

**JOINT PERFORMANCE REVIEW COMMITTEE**

**January 8, 2014**

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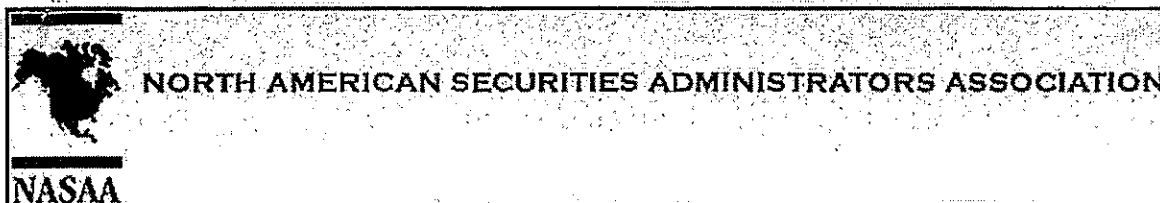
**HEATH ABSHURE  
SECURITIES COMMISSIONER  
ARKANSAS SECURITIES DEPARTMENT**

**CONTAINS THE FOLLOWING EXHIBITS:**

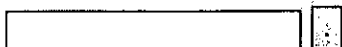
**EXHIBIT A  
EXHIBIT E  
EXHIBIT L  
EXHIBIT N  
EXHIBIT Q  
EXHIBIT V  
EXHIBIT W  
EXHIBIT X  
EXHIBIT Y**

***(The entirety of Mr. Abshure's exhibits (A-Z) can be found at the General Assembly's website at [www.arkleg.state.ar.us](http://www.arkleg.state.ar.us) under the paperclip icon to the right of the 1/8/14 meeting on the legislative meeting schedule)***





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## NASAA History

### A Century of Investor Protection



The state and provincial securities regulators who comprise the membership of the North American Securities Administrators Association have protected Main Street investors from fraud for 100 years, longer than any other securities regulator. State securities regulation predates the creation of the federal Securities and Exchange Commission (SEC) by more than two decades.

Regulation of securities offerings and the licensing of broker-dealers and their agents by a state are governed by what is known as "blue sky" law. The term "blue sky" referred to speculative schemes that, in the words of a judge of the period, had no more substance than so many feet of "blue sky."

The first modern state blue sky law was adopted in 1911 in Kansas. The Kansas law served as the nationwide model for state and provincial securities regulation. Manitoba became the first Canadian province to approve securities legislation 1912. For more on the origins of blue sky law, see "[A Century of Investor Protection](#)" (pdf).

NASAA was organized in Kansas in 1919. The association operated a small business office in Topeka, Kansas, and hired its first executive director in 1983. NASAA moved its Corporate Office to Washington, D.C. in 1987.

NASAA is the oldest international investor protection organization. Today, NASAA membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, the U.S. Virgin Islands, Puerto Rico, Canada, and Mexico.

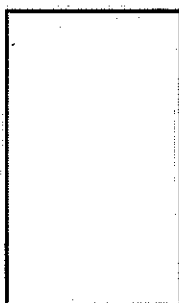
Our primary goal has been and remains to advocate and act for the protection of investors, especially those who lack the expertise, experience and resources to protect their own interests. We are driven by our conviction that every investor deserves protection and an even break, and that the welfare of investors must not be sacrificed in the process of capital formation.

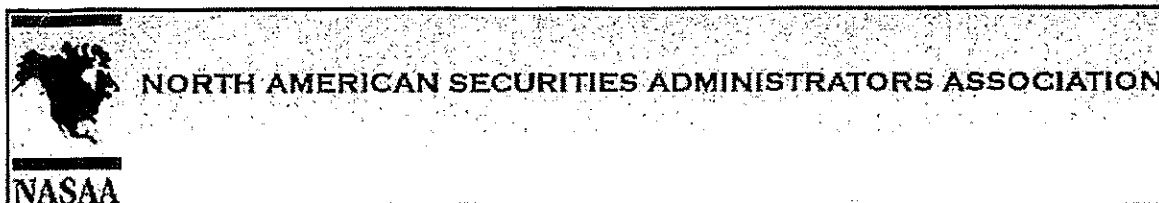
## NASAA Presidents

The first NASAA annual meeting was held in 1918 in Chicago, Illinois, where H.L. Carnham of California presided as NASAA's first president. Click [here](#) for a list of NASAA Presidents.

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- 1918 Carnham, California
- 1919 William Oats, Michigan
- 1920 P. A. Berry, Ohio
- 1921 Frank Organ, Kansas
- 1922 Hezekiah N. Duff, Michigan
- 1923 Garfield S. Canright, Wisconsin
- 1924 Maurice L. Mendenhall, Indiana
- 1925 William R. Shands, Virginia
- 1926 Heber C. Hicks, Utah
- 1927 A. J. Maxwell, North Carolina
- 1928 S. Louis Ostren, Iowa
- 1929 Jesse V. Craig, Nebraska
- 1930 R.C. Clark, Vermont
- 1931 I. M. Bailey, North Carolina
- 1932 Ed R. Hicks, Arkansas
- 1933 Donald L. Pomeroy, Minnesota
- 1934 William M. Franklin, Oklahoma
- 1935 Harold K. Bradford, West Virginia

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- 1936 S. Paul Skahen, Minnesota
- 1937 D. Leon Harp, Texas
- 1938 John F. Brady, Florida
- 1939 D. Kirk Gunby, Florida
- 1940 D. Kirk Gunby, Florida
- 1941 Russell Maloney, Missouri
- 1942 Paul L. Selby, Ohio
- 1943 Joseph W. Schneider, Kentucky
- 1944 Andrew J. Markey, New Jersey
- 1945 Clarence H. Adams, Connecticut
- 1946 J. Edwin Larson, Florida
- 1947 D. D. Murphy, South Carolina
- 1948 Harold Johnson, Nebraska
- 1949 Maurice Hudson, Oregon
- 1950 Edward J. Samp, Wisconsin
- 1951 William C. King, Virginia
- 1952 John F. Hueni, Michigan
- 1953 Paul V. Deames, Illinois
- 1954 Theodore N. Ofstedahl, Minnesota
- 1955 Simon M. Sheldon, New Hampshire
- 1956 Herschal K. Ross, Oklahoma
- 1957 Melvin O. Hall, Connecticut
- 1958 J. Stewart Smith, British Columbia
- 1959 N. J. Kiraly, Ohio
- 1960 Hal G. Hoyt, Maine
- 1961 Frank J. Healy, Oregon
- 1962 Frank N. Happ, Pennsylvania
- 1963 Maurice Désy, Quebec
- 1964 Bernard G. Lonctot, Washington
- 1965 Robert L. Walters, Iowa
- 1966 William C. Young, Virginia
- 1967 William M. King, Texas
- 1968 Meyer H. Mencher, New York
- 1969 Stanley R. Hays, Colorado
- 1970 Bradley Heald, South Carolina
- 1971 Thomas J. Hawcotte, Illinois
- 1972 Larry J. Bryant, Iowa
- 1973 Claude D. Keller, Arizona
- 1974 Thyra Thomson, Wyoming
- 1975 Roy W. Mauer, Texas
- 1976 Lewis W. Brothers, Jr., Virginia
- 1977 Hugh H. Makens, Michigan
- 1978 Harry S. Bray, Ontario
- 1979 Jeffrey B. Bartell, Wisconsin
- 1980 Harvey L. Bell, Arkansas

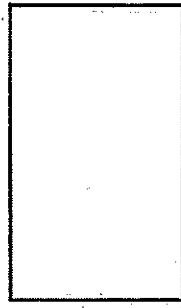
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- Thomas L. Krebs, Alabama
- 1982 David Hart Wunder, Illinois
- 1983 Richard D. Latham, Texas
- 1984 Michael Unger, Massachusetts
- 1985 H. Wayne Howell, Georgia
- 1986 Royce O. Griffin, Colorado
- 1987 F. Daniel Bell, III, North Carolina
- 1988 James C. Meyer, Tennessee
- 1989 John C. Baldwin, Utah
- 1990 Susan E. Bryant, Oklahoma
- 1991 Doug Mays, Kansas & John R. Perkins, Missouri
- 1992 Lewis W. Brothers, Jr., Virginia
- 1993 Barry Guthary, Massachusetts
- 1994 Craig A. Goettsch, Iowa
- 1995 Philip A. Feigin, Colorado
- 1996 Dee Riddell Harris, Arizona
- 1997 Mark J. Griffin, Utah
- 1998 Denise Voigt Crawford, Texas
- 1999 Peter C. Hildreth, New Hampshire
- 2000 Bradley W. Skolnik, Indiana
- 2001 Deborah R. Bortner, Washington
- 2002 Joseph Borg, Alabama
- 2003 Christine A. Bruenn, Maine
- 2004 Ralph A. Lambiase, Connecticut
- 2005 Franklin L. Widmann, New Jersey
- 2006 Patricia D. Struck, Wisconsin
- 2007 Joseph Borg, Alabama
- 2008 Karen Tyler, North Dakota
- 2009 Fred Joseph, Colorado
- 2010 Denise Voigt Crawford, Texas
- 2011 David S. Massey, North Carolina
- 2012 Jack E. Herstein, Nebraska
- ~~2013 A. Heath Abshire, Arkansas~~

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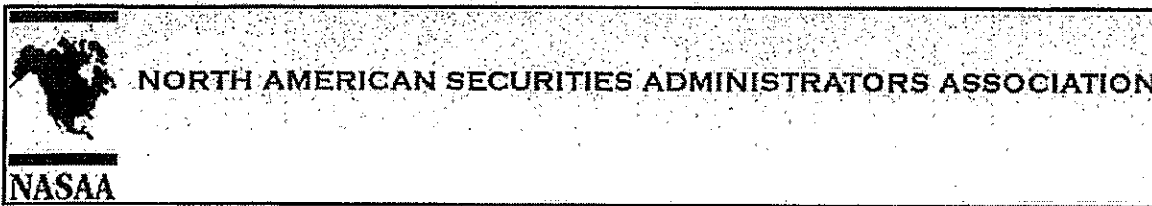
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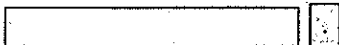
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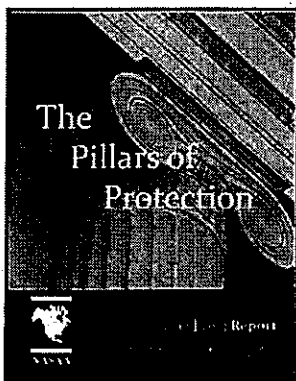


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## NASAA Annual Report

Each year, NASAA spotlights the accomplishments and activities of state and provincial securities regulators.

View the current report below:



[Download the NASAA 2012-2013 Report](#)

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2011-2012: [Welcome to the Next Century of Investor Protection](#)

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2009-2010 [Fighting Fraud, Protecting Investors, Championing Reform](#)

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2007-2008 [Because Every Investor Deserves Protection](#)

2006-2007 [Advancing a Legacy of Investor Protection](#)

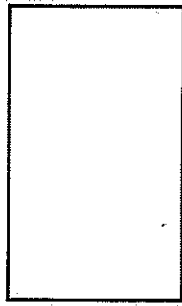
2005-2006 [Working Together to Protect Investors](#)

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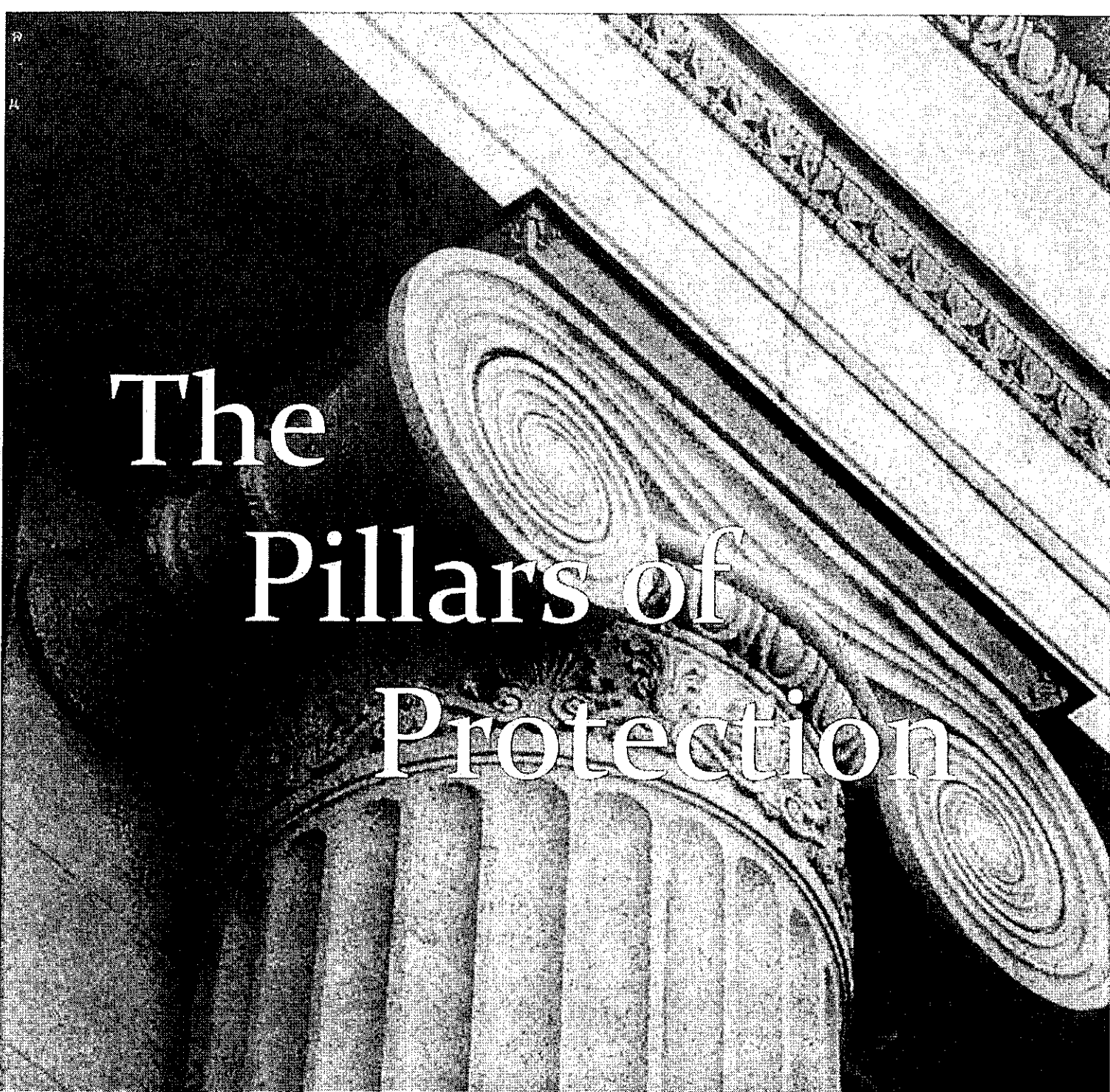
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# The Pillars of Protection



2012 | 2013 Report

North American Securities Administrators Association

[www.nasaa.org](http://www.nasaa.org)

# About NASAA

State and provincial securities regulators have been protecting investors from fraud and abusive sales practices since the passage of the first “blue sky” law in Kansas in 1911 and since 1912 in Canada when Manitoba became the first province to approve securities legislation. In the United States, state securities regulation preceded federal securities laws, including the creation of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), formerly the NASD.

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association with a membership consisting of securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.

As the preeminent organization of securities regulators, NASAA is committed to protecting investors from fraud and abuse, educating investors, supporting capital formation, and helping ensure the integrity and efficiency of financial markets.

NASAA represents and serves its members through advocacy, education, subject-matter expertise, communication and coordination. NASAA values investor protection, education, respect for diverse views, building consensus, being proactive, and active participation by all members of the organization. NASAA has a long history of advocating for federal and state securities legislation, rulemaking and coordinated enforcement actions that advance the goal of protecting investors.

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A message from A. Heath Abshire and Jack E. Herstein.

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NASAA members are an investor's first line of defense in the fight against investment fraud.

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## The Pillars of Protection

NASAA's five core principles provide a strong foundation for the pillars of protection necessary for investors and industry alike.

1. *Promote Investor Confidence*
2. *Balance Capital Formation and Investor Protection*
3. *Implement the Investor Protection Provisions of the Dodd-Frank Act*
4. *Maintain Governmental Oversight Responsibilities*
5. *Expand State Authority*

# Leadership Letter

Securities regulators in the states, provinces and territories of North America have a proud tradition of delivering effective protection for investors and efficient regulation for industry. We serve a distinguished role in safeguarding the assets and maintaining the confidence of investors throughout North America.

For more than 100 years, state and provincial securities regulators have developed a strong system to help protect the dream of a better financial future. Throughout the years, our commitment to investor protection through education and strong enforcement of state securities laws has remained unchanged.

We are in the trenches every day, stepping up when and where others may be unlikely to act.

Last year alone, NASAA members conducted more than 6,000 investigations, which led to more than 2,600 enforcement actions, \$2.2 billion ordered returned to investors and more than 1,600 years of jail time for securities law violators.

The Dodd-Frank Wall Street Reform and Consumer Protection Act recognized NASAA's leadership and record of accountability and gave state securities regulators new authority to address the challenges facing 21st century investors.

Under the law, approximately 2,100 mid-sized investment advisers switched in 2012 from federal to state regulation. When the switch is completed, states will have regulatory responsibility for approximately 17,000 investment advisers, while about 10,500 investment advisers will be under federal oversight.

This switch is currently the largest single regulatory event involving a coordinated effort by the states and the SEC. NASAA members prepared for the switch for more than two years. This preparation helped foster a smooth

transition and enabled state regulators to implement intelligent, efficient and responsive regulation.

The investment adviser switch is just one of Dodd-Frank's many meaningful and tangible reforms. But a number of key issues remain to be resolved.

For example, NASAA continues to encourage the SEC to develop a rule that applies a fiduciary standard of care and loyalty to all who provide investment advice, and to ensure that this standard is as strong as the existing fiduciary duty of the Investment Advisers Act.

We will continue our efforts to ensure that Dodd-Frank is implemented to provide strong investor protections without posing unnecessary burdens on business or impeding legitimate capital formation efforts.

Financial markets will continue to become more sophisticated, complex, and global in their reach. The changing dynamics of our financial markets will require a similar regulatory evolution.

But that evolution must focus on providing a balance between investor protection and economic growth. One must not outweigh the other.

NASAA members should remain vigilant to identify and seek to remedy unfairness in laws, regulations or administrative procedures that threaten to harm investors. When appropriate, we must speak on behalf of small investors whose voices cannot be heard over the din of the lobbyists and industry.

In all of this, we have to speak with the one voice of reason; the one unbiased voice that strikes the most appropriate balance between industry and investor.

Considering our illustrious history, our excellent track record, our universal reputation for fighting the good fight, and our physical presence throughout all of North America, we stand poised to be the most thoughtful, appropriate, and



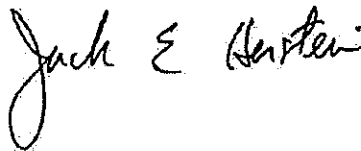
influential voice whenever changes to the system of securities regulation are being considered.

Together, we build on the foundation of professionalism and integrity of those who served before us and set the standard for those who follow.

If we harness our potential and speak as one, we will be the most reasonable, trusted, and influential securities regulator in North America.

The securities markets are too large and too diverse for one government regulator to oversee. It is woefully shortsighted to assume that one government regulator can be the most useful resource for all broker-dealers, all investment advisers, all issuers, and all investors of any size, from the ExxonMobils to the sole proprietorships, from the Calpers to the widowed retiree on Social Security.

Given the size and complexity of the market, we are presented with a unique opportunity. We should consider the changes to securities regulation brought about by globalization and rapidly changing technologies, and stake our claim to those areas where we are the most efficient, effective, and appropriate regulator—the regulator most likely to serve as a valuable resource to issuers, investors, and the industry.



Jack E. Herstein  
Nebraska  
NASAA President  
2011-2012



A. Heath Abshire  
Arkansas  
NASAA President  
2012-2013

# On the Frontlines of Investor Protection

*“We are committed to investor protection through strong enforcement of our securities laws. We are in the trenches every day to protect Main Street investors.”*

- Jack E. Herstein  
2011-2012 NASAA President  
Asst. Director, Nebraska Department of  
Banking & Finance, Bureau of Securities

State and provincial securities regulators have protected hometown investors from fraud for more than 100 years, longer than any other securities regulator. Strong enforcement of state and Canadian securities laws is a hallmark of NASAA members.

In October 2012, NASAA's Enforcement Section, led by Maine Securities Administrator Judith Shaw, reported a significant increase in enforcement actions against investment adviser firms in 2011 and a sharp rise in prison time for securities law violators.

Indeed, states are the undisputed leaders in criminal prosecutions of securities violators. In 2011 alone, state securities regulators conducted more than 6,000 investigations, leading to 2,600 enforcement actions, including more than 430 criminal actions. Moreover, in 2011, more than 3,500 licenses of brokers and investment advisers were withdrawn, denied, revoked, suspended, or conditioned due to state action.

The report noted that financial abuse of seniors was identified in nearly 600 reported enforcement actions. Prison time resulting from state-initiated actions totaled 1,662 years, up 47 percent from the year before.

State-initiated enforcement actions resulted in more than \$2.2 billion in investor restitution orders in 2011. Much of this restitution is attributable to repurchases of auction rate securities (ARS) stemming from state-led actions.

## A Strong Record of Investor Protection

### Enforcement Statistics at a Glance

Complaints Fielded by State Regulators:	11,302
Investigations:	6,121
Enforcement Actions:	2,602
Investor Restitution Ordered:	\$2.2 billion
Fines, Penalties, Payments & Costs:	\$290 million
Jail Time Sentenced:	1,662 years
Licenses Withdrawn, Denied, Revoked, Suspended or Conditioned:	3,570

### Most Reported Products in Enforcement Actions

1. Rule 506 Offerings
2. Real Estate Investments or Interests
3. Ponzi Schemes
4. Oil & Gas Investments or Interests
5. Structured Products

## Key Findings: NASAA 2012 Enforcement Report

Investors continue to rely on state securities regulators for protection as evidenced by a consistently high number of complaints (11,302) and investigations (6,121).

State securities regulators are cracking down on the worst offenders. Activity and assistance in criminal prosecutions resulted in 1,662 years in prison sentences and 434 years of probation.

Enforcement by-products of the Dodd-Frank and JOBS Acts are beginning to emerge in the form of increased actions or enforcement efforts relating to investment advisers, Internet offerings, crowdfunding and Reg D issues.

The states' historic commitment to finding investor-focused resolutions to the auction rate securities meltdown of 2008 were quite fruitful, and now, several years later, the states are wrapping up the administrative orders stemming from those activities.

New or novel threats to investors are emerging in the form of crowdfunding, investment adviser problems and EB-5 visa-for-investment issues, while persistent and "traditional" threats such as Reg D fraud, oil and gas scams, and real estate investment schemes remain prevalent.

The number of actions against brokers and broker agents remain relatively consistent, while there was a sizeable increase reported this year in actions against investment adviser firms.

Reg D and real estate schemes remain the most common type of violative products or practices.

To read the full NASAA Enforcement report, visit the NASAA website at [www.nasaa.org](http://www.nasaa.org). To review the CSA's full enforcement report, go to the CSA's website at [www.securities-administrators.ca](http://www.securities-administrators.ca), as well as the websites of NASAA's Canadian members.

## Key Findings: CSA Enforcement Report

In February 2012, the Canadian Securities Administrators (CSA) released its 2011 Enforcement Report that outlines how Canadian securities regulators are working to detect and disrupt misconduct in Canada's capital markets.

Enforcement action against wrongdoing in Canada's capital markets is a top priority for Canadian securities regulators, who concluded 124 cases in 2011 involving 237 individuals and 128 companies.

Of these cases, 24 were conducted in court proceedings, which resulted in jail sentences against eight individuals.

Illegal distributions made up over half of all concluded enforcement cases. Cases of illegal distributions often involve Ponzi schemes.

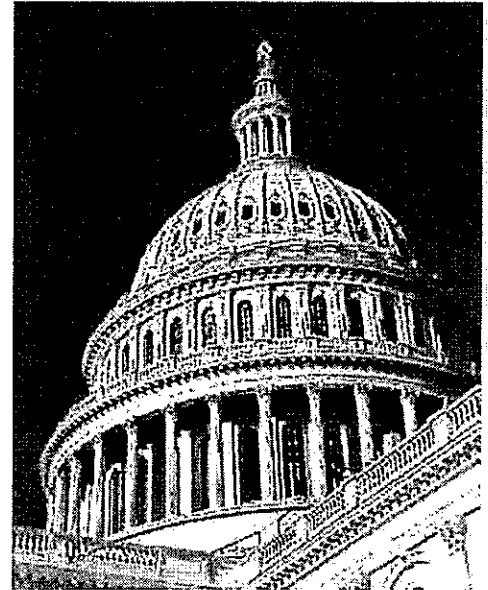
Concluded cases resulted in fines and administrative penalties of more than \$52 million and nearly \$50 million in restitution, compensation and disgorgement.

Canadian securities regulators reported 63 interim orders restricting trading and/or freezing the assets against 109 individuals and 108 companies.

# Pillars of Protection

*“If the JOBS Act is any indication, lawmakers appear willing to sacrifice reasonable regulation for perceived economic growth.”*

A. Heath Abshire  
2012-2013 NASAA President  
and Arkansas Securities Commissioner



Throughout 2012 and into 2013, NASAA and its members advanced a policy agenda that balanced the twin goals of investor protection and economic growth. NASAA did so by focusing on five core principles, or pillars, of protection.

- Promote Sustained Investor Confidence by Ensuring Market Transparency, Enhancing Investor Education, and Imposing Strong Penalties
- Policies Intended to Spur Capital Formation Must Balance the Need to Maintain Investor Protection
- Support Strong and Complete Implementation of the Investor Protection Provisions in the Dodd-Frank Act by the Conclusion of the 113th Congress
- Regulation is an Inherently Public Function that Should be Performed by Government Regulators, not Outsourced to an Industry Self-Regulatory Organization
- State Authority Should Not Be Preempted and Should Instead Be Expanded

## Promote Sustained Investor Confidence

Trust in the financial markets is one of our nation's greatest competitive advantages, drawing capital investment to businesses and creating a robust economic system that is fair to all.

The financial crisis and recent scandals involving Ponzi schemes, insider trading and market manipulation have shaken investor confidence. Investors throughout North America continue to question the fairness and stability of U.S. capital markets.

NASAA considers it imperative that policymakers take decisive steps to bolster market confidence and thereby lay a foundation for sustained economic growth.

### *Improve Market Transparency and Level the Playing Field*

The statutory and regulatory framework for the offer, sale and purchase of securities is designed to enhance investor confidence through full disclosure. Informed investors promote confidence in the market through discerning investment decisions. Transparency reduces market inefficiency and reduces opportunities for market manipulation and other types of investor abuse.

NASAA supports efforts to ensure that complete transparency occurs regarding securities offerings.

Recent years have seen the proliferation of new and complex financial products in the global financial marketplace. As more complicated securities products enter the market, transparency regarding these products will be critical, as both a means of deterring fraud and as a way to help ensure that investors do not assume more risk than they can understand or tolerate. For markets to respond to these new products in a rational way, full disclosure and transparency are essential.

NASAA also is committed to working with policymakers to better protect retail investors from the adverse effects of market manipulation.

In recent years, advances in technology and other factors have made it increasingly easy for sophisticated market participants—hedge funds, dark pools, high-frequency traders, and others—to identify and exploit informational asymmetries in order to maximize profits, often at the expense of retail “mom and pop” investors.

One market phenomenon that is of particular concern to NASAA members is High-Frequency Trading (HFT), which refers to the use by some market participants of powerful computers to buy and sell enormous amounts of securities at incredibly high speeds. Such trading appears to have potentially dangerous implications for ordinary “mom and pop” investors.

Congress has the authority to investigate HFT and other opaque market actors, and NASAA urges the 113th Congress to make full and expeditious use of this authority to bring greater transparency to these areas. The investing public should be able to understand the nature of this phenomenon and judge its risk.

### ***Strengthen Penalties for Securities Law Violators***

The economic recession and turmoil of the last half-decade was caused in significant measure by fraudulent financial activity. Widespread mortgage fraud, unscrupulous fixed-income departments, and accounting fakery all contributed to the financial meltdown. Fraud destroys trust in the financial system, while fairness and integrity build it.

Not long ago, going to jail for financial fraud was a real risk. For decades, the credible threat of prosecution was sufficient to convince financial executives to keep their businesses simple and transparent. In recent decades, however, even as rules have multiplied to keep up with new and more complex ways to invest, the punishments meted out to those who commit major financial frauds have become notably less frequent and severe.

One of the most striking features of the 2008 financial crisis

is how few of those who were most culpable were punished for their conduct.

For enforcement to be an effective deterrent, there must be a real risk of punishment for those who mislead investors or otherwise perpetrate fraud and abuse. Scandals involving securities transactions undermine investor confidence, whether they arise in the form of insider trading, misrepresentations in connection with securities offerings, the purchase or sale of securities, self-dealing through undisclosed related party transactions, or other methods. Aggressive enforcement activities—including efforts to deter wrongdoing, to disgorge ill-gotten gains from wrongdoers, and, where possible, to provide restitution for aggrieved investors—is the only proven antidote.

In 2012, NASAA supported *The Stronger Enforcement of Civil Penalties Act* (S. 3416), sponsored by Senators Jack Reed (D-RI) and Charles Grassley (R-IA). This legislation would have substantially raised the financial stakes for repeat offenders of our nation’s securities laws by raising the limits on civil monetary penalties and linking the penalties to the scope of harm and associated investor losses. In 2013, NASAA will intensify its efforts to secure the enactment of this or similar legislation.

### ***Strengthen Private Remedies for Victims of Fraud***

Congressional action to extend private remedies to victims of securities fraud is particularly urgent in light of SEC Chairman Elisse Walter’s announcement on January 18, 2013, that the SEC will soon proceed with rulemakings to implement the Jumpstart Our Business Startups Act (JOBS Act), which will legalize equity “crowdfunding” and allow the advertising of private placements.

The JOBS Act will greatly increase the number of small investments in small, private companies. As a result, a single instance of fraud might easily result in damages to a large number of people. At the same time, however, the losses may be small enough that a private legal action by a single victim is not economically feasible.

To ensure that victims of securities fraud will have recourse, NASAA urges the 113th Congress to explore amending federal law to ensure that all investors, especially those investing small amounts, have a reasonable avenue to seek recovery. Failure to provide recourse to defrauded investors may have a chilling effect on future investment in these offerings and capital raising efforts generally.

While NASAA remains committed to ensuring that arbitration forums and procedures create an even playing field, NASAA also believes that arbitration should not be the sole forum available to aggrieved investors. Aggrieved investors should be able to

# Pillars of Protection

seek relief in any forum and not be forced into an expensive arbitration that could foreclose the ability to obtain relief. Accordingly, state securities regulators urge the 113th Congress to take steps to ensure that private remedies for securities frauds are strengthened and expanded.

## ***Increase Resources to Protect Senior Investors***

A robust statutory framework for investor protection is critical to protecting seniors and other vulnerable citizens who are routinely targeted by predatory con artists.

Shockingly, one out of five Americans over the age of 65 has been a victim of financial exploitation, and the problem is growing. To combat such senior exploitation, the states have banded together to develop innovative fraud prevention programs and to cooperate closely on major fraud investigations. State securities regulators encourage the 113th Congress to do its part by increasing resources dedicated to protecting seniors and other vulnerable citizens.

One important way that Congress can provide greater protection for seniors is by enhancing and refining the penalties for those who defraud them. In the 111th and 112th Congress, NASAA supported *The Senior Investor Protection Enhancement Act*, which sought to impose higher penalties on those who target seniors with abusive sales practices. In the 113th Congress, NASAA will continue to push for enactment of this legislation. NASAA also calls on Congress to fund the Senior Investor Protection grant program to be established by the Office of Financial Education at the Consumer Financial Protection Bureau.

## ***Weigh Investor Protection, Privacy and Social Media***

As Congress considers updating the 1986 *Electronic Communications Privacy Act* to refine and expand privacy protections in the age of social media, NASAA will work with policymakers to ensure that legislation does not inadvertently compromise investor protection, including the obligation of securities firms to supervise, record, and maintain business-related communications as required by regulators.

Securities firms must be able to access social and digital media accounts involving business communications. Otherwise, firms may not be able to detect serious problems that put consumers at risk, including misleading claims by an employee; insider trading, Ponzi schemes and other fraudulent activity; and inappropriate conduct such as the selling of investment products that the firm has not approved.

## **Balancing Capital Formation and Investor Protection**

The facilitation of access to capital for new and small businesses is a worthy goal. Small businesses, including startups with high growth potential, continue to have difficulty obtaining access to capital, and policymakers are justified in exploring new and innovative ways to help them. However, if Congress legislates in this area, it is imperative that it do so in a careful and deliberate fashion that balances the goals of capital formation with investor protection.

State securities regulators support the idea that the opportunity to invest in small businesses, including emerging businesses, should exist for all investors as long as they understand the risk involved and have the financial ability to absorb attendant losses. However, small and emerging businesses, by definition, carry extreme risk, and it is very difficult for most retail investors to evaluate or price this risk. Indeed, statistics show that roughly 50 percent of small businesses fail within the first five years. Moreover, within this risky sector of small business investment, start-up businesses without a track record are particularly speculative and subject to failure.

If efforts to promote access to investment capital for small businesses are to be successful, investors need to be confident that they are protected to the fullest extent possible from fraud and undisclosed risk. Such assurance encourages investment, and in turn, increases the availability of investment capital. Conversely, hasty and ill-considered deregulation of public securities offerings, even when undertaken with the best intentions, can have devastating consequences for investors and businesses alike. In the absence of adequate attention to investor protection, policies that are intended to aid small businesses by helping them attract capital are likely to have precisely the opposite effect.

## ***Minimize the JOBS Act's Enormous Potential for Abuse***

In 2012, Congress passed the JOBS Act in an effort to make it easier for small and emerging companies to raise capital and grow.

In doing so, many Members of Congress expressed concern about the deterioration of long-standing investor protections. In 2013, Congress should take steps to enhance investor protections; otherwise, investors will distrust the market, and the intent to increase capital for small businesses will be thwarted.

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The removal of the ban on "general solicitation" in offerings conducted under Rule 506, as mandated in Title II of the JOBS Act, dismantles an important investor protection.

NASAA believes that elimination of the ban warrants a corresponding increase in dollar thresholds in the accredited investor definition, and that Congress should mandate such a change. Congress also should ensure that clear guidance is given to issuers regarding the reasonable steps that are necessary to verify that purchasers are accredited investors. In addition, a Form D should be filed prior to the use of any general solicitation, and reasonable restrictions should be placed on advertising, including performance advertising for private funds.

SEC rulemaking on crowdfunding offerings, as authorized under Title III of the JOBS Act, should similarly reflect a uniform and balanced regulatory approach. For crowdfunding to be successful, regulations must create a framework that minimizes unnecessary burdens on small businesses while simultaneously insulating investors from fraud and abuse. Given the potential for huge numbers of unsophisticated investors to participate in crowdfunded offerings, and in view of the anticipated lack of regulatory oversight these public offerings will receive, NASAA believes that high standards must be in place for issuers and funding portals or intermediaries.

## **Stop Recidivists from Conducting Private Securities Offerings under Rule 502 of Regulation D**

In Section 926 of the Dodd-Frank Act, Congress set forth a process to disqualify "felons and other bad actors" from conducting private securities offerings under Rule 506 of Regulation D. The adoption of a disqualification provision would provide much needed investor protection and would not be detrimental to legitimate issuers. Recidivists rightfully should not be allowed to conduct private securities offerings under the safe harbor exemption provided by Rule 506.

NASAA welcomes this change, especially after state regulators were preempted under the National Securities Markets Improvement Act (NSMIA) in 1996 from weeding out recidivists from Rule 506 offerings.

In the post-NSMIA era, small business issuers are using Rule 506 almost exclusively for Regulation D offerings. Although properly used by many legitimate issuers, the exemption has become an attractive option for individuals who would otherwise be prohibited from engaging in the securities business.

Today, the exemption is being misused to steal millions of dollars from investors through false and misleading

representations in offerings that provide the appearance of legitimacy without any meaningful scrutiny of regulators. NASAA believes that Congress should require similar disqualification provisions to all other offerings made under Regulation D. This will assist states in keeping recidivists from selling securities to residents of their states.

Congress also can protect investors by requiring the filing of a Form D for each Rule 506 offering. Under current federal securities law, filing a Form D with the SEC and state securities regulators is not a condition to the availability of the Rule 506 exemption. In fact, because filing a Form D currently is not a condition of any Regulation D exemptions, it is hard for regulators and the public to use the filing or non-filing of a Form D as an indicator of securities law compliance. The fact that filing is not currently a condition of the exemptions at the federal level also creates confusion as to the necessity of filing with the SEC, as well as the states and serves as a roadblock to enforcement efforts.

## **Allow Private Civil Actions for Aiding and Abetting Violations of Federal Securities Laws**

The 113th Congress should enact The Liability for Aiding and Abetting Securities Violations Act. This important legislation, first proposed in 2009 by former Sen. Arlen Specter and reintroduced in 2010 by Rep. Maxine Waters, would amend the 1934 Act to establish a private right of action for aiding and abetting violations of federal securities laws.

Congress always has recognized private actions as a means of achieving the investor protection goals underlying securities laws. Private actions afford victims of fraud the best and often only hope of recovering their losses, which governmental enforcement programs are ill-equipped to do on a large scale. By exposing all parties responsible for fraud, including those who provide substantial assistance, such legislation will not only help deter future violations, but may afford some recovery to those who have lost their investments and often their life savings.

Allowing private litigants to bring fraud claims against those who have aided and abetted such fraud will ensure that investors have meaningful private remedies in federal court.

Given the marked rise in corporate fraud and securities law violations affecting large classes of investors and because alternate forums for aggrieved investors remain limited, it is especially important that Congress provide meaningful remedies to victims of securities fraud.

# Pillars of Protection

## Support Complete Implementation of Investor Protections in Dodd-Frank

Full implementation of the investor protection provisions in the Dodd-Frank Act is one of the most important steps that the federal government can take to protect investors and promote confidence in U.S. capital markets.

NASAA urges the SEC and other federal agencies to complete the Act's implementation prior to the conclusion of the 113th Congress, in January 2015, and to resist efforts to repeal the Act's reforms or impede their implementation. Specifically, NASAA supports provisions in the Act that increase state regulatory oversight of investment advisers, safeguard seniors from unqualified advisers, prevent securities law violators from conducting securities offerings under Regulation D, and authorize the SEC to mandate greater choice of forum and enhanced remedies for investors.

NASAA also strongly advocates provisions in the Act that empower the SEC to expand the fiduciary standard of care currently applicable to investment advisers to broker-dealers, who provide investment advice, as well as provisions designed to make capital markets more transparent by authorizing regulators to prescribe guidelines for certain structured products, limit speculative trading, and require that most derivatives be traded on exchanges. State securities regulators are particularly dedicated to swift adoption of policy reforms embodied in the Act that directly benefit retail investors.

### *A Uniform Fiduciary Standard for Financial Professionals Who Offer Personalized Investment Advice*

Section 913 of the Dodd-Frank Act (the 913 Study) directed the SEC to study differences in the standards of care required of broker-dealers and investment advisers who provide personalized investment advice. The 913 Study, which was completed in 2011, found that while investment advisers are subject to a strict "fiduciary duty" standard, broker-dealers are

subject to more lenient standards governing their conduct. For example, in meeting their duty of loyalty, investment advisers cannot place their own interests ahead of those of their clients. Broker-dealers, however, are not subject to a similar constraint. To remedy this disparity, the Dodd-Frank Act empowered the SEC to harmonize the standards of care to require that all providers of financial advice to investors be true fiduciaries.

The establishment of a uniform fiduciary duty standard governing the conduct of broker-dealers and their agents is crucial for the protection of investors. Most investors cannot distinguish broker-dealers from investment advisers, nor do they understand the different legal standards applicable to either. As a result, many investors are unable to make informed decisions as to the best type of financial professional to retain.

A fiduciary standard for broker-dealers will guarantee that all financial professionals providing investment advice will act in the best interests of their clients and in turn enhance investor confidence in the financial services industry and securities markets.

NASAA urges the SEC to pursue the course recommended by the 913 Study to subject broker-dealers to the same fiduciary duty standard currently applied to investment advisers when those brokers offer personalized investment advice to retail investors and other customers.

### *Implementation of Investor Protection Provisions in the Dodd-Frank Act Must Not be Subject to Redundant or Dilatory Regulatory Analyses Requirements*

In the two-and-a-half years since enactment, one of the potential obstacles emerging to successful implementation of the Dodd-Frank Act's investor protection provisions has been the use of regulatory analytical requirements to delay and frustrate the ability of regulators to promulgate rules under the Act.

Rulmaking processes to which the SEC and other federal regulators must adhere in implementing the Dodd-Frank Act are set forth in the Administrative Procedure Act (APA) and

*In 2013, the largest single regulatory event involving a coordinated effort by the states and the SEC was successfully completed when 2,100 mid-sized IAs switched from federal oversight to state jurisdiction. The switch was mandated by Dodd-Frank in recognition of the effectiveness of state securities regulators.*



other statutes. In addition to such mandates arising under the APA, the SEC has a unique additional obligation to consider the effect of a proposed rule upon "efficiency, competition, and capital formation."

State securities regulators appreciate the importance of the rigorous regulatory analyses to which independent agency rules are subjected.

However, NASAA is concerned that misuse of these analyses could severely impede the ability of independent federal agencies, such as the SEC, to implement important investor protections in the Dodd-Frank Act, as well as future laws designed to protect investors and the public.

NASAA was alarmed by the introduction of several legislative proposals in the 112th Congress that would create numerous new regulatory analytical hurdles for federal financial regulators charged with implementing the Dodd-Frank Act.

The 113th Congress must be vigilant in ensuring that dilatory or redundant regulatory analytical requirements are not successfully employed to delay or disrupt implementation of the Dodd-Frank Act and other important investor protection laws.

### *Improve the Fairness of the Securities Arbitration Process*

NASAA members long have sought to improve the arbitration forum that currently serves a significant portion of the securities industry, and NASAA will aggressively advocate legislation in the 113th Congress to further improve the arbitration process for investors.

Section 921 of the Dodd-Frank Act provided the SEC with rulemaking authority to prohibit or impose conditions on the use of mandatory pre-dispute arbitration agreements if it determines it is in the interest of the public or investors. Pursuant to this provision, Congress should encourage the SEC to exercise its authority to propose or adopt rules prohibiting or conditioning pre-dispute agreements mandating arbitration.

In recent years, states also have seen the emergence of mandatory pre-dispute arbitration clauses in contracts between state-registered investment advisers and their clients, despite the fiduciary duty imposed upon investment advisers.

In the 113th Congress, NASAA will seek legislation empowering state regulators to curtail the use of such clauses and to take the steps necessary to provide investors with a choice for dispute resolution.

## Regulation of Investment Advisors is an Inherent Public Function that Should be Performed by Government Regulators, not Outsourced to Industry

Since the passage of NSMIA in 1996 and the Dodd-Frank Act in 2010, the division of federal and state regulatory responsibility over investment advisers has been clearly delineated according to the amount of investors' assets under management.

NSMIA bifurcated regulatory responsibility between the states, which were given authority to oversee investment advisers with up to \$25 million in assets, and the SEC, which oversaw all other investment advisers.

In 2010, the Dodd-Frank Act acknowledged the important and successful role states play in investment adviser regulation and increased the states' regulatory responsibility by transferring to them oversight of mid-sized investment advisers—those with assets under management between \$25 million and \$100 million.

From the perspective of states securities regulators, this division of state and federal regulatory responsibility for investment advisers has worked very well.

States have robust and dynamic regulatory oversight programs. States, unlike the SEC, regulate both investment advisers and investment adviser representatives. Almost every state performs on-site examinations, on a routine and for-cause basis, often using sophisticated examination modules. The majority of states conduct examinations on average at least once every four years.

In contrast to the states' experience regulating small and mid-sized investment advisers, in the post-NSMIA era, the SEC has struggled to adequately examine the large federally registered investment adviser firms for which it is responsible. The problems that exist with the SEC's oversight of federally registered investment advisers have been characterized as a "regulatory gap."

NASAA recognizes that this gap places investors at risk and believes that Congress should address it by providing the SEC with the resources to do the job, or a mechanism to gain these resources, and not outsource the responsibility to an industry-funded, self-regulatory organization (SRO). NASAA urges the 113th Congress to reject proposals to establish additional SROs, and instead to enable federal regulators with the resources they need to effectively monitor the firms and representatives under their jurisdiction.

## Pillars of Protection

### ***NASAA Vigorously Opposes the Creation of an SRO for State-Regulated Investment Advisers***

When it comes to the regulation of investment advisers, government regulators have decades of experience unmatched by any other authority or entity. NASAA sees little benefit in constructing and imposing a new layer of bureaucracy, with its attendant, well-documented expenses. The goal is to strengthen investor protection by improving the oversight of SEC-regulated investment advisers, and the best way to do this is to adequately fund federal regulators.

The existing securities industry SRO model—as typified by FINRA—also lacks accountability and is replete with conflicts of interest. Even where there is an independent Board of Directors, SROs remain organizations built on the premise of self-rule and are, as a matter of first principle, accountable to their members, not the investing public. Indeed, the Section 914 of the Dodd-Frank Act study (the 914 Study) underscored this point when it noted that an SRO containing “industry representatives” in its governance structure could have an elevated vulnerability to industry capture. No matter how many safeguards are instituted, an SRO lacks accountability and has substantial and inherent conflicts of interest that governmental regulators do not.

SROs also are more costly and inefficient than direct government oversight. For example, the establishment of an SRO for investment advisers would create a duplicative regulatory structure, with the SEC being responsible for the oversight of the SRO, and the SRO in turn being responsible for the oversight of investment advisers. Establishing an SRO will likely be more expensive, both initially and over the long-term, than funding a more robust SEC to oversee the industry.

Finally, aside from structural concerns raised by legislation establishing an SRO for investment advisers, most state-registered investment advisers are small businesses employing only a few people. The majority of their clients are not wealthy individuals or institutions, but hard-working Americans trying to plan for retirement or their children’s education. State securities regulators are extremely concerned about the impact that legislation requiring investment advisers to join an SRO would have on state-registered investment advisers and their clients. In short, any legislation that would require small and mid-sized investment advisers to join an SRO has the very real potential to be a job killer.

### ***Congress Should Authorize the SEC to Assess “User Fees” to Fund Improved Oversight of Federally Registered Investment Advisers***

State securities regulators continue to believe that best way for Congress to improve the oversight of federally registered investment advisers is to provide the SEC with the resources it needs to do the job. Unfortunately, the SEC still lacks the necessary funding to adequately oversee the investment advisers it regulates.

Recognizing current political realities, NASAA believes the best way for Congress to improve the oversight of federally registered investment advisers is to enact legislation authorizing the SEC’s Office of Compliance Inspections and Examinations (OCIE) to collect user fees from the investment advisers it examines. The revenue derived from such user fees, which would not come at any cost to taxpayers, could then be used by OCIE to fund additional examinations of federally registered investment advisers.

In the 112th Congress, NASAA supported *The Investment Adviser Examination Improvement Act*, sponsored by Rep. Maxine Waters (D-CA), which would have authorized the SEC to assess user fees on investment advisers to fund an expansion of its adviser examinations. In the 113th Congress, state securities regulators will continue to strongly support and advocate for the enactment of *The Investment Adviser Examination Improvement Act* or similar legislation.



*Texas Securities Commissioner John Morgan testifies before the House Financial Services Committee. In his June 6, 2012 testimony, Commissioner Morgan said NASAA members are “adamantly opposed” to the creation of an SRO for state-registered investment advisers.*

## State Authority Should Not Be Preempted and Should Instead Be Expanded

As a matter of principle, Congress should refrain from preempting state law.

For most investors, states are far-and-away the most responsive, accessible, and attuned regulators. Congress has recognized the performance and relevance of state securities regulators by expanding state responsibilities for the oversight of investment advisers and ensuring that state financial services regulators had a voice on the Financial Stability Oversight Council. Nevertheless, recent federal legislation has threatened to preempt the authority of the states.

### *Congress Should Defer to the States in Prescribing Policies to Regulate Small Offerings, Which States are Most Capable of Policing*

State regulators are closest to the investing public and understand the complex challenges faced by small businesses seeking to raise capital. State regulators are members of the communities they serve, and see first-hand how the public is optimally served by policies that strike a reasonable balance between the interests of issuers and investors.

Further, it is important to note that the SEC has neither the mandate nor the resources to police small offerings. Federal policies that vest rulemaking responsibilities exclusively with the SEC effectively separate the rulemaking from the enforcement responsibility. From a public policy standpoint, such arrangements are highly inefficient and sometimes dysfunctional.

Prior to the Dodd-Frank Act, consumer protection responsibilities had been spread across various federal banking regulatory agencies, with the Federal Reserve having sole authority to adopt rules to protect consumers from "unfair and deceptive practices," and individual prudential bank regulators like the Federal Deposit Insurance Corporation and the Comptroller of the Currency having the sole power to enforce those rules. This resulted in rulemakings that did not take into account lessons learned from enforcement actions and enforcement actions that were delayed due to a misunderstanding of regulations.

The bifurcation of rulemaking and enforcement authority

that failed to protect consumers at the federal level in the years preceding the 2008 Financial Crisis is no more likely today to succeed in protecting investors from fraud in small offerings. Thus, in areas where state securities regulators are expected to initiate and perform virtually all enforcement activity, Congress also should permit the states to exercise rulemaking authority.

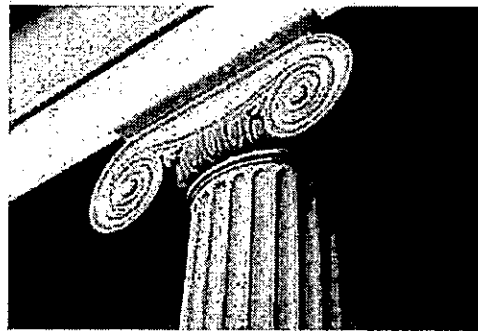
### *States Must be Permitted to Preserve and Improve their Capacity to Undertake Coordinated Action when Circumstances Require Uniformity*

With 53 independent jurisdictions in the United States and its territories, states operate with substantial and ever-increasing efficiency, and they have a strong track record of working together in a coordinated manner on a wide range of issues.

Advances in technology have resulted in automation of the registration process for individuals and firms, and coordinated reviews for securities registrations and mid-size or regional investment advisory firm examinations are becoming the norm rather than the exception.

Regulatory efforts involving interstate misconduct are routinely coordinated nationally to leverage state resources and reduce the cost and burden to the businesses involved (e.g., in the cases of sales practice violations relating to Auction Rate Securities).

The year 2012 saw the highly successful "Switch" of federally covered advisers to state registration. Earlier, NASAA adopted a model rule prohibiting deceptive senior-specific professional designations. Continuing to make progress in this area will be a high priority for state securities regulators as well as NASAA in the 113th Congress, and this progress should not be stultified by the threat of federal preemption.



## Activities & Accomplishments

*The primary mission of NASAA is to represent and serve its members through advocacy, education, subject-matter expertise, communication and coordination as they protect investors from fraud and abuse. 2012 saw a number of challenges to investor protection, and NASAA and its members worked collaboratively to advance our common goal of providing a reasonable balance between the needs of investors and industry.*

### Government Affairs

The primary issues affecting NASAA's membership in 2012 arose from legislation intended to improve the examination frequency of federally registered investment advisers and the implementation of the Jumpstart Our Business Startups (JOBS) Act, which became law on April 12, 2012.

Despite the JOBS Act being propelled by election-year political concerns, bipartisan and bicameral support in Congress, and decisive support from the White House, NASAA's government affairs team worked relentlessly through the Spring of 2012 to improve the legislation.

Through a series of letters and independent visits to Congressional members and staff, NASAA conveyed its strong opposition to the JOBS Act. More than 20 individual NASAA members directly registered their concerns to the JOBS Act through calls and letters to members of their state Congressional delegations.

This outreach campaign culminated in the appearance and testimony of a NASAA witness at a Congressional hearing on capital formation.

Following the enactment of the JOBS Act, NASAA's government affairs team turned its attention to the issue of investment adviser examinations. The team successfully secured Rep. Maxine Waters as a featured speaker at the 2012 Public Policy Conference, where she echoed NASAA's concerns with creating a self-regulatory organization (SRO) for investment advisers. She also noted her preference for a user-fee option and recognized the important role of states in examining small and mid-sized investment advisers and the burden that an SRO would place on those advisers.

Following the introduction of legislation authorizing the SEC to designate an SRO for investment advisers, NASAA voiced its concerns through letters and visits with the Chair of the House

Financial Services Committee, one of the principle supporters of the proposal. In the following weeks, NASAA's government affairs team conducted more than 40 visits with members of the House Financial Services and Senate Banking committees. These meetings were followed by more than 25 meetings between NASAA members and members of Congress.

NASAA's strong message earned a seat at the witness table during a hearing held by the full House Financial Services Committee. Texas Securities Commissioner John Morgan outlined NASAA's opposition to the SRO bill at the hearing.

Faced with resistance from NASAA and allied advocacy groups, House Financial Services Committee Chairman Spencer Bachus acknowledged on July 25, 2012, that the SRO bill was effectively dead for the remainder of the 112th Congress.

Throughout this very dynamic and active year, NASAA and its members made their voices heard through testimony, comment letters and joint outreach with other national organizations.

### NASAA Testimony · 2012

- *The JOBS Act: The Importance of Prompt Implementation for Entrepreneurs, Capital Formation, and Job Creation*

A. Heath Abshire, NASAA President  
Arkansas Securities Commissioner  
House Financial Services Subcommittee on Capital Markets and the House Oversight Subcommittee on TARP, Financial Services, and Bailouts  
August 12, 2012

- *Investment Adviser Oversight Act of 2012*

John Morgan  
Texas Securities Commissioner  
House Financial Services Committee  
June 6, 2012

## Legal & Regulatory Affairs

Throughout 2012, NASAA's legal department dedicated significant resources aimed at facilitating the switch from SEC regulation to state regulation as mandated by the Dodd-Frank Act.

The NASAA legal department also actively engaged in thorough regulatory and legislative analysis to help advance NASAA's concerns about the JOBS Act and a Congressional proposal to establish an SRO for investment advisers. In addition, NASAA's legal team worked with many NASAA project groups and section committees to develop recommendations for the SEC and FINRA in their rulemakings under the JOBS Act.

### The Legal Voice of NASAA

NASAA's legal staff has taken the lead in representing the views of NASAA and the membership through public comment on critical regulatory rule proposals. In 2012, NASAA filed 9 comment letters with the SEC, FINRA and the Consumer Financial Protection Bureau on a wide range of issues, including senior investor protection; the proposed regulation of crowdfunding activities by broker-dealers and funding portals; advocating that the SEC not enact a temporary or interim rule regarding general solicitation of Regulation D, Rule 506 offerings; the scope, methods and data sources for a study of pre-dispute arbitration agreements; the expungement process for individuals who are not specifically named in customer complaints; the valuation of direct-participation programs and real estate investment trusts in customer account statements; and disclosures to investors in private placements.

In addition, NASAA's legal team serves the membership by providing legal counsel and representing their positions as amicus curiae in significant cases brought by private plaintiffs (see box at right).

NASAA's legal staff also provides support for NASAA's representative on the Financial Stability Oversight Council (FSOC) and the SEC's Investor Advisory Committee, (IAC) both mandated by the Dodd-Frank Act. NASAA is represented on the FSOC by North Carolina Deputy Securities Administrator David S. Massey and on the IAC by Iowa Securities Counsel and Director of Investor Education and Consumer Outreach Craig Goettsch.

## NASAA Legal Briefs | 2012

- **Mathews v. Cassidy Turley, Inc.**

NASAA filed an amicus brief jointly with the Maryland Securities Commissioner in the Maryland Court of Appeals arguing that: the tenant-in-common interests at issue were "investment contracts" and, therefore, securities under the Maryland Securities Act; and private causes of action for fraud under the Maryland Securities Act are subject to the tolling provisions of Md. Cts. & Jud. Proc. §5-203 or the "Discovery Rule" recognized by Maryland common law. | [http://www.nasaa.org/press-releases/2012/05/01/050112-01](#)

- **State of Ohio v. Willan**

NASAA filed a Memorandum in Support of Jurisdiction to the Ohio Supreme Court, arguing that: a finding of reliance is not required to support a securities fraud conviction; a statement made for the purposes of registering a securities offering is material if a reasonable investor would consider it important in deciding whether to invest; and registration and licensing regulations are to be construed broadly in order to protect the investing public. | [http://www.nasaa.org/press-releases/2012/05/01/050112-02](#)

- **Mitchell v. Securities America**

NASAA filed a Memorandum in Opposition to the Defendant's Motion for Temporary Restraining Order and Permanent Injunction, arguing against a Federal District Court enjoinder of a state enforcement action under the All-Writs Act. | [http://www.nasaa.org/press-releases/2012/05/01/050112-03](#)

- **Mathers Family Trust, et al v. Cagle, et al**

NASAA Brief to the Colorado Supreme Court argued that public policy and the anti-waiver provision of the Colorado Securities Act preclude the use of a forum selection clause. | [http://www.nasaa.org/press-releases/2012/05/01/050112-04](#)

# NASAA Overview

## Communications & Investor Education

NASAA's communications program largely focused on proactively advocating NASAA's policy positions regarding various aspects of the JOBS Act, with an emphasis on the legislation's crowdfunding and Reg D Rule 506 general solicitation provisions, promoting NASAA's opposition to legislation to create an SRO for investment advisers, and raising awareness of the IA Switch. Throughout these efforts, NASAA's communications goal was to position NASAA and its members as a leading voice of investor protection and a reliable source of relevant information.

Through 30 news releases, two media tours and two news conferences, NASAA's communications staff supported NASAA leadership as they delivered a message that balanced the interests of investor protection and capital formation.

This effort led to an 11 percent increase in NASAA media coverage, (1,505 articles through the first eight months of the year) from the same period the year before.

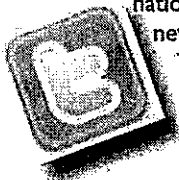
### Media Outreach

The communications team arranged interviews for NASAA senior leadership with leading national and international publications, including *The Wall Street Journal*, *The New York Times*, *The Washington Post*, *USA Today*, *The Financial Times*, Dow Jones, Reuters, and Bloomberg.

In July, the communications team worked with then-Enforcement Section Chair Matt Kitzki to develop a webinar sponsored by NASAA and the Retirement Industry Trust Association (RITA) to raise public awareness of how to avoid fraud when considering investing in self-directed Individual Retirement Accounts. The webinar attracted 155 participants and resulted in several news articles, including articles in *USA Today*, *Forbes* and the *Wall Street Journal*.

This event was followed in August by a news teleconference to promote the 2012 list of Top Investor Threats. Attended by reporters from *USA Today*, ABC News, Reuters, Bloomberg, *Investment News*, *IA Week*, BNA and *Investment Adviser* magazine, the event produced widespread media coverage, including an article on the front of the Money Section of *USA Today*, the nation's largest newspaper, and reprinted in 45 newspapers nationwide.

To further spread NASAA's media message, the communication team launched a Twitter feed: @NASAA\_News.



### Investor Education

In addition to promoting NASAA's policy positions in the media, the NASAA communications staff continued to emphasize the importance of investor education. The communications department provides support for the work of the Investor Education Section and its project groups. NASAA maintains ongoing relationships with national partners in investor education, including the American Savings Education Council and the Jump\$tart Coalition for Personal Financial Literacy.

## Training & Technology

NASAA continues to enhance its use of technology to provide resources for its membership. At the same time, the association maintains a strong series of innovative training programs to keep the membership abreast of the latest developments within securities regulation and the financial services industry.

In 2012, NASAA launched the NASAA Electronic Examination Modules (NEMO) software application, which enables examiners to conduct broker-dealer and investment adviser examinations in a secure, digital environment.

Training NASAA members to use the NEMO application efficiently and effectively was a key objective of NASAA's training program in 2012, as was the development of an enhanced investment adviser training program to better prepare NASAA members for their increased responsibilities resulting from the IA switch.

Throughout the year, NASAA continued to strengthen its distance education program to provide online training on demand to NASAA members.

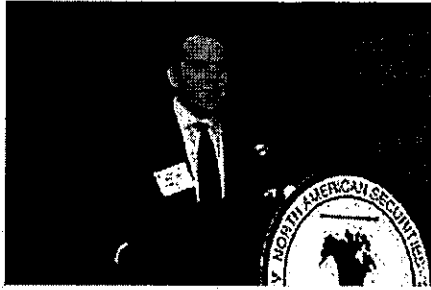
## Conferences & Events

NASAA hosted two major conferences in 2012, bringing together regulators, industry representatives, policymakers, media and others.

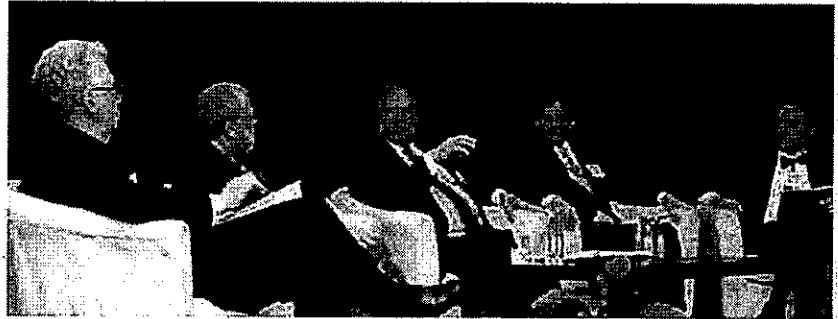
State and provincial securities regulators convened in Washington, D.C., in May for NASAA's Public Policy Conference and in Coronado, California, in September for NASAA's Annual Conference. Highlights of both events are illustrated over the next three pages.

# NASAA Overview

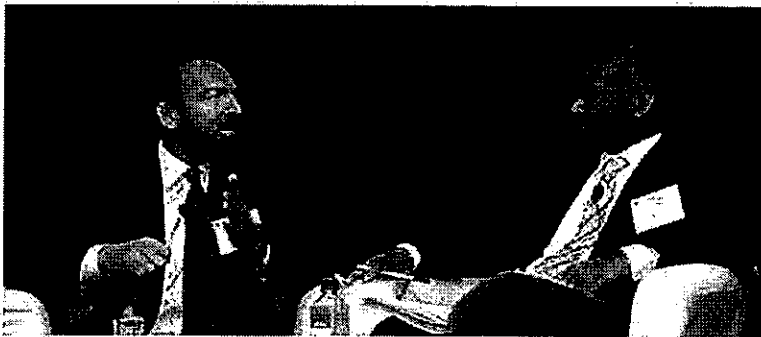
## 2012 Public Policy Conference: Washington, D.C.



Indiana Securities Commissioner Chris Naylor, chair of NASAA's 2012 Public Policy Conference, delivers opening remarks.



Arkansas Securities Commissioner A. Heath Abshire (right), then NASAA's President-elect, moderates a panel of legal and industry experts in a discussion of the impact of the JOBS Act on investor protection and capital formation. From left: Robert Pazen, senior lecturer of business administration, Harvard Business School; William Black, associate professor of economics and law, University of Missouri-Kansas City School of Law; Lynn Turner, managing director, LitiNomics, and former SEC chief accountant; Jeffrey Mahoney, general counsel, Council of Institutional Investors; and Commissioner Abshire.



New York Investor Protection Bureau Chief Marc Minor (right) listens as Mitchell Bompey of Morgan Stanley Smith Barney outlines the firm's social media practices. Other panelists included Scott Peterson, co-founder of Relay Social Media LLC, and Thomas Selman, executive vice president of regulatory policy, FINRA.



Rep. Maxine Waters (D-CA) delivering the keynote address outlining her legislation in support of user fees to help promote strong SEC oversight of investment advisers.

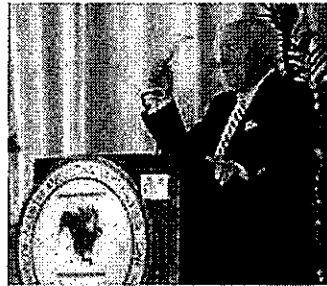
# NASAA Overview

## 2012 Annual Conference: Coronado, California

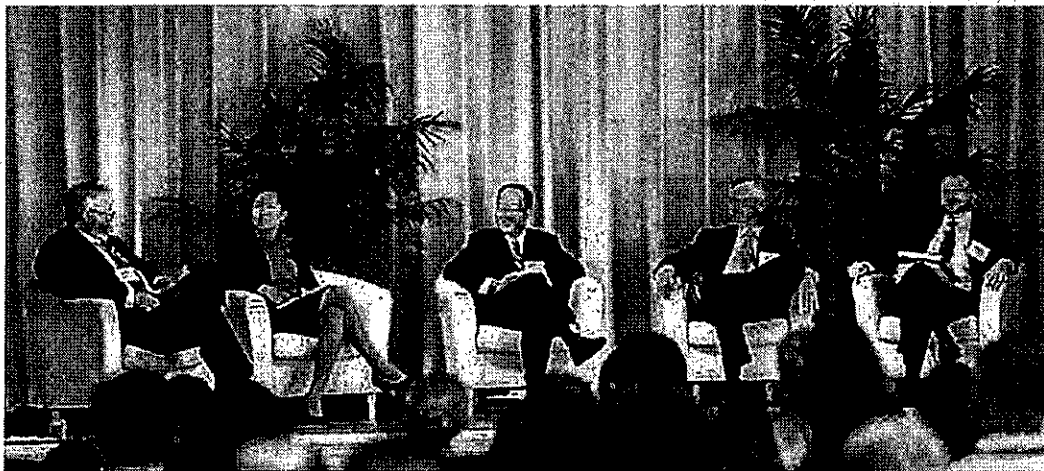


Jack E. Herstein of Nebraska reflects on a year of accomplishment as NASAA President before introducing his successor, A. Heath Abshire of Arkansas, as NASAA's new President.

Frank Partnoy (right), the George E. Barrett Professor of Law and Finance and the Founding Director of the Center for Corporate and Securities Law for University of San Diego, speaks about his book, *Wait: the Art and Science of Delay*, which discusses how decisions, especially those related to securities and investing, benefit from being made at the last possible moment.



Irving Faught (left), Oklahoma Securities Administrator and 2012 Annual Conference Chair, opens the 95th Annual Fall Conference in Coronado, California.



Securities regulators, legal experts and crowdfunding advocates explore the impact of the JOBS Act on the capital formation and investor protection. Moderated by Washington Securities Division Director William Beatty (left), the panel includes (from right): Rick Fleming, Deputy General Counsel for NASAA; William Rice, Alberta Securities Commission Chair and Chief Executive Officer; Yoichiro "Yokum" Taku, Corporate and Securities Partner at Wilson Sonsini Goodrich & Rosati; and Alice Ning, Management Consultant and Founder of TapCaps.



# NASAA Overview



*Pennsylvania Securities Commissioner Steven Irwin (right) moderates a panel on how the presidential election will affect Main Street and Wall Street. Panelists included noted political scientists Carl Luna (center), of Mesa College and the University of San Diego, and Jonathan Rodden, a national fellow at the Hoover Institution at Stanford University, where he also serves as associate professor.*



*Arkansas Securities Commissioner A. Heath Abshire delivers the presidential address at NASAA's 2012 annual conference in Coronado, California. Abshire's one-year term runs through September 2013.*



*Securities experts and reform advocates discuss the progress of Dodd-Frank since its passage. Moderated by Oregon Division of Finance & Corporate Securities Administrator David Taiman (center), the panel includes (from left): Jennifer Taub, Associate Professor of Law at Vermont Law School; Ken Bentsen, Executive Vice President, Public Policy and Advocacy for the Securities Industry and Financial Markets Association (SIMFA); David Min, Assistant Professor of Law, Irvine School of Law, University of California; Akshat Tewary, Founding Member of Occupy the SEC; and Thomas Quoadmon, Vice President of the U.S. Chamber of Commerce for Capital Markets Competitiveness.*

# Section Overview

## Broker-Dealer Section

### Overview

The point-of-sale contact that broker-dealers have with investors makes the work of the Broker-Dealer Section critical in achieving NASAA's mission of investor protection. This Section focuses on issues involving broker-dealers and agents, such as arbitration, qualification and licensing requirements, record keeping and compliance requirements, continuing education, and practices involving investors. The Section offers official comments on rule proposals; participates in discussions with industry, SROs, and federal regulators regarding trends and concerns in the brokerage industry; and provides guidance to states on broker-dealer issues. In addition to overseeing the activities of its project groups, the Broker-Dealer Section works closely with the CRD/IARD Steering Committee.

### Spotlight Activity

The Broker-Dealer Section's Operations Project Group conducted its bi-annual coordinated examinations of broker-dealers in 2012 and released its findings at NASAA's Annual Conference in September.

The nationwide series of examinations of broker-dealers, conducted by state securities examiners from 24 NASAA jurisdictions in the United States, revealed a significant number of problem areas.

A total of 236 examinations conducted between January 1 and June 30, 2012, found 453 types of violations in five compliance areas. The greatest frequency of violations (29 percent) involved books and records, followed by supervision (27 percent), sales practices (24 percent), registration & licensing (14 percent), and operations (6 percent).

The top five types of violations found involved: failure to follow written supervisory policies and procedures, suitability, correspondence/e-mail, maintenance of customer account information, and internal audits.

About half (44 percent) of the examinations involved one-person branch offices; 23 percent were home offices; 20 percent were branch offices with two to five agents; 11 percent were branch offices with more than five agents; and 2 percent were non-branch offices.

#### 2012-2013 Section Committee

John Cronin (VT), Chair  
Marc Minor (NY), Vice-Chair  
Bryan Lantagne (MA)  
Tanya Solov (IL)  
Michael Youngberg (SD)  
Chris Besko (MB)  
Joe Opron (NASAA)

#### 2012-2013 Project Groups & Chairs

Leslie Van Buskirk (WI)  
*Arbitration*  
John Cronin (VT)  
*Continuing Education*  
William Cahill (MA)  
*Broker-Dealer Exams Advisory*  
Carol Anne Foehl (MA)  
*Investment Products/Services*  
Carolyn Mendelson (PA)  
*Market & Reg. Policy/Review*  
Tanya Solov (IL)  
*Mergers & Acquisitions/Finders*  
James Nix (IL)  
*Operations*  
Mark Kissler (WA)  
*Variable Annuities*

#### 2011-2012 Section Committee

John Cronin (VT), Chair  
Marc Minor (NY), Vice Chair  
Bryan Lantagne (MA)  
Chris Naylor (IN)  
Michael Youngberg (SD)  
Douglas Brown (MB)  
Joe Opron (NASAA)

#### 2011-2012 Project Groups & Chairs

Leslie Van Buskirk (WI)  
*Arbitration*  
John Cronin (VT)  
*Continuing Education*  
William Cahill (MA)  
*Exams Advisory*  
Marc Minor (NY)  
*Investment Products/Services*  
Carolyn Mendelson (PA)  
*Market & Reg. Policy/Review*  
William Reilly (FL)  
*Operations*  
Mark Kissler  
*Variable Annuities*

### BD Coordinated Exams at a Glance

Number of Exams: 236

Violation Types: 453

Most Frequent Violations: Books & Records (29%)

Supervisions (27%)

Sales Practices (24%)

Registration/Licensing (14%)

Operations (6%)

Source: NASAA Broker-Dealer Operations Project Group

## Corporation Finance Section

### Overview

NASAA members have long helped facilitate capital formation at the state and local level. NASAA members assist entrepreneurs with their business plans and help them obtain resources to grow their enterprises and create local jobs. The Corporation Finance Section also develops and monitors policies for the registration of securities under state law. The Section oversees the activities of six Project Groups: Coordinated Interpretations, Business Organizations & Accounting, Corporation Finance Policy, Direct Participation Programs Policy, Franchise and Business Opportunities, and Small Business/Limited Offerings.

#### 2012-2013 Section Committee

William Beatty (VA), Chair  
Peter Cassidy (MA), Vice-Chair  
Michael Benson (PA)  
Anetria Connell (KY)  
Colleen Monahan (CA)  
Susan Powell (NB)  
Rick Fleming (NASAA)

#### 2012-2013 Project Groups & Chairs

Marlene Sparkman (TX), *Coordinated Interpretations*  
Seth Hertlein (OH), *Business Organizations and Accounting*  
Dennis Britson (IA), *Corporation Finance Policy*  
Mark Heuerman (OH), *Direct Participation Programs Policy*  
Dale Cantone (MD), *Franchise and Business Opportunities*  
Faith Anderson (VA), *Small Business/Limited Offerings*

#### 2011-2012 Section Committee

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Michael Benson (PA)  
Anetria Connell (KY)  
Peter Cassidy (MA)  
Susan Powell (NB)  
Rick Fleming (NASAA)

#### 2011-2012 Project Groups & Chairs

Marlene Sparkman (TX), *Coordinated Interpretations*  
Brian Ardire (PA), *Business Organizations/Accounting*  
Dennis Britson (IA), *Corporation Finance Policy*  
Mark Heuerman (OH), *Direct Participation Programs Policy*  
Dale Cantone (MD), *Franchise & Business Opportunities*  
Faith Anderson (VA), *Small Business/Limited Offerings*

### Activity Spotlight

Throughout 2012, the focus of the corporation finance world was on Congress as it considered what became known as the JOBS Act.

During this period, NASAA established the Small Business/Capital Formation Committee, made up of representatives from the Corporation Finance and Broker-Dealer sections, to focus on issues related to the JOBS Act. The committee worked extensively on a proposal to establish a new, state-administered crowdfunding exemption in an effort to combat the preemption provisions of the JOBS Act.

The Corporation Finance Section, through its Direct Participation Program and Business Organizations and Accounting project groups, prepared a NASAA comment letter in general support of FINRA's proposal concerning the valuation of unlisted REITs and business development companies (BDCs) on customer account statements.

The Section also published an informal solicitation of comments concerning whether NASAA should develop a Statement of Policy tailored to BDCs and revise the REIT Guidelines to address certain issues.

# Section Overview

## Enforcement Section

### Overview

NASAA members have a significant history of bringing enforcement actions, including criminal prosecutions. NASAA assists its members in coordinating enforcement efforts regarding multi-state frauds by facilitating the sharing of information and leveraging the resources of the states more efficiently. NASAA's Enforcement Section acts as a point of contact for federal agencies and self-regulatory organizations, such as the SEC, the FBI, the Postal Inspectors, and FINRA, and helps identify new fraud trends. The Section oversees the activities of several Project Groups, including: Attorney/Investigator Training, Litigation Forum, Oil/Gas Ventures, Reg D Investigations and Enforcement Zones.

### Activity Spotlight

In addition to conducting the annual enforcement survey, NASAA's Enforcement Section also prepares an annual list of top investor threats.

#### 2012 Top Investor Threats

New Threats	Persistent Threats
Growthfindings & Internet Offers	Gold & Precious Metals
Inappropriate Advice or Practices from Investment Advisers	Risky Oil & Gas Drilling Programs
Search Engines Using Self-Directed IRAs to Mask Fraud	Promissory Notes
EB-5 Investment-for-Visa Schemes	Real Estate Investment Schemes
	Regulation D Rule 506 Private Offerings
	Unlicensed Salesmen Giving Liquidation Recommendations

Source: NASAA Enforcement Section

#### 2012-2013 Section Committee

Judith Shaw (ME), Chair  
 Keith Woodwell (UT), Vice-chair  
 Kevin Anselm (AK)  
 Joe Rotunda (TX)  
 Abbe Tiger (NJ)  
 R. Scott Peacock (NS)  
 Rick Fleming (NASAA)

#### 2012-2013 Project Groups & Chairs

T. Webster Brenner (MD),  
*Enforcement Publications*  
 Tracy Meyers (SC) & Jeffrey Spill (NH),  
*Enforcement Training*  
 Robert Moilanen (MN), *Internet Fraud Investigations*  
 Gerald Rome (CO), *Litigation Forum*  
 Chad Harlan (KY), *Oil/Gas Ventures*  
 Allan Russ (NC), *Reg D Investigations*  
 Charles Kaiser (OK) & Rodney Griess (NE), *SID Database*  
 Jake van der Laan (NB), *Enforcement Zones*

#### 2011-2012 Section Committee

Matt Kitz (MO), Chair  
 Keith Woodwell (UT), Vice Chair  
 Kevin Anselm (AK)  
 Colleen Keefe (KY)  
 Joe Rotunda (TX)  
 R. Scott Peacock (NS)

#### 2011-2012 Project Groups & Chairs

T. Webster Brenner (MD),  
*Enforcement Publications*  
 Tracy Meyers (SC) & Jeffrey Spill (NH),  
*Enforcement Training*  
 Gerald Rome (CO), *Litigation Forum*  
 Ricky Locklar (AL), *Oil/Gas Ventures*  
 Allan Russ (NC), *Reg D Investigations*  
 Charles Kaiser (OK), *SID Database*  
 Jake van der Laan (NB), *Enforcement Zones*

## Investment Adviser Section

### Overview

NASAA's Investment Adviser Section develops policies and monitors state registration and regulation of firms and professionals in the investment advisory business. The Section also develops uniform policies for ethical business practices and model rules to enforce the investment advisory provisions of state law. The Section oversees the activities of the Exams Advisory, Operations, Regulatory Policy and Review, Training, and Investment Adviser Zones project groups and works closely with the CRD/IARD Steering Committee.

#### 2012-2013 Section Committee

Andrea Seidt (OH), Chair  
Linda Cena (MI), Vice-chair  
Shonita Bossier (MS)  
Theodore Miles (DC)  
Ronak Patel (TX)  
Susan Pawelek (ON)  
A. Valerie Mirkó (NASAA)

#### 2012-2013 Project Groups & Chairs

Sheila Cahill (NE), *Investment Adviser Exams Advisory*  
Michael Huggs (MS), *Investment Adviser Operations*  
Gregory Abram (MA), *Regulatory Policy and Review*  
William Carrigan (VT), *Investment Adviser Training*  
Maurice Kamhi (CA), *Investment Adviser Training*  
David Swafford (CO), *Investment Adviser Zones*

#### 2011-2012 Section Committee

Linda Cena (MI), Chair  
Shonita Bossier (KY), Vice Chair  
Michael Huggs (MS)  
Theodore Miles (DC)  
Abbe Tiger (NJ)  
Susan Pawelek (ON)  
Joseph Brady (NASAA)

#### 2011-2012 Project Groups & Chairs

Sheila Cahill (NE), *Investment Adviser Exams Advisory*  
Michael Huggs (MS), *Investment Adviser Operations*  
Ronak Patel (TX), *Regulatory Policy & Review*  
William Carrigan (VT), *Investment Adviser Training*  
Maurice Kamhi (CA), *Investment Adviser Training*  
Oscar Gonzalez (TX), *Investment Adviser Zones*

### Activity Spotlight



## IA Switch

The Investment Adviser Section concentrated its efforts in 2012 on assisting NASAA members as they "switched" mid-sized investment advisers from SEC to state regulation, as mandated by the Dodd-Frank Act.

The latest data from the SEC puts the number of switching advisers at about 2,100 firms. The SEC estimates that it will have oversight responsibility for about 10,500 investment advisers while about 17,000 investment advisers will be registered with state securities regulators.

To help advance the switch, the IA Section focused on four primary goals throughout 2012:

- Help NASAA members with their mission of regulating investment advisers by providing training and regulatory resources.
- Facilitate communication among NASAA members on regulatory issues and practices.
- Implement a multifaceted plan to support the increase in assets under management.
- Implement a plan to support uniformity in investment adviser and investment adviser representative licensing and examination practices.

# Section Overview

## Investor Education Section

### Overview

The Investor Education Section provides resources to help increase awareness of frauds and to build sound financial habits. Recognizing that education is a key weapon in the fight against investment fraud, the NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of the membership. The Section oversees the activities of four Project Groups: Alerts & Advisories, Outreach, Promotion & Coordination, and Social Media & Online Outreach.

### Activity Spotlight

The main efforts to the Investor Education Section in 2012 included the creation of a new outreach toolkit to bring investor education resources to Native American and First Nation populations in the United States and Canada.



The initiative was developed to help reduce the risk of investment fraud following two large financial settlements reached between Native American plaintiffs and the federal government.

Recognizing the growing use and importance of social media, the Social Media & Online Outreach Project Group developed a social media handbook for NASAA IE coordinators.

The Promotion & Coordination Project Group released the second edition of its IE Resource Calendar to provide NASAA members with creative ways to expand their IE outreach.

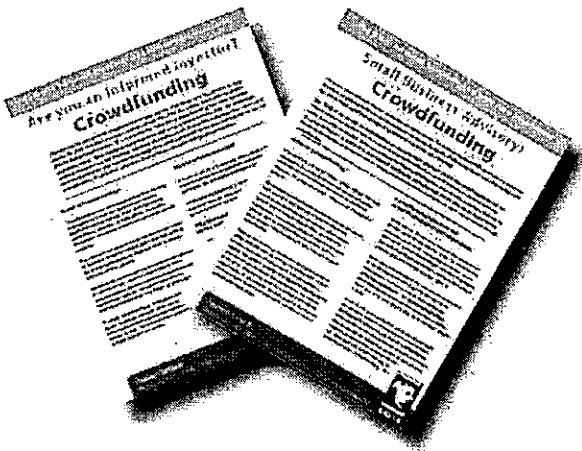
To respond to emerging trends and issues, the Alerts & Advisories Project Group focused on crowdfunding through a series of alerts to provide protective and informative messages for investors, small businesses and entrepreneurs.

**2012-2013 Section Committee**  
Daphne Smith (TN), Chair  
Marissa Rignanesi (NB), Vice-Chair  
Lynne Egan (MT)  
Bernice Geiger (NM)  
Christina Kotsalos (PA)  
Diane Young-Spitzer (MA)  
Jaime Brockway (NASAA)

**2012-2013 Project Groups & Chairs**  
Diane Young-Spitzer (MA), Alerts & Advisories  
Bernice Geiger (NM), Investor Outreach  
Christina Kotsalos (PA), Promotion & Coordination  
Marissa Rignanesi (NB), Online Outreach & Social Media

**2011-2012 Section Committee**  
Daphne Smith (TN), Chair  
Marissa Rignanesi (NB), Vice-chair  
Lynne Egan (MT)  
Tanya Webber (MS)  
Diane Young-Spitzer (MA)  
Leah Szarek (NASAA)

**2011-2012 Project Groups & Chairs**  
Diane Young-Spitzer (MA), Alerts & Advisories  
Bernice Geiger (NM), Investor Outreach  
Christina Kotsalos (PA), Promotion & Coordination  
Marissa Rignanesi (NB), Online Outreach & Social Media  
(from February 2012)  
Natalie MacLellan (NS) Online Outreach & Social Media  
(through February 2012)

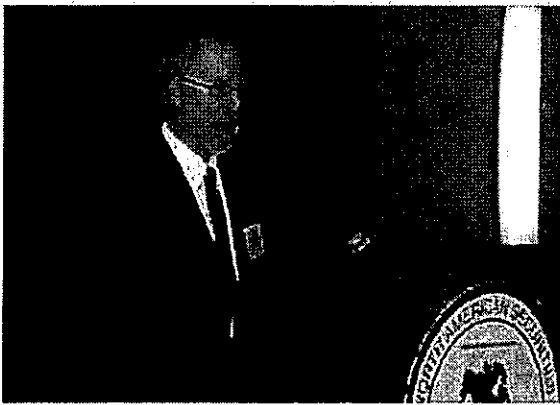


## NASAA Awards

### Blue Sky Cube

**Jack E. Herstein**  
Nebraska

*The Blue Sky Cube, NASAA's highest honor, recognizes career achievement and distinguished contributions to securities regulation. It is named for Blue Sky Law, the umbrella term for state laws throughout the United States that regulate the offering and sale of securities. Kansas enacted the first Blue Sky Law in 1911 to protect investors from speculative schemes that, in the words of a judge of the period, had no more substance than so many feet of "blue sky."*



*Jack E. Herstein, 2011-2012 NASAA President and Assistant Director of the Nebraska Department of Banking & Finance, Bureau of Securities, was the recipient of the 2012 Blue Sky Cube, which was presented during NASAA's Annual Conference in Coronado, California.*

### Outstanding Service Award

Preston DuFauchard, California  
Michael Huggs, Mississippi  
Thomas A. Michlovic, Pennsylvania  
William F. Reilly Jr., Florida  
Franklin L. Widmann, Florida  
Benette Zivley, Texas

### Distinguished Service Award

Dale Clements, Tennessee

### Outstanding Team Service Award

#### **Bankers Life Task Force:**

Judith Shaw, Maine  
Karla Black, Maine  
Michael Colleran, Maine  
Matt Kitzi, Missouri  
Mary Hosmer, Missouri  
Judi Lahr, Missouri  
Jeff Spill, New Hampshire  
John Cronin, Vermont

## Board of Directors

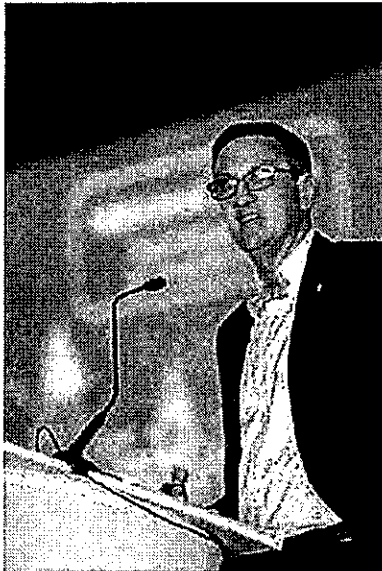
NASAA's Board of Directors, elected annually from the ranks of the membership, is responsible for the association's planning and policy development.

### 2012-2013 Board

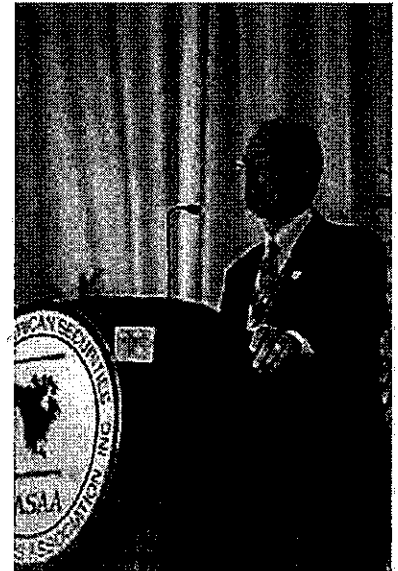
A. Heath Abshure, Arkansas, President  
Steve Irwin, Pennsylvania, President-elect  
Jack E. Herstein, Nebraska, Past President  
Chris Naylor, Indiana, Secretary  
Fred J. Joseph, Colorado, Treasurer  
Douglas Brown, Manitoba  
Melanie Senter Lubin, Maryland  
John Morgan, Texas  
Patricia Struck, Wisconsin

### 2011-2012 Board

Jack E. Herstein, Nebraska, President  
A. Heath Abshure, Arkansas, President-elect  
David Massey, North Carolina, Past President  
Rick Hancox, New Brunswick, Secretary  
Fred J. Joseph, Colorado, Treasurer  
Steve Irwin, Pennsylvania  
Melanie Senter Lubin, Maryland  
Andrea Seidt, Ohio  
Patricia Struck, Wisconsin



Throughout 2012-2013, NASAA was led by Jack E. Herstein, Assistant Director of the Nebraska Department of Banking & Finance, Bureau of Securities, (right) and A. Heath Abshure, Arkansas Securities Commissioner (left). Mr. Herstein served as NASAA's 2011-2012 president. He was succeeded by Mr. Abshure in September 2012. Mr. Abshure's term runs through September 2013, when he will be succeeded by Pennsylvania Banking and Securities Commissioner Steven Irwin.





## Board Committees

### 2012-2013 Board Committee Chairs

#### Awards

Craig Goettsch, Iowa

#### CRD/IARD Steering

Melanie Senter Lubin, Maryland

#### CRD/IARD Forms and Process

Pam Epting, Florida

#### Electronic Filing Depository

Jack E. Herstein, Nebraska

#### Federal Legislation

Steve Irwin, Pennsylvania

#### Finance and Audit

Patricia McKenna, Maryland

#### International

Joseph Borg, Alabama

#### Legal Services

Chris Naylor, Indiana

#### NEMO Training & Support

Michael Huggs, Mississippi

#### Standardized Training & Technology

Rick Hancox, New Brunswick

#### Uniform Securities Act

Craig Goettsch, Iowa

### 2011-2012 Board Committee Chairs

#### Awards

Craig Goettsch, Iowa

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#### CRD/IARD Forms and Process

Pam Epting, Florida

#### Federal Legislation

Steve Irwin, Pennsylvania

#### Finance and Audit

Patricia McKenna, Maryland

#### International

Joseph Borg, Alabama

#### Legal Services

Debra Bollinger, Virginia

#### Life Settlements

Fred Joseph, Colorado

#### Mergers & Acquisitions/Finders

Tanya Solov, Illinois

#### NEMO Training and Support

Michael Huggs, Mississippi

#### Reg. D Electronic Filings

A. Heath Abshire, Arkansas

#### Small Business/Capital Formation

A. Heath Abshire, Arkansas

#### Standardized Training & Technology

Judith Shaw, Maine

#### Uniform Securities Act

Craig Goettsch, Iowa

## **Corporate Office Staff**

### *Executive and Administrative Office*

**Russ Iuculano**  
Executive Director

**John H. Lynch**  
Deputy Executive Director/Controller

**Gina Haidle**  
Membership Services and Finance Manager

**Jennifer Marsoni**  
Executive Assistant, Office Manager  
& Benefits Coordinator

**Josephine Oundo**  
Receptionist

### *Legal*

**Joseph Brady**  
General Counsel

**Rick Fleming**  
Deputy General Counsel

**A. Valerie Mirko**  
Assistant General Counsel

**Joseph Opron**  
Counsel

**Faye Gordon**  
Paralegal

### *Government Affairs*

**Michael Canning**  
Director of Policy

**Anya Coverman**  
Deputy Director of Policy

**Zachary Israel**  
Government Affairs Assistant

### *Communications & Investor Education*

**Bob Webster**  
Director of Communications

**Jaime Brockway**  
Communications & Investor Education  
Manager

### *Conferences & Events*

**Lonnie Martin**  
Membership & Meetings Manager

**Danielle North**  
Membership & Meetings Assistant

### *Training & Technology*

**Jason Wolf**  
Training & Technology Manager

**NASAA Corporate Office**  
750 First Street NE, Suite 1140  
Washington, DC 20002  
(202) 737-0900  
[www.nasaa.org](http://www.nasaa.org)



NASAA

North American Securities Administrators Association

750 First Street NE, Suite 1140

Washington, DC 20002

(202) 737-0900

[www.nasaa.org](http://www.nasaa.org)







## Heath Abshure

---

**From:** John H. Lynch <jhl@nasaa.org>  
**Sent:** Tuesday, October 29, 2013 3:12 PM  
**To:** Heath Abshure  
**Subject:** Financial Info you requested  
**Attachments:** settlement income, training costs.pdf

Heath,

I've attached the settlement income that NASAA has received from the states over the past five years along with the cost to NASAA to conduct the training events that benefit your staff. You may want to eliminate the 2013 BNY settlement as that was done by the corp. office when BNY backed out of the EFD project.

Also, the NEMO project, which benefits your examination staff cost NASAA \$439,000. We anticipate that the final cost for the EFD system, which will also benefit your state will cost NASAA about \$225,000.

We can't put a price tag on the distance education package (since Jason put that together) that we offer on our website, but certainly it is another training exercise meant to benefit all of the states.

Let me know if you need more.

John H. Lynch  
Deputy Executive Director/Controller  
NASAA  
750 First Street, NE  
Suite 1140  
Washington, DC 20002  
202/737-0900

Settlement Income - 2009

	Date Received	Amount Received
Bank of America (Alabama ARS Order)	09/12/2009	\$10,000
Citigroup Global Markets (Alabama ARS Order)	06/11/2009	\$5,000
Credit Suisse Securities (North Carolina ARS Order)	08/07/2009	\$15,000
JP Morgan Chase & CO (Florida ARS Order)	10/22/2009	\$15,000
Merrill Lynch (Texas Client Associate Order)	09/23/2009	\$25,000
Merrill Lynch (Alabama ARS Order)	09/29/2009	\$25,000
Merrill Lynch (Alabama Client Associate Order)	12/10/2009	\$10,200
Wachovia Securities (Alabama ARS Order)	06/11/2009	\$10,000
		<hr/>
		\$115,200

Settlement Income - 2010

	Date Received	Amount Received	
Credit Suisse Securities (Iowa ARS Order)	03/22/2010	\$5,000	
Wells Fargo Investments (Washington ARS Order)	04/29/2010	\$25,000	
Morgan Stanley (Iowa ARS Order)	05/03/2010	\$3,000	
Merrill Lynch (Iowa Client Associates Order)	05/26/2010	\$6,000	Non ARS
UBS (Alabama ARS Order)	07/07/2010	\$10,000	
Goldman Sachs (Alabama ARS Order)	07/07/2010	\$50,000	
UBS (Iowa ARS Order)	07/14/2010	\$7,500	
JP Morgan Chase (Iowa ARS Order)	11/15/2010	\$1,000	
Deutsche Bank Securities Inc "DBSI" (Iowa ARS Order)	12/27/2010	\$500	
Goldman, Sachs & Co. (Iowa ARS Order)	12/14/2010	\$2,000	
		<hr/>	
		\$110,000	

Settlement Income - 2011

	Date Received	Amount Received	
Raymond James & Associates (ARS)(Florida)	07/08/2011	\$25,000	
Morgan Keegan (Alabama)	07/14/2011	\$23,000	not ARS
Raymond James & Associates (ARS)(Alabama)	09/23/2011	\$1,000	
E*Trade (ARS)(Colorado)	01/10/2012	\$20,000	



Settlement Income - 2012

	Date Received	Amount Received	
Bankers Life (Maine)	06/01/2012	\$20,000.00	
Morgan Keegan (Iowa)	08/06/2012	\$1,000.00	
E*Trade Securities (Iowa)	10/01/2012	\$1,000.00	ARS
Bankers Life (Iowa)	11/20/2012	\$5,000.00	
ProEquities (Bankers Life)(Arkansas)	11/21/2012	\$8,207.55	
UVEST (Bankers LIFE)(Arkansas)	11/27/2012	\$14,150.94	
		\$49,358.49	

Settlement Income - 2013

	Date Received	Amount Received
UVEST Financial (Bankers Life)(IOWA)	02/07/2013	\$500.00
BNY Mellon (Form D)	02/27/2013	\$250,000.00
RBC Capital Markets, LLC (Colorado)	07/01/2013	\$10,000.00
Crews & Associates, Inc. (Arkansas)	07/22/2013	\$150,000.00
UBS Financial Services (New Jersey)	09/20/2013	\$10,000.00
		-----
		\$420,500.00

Training & Education Event Costs

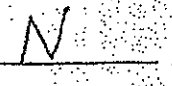
Tampa

Kansas City

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Unencumbered/Misc.										\$1,175	\$119	\$2,169	\$1,544
Winter Enforcement Conference Combined w/Atty/Inv trng '11, '12	\$125,068	\$122,979	\$154,072	\$158,210	\$209,504	\$187,189	\$198,384	\$123,851	\$186,221	\$175,420	\$112,943	\$264,025	\$212,469
Broker Dealer Training	\$90,777	\$105,256	\$111,129	\$108,655	\$103,125	\$101,692	\$108,461	\$111,847	\$142,238	\$80,780	\$78,752	\$88,055	\$100,890
Litigation Training	N/A	N/A	N/A	N/A	N/A	\$105,704	\$160,664	\$132,744	N/A	N/A	\$77	\$90,358	N/A
Corp. Fin. Training	\$59,454	\$62,617	\$48,260	\$67,037	\$87,237	\$65,056	\$78,622	\$76,377	\$97,625	\$55,407	N/A	\$65,199	\$55,487
Franchise Training	\$23,825	\$21,348	\$26,952	\$18,952	\$30,747	\$24,776	\$30,595	\$36,862	\$49,923	\$30,234	N/A	\$21,251	\$24,568
Joint Reg. Training	\$20,989	\$21,177	\$10,845	\$19,445	\$21,570	\$20,288	\$20,863	\$15,059	\$20,654	\$32,518	N/A	N/A	N/A
Investigator/Attorney Training	\$83,759	\$79,168	\$59,405	\$142,246	\$93,316	\$165,986	\$169,027	\$204,764	\$199,730	\$150,524	\$3,319	N/A	N/A
Exam Module Training	N/A	N/A	N/A	\$12,840	\$72,880	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NASAA/NAIC Training	N/A	N/A	N/A	N/A	\$49,090	\$23,605	\$35,882	\$16,709	N/A	N/A	N/A	N/A	N/A
IA Training	\$104,971	\$115,551	\$114,007	\$142,667	\$80,928	\$118,933	\$121,020	\$140,251	\$145,995	\$98,732	\$140,330	\$172,491	\$181,979
IARD/CRD Training	N/A	\$52,316	\$62,120	N/A	\$65,700	\$69,887	N/A	\$68,470	\$87,337	\$45,247	N/A	\$55,096	N/A
Investor Education Training	N/A	N/A	\$75,310	\$67,977	\$84,117	\$91,027	\$93,354	\$90,384	\$78,197	\$58,921	N/A	\$63,491	\$57,490
Distance Education											\$988	\$863	\$260
Administrators Training	N/A	\$72,583	\$77,262	\$76,235	\$83,750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	\$508,843	\$652,995	\$749,362	\$814,294	\$982,965	\$975,113	\$1,016,872	\$1,017,298	\$1,007,920	\$734,057	\$337,127	\$803,999	\$635,707

Tampa saved NASAA about \$275,000





# BUSINESS & FARM

Arkansas Democrat-Gazette

www.arkansasonline.com

WEDNESDAY, DECEMBER 5, 2013

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(51)

## Securities panel policy called common

DAVID SMITH  
ARKANSAS DEMOCRAT-GAZETTE

The practice of allowing contributions to be made to nonprofit organizations instead of fines being paid to a state agency is not uncommon experts in the field say.

Stephens Inc. filed a complaint with the Arkansas Ethics Commission last month claiming that Arkansas Securities

### Policy

not the first one to ever think about it, you look at it, I think you'll find nationwide examples where companies that are often making payments for non-profits in lieu of paying a fine. Another lawyer, who also asked not to be identified, said Abschures offer to accept nonprofit donations in lieu of fines has been common for years.

The truth of the matter is I don't know whether it's legal or illegal, said one lawyer who asked not to be identified. But I do know that Health

Commissioner Heath Abschures violated state law by allowing securities firms to make donations to nonprofit organizations instead of paying fines to the state.

Stephens said in its complaint that the Arkansas Securities Act, Arkansas Code Ann. § 24-2-101, requires all fines imposed and collected or money collected in lieu of settlement can be paid to an

Stoan, director of the commission. The commission has the authority to issue three levels of public letters — caution, warning or a reprimand, Stoan said. It also can issue fines ranging from \$50 to \$2,000.

Rob Steinhilber, a law professor at the University of Arkansas at Little Rock's William Bowen School of Law, said he doesn't see a problem with Abschures' actions.

(51)

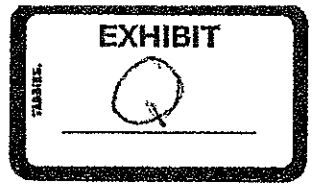


Date	Respondent	Type	Total Arkansas penalty	Contribution amount	Contribution made to:	ASD fine	Comments
4/20/1999	Summit Brokerage Securities, Inc	agent not registered, unsuitable trading	\$20,000.00	\$20,000.00	IPT	\$0.00	
9/13/1999	Argent Securities, Inc	unsuitable trading	\$5,000.00	\$5,000.00	IPT	\$0.00	
11/4/2002	Merrill Lynch	research analyst global settlement	\$500,000.00			\$500,000.00	
8/22/2003	UBS Warburg LLC & UBS PaineWebber Inc.	research analyst global settlement	\$250,000.00			\$250,000.00	\$5,000,000 paid to IPT for all states
9/22/2003	Goldman, Sachs & Co	research analyst global settlement	\$250,000.00			\$250,000.00	\$10,000,000 paid to IPT for all states
9/23/2003	Credit Suisse First Boston LLC	research analyst global settlement	\$750,000.00			\$750,000.00	
9/29/2003	Bear, Stearns, & Co, Inc.	research analyst global settlement	\$250,000.00			\$250,000.00	\$5,000,000 paid to IPT for all states
10/1/2003	JP Morgan Securities, Inc.	research analyst global settlement	\$250,000.00			\$250,000.00	\$5,000,000 paid to IPT for all states
10/1/2003	Lehman Brothers, Inc.	research analyst global settlement	\$250,000.00			\$250,000.00	\$5,000,000 paid to IPT for all states
11/5/2003	Citigroup Global Markets, Inc.	research analyst global settlement	\$1,500,000.00			\$1,500,000.00	\$25,000,000 paid to IPT for all states
11/5/2003	US Bancorp Piper Jaffrey Inc.	research analyst global settlement	\$125,000.00			\$125,000.00	
6/23/2005	Deutsche Bank Securities	research analyst global settlement	\$287,500.00			\$287,500.00	\$2,500,000 paid from order to IPT for all states
3/21/2007	Wachovia Financial Group	research analyst global settlement	\$246,500.00			\$246,500.00	
12/21/2009	RBC Capital Markets Corporation	auction rate	\$19,693.16			\$19,693.16	
1/8/2010	Merrill Lynch, Pierce, Fenner & Smith Inc	auction rate	\$402,333.14	\$1,969.31	IPT	\$17,723.85	
1/13/2010	Deutsche Bank Securities Inc.	auction rate	\$55,781.78	\$40,233.14	IPT	\$362,098.33	
2/11/2010	JP Morgan Chase & Co	auction rate	\$56,513.51	\$3,578.17	IPT	\$32,203.61	
2/12/2010	Banc of America Securities	auction rate	\$106,705.79	\$5,651.35	IPT	\$50,882.16	
3/16/2010	Wachovia Securities, LLC and Wachovia Capital Markets, LLC	auction rate	\$238,385.75	\$10,670.58	IPT	\$96,035.21	
3/19/2010	Citigroup Global Markets Inc.	auction rate	\$145,323.93	\$23,838.56	IPT	\$130,791.54	
3/25/2010	Morgan Stanley & Co, Inc.	auction rate	\$156,785.80	\$15,532.39	IPT	\$141,107.29	
4/16/2010	Credit Suisse Securities (USA) LLC	client associates not registered	\$30,000.00	\$3,000.00	IPT	\$27,000.00	
5/18/2010	Merrill Lynch, Pierce, Fenner & Smith, Inc.	client associates not registered	\$377,725.00	\$37,772.50	IPT	\$339,952.50	
9/23/2010	Wells Fargo Investments LLC	auction rate	\$4,796.66	\$479.66	IPT	\$4,317.00	
10/19/2010	Stifel, Nicolaus & Co	auction rate	\$1,314.17	\$131.41	IPT	\$1,182.76	
11/16/2010	UBS Securities LLC	auction rate	\$285,036.69	\$26,503.67	IPT	\$238,533.02	
12/28/2010	Goldman, Sachs & Co	auction rate	\$78,556.45	\$7,855.65	IPT	\$70,700.80	
10/19/2011	Morgan Keegan & Co	proprietary funds	\$434,215.00			\$434,215.00	
9/18/2012	Bankers Life and Casualty Co	unregistered activity	\$84,937.98			\$84,937.98	
11/19/2012	Proequities	unregistered activity	\$8,207.55		NASAA	\$0.00	
12/13/2012	West Financial Services Group, Inc.	unregistered activity	\$14,150.94		NASAA	\$0.00	
4/4/2012	Raymond James & Associates	unregistered activity	\$5,766.45			\$5,766.45	
7/9/2013	Crews & Associates	Banco	\$150,000.00	\$150,000.00	NASAA	\$0.00	
10/31/2013	RBC Capital Markets LLC	client associates not registered	\$44,745.17			\$44,745.17	
11/14/2013	UBS Financial Services, Inc.	client associates not registered	\$70,605.36			\$70,605.36	
			\$7,415,578.61	\$389,253.39		\$7,026,325.22	

Circuit Court of Pulaski County 6th Division -  
Ordered disbursement in the amount of \$306,000  
\$0.00 in addition to the payment of \$20,000 to IPT.

9/11/2008 Dennis Vinciguerra  
6/28/2006 Ameriquest

Total paid to IPT  
Total paid to NASAA  
Total paid to CSBS



Date	IPT grantee	Program	Amount
8/1/2012	University of Arkansas	How Can I Afford Retirement	\$78,594
3/1/2009	AARP	Protecting Arkansans Town-halls	\$25,000
3/13/2009	AARP	Campaign for Wise and Safe Investing	\$15,000
6/30/2009	University of Arkansas	How Can I Afford Retirement	\$76,564
6/1/2007	University of Arkansas	Global Financial Trading Center	\$45,078
2/1/2007	Arkansas Securities Department	Radio program	\$80,000
	Total amount of grants from IPT		\$320,236



**Garrison Financial  
Institute**

# Fax

<b>To:</b> Ann McDougal	<b>From:</b> Rickey Costrell
<b>Fax:</b> (501) 324-9268	<b>Pages:</b> 12
<b>Phone:</b> (501) 324-8685	<b>Date:</b> 2/10/09
<b>Re:</b> IPT Grant Proposal (Part One)	<b>cc:</b>

Urgent     For Review     Please Comment     Please Reply     Please Recycle

**◆ Comments:**

Dear Ms. McDougal,

Attached please find our grant submission for the "How Can I Afford Retirement" program sponsored by the Investor Protection Trust Foundation. Due to the large size of the attachments, I have sent this to you in two parts. Part one (attached) has the proposal and budget. Part two has the other attachments and was sent to you via email.

Since Commissioner Abshire's email is blocked can you please forward part one and two to him?

Please do not hesitate to contact me if I can be of assistance to you or if you have any questions.

Thank you for your time and prompt attention to this important matter.

*Rickey*

Rochelle M. Costrell  
Associate Director  
Garrison Financial Institute  
Sam M. Walton College of Business  
1 University of Arkansas, WCOB 302  
Fayetteville, AR 72704

Phone: (479) 575-4399  
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Email: [rcostrell@walton.uark.edu](mailto:rcostrell@walton.uark.edu)  
Office Location: RCED 208

Garrison Financial Institute - *Advancing financial research and knowledge through practice.*



## IPT Grant Proposal Form

Project Principal	501(c)(3) Organization or State Securities Administrator
<p>Name: Wayne Y. Lee            Title: Professor of Finance            Affiliation: Sam M. Walton College of Business, University of Arkansas            Address: 1 University of Arkansas, Business Bldg 302, Fayetteville, AR, 72701            Telephone: (479) 575-3944            Fax: (479) 575-8407            E-mail: wll@walton.uark.edu</p>	<p>Name of Organization: Board of Trustees, University of Arkansas, Fayetteville Campus            Type of Institution: State Controlled Institution of Higher Learning            Address: 1 University of Arkansas, Fayetteville, AR, 72701            Other Related Information: Garrison Financial Institute at the Sam M. Walton School of Business (Rosemary Ruff, Director of Research and Sponsored Programs)            Telephone: (479) 575-3845            E-mail: rcostrell@walton.uark.edu            Federal Tax ID Number: 716003252            Website URL: www.waltoncollege.uark.edu</p>

**Project Title:** How Can I Afford Retirement – An Investor Protection Trust Program at the Fayetteville Public Library in Partnership with the Garrison Financial Institute

**Grant Amount Requested:** \$73,676

**Duration of Project:** 24 Months

**Summary of Project (300 words or less):**

Utilizing the "How Can I Afford Retirement" model developed by the Boston Public Library and supported by the Investor Protection Trust Foundation, the Garrison Financial Institute in cooperation with the Fayetteville Public Library, propose to host 20 to 25 multipart, non-commercial educational events targeted specifically at Arkansans ages 45 to 70 who have not saved adequately for retirement. The subject matter will cover specific investor education topics aimed at helping this age cohort plan ahead and avoid investment errors that can undermine their retirement security.

Increasingly, financial responsibility for retirement has shifted towards individuals and away from corporate and government sponsored retirement plans. Research shows, however, that Americans approaching retirement have not set aside sufficient savings to support themselves during retirement. Saving for retirement is not rocket science, but educating the public on how to better prepare for retirement is an urgent national imperative that is on par with the space race decades earlier.

Experts from the community will address investor education issues that are critical to individuals 45-70 years of age. Cognizant of our adult audience, the message will be reinforced in multiple ways – first, by lecture, and second, by a reference librarian who will speak about investor education resources that are available at the library. Presentations will be followed by small group breakout sessions facilitated by trained personnel at which time participants will complete workbook exercises focused around topics covered. Groups will reconvene with the speaker for a question and answer session. At the end of each program, participants will have a greater understanding of their financial situation, how to better prepare for retirement, and avoid fraud.

**Description of 501(c)(3) organization, if applicable:**

The University of Arkansas is a leader in providing world-class investment education. The University of Arkansas finance faculty created the first variable annuity and is the only institution on the country with five student-managed-investment funds. Over the latest 5-year period ending November 28<sup>th</sup>, 2008, the student-managed Rebsamen Trust delivered a 3.7% return, versus losses of -1.4% for both the Russell 1000 and the S&P 500. In 2008, the Shollmier Fund placed first in the Graduate Hybrid Funds Class in the student-run portfolio competition at the eighth annual Refining Investment Strategy Education Forum held at the University of Dayton in Ohio. As a result of this first-place showing, Shollmier Fund students were featured in *BusinessWeek* and appeared on CNBC's "*Squawk on the Street*".

The Garrison Financial Institute at the Sam M. Walton College of Business was created in 2006 by a gift from the Garrison family and the Walton Charitable Trust Foundation to advance financial education and knowledge through practice. Its mission is to enhance student learning through experience, foster research that extends and perfect best practices, and contribute to the economic development of the state of Arkansas and the welfare of its citizens.

The Fayetteville Public Library was the recipient of the Library Journal's "Library of the Year Award" in 2005. This 88,000 square foot architecturally innovative facility was built in 2005. It has a large meeting room that can accommodate 200 adults, a smaller room that can hold 26 adults, free onsite parking for 212, ample street parking, and is handicap accessible. It serves the Washington County area with a population of 193,771 people. Eighty percent of the local population has a library card compared to the national average 61% attesting to the popularity of this library. In 2006, the library had 551,696 visits and its annual expenditure per capita was \$49.98 which is 19% higher than the national average of \$41.90. For more information visit [www.faylib.org](http://www.faylib.org)

**Goals and Objectives:**

Goal 1: Provide Arkansans aged 45 to 70 with access to non-commercial, impartial information on which to base sound retirement investment decisions, and avoid fraud

Objectives:

1. Hold 20 to 25 investor education events designed to meet the information needs of Arkansans aged 45 to 70.
2. Publicize the availability of investor education programs to attract 50 Arkansans per event, for a total of between 1,000 and 1,250 Arkansans served over a two year period.

**Goal 2:** Facilitate greater availability of permanent, non-commercial, retirement investment and fraud avoidance information at the Fayetteville Public Library

**Objectives:**

1. Provide selected books, publications and DVDs to the Fayetteville Public Library so that Arkansans can access a permanent collection of retirement investor education materials repeatedly and on their own schedules.
2. Utilize public lectures, small facilitated discussions, and an explanation of available library resources.

**Goal 3:** Provide a model for non-commercial, impartial, retirement investment education that can be replicated throughout Arkansas

**Objectives:**

1. Utilize presentation materials, workbooks, DVDs, and other materials produced by the Investor Protection Trust Foundation, based on their program "How Can I Afford Retirement?" developed in partnership with the Boston Public Library.
2. Provide assistance to communities in Arkansas seeking to replicate this program.

**Detailed project description:**

The project will be conducted by the Garrison Financial Institute in cooperation with the Fayetteville Public Library. Over two years, the Garrison Financial Institute will organize between 20 and 25 public events aimed at Arkansans aged 45 to 70 who may not have saved adequately for retirement. The investor education subjects covered will help this age cohort plan ahead and avoid investment pitfalls that can further undermine their retirement security.

**Goal 1:** To provide people ages 45 to 70 with access to non-commercial, impartial information on which to base sound retirement investment decisions. To achieve this goal, the Garrison Financial Institute will organize and present 20 to 25 investor education events for individuals in our target group. These events will be topic focused and include issues of particular relevance to the target population. The sessions will cover specific topics which will be repeated during the project period. Events will repeat at varying times of day to attract people with differing schedules. Sample topics are:

**Taking the Mystery Out of Retirement Planning**

- Setting retirement goals
- Projecting retirement income and expenses
- Allocating assets for retirement investments
- Developing a personal financial/investment plan
- Next steps

**Closing the Gap: Investment and Expense Strategies - Even for Late Starters!**

- Determining the gap between desired and projected income
- Building investment strategies to address financial gaps
- Creating retirement income from investment assets
- Learning catch-up provisions

**Investing Wisely to Avoid the Financial Risk of Longer Life Expectancy**

- Assessing the risk of outliving your assets

- Determining the best diversification, asset allocation and types of investments
- Understanding the impact of withdrawal rates on your investments

#### Protecting Your Investments - The Best Defense is a Wise and Safe Investor

- Learning the common investment and retirement planning mistakes
- Understanding common methods of financial fraud and abuse
- Discovering basic insurance investment strategies for retirement

Each session will be publicized in print, radio, an on line to attract at least 50 people to each event. The project will also reach out to affinity groups such as life-long learning communities, university alumni, religious organizations, and civic groups.

Goal 2: The second goal is to facilitate permanent availability of non-commercial retirement investment and fraud avoidance information at the Fayetteville Public Library. This will be accomplished by providing selected books, publications and DVDs to the Fayetteville Public Library so that Arkansans can access a permanent collection of retirement investor education materials repeatedly and on their own schedules. These materials include Investor Protection Trust publications such as Five Keys to Investing, Getting Help With Your Investments, and Maximizing Your Retirement Investments. DVD's include the first three volumes of Money Track, the only television show that offers unbiased, non-commercial investing education. To introduce Arkansans to library recourses, presenters will utilize lectures and small group facilitated discussions. In a slight departure from the Boston Public Library model, our group facilitators may be peers, regional business people, professionals, library personnel, library volunteers, or academics.

Goal 3: The third goal is to provide a model for non-commercial, impartial, retirement investment education that can be replicated throughout Arkansas. We will provide this model by utilizing the "How Can I Afford Retirement" program developed by the Investor Protection Trust Foundation in partnership with the Boston Public Library. This program consists of a series of retirement investment education events as described above in goal one, supplemented by providing a permanent collection of printed and electronic media to the Fayetteville Public Library as described in goal two above. The Garrison Financial Institute and the Fayetteville Public Library will also provide assistance to communities throughout Arkansas that seek to replicate this program in their local public library.

#### Needs Assessment:

Responsibility for retirement has increasingly shifted to individuals, but research shows that the median account balance in defined contribution plans as of 2007 is approximately \$22,000.<sup>1</sup> With major market indexes, such as the Dow Jones Industrial Average, down 32% in 2008, median defined contribution plan balances as of 2009 are likely to be significantly lower than \$22,000.

Workers need to take advantage of voluntary workplace retirement plans such as 401(k)s, 403(b)s, and 457 plans to augment their savings. Yet an analysis of Census Bureau Population Survey data published by the Employee Benefit Research Institute in 2006 found that only 48% of workers aged 21-64 participated in workplace retirement plans.

<sup>1</sup> Tergesen, Anne, How to Fix 401(k)s (Wall Street Journal), December 13, 2008

Workers also need to utilize voluntary tax advantaged retirement savings vehicles like Individual Retirement Accounts (IRAs). Savings rates, however, have fallen since the 1980's, and Americans who have not participated in workplace savings programs, have not made up for their lack of retirement savings with (voluntary) personal savings.<sup>2</sup> Yet retirees will likely be expected to provide as much as 75% of their pre-retirement income from personal savings.

Due to the rural character and lower than average incomes in parts of Arkansas, this state is underserved by qualified financial planners compared to other states. There is no state association of financial planners in Northwest Arkansas, and local citizens have requested that the University of Arkansas provide assistance with retirement planning. To quantify this need, the Garrison Financial Institute conducted a survey during the summer of 2007. Results showed that among our target audience, there is a strong demand for retirement counseling and that the Fayetteville Public Library would be a convenient location. We also gathered data on where our target audience obtains their local news and incorporated these findings into our marketing plan.

A research study conducted by a University of Arkansas faculty member found that full-time farm operators from 5 states put a higher value on retirement planning information from *Cooperative Extension Services* than retirement information from accountants, bankers, and other professionals.<sup>3</sup> Because there is a need for more financial counseling and local people trust advice from the University of Arkansas, a university run retirement education program will provide an important resource to this community.

This project will address the lack of preparation and adequate savings by people ages 45-70 for retirement as well as the need to have access to a permanent, non-commercial source of investor information at a time when individuals can be most vulnerable to poor decision-making.

*Areas of Need being Met by the Project:* Within the larger context of inadequate savings and preparation for retirement, these are specific areas of need that will be addressed:

- Ways for people with limited retirement savings make the most of their remaining earning years.
- Investing concerns of women and how divorced or widowed women can be particularly vulnerable to fraud.
- Choosing investments wisely.
- Protecting your life savings by avoiding investment scams: Investor Bill of Rights; and the role of federal and state governments in protecting investors.
- Choosing financial advisors.

**Target audience and number of people targeted by project:**

Our target audience is Arkansans aged 45 through 70 who live within a 40-mile radius surrounding the University of Arkansas, Fayetteville campus. In 2006, 44% of the population

<sup>2</sup>General Information on Pensions and Retirement Security. Economic Policy Institute, September 2006, p 6.

<sup>3</sup>Bailey, William and Turner, Jean. Significance of Sources of Retirement Planning Information for Farmers Financial Counseling and Planning, Volume 5, 1994 edition, p. 83.

in this target area, or 209,861 persons were in this demographic group. By 2011, this number is projected to grow by 10.8% to 231,512 people or 45% of the total population in the target area.<sup>4</sup>

We will also target participants from local affinity groups. As part of the University of Arkansas system, we will have access to the 2,700 members and mailing list for the Osher Institute for Life Long Learning. The Osher Institute is a group of adults over 50 years of age who come together to explore intellectual and cultural topics of interest. Courses offered through the Osher Institute are led by current and retired University of Arkansas faculty and community experts, and do not require participants to take tests or write papers. We will also target the 53,527 Fayetteville Public Library cardholders and local AARP members.

In total we hope to reach between 1,000 and 1,250 Arkansans through 20 to 25 investor education sessions over two years.

**Implementation:**

A project team will be formed consisting of a project leader, two project administrators, a reference librarian, a marketing professional, a graphic designer, a website designer, and an advisory board. The Executive Director and Managing Director of the Garrison Financial Institute, who are also University of Arkansas finance professors, will advise the project team as needed. In addition, other members of the Sam M. Walton College of Business could be tapped as speakers should their services be required.

The project leader will coordinate with the external partners, such as the Fayetteville Public Library, local affinity groups, local members of the Certified Financial Analyst Society, and the advisory board to organize and schedule the investor education sessions. The project leader will also train the break out session facilitators. Working with the advisory board, the project leader will secure speakers for the program sessions. In cooperation with the Director of Communications at the Walton College of Business, a marketing plan will be developed and implemented. In cooperation with the Technology Center at the Walton College, a website will be created and maintained. The project coordinators will assist the project leader with the tasks listed above. Materials provided by the Investor Protection Trust Foundation in partnership with the Boston Public Library for their "How Can I Afford Retirement" program will be utilized for the sessions. Some of these materials will be given to the Fayetteville Public Library for their permanent collection.

Prior to submitting this proposal, the following steps were taken:

- On October 31, 2008 the "How Can I Afford Retirement" program was presented to the 25 members of the Garrison Financial Institute Advisory Board. The board enthusiastically endorsed the program, and volunteered their services and the services of their companies to provide speakers, facilitators, and project team members.
- The Director of Communications at the Walton College of Business has developed a preliminary marketing plan.
- The Technology Center at the Walton College has allocated resources for the spring of 2009 to develop a website.

<sup>4</sup>Demographic data is provided by Anysite Online, a subsidiary of MapInfo Corporation (Attachment P)

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- The Manager of Reference and Adult Services at the Fayetteville Public Library has identified dates for this spring when the first sessions could be held.

**Time Frame for Project:**

**Months 0-3 Project ramp-up including:**

- Form "How Can I Afford Retirement" advisory board
- Secure proposed presentation dates from the Fayetteville Public Library
- Identify and recruit speakers and back up speakers for year one
- Recruit and train 8-10 pro-bono facilitators
- Study Presentation Materials and Workbooks
- Work with reference librarians at the Fayetteville Public Library to evaluate, update, replenish and customize library resources
- Refine and implement marketing plan
- Create website

**Months 4-24**

- Conduct 20-25 events
- Identify and recruit speakers and back up speakers for year two
- Maintain, train, and if necessary recruit 8-10 new pro-bono facilitators
- Continue and refine implementation of Marketing Plan
- Maintain Website
- Evaluate program

**Project outcomes and deliverables:**

1. Between 1,000 and 1,250 Arkansans attending 20 to 25 retirement education events leading to a greater understanding by our target demographic group of the investment subjects covered in the sessions attended.
2. Increased Fayetteville Public Library resources providing Arkansans with access to permanent, impartial, non-commercial retirement investment education material.
3. Increased capacity for the Fayetteville Public Library to continue parts of this program inexpensively.
4. Garrison Financial Institute will act as a resource for communities in Arkansas seeking to replicate the "How Can I Afford Retirement Program" at their public libraries.
5. If applicable, the Garrison Financial Institute and the Fayetteville Public Library can make suggestions for improving the program.

**Replication and Sustainability:**

This proposal seeks to replicate the "How Can I Afford Retirement" program developed by the Investor Protection Trust Foundation in partnership with the Boston Public Library. If the "How Can I Afford Retirement" program is successful in Northwest Arkansas, it is possible that it may be replicated in other parts of the state.

This program will be sustainable through the Fayetteville Public Library due to their commitment to maintaining a well funded and staffed reference section and providing programs for adult learners. Based on the well-documented need in Northwest Arkansas for impartial, non-commercial, retirement advice and mission of the Garrison Financial Institute to provide investor education to the citizens of Arkansas, the "How Can I Afford Retirement" is likely to be in existence for many years in the future.



**Objective performance evaluation measures:**

The success of this program will be measured as follows:

1. Fayetteville Public Library and the Garrison Financial Institute will provide between 20-25 investor education sessions to between 1000 and 1250 people over two years
2. Participants will be given a survey after each session, and these will be analyzed to measure the effectiveness of the sessions.
3. Production of effective advertising materials and website.
4. Successful recruitment of speakers.
5. Successful training and deployment of facilitators.
6. Evaluation of speakers and facilitators of their project experience.
7. Evaluation of the "How Can I Afford Retirement" material and program by the Fayetteville Public Library and the Garrison Financial Institute.

**Alternative/additional funding available to the project:**

The University of Arkansas through the Garrison Financial Institute at the will contribute \$49,839 in year one and \$44,966 in year two for a total of \$94,805 over two years.

**In-kind and non-financial contributions/resources available to the project:**

The in-kind and non-financial resources available to this project through the Sam M. Walton School of Business and the Garrison Financial Institute are considerable. Through the Walton College, we have access to marketing and technology professionals who will assist us with producing and deploying our marketing materials and website. In addition the Director of Communications at the Walton College will write press releases about these events to promote media coverage. The Garrison Financial Institute has a full-time staff of three, including two Chartered Financial Analysts who can serve as facilitators or speakers as needed. In addition, the Finance Department at the Walton College has a faculty of 17 professors, who can be called upon to be speakers. The Garrison Financial Institute also has an advisory board consisting of 25 financial industry professionals. Many of these board members have all ready expressed their interest in participating in the "How Can I Afford Retirement" program as speakers, facilitators and volunteers. KUAF 91.3 FM, the local National Public Radio affiliate, is located at the Fayetteville Campus of the University of Arkansas, and will provide repeated public service announcements about the program to its listeners.

**Qualifications of Organization, Project Principal or Project Team:**

Wayne Y. Lee, Professor of Finance, is the Executive Director of the Garrison Financial Institute at the Walton College of Business. He also holds the Garrison Chair in Finance and the Alice Walton Chair. Dr. Lee has a BSME from De La Salle College, and MBA from Santa Clara University, and a PhD from University of California, Los Angeles. Professor Lee has published articles in leading journals of finance including *Journal of Finance*, *Journal of Financial Economics*, *Journal of Financial and Quantitative Analysis*, *Journal of Economic Theory*, and many other prominent academic finance journals.

Craig G. Rennie, Associate Professor of Finance, holds the Clete and Tammy Brewer Chair in Finance at the Walton College of Business. Dr. Rennie has a B.A. from the University of Toronto, an MBA from Dalhousie University, and a PhD from the University of Oregon. He

has published articles in the *Journal of Business*, *The Financial Review*, and *The Journal of Financial Research*. Dr. Rennie teaches a course in portfolio management, and has taught a course on investing for high school students attending a summer program for gifted and talented students at the University of Arkansas.

Rochelle Costrell is the Associate Director of the Garrison Financial Institute at the Walton College of Business. She holds a BA from York University, and an MBA from the University of Massachusetts. As a Vice President at State Street Corporation in Boston, Rochelle spent 10 years in the area of structured finance. She held a management position at the public accounting firm of Deloitte & Touche, and worked as an Investment Analyst at Liberty Mutual Insurance Company, where she participated in the management of a \$7 billion fixed-income portfolio.

Sergio Santamaria is a Research Analyst at the Garrison Financial Institute. Mr. Santamaria holds BSBA degrees from the University Carlos III of Madrid in Business and Finance, an MBA from the University of Arkansas, and is a member of the Market Technician Association. He holds a Series 65 securities license, and is a Chartered Financial Analyst. His professional experience includes working as an investment analyst and co-manager for the \$11 million Dickson Street Hedge Fund.

Ventsislav Stamenov is a Research Analyst at the Garrison Financial Institute. Mr. Stamenov holds BA and MA degrees from the University of National and World Economy, Bulgaria, an MBA from the University of Arkansas, and is a member of the Market Technician Association. He holds a Series 65 securities license, and is a Chartered Financial Analyst. His professional experience includes working as an investment analyst and co-manager for the \$11 million Dickson Street Hedge Fund.

Michele Raine is the Manager of Reference and Adult Services at the Fayetteville Public Library. Ms Raine holds a Master of Library and Information Science Degree from the University of Oklahoma, and Master of Arts in American Culture Studies, from Bowling Green University, and a Bachelor of Science in Communication from the University of Tulsa. Previously, Ms Raine worked for the Tulsa County Library System where over an eight-year period she designed and delivered information services as a reference librarian, provided public services in a variety of branch libraries throughout the system, and provided leadership as branch manager by developing service goals and creating a budget that allowed the library to meet its goals.

**Demonstration of support from the appropriate State Securities Administrator:**

Intentionally left blank to leave space for a one-page letter from the Arkansas Securities Department.

Limit of 10 pages for this part of the application.

**Other Pertinent Information:**

**Attachments A – F:** Please refer to the Grant Proposal Guidelines for specific information on the required attachments.

**Attachment C**  
**How Can I Afford Retirement Budget**

Description	Cost Share		Year One		Year Two		Total	
	Unit Cost	IPI	Total Cost	Unit Cost	Total Cost	Total Cost	IPI	Cost For Two Years
<b>STAFF</b>								
Project Leader and Trainer	\$ 25,000	\$ 10,000	\$ 25,000	\$ 25,000	\$ 10,000	\$ 25,000	\$ 10,000	\$ 50,000
Project Coordinators	\$ 10,000	\$ 8,000	\$ 20,000	\$ 20,000	\$ 8,000	\$ 20,000	\$ 8,000	\$ 40,000
Marketing Manager	\$ 2,000	-	\$ 2,000	\$ 2,000	-	\$ 2,000	-	\$ 4,000
Graphic Designer	\$ 1,000	-	\$ 1,000	\$ 1,000	-	\$ 1,000	-	\$ 2,000
Website Creation	\$ 5,000	-	\$ 5,000	\$ 5,000	-	\$ 5,000	-	\$ 10,000
Website Maintenance								
Fringe Benefits - 25.3%		\$ 8,855	\$ 13,409	\$ 13,409	\$ 4,554	\$ 13,409	\$ 4,554	\$ 25,933
<b>Other Direct Costs</b>								
Printing, Supplies, Postage	\$ 3,100		\$ 3,100	\$ 3,100		\$ 3,100	\$ 3,100	\$ 6,200
Event Refreshments	\$ 100	\$ 1,200	\$ 1,200	\$ 1,200	\$ 100	\$ 1,300	\$ 1,300	\$ 2,500
Planning & Training Meetings	\$ 500	\$ 1,000	\$ 1,000	\$ 1,000	\$ 500	\$ 1,500	\$ 500	\$ 1,500
Library Materials	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 2,000	\$ 7,000	\$ 2,000	\$ 7,000
Advertising		\$ 1,000	\$ 3,000	\$ 3,000		\$ 3,000	\$ 2,000	\$ 6,000
<b>Total Direct Cost</b>		\$ 44,855	\$ 79,709	\$ 79,709	\$ 34,854	\$ 71,924	\$ 31,454	\$ 151,633
<b>Indirect Cost (10% of total Cost)</b>		\$ 4,984	\$ 8,857	\$ 8,857	\$ 3,873	\$ 7,992	\$ 3,495	\$ 16,848
<b>Total Project Cost</b>		\$ 49,839	\$ 88,566	\$ 88,566	\$ 38,727	\$ 79,915	\$ 34,949	\$ 168,481
<b>Summary</b>								
Year One	\$ 49,839	\$ 38,727						
Year Two	\$ 44,966	\$ 34,949						
Totals	\$ 94,805	\$ 73,676						
Cost per person based on 1250	\$ 75.84	\$ 58.94						

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# Protecting Arkansans



Thursday, March 26, 2009

Registration at 8:00 a.m.

Program—8:30 a.m. — 12:00 Noon

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Technical Center for the Delta

1790 Falls Blvd. North

Wynne, Arkansas

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# AARP

The power to make it better.

# AARP

1701 Centerview Drive, Suite 205  
Little Rock Arkansas 72211

**Directions: From I-40 E. at Wynne/Marianna, Exit 239, toward Wynne. Turn LEFT onto N Washington St/AR-1. Continue to follow AR-1 (go 13.5 miles). End at 1790 Falls Blvd N., Wynne, AR .**



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## Learn from the Experts:

- ◆ Arkansas Office of the Attorney General
- ◆ Arkansas Securities Department
- ◆ Arkansas Bank Department
- ◆ Arkansas DHS — Division of Aging and Adult Services
- ◆ Arkansas Insurance Department—SHIP
- ◆ AARP Arkansas



## Register Today.

Call toll-free 1-877-926-8300

Attendance is limited.

Advanced registration required. No charge.

Refreshments provided.

Please RSVP by March 25, 2009

## Program Schedule

8:00 a.m.	Registration & Refreshments
8:30	Welcome/Opening Remarks
8:35	Panel Discussions
	Consumer Alerts
	Bank Safety & Soundness
	Securities Fraud
10:00	Break and visit exhibits
10:30	Panel Discussions
	Senior Insurance Issues
	Medicare Fraud
	Make Good Financial Decisions
12:00 Noon	Adjourn

Five state government agencies are collaborating with AARP Arkansas to protect the financial interests of all Arkansans.

**AARP Foundation Grant  
IPT Campaign for Wise and Safe Investing**

**Reallocated \$10K Grant Application**

**Date**                    September 30, 2008

**State Office**        Arkansas

**Contact Person and Telephone:** Susan Kuehner 501-217-1625

**Please share in two or more paragraphs how your state office intends to use the \$10,000 Investor Protection Grant.**

AARP Arkansas is sponsoring joint public forums called, "Protecting Arkansas Seniors." Six events are scheduled in Q4 of 2008 in target locations around the state. (A list of event dates and locations appears below)

To better inform residents about how to protect their money from fraud, we have joined with other co-sponsors which share this goal. The state banking, insurance, and securities commissions plus the state attorney general and AARP Arkansas are making presentations during the half-day forums. Local opinion leaders in the community such as elected officials will be briefed on the topics at a one to two hour session before each public forum. The Investor Protection Trust efforts and resources will be discussed at each forum and opinion leader event. Investor Protection Trust educational material will be shared with forum participants. The media will be invited to cover and report on each event, and a news release describing each forum will be provided to local media.

**Event Dates and Locations**

Tuesday, October 7<sup>th</sup>, at the Jones Center in Springdale

Monday, October 13<sup>th</sup>, at the Coronado Center in Hot Springs Village

Thursday, October 23<sup>rd</sup>, at the First Baptist Church in Mountain Home

Thursday, November 6<sup>th</sup>, at St. Bernard's Auditorium in Jonesboro

Thursday, November 13<sup>th</sup>, at University of Arkansas Community College at Hope

Monday, November 17<sup>th</sup>, at the University of Arkansas at Monticello

- more -

### Agenda and Speakers

- 8:30 Registration  
9:00 Welcome/Opening Remarks  
9:30 Bank Safety and Soundness (Commissioner Candace Franks –  
Arkansas Bank Commission)  
9:50 Consumer Alerts (Deputy Attorney General James DePriest)  
10:20 Break  
10:40 Securities Fraud (Commissioner A. Heath Abshire - Arkansas  
Securities Commission)  
11:00 Payday Lending (Hank Klein, AARP Lead Volunteer, Financial  
Security)  
11:20 Senior Insurance Issues (Commissioner Julie Bowman, Melissa Simpson, or  
Dan Honey - Arkansas Insurance Department)  
11:50 Lunch  
12:20 Medicare Fraud (John Pollett - Department of Human Services)  
12:40 Meet your government officials and AARP officials  
Fraud Bingo

### **IPT Activity Expenses**

<b>Expenditure</b>	<b>Amount</b>
Staff Travel (T & S)	1600.00
Staff Meals	
External Meeting Expenses	
External Meeting & Conventions	
Campaign Product Consulting (partner dinner)	1800.00
Miscellaneous ( <i>attendee lunches</i> )	6600.00
Printing	
TV/Print Media	
Agency Fees	
Audio Visual	
Research	
Volunteer Travel	
Volunteer Meals	
<b>Total Amount</b>	<b>\$10,000</b>



# Best Practices From The Campaign for Wise and Safe Investing™



## Overview

In 2006, the AARP Foundation, the Investor Protection Trust, and 35 States teamed up to create The Campaign for Wise and Safe Investing™, a national and state-level partnership between AARP state offices and their local state securities regulators. Together, 27 AARP state offices and their respective State Securities Regulators have done an excellent job at the State and local level of implementing a variety of tactics to increase awareness of fraudulent practices and educate maturing investors; a prime target for dishonest players in the market. Since its inception, the partnership has conservatively trained nearly 250 volunteer speakers, sponsored almost 500 events that were attended by more than 26,000 people, and raised the awareness of hundreds of thousands of investors through numerous media activities. Listed below are select highlights of this work and a sample of tactics used to raise awareness and educate older adults about investment protection.

## Media

By utilizing the vast audiences that tune-in, read and or watch mass media, the Campaign has been able to successfully deliver information and resources to hundreds of thousands of investors. Examples include using print (stand alone materials and publications), electronic (paid and earned media; radio and television), internet sites, and video.

"*The Lure of Money*," a video jointly produced by AARP's Financial Security team and the Investor Protection Trust is one such example. The video was distributed to 34 Securities Regulators and to all AARP State Offices.

The video won three Communicators Awards; for Education, Training, and Writing. It was made available through a very successful on-line and internal marketing campaign, and featured e-enactments of fraud, real person stories of being victimized and investor guidance. It has been used for educational events, incorporated into local public broadcasting programming, as a highlighted presentation at the 2007 AARP Life @ 50 member event, at the Securities and



Exchange Commission's (SEC) 2007 Senior Fraud Summit, and promoted in AARP's *Money&Work* e-newsletter reaching more than two million members.

The use of print and broadcast radio media to educate and inform also worked well for states like Wyoming, West Virginia, Georgia and Tennessee, among others.

In Wyoming, more than 130,000 subscribers of the *Wyoming Sage* were educated on investment scams through two, in-depth articles. This publication was also inserted into multiple Wyoming daily and weekly papers on a quarterly basis thus increasing its outreach impact. Wyoming was also able to effectively utilize media by pitching and placing Wyoming-specific radio PSAs. The PSAs were picked up by 31 radio stations and played twice, if not more frequently. To further compliment their media campaign, the Wyoming team used paid advertising in the Wyoming Business Report to promote Wise and Safe Investing messages for a year reaching approximately 25,500 business people per issue.

The West Virginia team also used targeted newspaper advertisements to effectively reach African American investors. It purchased a half page ad in the special Martin Luther King, Jr. edition of West Virginia's only African American newspaper, *The Beacon Digest*, highlighting an investor protection message and reaching 35,000 readers. Additionally, the West Virginia team used a national event in conjunction with radio spots to raise awareness. The team conducted a variety of educational events in observance of National Consumer Protection Week related to investor protection and ran 950, thirty-second radio spots featuring investor protection messages. The spots were broadcast on 47 affiliates of the West Virginia MetroNews Statewide Radio Network reaching over one million West Virginians.

In Georgia, the team also successfully utilized the radio airways by participating in on-air interviews on WJTH's "Reggie Gay Gospel Show" for nineteen weeks. During the interviews the team promoted the availability of its 50 Fraud Fighter speakers to give free presentations on how to avoid becoming a victim of investment fraud. The show has a listenership of more than 40,000 people weekly.

Tennessee married two approaches and created a radio and web advertising campaign called the Investor Education Minute. Advertisements were broadcast on 81 radio stations across the state for 12 weeks. The project targeted and reached an estimated 604,000 Tennesseans 50+, as well as 1,304, 400 listeners 18+ with a rotation of 24 advertisements.

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In addition to being broadcast to the 75-station Tennessee Radio Network, and four radio stations targeting African Americans, the Investor Minutes were translated into Spanish and broadcast on two Hispanic stations reaching approximately 22,400 listeners over a twelve week period.

The teams have also worked hard in reaching online investors as evidenced by the promotional effort in Michigan where the team has successfully used electronic media as a way to reach internet savvy consumers. They posted upcoming investment fraud seminars to be held at public libraries on the AARP Michigan website. Tennessee also created a website, [www.investortn.com](http://www.investortn.com), to educate and inform electronically. The website lists among other things in audio and text form the aforementioned Investor Minutes.

### **Events and Partnerships**

More than 500 successful investment fraud events were conducted by the teams across the country. Typically, these events sought creative ways to educate attendees about wise and safe investing, alert investors to potential financial frauds and market place abuses, and guide them on when, where, and how to seek help. Partnerships with local and national organizations became a valuable and successful way to reach additional investors the team may not have had access to traditionally. Traditional events included the AARP state office and the state securities regulator presenting forums across the state. These forums also typically feature a key note speaker and panel discussions with topics such as, "Investments: What You Need to Know," and "Avoiding Investment Fraud."

The events targeted special populations as well. For example, AARP Alaska conducted outreach to 1,135 native Alaskans to educate them on how to better manage financial decision making when saving for retirement, and increase awareness of financial frauds and marketplace abuses that can erode retirement security.

While most of the events were held during the daytime to take advantage of retired older adults, the team in Texas took a different approach—it held its "Investigate Before You Invest" seminars in the evening across the state. With as many as 80 investors attending the events, the seminars were planned and conducted with the intent of providing interested consumers with information on financial planning and investing wisely. Specific topics included: "An Introduction to Financial Planning and Investing"; "How to Protect Yourself from Investment Fraud", and "The Basics---Stockbrokers, Investment Advisers and Arbitration."

The Pennsylvania team conducted a two-day initiative to educate investors on how to make smart investment decisions. The first event entitled, "Money Matters 2007: Taking Charge of Your Financial Future" reached 550 investors and was held on October 17. Keynote speakers Pam Krueger and Jack Gallagher, co-hosts of the IPT funded "MoneyTrack" national public television program, opened the session by encouraging the audience to invest wisely and protect their investments from scam artists. The second event "Money Matters: Protecting Your Retirement" was held on October 20 and reached 150 investors. The event featured presentations from AARP Pennsylvania, the Securities Commission, and "MoneyTrack" program. The event was also highlighted by the attendance of Ruth Mitchell, a fraud victim that shared her story of being defrauded of more than \$100,000 by a close family friend.

In West Virginia, the team with the aid of volunteers worked with nearly 85 places of worship across the state to distribute over 14,000 bulletin inserts during Consumer Protection Sunday. The team also sponsored an "Information Fair" at a local mall where AARP volunteers and partners distributed consumer protection information related to investor protection to over 200 investors.

The Wisconsin team used the popular Lunch and Learn investor protection series to attract and engage media. Through direct outreach, the series informed 200 people about free lunch tactics; however, when team members spoke on-air to the ABC affiliate WKOW about the practice, more than 866,000 viewers or 369,220 households were informed.

Montana utilized local and state relationships with Faith in Action, SCORE and the Area IX Agency on Aging to plan and conduct 8 events across the state reaching 180 investors. The attendees were pleased with the training and took materials to share with family, friends and neighbors. Given Montana's rural landscape, this is an important and effective way to educate and distribute information.

The New York team in conjunction with the New York State Attorney General, and the Evelyn Brust Foundation sponsored three events at community colleges which were designed to provide valuable information to AARP members on wise and safe investing. The Brust Foundation provided prescreened volunteer certified financial planners. The three events reached approximately 450 people.

New Hampshire debuted a new model for forums by partnering with the Financial Industry Regulatory Authority (FINRA, formerly NASD) and the SEC to conduct its Safe Investing Forum. The room was filled to capacity, with over a hundred and twenty investors in attendance. Opening remarks were given by an AARP Group Executive Officer, as well as a representative from the NH Bureau of Securities Regulation, and SEC. The Office of Investor Education and FINRA participated in the panel, "Investments: What You Need to Know". In addition,

AARP Financial Security national staff facilitated an investor protection panel that included the NH Bureau of Securities Regulation and the SEC Division of Enforcement and used segments of *The Lure of Money* video.

### **Fraud Fighter**

In addition to events and media, volunteers have been and remain a vital and necessary force in helping the Campaign achieve its goals. They are a strong and committed group; often proactively scheduling new presentations or responding to incoming requests. The two examples noted below, show how the team has used a special group of volunteers, Fraud Fighters, to support the campaign's outreach efforts.

Indiana, much like other states utilized its army of Fraud Fighters to conduct 21 events educating 603 investors within communities throughout the state. To further strengthen their outreach the team engaged a television reporter who recorded a presentation given to African-American church members.

Through its hundreds of events, media activities, and the efforts of committed staff and volunteers, the Campaign for Wise and Safe Investing™ has been a successful national and state-level effort with many Best Practices. The partnership between AARP state offices and their local state securities regulators continues to be an effective way to educate mature investors about how to recognize and prevent investment fraud. With the continued deployment of unique outreach tactics and fraud awareness seminars, the AARP Foundation and the Investor Protection Trust look forward to the opportunity to raise awareness and educate investors in 2008.

For additional information regarding the Campaign for Wise and Safe Investing™, please contact:

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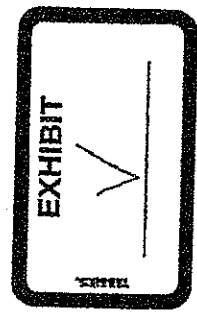
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# 2011 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
1/12/11	Ozofii Access, Ltd.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
1/28/11	Registration of Ronald J. Clayton with First Financial Equity Corporation	Administrative Consent Order	Numerous customer complaints alleging violative activity					Former Stanford agent with numerous customer complaints Approval of limited registration based upon provisions of a heightened supervision plan.
2/7/11	The Home Business Corporation d/b/a emailwe.com Communications; Darell Woodard; Marvin Jackson	Cease & Desist Order	Offer and sale of unregistered securities(23-42-501); Fraud or deceit in connection with offer or sale of securities(23-42-507(2))					Cease and desist from further violations of Ark. Code Ann. §§ 23-42-501 and 507(2)
2/23/11	Fishnature, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
3/10/11	Highlander Partners Healthcare Fund, LP	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106



## 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
3/11/11	Tiqari Trading Company, LLC; Walter "Jack" Youngblood; and James C. Harvey	Cease & Desist Order	Offer or sale of unregistered securities (23-42-501); Fraud or deceit in connection with offer or sale of securities(23-42-507(3))				Cease and desist from further violations of Ark. Code Ann. §§ 23-42-501 and 507(3).
3/22/11	NYTEX Energy Holdings, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
3/22/11	Bridgeton Long Equity Fund, LLC	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$800			Also noted the Consent Order does not affect potential civil liability under 23-42-106
3/22/11	IRX Therapeutics, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106



## 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
3/30/11	John Blake-Zuniga	Administrative Consent Order	Outside business activities (23-42-308(a)(2)(G) and Rule 308.01(R))	\$3,500			Worked with Julia Youngblood (see next order) but conducted more outside business activity, thus resulting in a larger fine.  Cease and desist from conducting outside business activities in violation of Ark. Code Ann. § 23-42-308(a)(2)(G)  Also noted the Consent Order does not affect potential civil liability under 23-42-106
3/30/11	Julia Youngblood	Administrative Consent Order	Outside business activities (23-42-308(a)(2)(G) and Rule 308.01(R))	\$700			Assisted John Blake-Zuniga (see above)  Cease and desist from conducting outside business activities in violation of Ark. Code Ann. § 23-42-308(a)(2)(G)
4/5/11	On2Locate, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Neither admitted nor denied allegations. Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/6/11	AOS 1-B, LP	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106

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# 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
4/11/11	Advisors Disciplined Trust 440 (Tactical Income Closed-End Portfolio, Series 10)	Administrative Consent Order	Failure to file amendment (23-42-509(b))	\$500			Ordered reevaluation of procedures for estimating the appropriate notice filing fee pursuant to Ark. Code Ann. § 23-42-509(a)(1)(A)  Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/11/11	Claymore Securities Defined Portfolios, Series 637 (Global Water Equities Portfolio, Series 17)	Administrative Consent Order	Failure to file amendment (23-42-509(b))	\$500			Ordered reevaluation of procedures for estimating the appropriate notice filing fee pursuant to Ark. Code Ann. § 23-42-509(a)(1)(A)  Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/11/11	Advisors Disciplined Trust 450 (Advisors Corporate Trust - Navellier/Dial High Income Opportunities Portfolio, Series 10)	Administrative Consent Order	Failure to file amendment (23-42-509(b))	\$500			Ordered reevaluation of procedures for estimating the appropriate notice filing fee pursuant to Ark. Code Ann. § 23-42-509(a)(1)(A)  Also noted the Consent Order does not affect potential civil liability under 23-42-106

## 2011 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
4/11/11	Advisors Disciplined Trust 444 (Advisors Corporate Trust - Navellier/Dial High Income Opportunities Portfolio, Series 9)	Administrative Consent Order	Failure to file amendment (23-42-509(b))	\$500				Ordered reevaluation of procedures for estimating the appropriate notice filing fee pursuant to Ark. Code Ann. § 23-42-509(a)(1)(A)  Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/11/11	Claymore Securities Defined Portfolios, Series 634 (Closed End National Municipal Portfolio, Series 16)	Administrative Consent Order	Failure to file amendment (23-42-509(b))	\$500				Ordered reevaluation of procedures for estimating the appropriate notice filing fee pursuant to Ark. Code Ann. § 23-42-509(a)(1)(A)  Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/11/11	Constantine A. Diavatopoulos	Administrative Consent Order	Unregistered activity (23-42-301(a); Offer or sale of unregistered securities (23-42-501); Dishonest or unethical practices (23-42-308(a)(2)(G))					Respondent did not have the financial resources to pay a fine and repay his customers. <u>As a result, the Respondent was ordered to pay restitution of \$26,500 to his customers over a two-year period.</u>  Agreed to not reapply for registration as a broker-dealer agent, agent of an issuer, or investment adviser representative in Arkansas.
4/18/11	DeBartolo Opportunity Fund I, LP	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$250				Also noted the Consent Order does not affect potential civil liability under 23-42-106

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## 2011 ORDERS UNDER THE SECURITIES ACT

			FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
5/5/11	The Vision Group, Inc., VGRT, Inc., Joe E. Vincent, II, and Samantha Sherman	Cease and desist Order				Cease and desist from offer or sale of securities in Arkansas and further violations of Ark. Code Ann. § 23-42-507(2).
5/11/11	House Game Production, LLC	Administrative Consent Order	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
5/16/11	Larry Stidman and Complete Benefit Solutions, LLC	Administrative Consent Order	\$7,500			Prohibited from business activity as an investment adviser or representative until properly registered.
6/13/11	Trading Block Holdings, Inc.	Administrative Consent Order	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
6/13/11	Harrell Financial Solutions	Administrative Consent Order		\$500		

## 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
7/6/11	Krisell Oil Company, Inc. and Leonard Krisell	Administrative Consent Order	Offer or sale of unregistered securities (23-42-501); Fraud or deceit (23-42-507)	\$20,000			Cease and desist from offering or selling securities in violation of 23-42-501; Cease and desist from violating the fraud provisions under 23-42-507; Respondent shall not become licensed in Arkansas as a broker-dealer agent, investment adviser representative, or an agent of an issuer; Respondent shall not act as an officer and director of an issuer selling securities in Arkansas  Also noted the Consent Order does not affect potential civil liability under 23-42-106
7/21/11	Natural Shrimp Holdings, Inc.	Administrative Consent order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
7/26/11	Nathan Calhoun	Administrative Consent Order	Offer or sale of unregistered securities (23-42-501); Fraud or deceit (23-42-507)				Cease and desist from offering or selling securities in violation of 23-42-501; Cease and desist from violating the fraud provisions under 23-42-507; will not apply or reapply as a broker-dealer agent or investment adviser representative  <u>FINRA consent agreement had suspended license and imposed a fine.</u>

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# 2011 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
8/5/11	Numblebee LLC	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
8/11/11	Real Asset Equity Income Fund I, LP	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$1000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
8/15/11	Triathlon America, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
8/15/11	Michael D. Gardner and Gardner Insurance Agency	Injunction and Order of Disgorgement in Pulaski County Circuit Court	Offer or sale of unregistered securities (23-42-501); Unregistered broker or agent of the issuer (23-42-301)					Circuit Court ordered an injunction against selling securities until Defendants and security are registered or exempt.  Ordered disgorgement of \$122,365.64 to be paid to investors through the registry of the court.
8/30/11	Hoozon, LLC	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))		\$500			Ordered to file a schedule of property. Also noted the Consent Order does not affect potential civil liability under 23-42-106

## 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
9/7/11	Atossa Genetics, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
9/29/11	Rodney Callaway; Heritage Corner, Ltd.; Heritage Funding Group, Inc.	Injunction and Order of Disgorgement in Pulaski County Circuit Court	Unregistered broker-dealer or agents (23-42-301); Offering and selling unregistered securities (23-42-501); Fraud (23-42-507(2) and (3))		\$10,000		Enjoined from further violations 23-42-301, 23-42-501, and 23-42-507.  Ordered to pay disgorgement of \$300,000 to registry of the Court to be distributed to victim.  Order given preclusive effect in any bankruptcy case.
10/19/11	Morgan Asset Management, Inc. and Morgan Keegan and Company, Inc.	Administrative Consent Order	Dishonest and unethical conduct (23-42-308(a)(2)(G)); Failure to supervise (308(a)(2)(J)); Unsuitable recommendations (23-42-308(a)(2)(G) and Rules 308.01(D) and 308.02(A))		\$434,215		Global Consent Order facilitated by NASAA, the SEC and FINRA.  Cease and desist from violating the Act; the Respondents were ordered to pay \$100,000,000 to the SEC's Fair Fund to be established for the benefit of investors in this matter; \$100,000,000 to a States' Fund to be established for the benefit of investors subject to this consent order; any costs, expenses, and charges associated with the Fair Fund and the States' Fund management and distributions were to be paid by the Respondents.  The sum of \$434,215.00 was a monetary

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# 2011 ORDERS UNDER THE SECURITIES ACT

	FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
				penalty constituting Arkansas's share of the state settlement amount of <u>\$10,000,000.</u>
				Limited Respondents' ability to create and sell a proprietary fund. Also imposed requirement of auditor for proprietary funds.
				Required independent consultant to review supervisory and compliance procedures, and required comprehensive product/offering training to agents and representatives.
				Prohibited one person holding positions of General Counsel and Chief Compliance Officer.
				Authorized state audits and ordered Respondents to pay for audits.



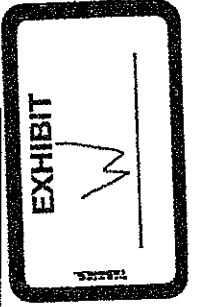
## 2011 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
10/24/11	NOWA Technology, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
11/7/11	Tiger X Medical, Inc. f/k/a Cardio Medical, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$1000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
11/14/11	Lewis & Clark Outdoors, Inc.	Administrative Consent Order	Offer or sale of unregistered securities (23-42-501)		\$7,000 (in two installments of \$3,500)		Also noted the Consent Order does not affect potential civil liability under 23-42-106; cease and desist from further violations of Ark. Code Ann. § 23-42-501
12/7/11	Heritage Pacific Financial	Cease and desist order	Unregistered agent of the (23-42-301(a)); Offer or sale of unregistered securities (23-42-501)				Cease and desist from further violations of Ark. Code Ann. § 23-42-301(a) and 23-42-501.



## 2012 ORDERS UNDER THE SECURITIES ACT

										OTHER REMEDIES/COMMENTS
				FINE	PENALTY	CONTRIBUTION				
1/26/12	Ironwood Recovery Fund 2011 QP LLC	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500						Also noted the Consent Order does not affect potential civil liability under 23-42-106
2/27/12	Vol R. Green and Enterprise World Trust, LLC	Cease and desist order	Offer and sale of unregistered securities (23-42-501)							Cease and desist from offers or sales of securities in violation of 23-42-501; Staff ordered to continue its investigation into the offer and sale of securities by the Respondents
2/29/12	Registration of Samuel C. Falbert with NMS Capital Asset Management, Inc.	Order Granting Conditional Registration	On July 29, 2010, Respondent entered into an administrative consent order with the Department for his sale of unregistered securities (23-42-501); his activity as an unregistered broker-dealer agent and							Conditional registration granted pursuant to a 12-month heightened supervision plan being effectively carried out by NMS Capital Asset Management, Inc., pursuant to the July 29, 2010 consent order.



2012 ORDERS UNDER THE SECURITIES ACT

								OTHER REMEDIES/COMMENTS
			FINE	PENALTY	CONTRIBUTION			
						investment adviser representative, (23-42-301(a) and (c)). This consent order required the Respondent to be placed under a heightened supervision plan with a broker-dealer or investment adviser in order to be registered by the Department in the future.		
3/14/12	Registration of Ian French with Wunderlich Securities, Inc.	Order Granting Conditional Registration	Respondent's previous employer referenced an issue regarding Respondent's disclosure of outside business activities and relationships while employed there.					Conditional registration granted pursuant to a 3-year heightened supervision plan being effectively carried out by Wunderlich Securities, Inc.

## 2012 ORDERS UNDER THE SECURITIES ACT

				FINE		PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
4/4/12	Raymond James and Associates, Inc., and Raymond James Financial Services, Inc.	Administrative Consent Order	Dishonest and unethical practices (23-42-308(a)(2)(G)); failure to reasonably supervise (23-42-308(a)(2)(J))			\$5,766.45 as a civil monetary penalty constituting Arkansas's proportionate share of the total state settlement amount of <u>\$1,750,000.</u>		Global Settlement facilitated by NASAA.  Cease and desist from further violations of Ark. Code Ann. §§ 23-42-308(a)(2)(G) and (J).  <u>Respondents agreed to buy back auction rate securities from Arkansas investors</u>
4/24/12	Clear River Enviro, LLC	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$1,000				Also noted the Consent Order does not affect potential civil liability under 23-42-106
4/27/12	Servery, Inc.	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$1,000				Also noted the Consent Order does not affect potential civil liability under 23-42-106
5/10/12	David S. Eckess	Administrative Consent Order	Dishonest and unethical practices in the securities business by being named beneficiary of a client's	\$10,000				Employment had been terminated and respondent out of work for five months.  Future registration

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# 2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
5/18/12	P & A Multisector Fund, LP	Administrative Consent Order	annuities (23-42-308(a)(2)(G)).	\$500			conditional upon the acceptance by the Department of and the implementation by the employing firm of a heightened supervision plan.  A separate order approved his employment with a new firm based on the heightened supervision plan.
6/11/12	R Mikkelsen Advisors and Robert Mikkelsen	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))  Transacting business as an investment adviser and investment adviser representative without being registered (23-42-	\$3,000			Also noted the Consent Order does not affect potential civil liability under 23-42-106  Ordered to comply with registration provisions of the Act prior to transacting business in Arkansas as an investment adviser or representative.  Neither admitted nor

## 2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
							denied allegations.
							Noted cooperation and self-reporting.
7/10/12	Christopher Collier	Administrative Order (subsequent to hearing)	301(c)	\$10,000			Revocation of Respondent's broker-dealer agent and investment adviser registrations in Arkansas.
7/16/13	Registration of Stuart Epley	Order Granting Conditional Registration					Conditional registration granted pursuant to a 12-month heightened supervision plan being effectively carried out by IFS Securities.
7/19/12	CSA Global Equity, LP	Administrative Consent Order		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106

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2012 ORDERS UNDER THE SECURITIES ACT							
				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
7/30/12	Henry Horace Godbee, III and Alex Lance Wittenburg	Administrative Consent Order	Willful violations of the Act and Rules (23-42-308(a)(2)(B)); Transacting business as an investment adviser or representative without being licensed (23-42-301(c)); Unsuitable recommendations (Rules 308.01(D) and 308.02(A)).	\$10,000 – Godbee \$10,000 – Wittenburg			Neither admitted nor denied allegations.  Both Respondents prohibited from reapplying for registration as broker-dealer agents in Arkansas for 2 years; 12-month heightened supervision requirement prior to approval by the Department of registration with any broker-dealer in the future; 30-day suspension of both Respondents' registrations as investment adviser representatives.  Also noted the Consent Order does not affect potential civil liability under 23-42-106
8/2/12	Conestoga Settlement Trust	Administrative Consent Order	Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$500			



## 2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
8/6/12	Wallace J. Littrell, Jr.; To Love God, LLC d/b/a Pop-N-Shots; and The Littrell Group	Cease and desist order	Offer and sale of unregistered securities (23-42-501); Fraud or deceit (23-42-507(2) and (3))				Cease and desist the offer or sale of securities in Arkansas in violation of 23-42-501; cease and desist from further violations of 23-42-507(2) and (3).
8/13/12	Michael White and White Investment Management	Administrative Consent Order	Previous violations of securities laws, rules, and requirements (23-42-308(a)(2)(F)).				Denial of investment adviser representative application; prohibition from reapplying for registration in Arkansas as a broker-dealer agent or investment adviser representative for a period of 3 years.  Respondent had been the subject of two orders entered within the past five years by FINRA along with fines totaling <u>\$30,000</u> .
8/30/12	Capital Markets Advisory, LLC f/k/a Carr	Administrative Order (subsequent to hearing)	Final Order affirming Cease and Desist Order as to all parties;	\$30,000 – Carr Miller Capital Investments			Affirming Cease and Desist Order as to all parties; revoking investment adviser

2012 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
Miller Capital Investments, LLC; et al.					revoking investment adviser registration of Carr Miller Capital Investments, LLC; and fining Carr Miller Capital Investments, LLC, for violations of the Arkansas Securities Act; Offer and sale of unregistered securities (23-42-501); Unregistered broker-dealer activity (23-42-301(a));			registration of Carr Miller Capital Investments, LLC.
9/4/12	Keith H. Freeman	Administrative Consent Order			Willful violations of Rules 308.01(D) regarding suitability, 308.01(E) regarding excessive trading, and 308.01(O) regarding			Permanent revocation of broker-dealer agent registration.

## 2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
9/14/12	The Income Fund, LLC	Administrative Consent Order	unauthorized transactions (23-42-308(a)(2)(B)). Late Form D Filing (23-42-509(c)(1) and Rule 509.01(B)(2))	\$1,000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
9/14/12	Trail Creek Crossing, LLC	Administrative Consent Order	Use of general solicitation and/or advertisement in a Rule 506 offering in violation of Rule 502(c) of Regulation D, constituting an offer or sale of unregistered securities (23-42-501).	\$1,000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
9/18/12	Bankers Life and Casualty Company, and BLC Financial Services, Inc.	Administrative Consent Order	Unregistered broker-dealer and investment adviser activity, (23-42-301(a) and (c)); Employment of unregistered agents 23-42-		\$77,937.98		Global Settlement facilitated by NASAA. Cease and desist from further violations of §§ 301(a) and (c), and 301(b)(1); payment of past fees of \$5,000.00;

2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
							payment of past audit fees of <u>\$2,000.00.</u>
9/24/12	Larry P. Sidman	Administrative Consent Order	301(b)(1).	\$5,000			Ordered to not apply for registration as an investment adviser or an investment adviser representative in Arkansas for a period of 5 years.
9/25/12	John Thomas Financial, Inc.	Administrative Consent Order	Offer and sale of unregistered securities (23-42-501); Fraud or deceit in connection with offer or sale of securities (23-42-507(2))	\$25,000			Reimbursement of undisclosed fees to customers, totaling <u>\$17,421.67</u>
10/8/12	Cambridge Legacy Securities, Inc.	Administrative Consent Order	Cause for penalty pursuant under 23-42-308(a)(2)(B) for the charging of undisclosed fees (Rule 308.01(c))				Permanent revocation of broker-dealer registration in Arkansas
			Cause for penalty under 23-42-308(a)(2)(B) for failure to supervise (23-42-308(a)(2)(j)); unsuitable recommendations (Rule 308.01(D)); non-disclosure or				

## 2012 ORDERS UNDER THE SECURITIES ACT

			FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
10/8/12	M&M Technologies, Inc.	Administrative Consent Order				
			misstatement of material facts (Rule 308.01(X)); fraud or deceit in the offer and sale of securities (23-42-507(2)); and the sale of unregistered securities (23-42-501).			
10/8/12	M&M Technologies, Inc.	Administrative Consent Order		\$1,400		Cease and desist from further violations of 23-42-501.
			Offer or sale of unregistered securities (23-42-501).			
10/26/12	Morgan Keegan and Company, Inc.	Administrative Consent Order	\$15,000			Restitution ordered to one investor, totaling <u>\$44,659.60</u> .
			Failure to supervise former agent (23-42-308(a)(2)(j)); Respondent's former agent engaged in excessive trading (Rule 308.01(E)), and recommended unsuitable securities (Rule			

2012 ORDERS UNDER THE SECURITIES ACT							
				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
11/6/12	Snyder Lynk, LLC	Administrative Consent Order	308.01(D)), in his sale of exchange-traded funds (ETFs) while employed by the Respondent.	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
11/13/12	Brown Dog Financial, LLC	Cease and desist order	Conducting business in Arkansas as an unregistered investment adviser (23-42-301(c))				Cease and desist from further violations of 23-42-301(c)
11/19/12	ProEquities, Inc.	Administrative Consent Order	Unregistered broker-dealer activity (23-42-301(a)); unregistered investment adviser activity (23-42-301(c)); Employment of unregistered			\$8,207.55 to NASAA, as consideration for the costs associated with NASAA's coordination of the collaborative investigatory	SEE EXHIBIT S for a copy of this consent order Global Settlement facilitated by NASAA. Cease and desist from conduct giving rise to liability under 23-42-308.

2012 ORDERS UNDER THE SECURITIES ACT

	FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
	broker-dealer agents (23-42-301(b)(1)).		efforts of the multi-state task force and to further advance the investor protection efforts of NASAA, as Arkansas's portion of the \$435,000 paid to the states where dual agents were located during the violative time period from April 30, 2010, through December 2, 2011, allocated according to a schedule provided by the multi-state investigation working group	

2012 ORDERS UNDER THE SECURITIES ACT							
				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
12/4/12	Jade Asset Advisors; Walter A. Tye; Elizabeth Littleton	Cease and desist order	Fraud or deceit by an investment adviser or representative (23-42-307); Fraud or deceit in connection with offer or sale of securities (23-42-507); unregistered investment adviser activity (23-42-301(c)).			(SEE EXHIBIT S)	Cease and desist from further violations of 23-42-301(c), 307, and 507.
12/12/12	Baden S. Hill	Administrative Consent Order	Willful violations of the Act and Rules constituting grounds for penalty ( 23-42-308(a)(2)(B)); subject of an order entered within the past five years by a securities self-regulatory organization (FINRA) (23-42-				Taking into consideration Respondent's financial status, in lieu of a monetary fine, Respondent was ordered to <u>repay a client \$2,323.00</u> for losses incurred; cease and desist from further violations of the Act and Rules; Revocation of Respondent's registration as a broker-dealer agent and an investment



## 2012 ORDERS UNDER THE SECURITIES ACT

	FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
				adviser representative in Arkansas.
	308(a)(2)(F)(i)(d));			
	dishonest or unethical practices in the securities business (23-42-308(a)(2)(G));			
	unsuitable recommendation (Rule 308.01(D));			
	lack of compliance with relevant FINRA rules governing advertising and sales material (308.01(Q));			
	failure to provide requested documents to the Department (Rule 308.01(V));			
	providing intentionally false and misleading information to the Department (Rule 308.01(X));			
	Fraud or deceit in			



## 2012 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
12/13/12	Dunwell Corporation & Preston Energy, Inc.	Cease and desist order	Offer or sale of unregistered securities (23-42-501).			agents were located during the violative time period from January 1, 2005, through April 29, 2010, allocated according to a schedule provided by the multi-state investigation working group (SEE EXHIBIT T).	Cease and desist from offers or sales of securities in violation of 23-42-501; Staff of the Department ordered to continue its investigation into the offer and sale of securities by the Respondents to determine whether there were additional violations of the Act and Rules by

2012 ORDERS UNDER THE SECURITIES ACT

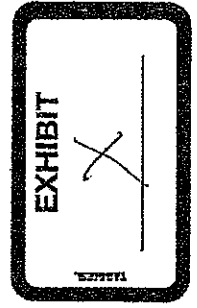
				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
12/19/12	United States Oil & Gas Corp., Omar Leon Plummer, and Alexander William Tawse	Cease and desist order	Use of general solicitation and/or advertisement in a Rule 506 offering in violation of Rule 502(c) of Regulation D, constituting an offer or sale of unregistered securities (23-42-501); Unregistered activity as an agent of the issuer (23-42-301(a)); Employment of an unregistered agent by an issuer (23-42-301(b)(1)); Fraud or deceit in connection with offer or sale of securities (23-42-507(2)).				the Respondents. Cease and desist from offer or sale of securities in Arkansas and all activity in violation of the Act and Rules.



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# 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
1/15/2013	Salient Zarvona Energy Fund, L.P.	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
2/5/2013	Brett Ian Friedburg	Administrative Consent Order	Unsuitable recommendations (23-42-308(a)(2)(G); Rule 308)	\$5,000			Friedburg neither admitted nor denied the allegations. Order to not apply for registration for three years. After that time, heightened supervision for one year would be required.
2/13/2013	Bakers Associates I, LLC	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))	\$300			Also noted the Consent Order does not affect potential civil liability under 23-42-106
2/14/2013	Michael D. Munson	Administrative Consent Order	Fraud (23-42-507(2)); unregistered securities (23-42-501); misuse of funds (Rule 308)				Munson neither admitted nor denied the allegations. His license was revoked and he agreed to not reapply for licensure for five years.



## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
2/21/2013	P-R-E, LLC; Phoenix Renewable Energy; Stephen R. Walker; and Samuel L. Anderson	Order of Restitution in Pulaski County Circuit Court	Unregistered securities (23-42-501); Fraud (23-42- 507)	\$253,500			Ordered to pay \$1,550,750 in restitution.
2/21/2013	P-R-E, LLC; Phoenix Renewable Energy; Stephen R. Walker; and Samuel L. Anderson	Consent Judgment in Pulaski County Circuit Court	(Stephen Walker) Unregistered securities (23-42-501); Fraud (23-42- 507)	\$375,000			Enjoined from offering or selling securities until registered or exempt and Walker is registered or acting under an exemption; enjoined from fraudulent activity; barred from serving as officer, director, managing member of issuer.
2/21/2013	Money in the Bank, Sun Vest, James Banning	Cease and Desist Order	Unregistered securities (23-42-501),, fraud (23-42- 507)				Ordered to cease and desist from offer and sale of securities until properly registered; staff ordered to continue investigation into fraud



## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
2/25/2013	R.D. Myers Development Inc., & Rodney Myers	Cease and Desist Order	Unregistered securities (23-42-501), unregistered agent (23-42-301), fraud (23-42-507)				Noted past criminal history. Ordered to cease and desist from sale of securities until the securities and agent were properly registered. Also ordered to cease and desist from securities fraud.
2/26/2013	Breitling Oil & Gas Corporation	Administrative Consent Order	Late Form D(23-42-509)(c)(1); Rule 509.01(b)(2)(i)	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
2/27/2013	J.D. Nicholas and Associates, Inc.; Gregory Dean	Administrative Consent Order	Do Not Call (23-42-308(a)(2)(G)); Excess Fees (23-42-308(A)(2)(G), Failure to supervise 23-42-308(f)(1)	\$17,500 (firm) \$10,000 (agent)			<u>Ordered \$14,537.60 in customer reimbursement.</u> <u>Noted that respondents had been censured by FINRA and fined \$125,000.</u> Also noted that the firm had installed a new telephone system to prevent further violations.



# 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
4/5/2013	Newbridge Securities Corporation	Administrative Consent Order	Excess fees (23-42-308(a)(2)(G))				Ordered to reimburse customers \$17,377.44.  Neither admitted nor denied allegations.  <u>FINRA had already fined respondent \$50,000.</u>  Temporary Restraining Order; freezing of assets; <u>ordered to pay restitution of \$66,500.</u> Order for accounting or receipt / expenditure of funds; restitution (one person); travel restrictions  <u>More restitution has been paid by James than documented in current court documents. Eventually, an order will be entered detailing these payments, which will total \$119,500.</u>  Cease and desist from offer and sale of securities and violations of the Act and Rules; Continuing investigation into fraud
4/18/2013 5/3/2013	Thomas E. James; Tjames Investment Services	Temporary Restraining Order/Order in Pulaski County Circuit Court					
4/22/2013	VFG, LLC, et al.	Cease and Desist Order	Unregistered securities (23-42-501)				

## 2013 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
5/13/2013	Onsombie, Inc.	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
6/11/2013	Sensus Healthcare, LLC	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
6/11/2013	DW Multiop Bakken #1, LP	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
6/11/2013	DW BBX David Glenn #2	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106

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## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
6/18/2013	Hunter Scott Financial, LLC	Administrative Consent Order	Excess fees (Rule 308.01(C))				<u>Ordered reimbursement of \$1,785 to Arkansas customers.</u>  Noted FINRA fine of \$25,000 for conduct and that firm had amended disclosures to correct issue.
6/27/2013	Virtual Piggy, Inc.	Administrative Consent Order	Late Form D (23-42-509(c)(1); Rule 509.01(b)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106
7/9/2013	Crews & Associates	Consent Order	Suitability; failure to conduct a reasonable due diligence investigation; failure to disclose certain information; failure to supervise (23-42-308(a)(2)(G) and (J), Rule			\$150,000 to NASAA limited "to advance the training and investor education programs offered by NASAA." (SEE EXHIBIT M)	Neither admitted nor denied the allegations.  <u>Recognized the repurchase of the securities from customers and the contribution to NASAA.</u>  Required to notify the Department in cases of future private placements and provide certain information.  Recognized that Crews revised its written supervisory procedures. Also appointed an expert to review the WSP's and make recommendations.

## 2013 ORDERS UNDER THE SECURITIES ACT

					FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
				308.01(x) 308.01(y), NASD Conduct Rule 2310;				Crews to notify the Department of the expert's recommendations.
7/9/2013	Bamco Gas, LLC, et. al	Cease and Desist Order	Fraud (23-42- 507(2)					Ordered to cease and desist from further acts of fraud.
7/17/2013	Nick Lynn Technology, Inc., et. al	Order from Benton County Circuit Court	Fraud (23-42- 507)					Permanently enjoined from the offer or sale of securities in Arkansas.  Ordered to <u>pay restitution of \$70,000.00 to two customers.</u>
7/22/2013	Dunwell Corporation.	Administrative Consent Order	Late Form D(23-42- 509(c)(1); Rule 509.01(b)(2))		\$2,000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
8/2/2013	Stoney Ridge Ranch, L.P.	Administrative Consent Order	Late Form D(23-42- 509(c)(1); Rule 509.01(b)(2))		\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106



## 2013 ORDERS UNDER THE SECURITIES ACT

OTHER REMEDIES/COMMENTS	CONTRIBUTION	PENALTY	FINE		
<p>fraud or dishonest/unethical practices.</p> <p>The Department did not order restitution.</p> <p>The Department did not continue its investigation to determine if more Stephens agents had sold the same securities without an adequate system of supervision. As stated in the Consent Order this was a "full and final settlement of all claims."</p> <p>Stephens was allowed to neither admit nor deny the allegations.</p> <p>The Department did not seek a suspension or limitation on the firm's license or the license of any individual supervisor. Could possibly trigger a FINRA disqualification.</p> <p>Did not include a finding of intentional misconduct although the evidence of intentional misconduct existed based on firm's knowledge of ineffective</p>					

# 2013 ORDERS UNDER THE SECURITIES ACT

	FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
				computer system.  Order included an express provision stating it was not intended to serve as a basis for disqualification.  The Morgan Keegan order was vastly different. In MK, restitution was ordered. Also, MK had provided written guidance whereas Stephens provided nothing. Also, the MK order dealt with a violation with respect to one agent. Stephens had violated the Act with regard to every agent that sold ETFs.  Had the action gone to hearing, remedies are limited to action against the firm's/individual's license and/or a fine of up to \$10,000 per violation. Each sale would have been a violation. The fine would inevitably be much higher, and could have included a suspension.



## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
8/27/2013	GT Securities, Inc.	Administrative Consent Order	Unregistered agent of the issuer (23-42-301)	\$500			Also ordered to cease and desist.
8/28/2013	Junmo Hong	Administrative Consent Order	Suitability, Fraud, Unethical practices, Do-Not-Call (23-42-308; 23-42-507; FINRA Conduct Rule 2212)				Suspended reapplication for three years; heightened supervision upon reapplication.
8/30/2013	Global Wealth; Chad Boling-Lewis	Administrative Consent Order	Unregistered IA/IAR; Books & records (23-42-308; Rules 301.01 and 301.02)	\$7,000			
9/13/2013	Robert Henry	Administrative Consent Order	Unregistered securities (23-42-501)	\$2,800			Neither admits nor denies allegations. Cease and desist from offer and sale of unregistered securities; ordered cooperation in continuing investigation

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## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
9/30/2013	Interactive Brokers LLC	Administrative Consent Order	Unregistered IA/IAR (28-42-301)	\$6,000			Neither admits nor denies allegations. Ordered changes to procedures regarding the opening of accounts
10/10/2013	Summit Brokerage Services, Inc.	Administrative Consent Order	Failure to supervise (23-42-308(a)(2)(J))	\$8,500			Assured Department staff steps were taken to prevent recurrence. Particular agent had a regulatory history. Firm terminated agent, suspended its existing written supervisory procedures, and modified its email search parameters.

## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
10/10/2013	William Wayne Larue	Administrative Consent Order	Suitability; unauthorized trading (23-42-308; Rule 308)	\$10,000			Larue is agent in Stephens settlement. Neither admits nor denies allegations. License suspended for four months. Must retake exams. FINRA was working a simultaneous action against Larue based solely on unauthorized trading.
10/24/2013	NSM Securities, Inc.	Administrative Consent Order	Employment of unregistered agent; failure to supervise (23-42-301)	\$7,000			Cease and desist from employment of unregistered agents/supervision violations
10/28/2013	Naveen K. Bhagwani	Cease and Desist	Unregistered agent (23-42-301)				Ordered to cease and desist from unlicensed activity. Agent in the NSM Securities case.

# 2013 ORDERS UNDER THE SECURITIES ACT

			FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
10/31/2013	RBC Capital Markets	Administrative Consent Order	\$44,745.17			This was a global settlement coordinated by NASAA. (See EXHIBIT O) Neither admit nor deny allegations. Included an undertaking to maintain policies and procedures to adequately supervise and prevent future violations from occurring. Although the \$44,745.17 is not labeled as a fine or a penalty, it was collected by the Department and therefore subject to the treatment of monies collected by the Department under 23-42-213.
11/4/2013	Ellis Sloan	Consent/Registration Order	\$5,000			Neither admits nor denies allegations. Pending application for license was approved in connection with the consent order.

## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
11/14/2013	UBS Financial Services, Inc.	Administrative Consent Order	Failure to supervise; employment of unregistered agents (23-42-308)	\$70,605.36			This was a global settlement coordinated by NASAA (see EXHIBIT P)  Neither admit nor deny allegations.  Ordered to cease and desist from accepting orders through unregistered persons.  Although the \$70,605.36 is not labeled as a fine or a penalty, it was collected by the Department and therefore subject to the treatment of monies collected by the Department under 23-42-213.
11/18/2013	Farland Project	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))	\$500			Also noted the Consent Order does not affect potential civil liability under 23-42-106

## 2013 ORDERS UNDER THE SECURITIES ACT

				FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
11/18/2013	Kevin McNay	Administrative Consent Order	Unregistered securities (23-42-501)	\$4,000			Ordered cooperation in continuing investigation  Although the \$4,000 is not labeled as a fine or a penalty, it was collected by the Department and therefore subject to the treatment of monies collected by the Department under 23-42-213.
11/18/2013	FWCG Opportunity Fund, LP	Administrative Consent Order	Late Form D(23-42-509(c)(1); Rule 509.01(b)(2))	\$1,000			Also noted the Consent Order does not affect potential civil liability under 23-42-106
12/2/2013	Samuel C. Falbert	Consent /Registration Order	Advertising	\$5,000			Approved registration upon payment of fine, one year of heightened supervision, the provisions of all records necessary for compliance inspection, and reimbursement of compliance inspection costs.

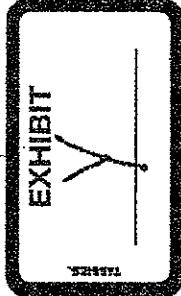
# 2013 ORDERS UNDER THE SECURITIES ACT

			FINE	PENALTY	CONTRIBUTION	OTHER REMEDIES/COMMENTS
12/12/2013	Benjamin Paul Moore	Administrative Consent Order	\$5,000			Neither admits nor denies allegations. None of the clients wanted the trades rescinded. Noted that the firm reimbursed clients for excess commissions. <u>Moore was charged for the fees and commissions, required to take additional compliance training, and placed on heightened supervision.</u>
		Unauthorized trading (Rule 308.01(o))				





Name of File: Receipts 7/1/2012-6/30/2013	AGA		SDH0100 Admn. FINES	AGA		SDH4300 SPECIAL REVENUES	REFUND		REFUND TO EXP. PRIOR YR.	TOTAL
	PENALTIES			GENERAL REVENUES			TO EXP. CURRENT YR.			
03-01 AGENT OF ISSUER	\$ -	\$ -	\$ -	\$ 2,950.00	\$ 1,325.00	\$ -	\$ -	\$ -	\$ -	\$ 4,275.00
03-02 INVESTMENT ADVISER AGENT	\$ -	\$ -	\$ -	\$ 188,400.00	\$ 97,000.00	\$ -	\$ -	\$ -	\$ -	\$ 285,400.00
03-04 ISSUER	\$ -	\$ -	\$ -	\$ 3,473,387.14	\$ 1,553,706.83	\$ -	\$ -	\$ -	\$ -	\$ 5,027,093.97
03-05 BROKER-DEALER	\$ -	\$ -	\$ -	\$ 423,150.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 423,150.00
03-06 AGENT	\$ -	\$ -	\$ -	\$ 5,741,400.00	\$ 2,867,900.00	\$ -	\$ -	\$ -	\$ -	\$ 8,609,300.00
03-07 MTG. LOAN COMPANY	\$ -	\$ -	\$ -	\$ 128,850.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,850.00
03-08 MTG. LOAN BRANCH	\$ -	\$ -	\$ -	\$ 42,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,800.00
03-09 MONEY SERVICES	\$ -	\$ -	\$ -	\$ 67,750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,750.00
03-10 INVESTMENT ADVISER	\$ -	\$ -	\$ -	\$ 310,950.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,950.00
03-11 FOREIGN LENDER	\$ -	\$ -	\$ -	\$ 2,500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,500.00
03-13 SAVINGS & LOAN	\$ -	\$ -	\$ -	\$ 2,650.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,650.00
03-14 BROKER-DEALER BRANCH	\$ -	\$ -	\$ -	\$ -	\$ 55,100.00	\$ -	\$ -	\$ -	\$ -	\$ 55,100.00
03-15 INVESTMENT ADVISER BRANCH	\$ -	\$ -	\$ -	\$ -	\$ 1,000.00	\$ -	\$ -	\$ -	\$ -	\$ 1,000.00
03-18 EXEMPTION	\$ -	\$ -	\$ -	\$ 206,236.21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,236.21
03-21 MORTGAGE LOAN OFFICER	\$ -	\$ -	\$ -	\$ 149,150.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,150.00
03-22 MTG. LOAN CHG. OF CONTROL	\$ -	\$ -	\$ -	\$ 2,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,800.00
03-23 MTG. LOAN PENALTIES	\$ -	\$ -	\$ -	\$ 1,004,200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,004,200.00
03-24 MONEY SERVICES FINE	\$ -	\$ -	\$ -	\$ 66,250.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,250.00
131-01 MORTG. LOAN FINES	\$ -	\$ -	\$ -	\$ 4,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000.00
EXAMINER EXPENSES & COPIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EXAM FEES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ADMINISTRATIVE FINES SDH-01	\$ -	\$ -	\$ 150,000.00	\$ 45,537.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,500.00
AGA FINES	\$ 650.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650.00
MISC. REVENUE SDH4300	\$ -	\$ -	\$ -	\$ -	\$ 112.59	\$ -	\$ -	\$ -	\$ -	\$ 112.59
REFUND TO EXPENDITURE PRIOR YR.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REFUND TO EXPENDITURE CURRENT YR.	\$ -	\$ -	\$ -	\$ -	\$ 135.38	\$ -	\$ -	\$ -	\$ -	\$ 135.38
TOTAL RECEIPTS	\$ 650.00	\$ 150,000.00	\$ 150,000.00	\$ 11,862,961.33	\$ 4,587,779.80	\$ -	\$ -	\$ -	\$ -	\$ 16,601,391.13
LESS REFUNDS				\$ 15,162.20	\$ 9,350.00					\$ 24,512.20
LESS BANK FEES/DUPL DEPS/ADJ.				\$ 3,369.19	\$ 1,217.53					\$ 4,586.72
NET RECEIPTS FY 12-13	\$ 650.00	\$ 150,000.00	\$ 150,000.00	\$ 11,844,429.94	\$ 4,577,212.27	\$ -	\$ -	\$ -	\$ -	\$ 16,572,292.21
cap for Securities Department fund				\$2,577,212.27	\$2,000,000.00					\$ 4,577,212.27
				\$14,421,642.21	\$2,577,212.27					\$ 16,630,290.07
Appropriation	Investor Ed		\$78,500.00	Operations	\$3,479,649.00					



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Name of File: Receipts 7/1/2011-6/30/2012 Receipts 7/1/11-6/30/12	AGA PENALTIES	SDH0100 Admn. FINES	AGA GENERAL REVENUES	SDH4300 SPECIAL REVENUES	Refund To Exp. Current Year	REFUND TO EXP. PRIOR YR.	TOTAL
ISSUER - 03-04			\$3,326,646.70	\$1,486,544.05			\$4,813,190.75
AGENT OF ISSUER - 03-01			\$2,850.00	\$1,425.00			\$4,275.00
BROKER-DEALER - 03-05			\$439,250.00				\$439,250.00
BROKER-DEALER BRANCH - 03-14				\$55,250.00			\$55,250.00
AGENT - 03-06			\$5,734,850.00	\$2,872,500.00			\$8,607,350.00
INVESTMENT ADVISER - 03-10			\$314,700.00				\$314,700.00
INVESTMENT ADVISER BRANCH - 03-15				\$800.00			\$800.00
INVESTMENT ADVISER AGENT - 03-02			\$175,500.00	\$89,900.00			\$265,400.00
MONEY SERVICES - 03-09			\$59,275.00				\$59,275.00
FOREIGN LENDER - 03-11			\$2,500.00				\$2,500.00
SAVINGS & LOAN - 03-13			\$2,550.00				\$2,550.00
EXEMPTION - 03-18			\$194,783.35				\$194,783.35
MTG. LOAN COMPANY - 03-07			\$135,950.00				\$135,950.00
MTG. LOAN BRANCH - 03-08			\$32,500.00				\$32,500.00
MORTGAGE LOAN OFFICER - 03-21			\$108,650.00				\$108,650.00
MTG. LOAN CHG. OF CONTROL - 03-22			\$2,540.00				\$2,540.00
MTG. LOAN PENALTIES - 03-23			\$2,600.00				\$2,600.00
MONEY SERVICES FINE - 03-24			\$0.00				\$0.00
EXAMINER EXPENSES & COPIES				\$513.13			\$513.13
ADMINISTRATIVE FINES SDH-01				\$8,547.76			\$8,547.76
AGA FINES	\$72,850.00	\$488,411.01					\$488,411.01
REFUND TO EXPENDITURE PRIOR YR.					185.40	\$0.00	\$0.00
REFUND TO EXPENDITURE CURRENT YR.							\$185.40
TOTAL RECEIPTS	\$72,850.00	\$488,411.01	\$10,535,145.05	\$4,515,479.94	\$0.00	\$0.00	\$15,612,071.40
LESS REFUNDS			\$8,320.22	\$3,000.00			\$11,320.22
NET RECEIPTS FY 10-11	\$72,850.00	\$488,411.01	\$10,526,824.83	\$4,512,479.94	\$0.00	\$0.00	\$15,600,751.18
		\$150,000.00	\$2,512,479.94	\$2,000,000.00			
		\$338,411.01	\$338,411.01	\$2,512,479.94			
			\$13,377,715.78				
Appropriation	Investor Ed	\$78,500.00	Operations	\$3,426,918.00			

Name of File: Receipts 7/1/10-6/30/11 Receipts 7/1/10-6/30/11	AGA		SDH0100		AGA		SDH4300		Refund		TOTAL
	PENALTIES	Adm. FINES	GENERAL REVENUES	SPECIAL REVENUES	To Exp. Current Year	TO EXP. PRIOR YR.					
ISSUER			\$3,361,462.12	\$1,466,579.72							\$4,828,041.84
AGENT OF ISSUER			\$3,000.00	\$1,500.00							\$4,500.00
BROKER-DEALER			\$451,500.00								\$451,500.00
BROKER-DEALER BRANCH				\$56,700.00							\$56,700.00
AGENT			\$5,649,050.00	\$2,824,375.00							\$8,473,425.00
INVESTMENT ADVISER			\$295,800.00								\$295,800.00
INVESTMENT ADVISER BRANCH				\$750.00							\$750.00
INVESTMENT ADVISER AGENT			\$177,000.00	\$88,500.00							\$265,500.00
MONEY SERVICES			\$55,750.00								\$55,750.00
FOREIGN LENDER			\$2,500.00								\$2,500.00
SAVINGS & LOAN			\$2,300.00								\$2,300.00
EXEMPTION			\$182,288.37								\$182,288.37
MTG. LOAN COMPANY			\$131,350.00								\$131,350.00
MTG. LOAN BRANCH			\$31,100.00								\$31,100.00
MORTGAGE LOAN OFFICER			\$113,350.00								\$113,350.00
MTG. LOAN CHG. OF CONTROL			\$2,300.00								\$2,300.00
MTG. LOAN PENALTIES			\$1,300.00								\$1,300.00
MONEY SERVICES FINE			\$0.00								\$0.00
EXAMINER EXPENSES & COPIES				\$7,876.67							\$7,876.67
EXAM FEES				\$13,050.00							\$13,050.00
ADMINISTRATIVE FINES SDH-01				\$343,583.58							\$343,583.58
AGA FINES	\$136,100.00										\$136,100.00
REFUND TO EXPENDITURE PRIOR YR.											
REFUND TO EXPENDITURE CURRENT YR.									312.73	\$732.73	\$732.73
TOTAL RECEIPTS	\$136,100.00	\$343,583.58	\$10,460,050.49	\$4,459,331.39	\$0.00	\$732.73	\$15,400,110.92				\$15,400,110.92
LESS REFUNDS				\$3,100.00							\$3,100.00
NET RECEIPTS FY 10-11	\$136,100.00	\$343,583.58	\$10,451,776.10	\$4,456,231.39	\$0.00	\$732.73	\$15,388,736.53				\$15,388,736.53
		\$150,000.00	\$3,456,231.39	\$1,000,000.00							
		\$193,583.58	\$193,583.58	\$3,456,231.39							
			\$14,101,591.07								
Total Appropriation	Investor Ed		\$78,500.00	Operations			\$3,195,480.00				

Name of File: Receipts 7/1/2009-6/30/2010 Receipts 7/1/09-6/30/10	AGA PENALTIES	SDH0100 Admn. FINES	AGA GENERAL REVENUES	SDH4300 SPECIAL REVENUES	Refund To Exp. Current Year	REFUND TO EXP. PRIOR YR.	TOTAL
ISSUER - 03-04			\$3,041,271.58	\$1,291,348.85			\$4,332,620.43
AGENT OF ISSUER - 03-01			\$3,500.00	\$1,750.00			\$5,250.00
BROKER-DEALER - 03-05			\$457,200.00				\$457,200.00
BROKER-DEALER BRANCH - 03-14				\$111,200.00			\$111,200.00
AGENT - 03-06			\$5,054,550.00	\$2,527,275.00			\$7,581,825.00
INVESTMENT ADVISER - 03-10			\$288,900.00				\$288,900.00
INVESTMENT ADVISER BRANCH - 03-15				\$750.00			\$750.00
INVESTMENT ADVISER REP - 03-02			\$171,250.00	\$85,625.00			\$256,875.00
MONEY SERVICES - 03-09			\$44,000.00				\$44,000.00
FOREIGN LENDER - 03-11			\$2,500.00				\$2,500.00
SAVINGS & LOAN - 03-13			\$2,200.00				\$2,200.00
EXEMPTION - 03-18			\$184,266.31				\$184,266.31
MTG. LOAN COMPANY - 03-07			\$145,425.00				\$145,425.00
MTG. LOAN BRANCH - 03-08			\$38,300.00				\$38,300.00
MORTGAGE LOAN OFFICER - 03-21			\$164,887.50				\$164,887.50
MTG. LOAN CHG. OF CONTROL - 03-22			\$1,900.00				\$1,900.00
MTG. LOAN PENALTIES - 03-23			\$1,200.00				\$1,200.00
MONEY SERVICES FINE - 03-24			\$0.00				\$0.00
EXAMINER EXPENSES & COPIES				\$12,324.40			\$12,324.40
EXAM FEES				\$14,350.00			\$14,350.00
ADMINISTRATIVE FINES SDH-01		\$1,528,921.68					\$1,528,921.68
AGA FINES	\$82,750.00						\$82,750.00
REFUND TO EXPENDITURE PRIOR YR.						\$0.00	\$0.00
REFUND TO EXPENDITURE CURRENT YR.					1,110.97		\$1,110.97
TOTAL RECEIPTS	\$82,750.00	\$1,528,921.68	\$9,601,350.39	\$4,044,623.25	\$0.00	\$0.00	\$15,258,756.29
LESS REFUNDS			\$6,975.00	\$3,170.79			\$10,145.79
NET RECEIPTS FY 10-11	\$82,750.00	\$1,528,921.68	\$9,594,375.39	\$4,041,452.46	\$0.00	\$0.00	\$15,248,610.50
		\$150,000.00	\$2,041,452.46	\$2,000,000.00			
		\$1,378,921.68	\$1,378,921.68	\$2,041,452.46			
			\$13,014,749.53				
Total Appropriation	Investor Ed	\$78,500.00	Operations	\$3,437,750			

Name of File: Receipts Report 08-09		AGA	SDH0100	AGA	SDH4300	SDH-4300	REFUND	TOTAL
Receipts 7/1/2008-6/30/2009		PENALTIES	Admn.	GENERAL	SPECIAL		TO EXP.	
			FINES	REVENUES	REVENUES		PRIOR YR.	
ISSUER				2,996,788.43	1,376,367.18			\$4,373,155.61
AGENT OF ISSUER				3,075.00	1,575.00			\$4,650.00
BROKER-DEALER				463,800.00				\$463,800.00
AGENT				5,279,850.00	2,639,925.00			\$7,919,775.00
INVESTMENT ADVISER				286,800.00				\$286,800.00
INVESTMENT ADVISER AGENT				167,800.00	83,900.00			\$251,700.00
CHECK ISSUER				43,425.00				\$43,425.00
FOREIGN LENDER				3,000.00				\$3,000.00
SAVINGS & LOAN				2,200.00				\$2,200.00
EXEMPTION				176,274.69				\$176,274.69
MTG. LOAN COMPANY				217,450.00				\$217,450.00
MTG. LOAN BRANCH				6,212.50				\$6,212.50
MORTGAGE LOAN OFFICER				172,572.79				\$172,572.79
MTG. LOAN CHG. OF CONTROL				2,470.00				\$2,470.00
MTG. LOAN PENALTIES				69,845.00				\$69,845.00
MONEY SERVICES FINE		4,300.00						\$4,300.00
EXAMINER EXPENSES						4,599.10		\$4,599.10
WITNESS FEES								\$0.00
EXAM FEES								\$8,000.00
ADMINISTRATIVE FINES SDH-01			\$42,510.86					\$42,510.86
AGA PENALTIES		5631.01						\$5,631.01
REFUND TO EXPENDITURE PRIOR YR.							440.75	\$440.75
TOTAL RECEIPTS		\$9,931.01	\$42,510.86	\$9,891,563.41	\$4,101,767.18	\$12,599.10	\$440.75	\$14,058,812.31
LESS CHECKS RETURNED BY BANK				\$4,000.00	\$0.00			\$4,000.00
LESS REFUNDS				\$17,192.50	\$4,275.00			\$21,467.50
NET RECEIPTS FY 08-09		\$9,931.01	\$42,510.86	\$9,870,370.91	\$4,097,492.18	\$12,599.10	\$440.75	\$14,033,344.81
				\$3,097,492.18	\$1,000,000.00			
				\$12,967,863.09	\$3,097,492.18			
Appropriation		Investor Ed	\$78,500.00	Operations	\$2,932,688.00			

Name of File: Receipts Report 07-08	Investor Ed	SDH0100	AGA	SDH4300	AGA	SDH-43	TOTAL
Receipts 7/1/2007-6/30/2008	Grant	Admn.	GENERAL	SPECIAL	Witness		
	NSD0100	FINES	REVENUES	REVENUES	Fee		
ISSUER			\$3,354,920.45	\$1,640,507.32			\$4,995,427.77
AGENT OF ISSUER			\$3,700.00	\$1,850.00			\$5,550.00
BROKER-DEALER			\$474,300.00				\$474,300.00
AGENT			\$5,261,800.00	\$2,630,900.00			\$7,892,700.00
INVESTMENT ADVISER AGENT			\$176,450.00	\$88,225.00			\$264,675.00
INVESTMENT ADVISER			\$288,300.00				\$288,300.00
MONEY SERVICES			\$65,238.00				\$65,238.00
FOREIGN LENDER			\$3,000.00				\$3,000.00
SAVINGS & LOAN			\$2,000.00				\$2,000.00
EXEMPTIONS, REG D FILINGS			\$244,341.84				\$244,341.84
MTG. LOAN COMPANY			\$179,623.00				\$179,623.00
MTG. LOAN BRANCH			\$47,625.00				\$47,625.00
MORTGAGE LOAN OFFICER			\$276,297.00				\$276,297.00
MTG. LOAN CHG. OF CONTROL			\$2,100.00				\$2,100.00
MTG. LOAN PENALTIES			\$166,855.00				\$166,855.00
MONEY SERVICES FINE			\$8,000.00				\$8,000.00
EXAMINER EXPENSES						\$49.88	\$49.88
SALE OF PUBLICATION						\$941.13	\$941.13
WITNESS FEES			\$80.00		\$40.00		\$120.00
INVESTOR EDUCATION GRANT	\$49,800.00						\$49,800.00
EXAM FEES						\$400.00	\$400.00
ADMINISTRATIVE FINES SDH-01							\$64,405.00
REFUND TO EXPENDITURE PRIOR YEAR						\$237.12	\$237.12
TOTAL RECEIPTS	\$49,800.00	\$64,405.00	\$10,554,630.29	\$4,361,482.32	\$40.00	\$1,628.13	\$15,031,985.74
LESS CHECKS RETURNED BY BANK			\$1,337.50	\$0.00			\$1,337.50
LESS REFUNDS			\$28,396.50	\$4,975.00			\$33,371.50
NET RECEIPTS FY 07-08	\$49,800.00	\$64,405.00	\$10,524,896.29	\$4,356,507.32	\$40.00	\$1,628.13	\$14,997,276.74
			\$3,356,507.32	\$1,000,000.00			
			\$13,881,403.61	\$3,356,507.32			
Total Appropriation	Investor Ed	\$78,500.00	Operations	\$3,252,631.00			

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