will also receive information on advance health care directives. Registration is required.
10/27/15	Greensboro	SOSNC Securities SAC John Curry and Senior Enforcement Attorney Zesely Haislip give presentation on “Investigating & Prosecuting Securities Fraud” at the NC Association of CPAs 2015 Fraud Conference. Time: 12:10 PM—1:25 PM. Embassy Suites Greensboro—Airport, 204 Centreport Drive. Registration is required for this event.
10/28/15	Raleigh	“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. US Dept of Agriculture, Rural Development Administration office, 4405 Bland Road. Time: 11AM—2 PM. This event is free and open to the public.
10/30/15	Charlotte	An official from the Secretary of State’s Securities Division will give a presentation about the “Elder Investment Fraud & Financial Exploitation (EIFFE) Prevention” program as part of the Aging in Action! 2015 Centralina Annual Aging Conference. Time: 2:45 PM. To register and learn more about this event, please visit www.centralina.org .
11/3/15	New Bern	An official from the Secretary of State’s Securities Division will give a presentation about the “Elder Investment Fraud & Financial Exploitation (EIFFE) Prevention” program. CarolinaEast Medical Center, 2000 Neuse Boulevard. Time: 10:30 AM—1 PM.
11/4/15	Durham	An official from the Secretary of State’s Securities Division will give a presentation about the “Elder Investment Fraud & Financial Exploitation (EIFFE) Prevention” program. Triangle J Council of Governments, 4307 Emperor Blvd. Time: 9:30 AM—10:30 AM.
11/4/15	Greenville	An official from the Secretary of State’s Securities Division will give an investment fraud prevention presentation as part of the ECU Lifelong Learning Program, ECU Self Help Center, 301 Evans Street. Time: 2 PM—3 PM.

- 11/4/15 Durham “Business & Capital Formation: Things Every Entrepreneur Needs to Know” presentation at American Underground @Main, 201 W. Main Street. Time: 3 PM—5 PM. For more information, contact Adam Klein at 919-357-4837 or visit americanunderground.com.
- 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.
- 11/12/15 Charlotte “Fraud Awareness & Prevention for the Military.” Secretary of State Elaine F. Marshall will speak at this event, which is being sponsored by the BBB Consumer Foundation. Time: 9 AM— Noon. Pritchard Memorial Baptist Church, 1117 South Boulevard. This is event is free and open to Active Duty service members, veterans, reservists and their families. For more information, call (704) 927-8635 or email khenderson@charlotte.bbb.org.
- 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 more than \$500,000 in by false pretense. On Monday, August 31 in Yadkin County Superior Court his case was continued until January 25, 2016. Fackrell remains in custody in the Yadkin County Detention Center under a \$2.25 million 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.



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 Approves Final Regulation Requiring All Registered Introducing Brokers and Commodity Pool Operators, and Certain Registered Commodity Trading Advisors to Be Members of a Registered Futures Association](#)

September 10, 2015—The U.S. Commodity Futures Trading Commission (Commission) today issued a final rule, new Commission regulation 170.17, requiring that all registered introducing brokers and commodity pool operators, and certain commodity trading advisors (CTAs) become and remain members of a registered futures association (RFA). All persons subject to the final rule must comply by December 31, 2015. Registered CTAs who qualify for an exemption from registration as a CTA based on Commission regulation 4.14(a)(9) are not subject to this requirement to become a member of an RFA. Currently, the National Futures Association is the only RFA.

[SEC Approves Rule to Address Conflicts of Interest Relating to the Publication and Distribution of Debt Research Reports](#)

August 26, 2015—The SEC approved the adoption of FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports) to address conflicts of interest relating to the publication and distribution of debt research reports. Rule 2242 becomes effective on February 22, 2016. Rule 2242 is intended to foster objectivity and transparency in debt research and to provide investors with more reliable and useful information to make investment decisions. The rule adopts a tiered approach that, in general, provides retail debt research recipients with extensive protections similar to those provided to recipients of equity research under FINRA rules, with modifications to reflect differences in the trading of debt securities.² At the same time, the rule provides broad exemptions for debt research distributed solely to eligible institutional investors.

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!