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**Secretary Marshall Tells Cornelius Seniors:
 “I Want You to be Lean, Mean, Fraud-Fightin’ Machines!”**



Santa is smiling because Secretary Marshall told him his broker and investment adviser were not on her “naughty” list! (Photo courtesy of Sgt. George W. Brinzey, Cornelius Police Department.)

On December 9, North Carolina Secretary of State Elaine F. Marshall spoke to a group of 120 senior citizens who had been invited to attend the Cornelius Police Department’s annual senior citizens holiday luncheon and safety program.

Secretary Marshall joined Police Chief Bence Hoyle in giving practical advice on how to avoid the Grinches who would seek to do them financial harm. Secretary Marshall was introduced by Mayor Pro Tem Lynette Rinker. Mayor Jeff Tarte, Town Manager Anthony Roberts and other town and police officials were in attendance.

Secretary Marshall warned the group that “white collar crooks are operating in North Carolina. Right now. Today. Even as we meet here. They are trying very hard to scam people such as you who have savings, retirement funds, and money in the bank. The victims in these cases are quite possibly your friends or neighbors.”

Secretary Marshall challenged attendees to take the information and tips she was providing back to their communities and spread it among those they know. She declared, “I want you to leave this luncheon today, my friends, as lean, mean, investment fraud-fightin’ machines!”

“During the past 18 months,” Secretary Marshall said, “we have concluded ten financial securities cases with guilty verdicts or guilty pleas. There were almost 500 victims in those cases, and the victims in those cases were taken for a total of more than \$70 million dollars.”

Secretary Marshall explained to attendees that senior citizens are the primary targets of investment fraud con artists because, unlike younger, cash-strapped citizens, seniors typically have financial assets the con artist can steal.

Secretary Marshall debunked the myth that only seniors with diminished cognitive abilities are victimized. “It is important for you to know,” she said, “that ‘smart’ people get conned all the time. Doctors get conned. Lawyers get conned. Prominent business people get conned. I have seen plenty of cases where it’s happened.”

She also noted that investment scammers are very patient crooks who are often the smartest people they will ever meet. “[Scammers] are willing to join churches, clubs or organizations that many senior citizens enjoy,” she said. “They are willing to spend months talking to you, taking an interest in you, maybe even helping you out, before they ever ask for a single penny in their ‘can’t miss’ investment scheme.

“They usually even make sure the first few people who give them money get lots of money back. They hope this ‘proves’ the scam is a really great investment!”

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Secretary Marshall added, "They may give you some of the prettiest, glossiest brochures and handouts you have ever seen! They may have carefully crafted statistics and spreadsheets indicating how much money they are making."

Secretary Marshall also told attendees there were some simple things they could do to avoid becoming victims of investment scams (additional tips are provided in the box to the right):

- Be skeptical of any "secret" investment opportunity. "Wall Street pays people millions of dollars every year to seek out and find good investments," Secretary Marshall said. "There are no secrets. There may be new companies that have just started, but even those are not secrets."
- Beware of any investment or seller touting a "guaranteed" rate of return that is far above that of your bank savings account or CD. "Why?" she asked. "Because the truth is all investments have risks. Rates of return are not guaranteed when you make an investment, unless there is some federal government guarantee. Even the best stock in the world can go down in value."
- "Finally, the best way to avoid becoming a victim," Secretary Marshall said, "is to call us at the North Carolina Secretary of State's Division of Securities! I tell people this all the time: one phone call to (800) 688-4507 can save your entire retirement fund."

Anyone wishing to sell securities, or provide paid advice about securities, must be registered with the North Carolina Securities Division (or qualify for an exemption). Likewise, investment products themselves must also be registered (or qualify for an exemption).

The Division can confirm the registration status of every single stock broker or investment adviser nationwide, as well as provide status information about any disciplinary action or complaint filed against a broker or investment adviser anywhere in the country. This is useful information for anyone who is considering making an investment. Investors should verify the registration status of the promoter and the investment itself **before** handing over any money.

What are the warning signs of a potential investment fraud?

Financial criminals may be among the smartest people we will ever meet. The "successful" con artist is a marketing expert who understands human nature, and preys upon our fears or desires by unleashing a variety of psychological tactics against us, hoping to find the right combination that will get us to lower our natural defenses and give him what he wants – our money! The key, then, to avoid becoming an investment fraud victim is to recognize the pressure tactics and remember that **it is OK to say "NO"** to an unsolicited sales pitch!

Although not complete, here are the most common psychological tactics con artists employ against their victims:

Promises of Wealth – The salesperson dangles the promise of wealth in a short period of time, often "guaranteed" with "little or no risk" involved. **Remember: All investments carry risk.**

Trappings of Success – The salesperson projects the image of success or offers testimonials, "proving" he and the offer are "legitimate." **Remember: Credibility can be faked.**

The "Lemming" Effect – The salesperson tells you that others are investing and that you should too or risk losing out on a good deal. **Remember: If everyone jumped off a cliff, would you?**

Favors – The salesperson gives you something (like a free meal or a discount) hoping you will feel obligated to give him something in return (like your money). **Remember: You have no obligation to return any business-related favor.**

Act Now – The salesperson pressures you to "act fast" because the offer will only be available "for a limited time." **Remember: Do not feel pressured to make a quick investment decision.**

CELEBRATING OUR 400th PRESENTATION! (And Looking Forward to Our Next 400!)



Barbara Bennett offers a Vance County resident some fraud-fighting brochures.

Since John Maron's first outreach presentation to the NC Mutual Life Insurance Co. in Durham on March 6, 2006, to Secretary Elaine F. Marshall's speech to seniors in Cornelius on December 9, about 28,850 people have heard the Division's various fraud fighting messages. Back in October, Barbara Bennett notched the Investor Education (IE) Program's milestone 400th fraud prevention presentation when she appeared at the Vance County Senior Center in Henderson.

While impressive, there is still a lot of ground to cover.

According to the 2010 census, over 9.5 million people now call North Carolina home. Most of them should consider themselves potential targets because scammers do not discriminate on the basis of age, assets, income, etc. Many older people, for example, may think that because they are not looking for a new investment or new broker that they could not fall prey to a scam artist. Likewise, many people who hear about

a fraud prevention presentation may think the information does not apply to them because they assume they do not have "enough money" to be targeted.

They might be surprised.

You do not need a pile of cash burning a hole in your pocket to be victimized. Do you have a steady income? Do you receive a monthly check from Social Security, the armed services, or some other governmental agency? Scammers will be happy to set you up with payments on an investment opportunity. Do you have equity in a home? Unscrupulous thieves are ready to help you get a reverse mortgage so you can then invest in their scheme. Have you had a recent inheritance? Con men read the obituaries and target life insurance beneficiaries.

Fraud prevention is important to everyone. The Internet is fraught with get-rich-quick offers designed to appeal to everyone - even children with access to their parents' financial information. Elder investment fraud and financial exploitation has increased to almost epidemic proportions. Investor education is even important to individuals with minimal risk of being victimized. They can help family members, neighbors and friends protect themselves and gain financial confidence.

Most readers of this newsletter have already attended an investor education presentation. It is the Investor Education Program's mission for 2012 to increase our outreach across North Carolina. As the New Year gets closer, readers are encouraged to think about groups who could benefit from having a free anti-fraud presentation. If it has been a while since your group had a presentation, it might be time for that organization to schedule another event and encourage those who missed it the first time to attend.



Vance County Senior Center patrons listen as Barbara Bennett gives tips on avoiding becoming victims of investment fraud.

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While it is impossible to know the extent of the impact fraud prevention programs have had, the IE team is determined to take every opportunity to expand our outreach whenever possible.

“When the turnout at an event is less than we’d hoped for, or if a few attendees get a bit distracted by the aroma of lunch, I simply remember one special event,” says Bennett. “An older woman came over to me after a sparsely attended presentation and told me that her husband had recently suffered a stroke. ‘His mental function is very limited and he cannot even sign his name,’ she told me. Like many women of her generation, she had never been involved in more than the household budget. Now she was suddenly responsible for everything and was paralyzed with fear. She took one of each of our educational materials ‘to study’ and thanked me profusely for the information provided. She was literally moved to tears. As I hugged her, I knew the 5-½ hour roundtrip drive for a minimal gathering had been worth it. I was able to give her a bit of hope, a little encouragement that she could do this, and some peace of mind. I call that a day well spent.”

To schedule an event, call or email [John Maron](#) at (919) 807-2106 or [Barbara Bennett](#) at (919) 807-2015.



The following is a [press release](#) issued by NASAA on November 29, 2011, and is reprinted here for informational purposes.

State Securities Regulators Launch Coordinated Review Program for Investment Advisers

On November 29, 2011, the North American Securities Administrators Association (NASAA) announced that it has developed a coordinated review program for investment advisers switching from federal to state securities regulatory oversight as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Dodd-Frank Act requires investment advisers with assets under management of between \$25 million and \$100 million to switch from federal to state registration by mid-2012.

“This initiative provides investment advisers registering in multiple states with an easier way to navigate the switch to state registration and gives states an opportunity to coordinate and resolve issues about potential problems with applicants,” said Jack E. Herstein, NASAA President and Assistant Director of the Nebraska Department of Banking and Finance Bureau of Securities.

The Investment Adviser Coordinated Review Program is open to SEC-registered investment advisers switching their registration to between four and 14 states. Under Dodd-Frank, investment advisers registered in 15 or more states can remain with the SEC. The program will conclude on March 30, 2012, Herstein said.

To participate in the program, eligible investment advisers must complete and submit the Coordinated Review Form found in the [IA Switch Resource Center](#) on the NASAA website (www.nasaa.org) in addition to filing all materials

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required by the states in which the adviser is applying for registration. (There is also a [Frequently Asked Questions](#) page about the coordinated review process.)

The states where the investment adviser has filed a registration application will conduct a coordinated review of the investment adviser's registration materials. After completion of the review, the adviser will be informed of the deficiencies, if any, that must be resolved before the registration will be approved.

Herstein said there is no additional cost to use the program. "Advisers will be subject only to the filing fees specified by the states in which the investment adviser is applying for registration," he said, noting that NASAA has waived IARD system fees for 2011 and 2012.

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
01/06/12	Southern Pines	"Women In Transition" presentation, Belle Meade Continuing Care Retirement Community , 100 Waters Drive. Time: 10:30 AM -- 11:30 AM. For more information, contact Lisa Mudd at (910) 246-1018.
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.

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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 **November 3, 2011**, the Securities Division of the North Carolina Department of the Secretary of State, with the consent of the respondents, issued a Final Order against **Capital Management Partners, LLC, The North Carolina Center for Retirement and Estate Planning, LLC, and Kevin Edward Sullivan**. It was ordered and agreed that the applications of **Capital Management Partners, LLC** and **Kevin Edward Sullivan** were denied. It was also ordered and agreed that respondents would not apply with the Securities Division again before July 11, 2014. Respondents were also ordered to cease and desist from violating any statute, rule or regulation under the NC Securities Act or Investment Advisers Act. 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 Adopts New Net Worth Standard for Accredited Investors Under Dodd-Frank Act](#)

December 21, 2011 — The Securities and Exchange Commission amended its rules to exclude the value of a person's home from net worth calculations used to determine whether an individual may invest in certain unregistered securities offerings. The changes were made to conform the SEC's definition of an "accredited investor" to the requirements of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

[SEC Charges Wachovia with Fraudulent Bid Rigging in Municipal Bond Proceeds](#)

Dec. 8, 2011 — The Securities and Exchange Commission charged Wachovia Bank N.A. with fraudulently engaging in secret arrangements with bidding agents to improperly win business from municipalities and guarantee itself profits in the reinvestment of municipal bond proceeds. Wachovia has agreed to pay \$148 million to settle charges with the SEC and authorities from 25 states and Puerto Rico.

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!