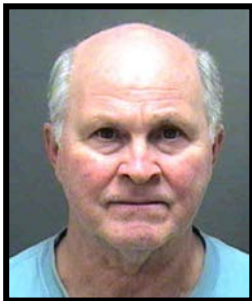




November 2011 NEWSLETTER • Vol. 3, No. 11

Federal Court Orders Charlotte, NC, Couple and Their Companies to Pay \$24 Million for Defrauding Customers in Foreign Currency Ponzi Scheme



Sidney S. Hanson

On November 1, 2011, the U.S. Commodity Futures Trading Commission (CFTC) [announced](#) it had obtained a federal court supplemental consent order requiring defendants **Sidney S. Hanson, Charlotte M. Hanson**, and their companies, **Queen Shoals, LLC, Queen Shoals II, LLC, and Select Fund, LLC**, to pay \$24 million in restitution and civil monetary penalties for defrauding customers and misappropriating millions of dollars in a foreign currency (forex) Ponzi scheme (see CFTC Press Release [5689-09](#), August 7, 2009).

In making its announcement, the CFTC acknowledged the assistance of the North Carolina Department of the Secretary of State (Securities Division), the U.S. Marshall's Office, the Federal Bureau of Investigation, and the Office of the United States Attorney, Western District of North Carolina.

The supplemental consent order, entered by Judge Robert J. Conrad, Jr. of the U.S. District Court for the Western District of North Carolina on October 28, 2011, requires the following relief defendants to disgorge ill-gotten gains totaling \$23.3 million because they received funds as a result of the defendants' fraudulent conduct to which they had no legitimate entitlement: Secure Wealth Fund, LLC; Heritage Growth Fund, LLC; Dominion Growth Fund, LLC; Two Oaks Fund, LLC; Dynasty Growth Fund, LLC; and Queen Shoals Group, LLC.

Simultaneously with the filing of the complaint in 2009, the defendants and relief defendants consented to permanent injunctions against further violations of federal commodities laws and against further trading. The supplemental consent order enters the specific amounts of both the customer restitution and the civil monetary penalties that the defendants are ordered to pay and, similarly, enters the amount of disgorgement required of the relief defendants.

According to the CFTC's complaint, since at least June 2008 through the present, the defendants fraudulently solicited at least \$22 million from individuals and/or entities for the purported purpose of trading off-exchange forex on their behalf. Defendants allegedly operated a Ponzi scheme and misappropriated millions of dollars of customer funds.

In their personal and website solicitations, defendants falsely claimed success in trading forex, guaranteed customers profits through use of "non-depletion accounts," represented that there would be no risk to customers' principal investment, and lured prospective customers with promises of returns of 8 to 24 percent, according to the complaint.

Defendants also were charged with falsely representing that they profitably traded forex on behalf of customers and guaranteed both the principal and the promised interest via "non-depletion" accounts backed by gold and silver bullion. The defendants falsely represented that a "non-depletion" account guaranteed the customer the return of his principal and the promised "interest." The defendants claimed to pool customers' funds and then to use the profits generated by trading forex, along with gold and silver bullion, to guarantee payments to customers at the end of the five-year "promissory note" period.

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In reality, however, defendants deposited little or none of customers' funds into forex trading accounts. The defendants misappropriated customer funds for personal uses or to make purported profit payments or return principal to existing customers, in the manner akin to a Ponzi scheme. The complaint also alleged the defendants used customer funds to finance the Hansons' personal expenses, such as the purchase of an 88-acre farm, private plane rentals, and luxury vacations, among other things.

Sidney Hanson is currently a federal prisoner awaiting sentencing on March 31, 2011, in U.S. District Court for the Western District of North Carolina, Charlotte Division, having pled guilty to securities fraud and mail fraud in a criminal matter related to this fraudulent scheme.

Elder Fraud Update: EIFFE National Call-In Day



On November 10, 2011, almost 400 people from 33 different states, including North Carolina, took advantage of an opportunity to talk with financial, medical and/or Adult Protective Services representatives in an effort to combat elder financial abuse.

Advertised as a National Call-In Day, the day-long program was sponsored by the Investor Protection Trust (IPT) in association with the Investor Protection Institute, the Financial Planning Association (FPA), the National Adult Protective Service Association (NAPSA) and Kiplinger's Personal Finance magazine. The call-in program is just one of the national events planned around the Elder Investment Fraud and Financial Exploitation (EIFFE) Prevention Program.

EIFFE is a two-year project funded by a grant from the Investor Protection Trust which seeks to raise awareness of financial abuse among the elderly primarily by training physicians and their staff members to be more attentive to the signs of such abuse. Medical professionals are encouraged to incorporate simple questioning into their in-take routines and note the red flags of potential financial abuse during clinical observations of their elderly patients. When abuse is suspected, the medical professional is trained to make a referral to Adult Protective Services (APS) representatives located within their local county Department of Social Services office. If APS officials suspect investment fraud is involved, then they are to make a referral to the North Carolina Securities Division for review and possible investigation. Earlier this year, John Maron, director of the North Carolina Securities Division's Investor Education Program, joined Dr. Jan Busby-Whitehead, Chief of the Division of Geriatric Medicine and Director of the Center for Aging and Health at the UNC School of Medicine, in giving the first such presentation to physicians attending the North Carolina Academy of Family Physicians spring conference in Winston-Salem. Maron, Dr. Busby-Whitehead and Kate Mewhinney, Managing Attorney and Director of the Elder Law Clinic at Wake Forest University, are currently planning another program, tentatively scheduled for March 23, 2012, at the Sticht Center in Winston-Salem. Details will be forthcoming. If you are interested in being kept informed about this program, please email John Maron at jmaron@sosnc.com. Please include your name, address and contact information in your email.

On National Call-In Day, callers could call one of three special phone numbers. One number was for questions related to personal financial security. This line was staffed by members of the Financial Planning Association and, according to the Investor Protection Trust, received 30 percent of the calls. A second number was reserved for medical questions and was staffed by health care professionals. The IPT reports that it received 23 percent of the calls. The third line was set up for calls concerning elder financial abuse and ways to keep oneself or loved ones from falling victim. This line was staffed by APS representatives and received 47 percent of the calls according to the IPT. The IPT further reports that North Carolina ranked sixth highest out of the 33 states in the number of calls generated. Callers from Florida, Kentucky, Maryland, California and Virginia, respectively, rounded out the top five.

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The following investor alert was issued by the [US Securities and Exchange Commission](http://www.sec.gov). It is reprinted here for informational purposes.

Investor Alert: Investment Seminars – Trading Seminar Scams



The SEC's Office of Investor Education and Advocacy is issuing this Investor Alert to warn investors of potential fraud they may encounter at investment seminars that purport to teach investors trading strategies that will allow them quickly and easily to make money trading securities. In particular, SEC staff warns that some trading seminar promoters may use misleading or untrue statements to lull investors into purchasing expensive products such as trading software or classes. Investors should be prepared to recognize and avoid some of the potential fraudulent conduct they may encounter at investment seminars that purport to teach investors how to trade securities.

Signs of Trading Seminar Fraud

Claims that trading strategies are “easy” or “simple.” Trading strategies are not “simple” or “easy.” Securities transactions occur in complex financial markets. Investors should be skeptical of anyone making those kind of claims.

Be mindful of “guaranteed” returns. Trading any type of securities carries some degree of risk, and the level of risk typically correlates with the return an investor can expect to receive. Low risk generally means low yields, and high yields typically involve higher risk. Fraud promoters often spend a lot of time trying to convince investors that extremely high returns are “guaranteed” or “can't miss.” Don't believe it. High returns represent potential rewards for investors who are willing and financially able to take big risks.

High-pressure sales tactics. Promoters sometimes use high-pressure sales tactics to get investors to buy their trading products and classes without thinking it through. They might claim there are only a few spots left or that getting in immediately will allow investors to see the greatest returns. Any reputable promoter of trading products or classes will let investors take their time to do research and will not pressure for an immediate decision.

Sounds too good to be true. Generally, if a strategy for trading securities sounds too good to be true, it probably is. No strategy for trading securities is fool-proof.

Ways to Avoid Trading Seminar Fraud

Investigate before the seminar. Before attending any investment seminar on trading strategies, investors should research the people or company promoting the investment seminar as well as the trading products or classes being sold at the seminar to see if they have any history of complaints, fraud, or criminal activity. Investors can check-out speakers at seminars through the following resources:

- For all speakers, contact the North Carolina Securities Division at (800) 688-4507 or (919) 733-3924.
- For speakers that are broker-dealers, use [FINRA's BrokerCheck website](http://www.finra.org).
- For speakers that are an investment adviser, use the SEC's [Investment Adviser Public Disclosure website](http://www.sec.gov).
- For all speakers, checking an Internet search engine.

Ask questions. Investors should always ask questions regarding purported trading strategies. Some questions should include:

- How much will it cost to learn the trading strategy? Investors should determine what up-front and continuing costs are associated with both learning and implementing the trading strategy.

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- What are the risks of this trading strategy? Any trading strategy has risks. Any presentation regarding how to trade securities should have a balanced discussion of benefits and risks. Investors should be wary of any trading strategy that has “no” risks.

Be skeptical of claims of past trading success. Some promoters attempt to validate their trading strategies’ effectiveness by highlighting the past trading success of “former students” that have used their trading strategies. Some promoters have these “former students” appear at their investment seminars to talk about their past trading success. Fraud promoters may provide false or misleading trading records to demonstrate these past trading successes. Investors should always be mindful of any claims regarding past trading success. Past trading success is not an indication of future trading success. Furthermore, investors should independently verify whether the past trading success stories and records are accurate.

Recent SEC Cases Involving Trading Seminars

Some recent examples of SEC cases that involve trading seminars include:

[SEC v. Long Term-Short Term, Inc., d/b/a BetterTrades and Freddie Rick](#)

The SEC filed a complaint alleging that certain BetterTrades instructors falsely claimed to be highly successful options traders using the strategies taught by BetterTrades. In marketing materials, the defendants also claimed that certain Company instructors were successful, active traders. The complaint alleges that the defendants acted recklessly in making these claims without verifying their accuracy, despite red flags that the claims were false. The SEC settled this matter

[SEC v. Investools Inc., Michael J. Drew, and Eben D. Miller](#)

The SEC filed a complaint against the defendants alleging that they made false and misleading statements to induce investors into purchasing their trading products. Investools sold instruction, software and personal coaching to investors who want to learn how trade options and other securities. The complaint alleges that two employees of Investools misleadingly portrayed themselves as expert investors who made their living trading securities in order to induce investors into believing they would also become successful traders if they purchased Investools trading products. The SEC settled this matter.

[SEC v. Linda Woolf, David Gengler, Hands on Capital, Inc., and Lashaico, Inc.](#)

The SEC filed a complaint against the defendants alleging that they used false statements to induce investors into believing they would make extraordinary profits trading securities if they purchased “Teach Me to Trade” (TMTT) packages of personal mentoring, software, and classes. The complaint alleges that TMTT conducted nationwide investor workshops that purported to teach investors the secrets to making money in the stock market. The complaint alleges that two of TMTT’s former employees made false and misleading statements in televised infomercials and investor workshops to convince investors they would make extraordinary profits trading securities if they purchased TMTT’s trading products and services.

Related Information

For additional educational information on avoiding fraud, please explore the [“Avoiding Fraud”](#) section of [Investor.gov](#).

Finally, be sure to check out the article, **“Is There Such a Thing as a ‘Free Lunch’?”** in the [November 2009](#) edition of the Securities Division’s newsletter.



The following FAQ's are posted on the NASAA [website](#) and are reprinted here for informational purposes.

IA Switch FAQ's

NASAA is pleased to provide the following information about the IA Switch. This information should not be considered as the rendering of legal advice. As always, you should confirm this information with the North Carolina Securities Division. This page will be updated frequently.

Q: When does the new AUM threshold for investment advisers become effective?

A: Advisers registered with the SEC will have to declare that they are permitted to remain registered in a filing in the first quarter of 2012. Those no longer eligible for SEC registration will have until June 28, 2012 to complete the switch to state registration.

Mid-sized advisers registered with the SEC on July 21, 2011 must remain registered with the SEC until Jan. 1, 2012. These advisers will be required to file amendment to Form ADV between Jan. 1, 2012 and March 30, 2012. Mid-sized advisers no longer eligible for SEC registration must file ADV-W by June 28, 2012.

Mid-sized IAs not registered with the SEC as of July 21, 2011 must register with the appropriate state regulator.

Q: Should advisers begin registering with states now?

A: Advisers can initiate registration with a state now, but should check with each state to make sure that the state will not object to the adviser's concurrent registration with a state and the SEC.

Q: Can an investment adviser register in more than one state using IARD?

A: Yes. All states use Form ADV for the registration of investment advisers. However, advisers should check with the states in which they are registering to determine what other materials, if any, a state may require to complete registration.

Q. Will I have to pay additional fees because of the switch?

A: Each state will be governed by their statutes and rules regarding fees. You will need to check with the Securities staff in each state to determine what fees will be required.

Q: Will I have to file Form U4 amendments for my investment adviser representatives?

A: No. Because the firm's IARD number associated with the investment adviser representative does not change, there should be no effect on the existing U4 filings. However, some investment adviser representatives that may

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have been exempt from registration with a federal covered adviser may now need to be registered with state securities regulators.

Q: Is the AUM of \$100 million firm or will there be a choice at some level?

A. The SEC has imposed by rule a “buffer” similar to that currently in place for advisers with \$25 million to \$30 million in assets under management. The new buffer is for IAs with AUM between \$90 million and \$110 million. An adviser may register with the SEC once it reaches AUM of \$100 million. An adviser must register with the SEC if its AUM is \$110 million or more. Once registered with the SEC, a mid-sized adviser can remain registered with the SEC as long as its AUM is at least \$90 million. This means that a mid-sized adviser currently registered with the SEC may remain registered with the SEC if the adviser’s AUM is at least \$90 million.

Q: What is the new schedule for IARD system fees?

A. Click [here](#) for information about the system fees. In short, 2011 systems fees for state registered firms and for investment adviser representatives will be waived.

Q: How will the system fees be affected by the switch? The fees for state RIAs is deducted on the Renewal Statements, while the fees for federal RIAs are deducted at the ADV annual update time.

A. SEC registered investment advisers that switch to state registration will be charged the state registration fee in IARD upon amending Form ADV in IARD to seek registration in a state. Fees are charged at renewal for state registrants and notice filers, at time of application for state applicants, and at time of notice filing for initial notice filers.



NC Federal Court Orders Rodney W. Whitney, Nicholas T. Cox, and Integra Capital Management, LLC, to Pay Over \$6.9 Million for Ponzi Scheme

Court permanently bars Whitney, Cox, and Integra Capital Management from commodities industry

On October 27, 2011, the U.S. Commodity Futures Trading Commission (CFTC) [announced](#) that it obtained federal court orders requiring **Rodney W. Whitney** of Thomasville, N.C., **Nicholas T. Cox** of Denton, N.C., and **Integra Capital Management, LLC** (Integra), which formerly operated out of High Point, N.C., to pay over \$6.9 million in restitution, disgorgement, and civil monetary penalties. The orders, entered against Cox on October 27, 2011 and against Whitney and Integra on October 13, 2011, find that they defrauded investors in a commodity pool Ponzi scheme involving commodity futures and off-exchange foreign currency transactions.

The orders, entered by U.S. District Judge Thomas D. Schroeder of the U.S. District Court for the Middle

District of North Carolina, stem from a CFTC complaint filed in September 2010, charging Whitney, Cox, and Integra with fraud and misappropriation in connection with the scheme (see CFTC Press Release [5907-10](#), Sept. 30, 2010).

The orders require Whitney and Integra jointly and severally to pay restitution of \$2,185,063, disgorgement of \$1,198,316, and a civil monetary penalty of \$3,594,948 and require Cox to pay restitution of \$2,185,063 and a \$2,185,063 civil monetary penalty. The orders provide for a dollar-for-dollar credit for Whitney, Cox, and Integra for any restitution or civil monetary penalty payments paid by the other party. The orders also permanently prohibit Whitney, Cox, and

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Integra from engaging in any commodity-related activity, including trading, and from registering or seeking exemption from registration with the CFTC.

Judge Schroeder found that, beginning in or about September 2006 and continuing through at least August 2009, Whitney, Cox, and Integra violated the anti-fraud provisions of the Commodity Exchange Act (CEA) by misrepresenting Integra's trading performance and by misappropriating pool participants' funds, among other violations.

News from FINRA

The following investor alerts were issued by the Financial Industry Regulatory Authority (FINRA). FINRA is the securities industry's self-regulating organization. These alerts are reprinted here for informational purposes.

Public Non-Traded REITs—Perform a Careful Review Before Investing

Turbulence in the stock market and an extended period of low interest rates have contributed to investors seeking products offering attractive yields. One such product is the publicly registered non-exchange traded real estate investment trust (REIT)—or "non-traded REIT" for short.

This [alert](#) explains the features and risks of these products, and includes questions you should ask when evaluating a non-traded REIT.

Companies in Bankruptcy Rarely Make Blockbuster Investments

FINRA issued this [alert](#) because we believe there may be investor confusion in the market regarding the bankruptcy of Blockbuster, Inc. (BLOAQ, BLOBQ), and that some stock promoters may be trying to exploit that confusion.

FINRA cautions investors that bankrupt companies can be targets of online stock tips that can be confusing, inaccurate, misleading and in some cases fraudulent.

FINRA Foundation Launches Redesigned SaveAndInvest.org Website

The FINRA Investor Education Foundation has launched a redesigned [SaveAndInvest.org](#) website to help meet the needs of military families and investors at risk for fraud.

SaveAndInvest.org's new Military Center features information for servicemembers and spouses interested in obtaining free FICO[®] Scores through installation military financial educators and counselors, as well as an online action plan to assist military families in tracking and managing their monthly expenses and a guide to deployment and Permanent Change of Station (PCS) moves.

The new online Fraud Center is a one-stop location for investors to check out the background of investment professionals and understand the psychological persuasion tactics used by con artists in investment scams. Consumers using the redesigned website can easily order free DVDs of the FINRA Foundation's documentary, [Tricks of the Trade: Outsmarting Investment Fraud](#), which has been broadcast on PBS stations across the country. You may also order a copy from John Maron in the Securities Division by calling him at (919) 807-2106 or by emailing him at jmaron@sosnc.com.



LIQUIDATION PROCEEDING FOR MF GLOBAL INC. UNDERTAKEN BY SECURITIES INVESTOR PROTECTION CORPORATION

SIPC Taking Action to Protect Customer Assets; Giddens Appointed by Court as Trustee

The Securities Investor Protection Corporation (SIPC), which maintains a special reserve fund authorized by Congress to help investors at failed brokerage firms, [announced](#) on October 31, 2011, that it is initiating the liquidation of MF Global Inc., under the Securities Investor Protection Act (SIPA).

SIPC has filed an application with the United States District Court for the Southern District of New York for a declaration that the customers of MF Global Inc. are in need of the protections available under the SIPA. The United States District Court for the Southern District of New York granted the application and appointed James W. Giddens as trustee for the liquidation, and further appointed the law firm of Hughes Hubbard & Reed as counsel to Mr. Giddens.

Orlan Johnson, board chairman of the Securities Investor Protection Corporation (SIPC), said: "When the customers of a failed SIPC member brokerage firm have left their securities in the custody of that firm, SIPC acts as quickly as possible to protect those customers. In this case, SIPC initiated the liquidation proceeding within hours of being notified by the SEC that a SIPC case was necessary to protect the investing public."

The trustee is charged with giving notice of the proceeding and mailing claim forms to the customers and other creditors of the firm. Information about the case also will be made available on the Web at <http://www.sipc.org>. The case will be referred to the United States Bankruptcy Court for the Southern District of New York. The case filing [is available here](#).

NOTE: More information about the MF Global liquidation can also be found at www.mfglobaltrustee.com. The trustee email address for inquiries is MFGITrustee@hugheshubbard.com. They have all set up a call center for questions. The number in the U.S. callers is 1-888-236-0808 and for non-U.S. callers is 1-503-597-5173. Also, the U.S. Commodity Futures Trading Commission (CFTC) has posted a [webpage](#) with information for commodity futures customers of MF Global Inc.

ABOUT SIPC

The Securities Investor Protection Corporation (SIPC) is the U.S. investor's first line of defense in the event a brokerage firm fails, owing customers cash and securities that are missing from customer accounts. SIPC either acts as trustee or works with an independent court-appointed trustee in a brokerage insolvency case to recover funds.

The statute that created SIPC provides that customers of a failed brokerage firm receive all non-negotiable securities - such as stocks or bonds -- that are already registered in their names or in the process of being registered. At the same time, funds from the SIPC reserve are available to satisfy the remaining claims for customer cash and/or securities custodied with the broker for up to a maximum of \$500,000 per customer. This figure includes a maximum of \$250,000 on claims for cash. From the time Congress created it in 1970 through December 2010, SIPC has advanced \$ 1.6 billion in order to make possible the recovery of \$ 109.3 billion in assets for an estimated 739,000 investors.

Calendar of Upcoming Events



A representative from the Securities Division will be giving an anti-fraud presentation on the following dates and locations. Dates and times are subject to cancellation (although cancellations are rare), so please call the contact number listed to confirm the event is still on before leaving for it. All presentations are free and open to the public unless otherwise indicated. If you would like to schedule a speaker for your church, business, group or organization, please contact [John Maron](#) or [Barbara Bennett](#) at (800) 688-4507.

Date	City	Details
11/29/11	Garland	Garland Senior Center, 91 Church St. "Women In Transition" presentation. Time: 10:30 AM -- 11:30 AM. For more information, contact Marie Faircloth at (910) 529-3931.
11/30/11	Wendell	Eastern Wake Senior Center , 322 Lake Drive. "Women In Transition." Time: 10:00 AM – 10:45 AM. For more information, contact Karen Poler at (919) 365-4248.
12/01/11	Cary	Lunch 'n Learn at SAS Institute, Inc. , 100 SAS Campus Drive. Open to SAS employees and their families only. Time: Noon – 1:00 PM. For more information, contact Mark Cowell at (919) 531-1683.
12/05/11	Huntersville	Scam Jam at St. Mark Catholic Church , 14740 Stumptown Road. Time: 11:00 AM – 1:00 PM. For more information, contact: Mary Alice Hollars at (704) 947-4885.
01/07/12	Greensboro	Family Financial Fair, "Future Cents," Greensboro Library , 219 N. Church Street. Time TBA. For more information, contact Martha Thomas Larson at (336) 373-4559.
02/07/12	Asheville	Asheville Civitan , Trinity Episcopal Church, 60 Church Street. Time: Noon – 1:00 PM. Open to Civitan members and their guests. For more information, contact Norma Messer at (828) 253-2392, X100.
02/07/12	Asheville	Deerfield Episcopal Retirement Community , 1617 Hendersonville Road. Time: 2:30 PM – 3:30 PM. Open to Deerfield residents and their guests. For more information, contact Betsy Cantrell at (828) 505-8381.



On The Docket

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

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

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

Darren Joseph Capote, of Patterson, NY, was indicted on July 11, 2011, in Ashe County Superior Court on three Class C felony counts of securities fraud. He is alleged to have defrauded an elderly victim in Ashe County. He was

released from custody on a \$100,000 secured bond. His next court appearance in Ashe County is expected in March 2011.

Recent Enforcement Actions

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

On October 10, 2011, the Securities Division of the North Carolina Department of the Secretary of State issued a Final Order By Consent revoking the securities salesman registration of Charles Mark Hall, a resident of Johnston County. In May 2011, Mr. Hall entered a plea of guilty in the Superior Court of Johnston County to criminal charges of embezzlement arising from the conduct of his business as an insurance broker and a securities salesman prior to and during 2009. Mr. Hall was sentenced a term in state prison of at least 13 years. Click [here](#) to view the Final Order.



News from the Regulators

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

[SEC-CFTC Statement on MF Global](#)

Oct. 31, 2011 – The Securities and Exchange Commission and Commodity Futures Trading Commission made the following joint statement: "For several days, the SEC, CFTC and other regulators had been closely monitoring developments affecting MF Global, Inc., a jointly registered futures commission merchant and broker-dealer, in anticipation of a transaction that would include the transfer of customer accounts to another firm. Early this morning, MF Global informed the regulators that the transaction had not been agreed to and reported possible deficiencies in customer futures segregated accounts held at the firm. The SEC and CFTC have determined that a SIPC-led bankruptcy proceeding would be the safest and most prudent course of action to protect customer accounts and assets. [SIPC has announced](#) that it is initiating the liquidation of MF Global under the Securities Investor Protection Act (SIPA)."

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!