

**State of Nevada
Office of the Secretary of State**

Annual Report

Fiscal Year 2003



DEAN HELLER
Secretary of State

September 1, 2003



DEAN HELLER
Secretary of State

OFFICE OF THE SECRETARY OF STATE

To the Governor, Legislature and Citizens of Nevada:

The following is an account of fiscal year 2003, including reports from each division and a close examination of revenues versus expenditures. Our goal is to continue to deliver the best service possible to residents and businesses alike. The Secretary of State's office continues to make tremendous strides in providing more efficient and timely service through the enhanced use of technology, including providing a website that gets about four million hits per month.

During fiscal year 2003, agency revenue climbed to more than \$57.2 million, an increase of approximately 9.5% over fiscal year 2002. Expenditures were held to approximately \$9.3 million. Over \$5.50 in revenue was generated for each dollar spent, and revenue per full-time employee rose to more than \$426,000.

Although the Silver State's business climate remains inviting, Nevada, like many other states, continues to feel the adverse effects of the financial downturn brought about by the events of September 11, 2001, and other economic factors. Nevertheless, while the Secretary of State's, Commercial Recordings Division, experienced only a slight gain in business in fiscal year 2003, other states continue to report much greater decreases in the number of new corporation filings.

Much of the credit for the agency's continued strong fiscal showing is a direct reflection of the expanded use of technology. This greater use of technology has permitted the agency to grow revenue, control costs and increase employee productivity, while at the same time improving service.

As we enter fiscal year 2004, the Secretary of State's office prepares for the 2004 Presidential election, along with other important federal and local elections. The agency is also anxiously awaiting the completion of a five phase online project designed to increase the efficiency, effectiveness and economy of services the Secretary of State's office provides for its business customers.

I thank you for your attention to our 2003 Annual Report. We welcome your comments regarding the Nevada Secretary of State's office.

Respectfully,

A handwritten signature in cursive script, appearing to read "Dean Heller".

DEAN HELLER
Secretary of State



DEAN HELLER
Secretary of State

Office of the

Secretary of State

The mission of the Office of Secretary of State is to effectively and efficiently serve the public by performing its statutory duties to ensure the integrity of elections, facilitate business filings, protect consumers against securities fraud, preserve public records, and to promote public awareness and education in these and related areas.

With the advent of statehood in 1864, the Nevada Office of the Secretary of State was established as part of the state's executive branch of government. The Secretary of State, Nevada's third highest-ranking constitutional officer, is elected to a four-year term. In 1996, Nevada voters approved a ballot initiative limiting state constitutional officers to two terms in office.

The Secretary of State is responsible for maintaining the official records of the acts of the Nevada Legislature and of the executive branches of state government, as prescribed by law. Along with duties established by Nevada Revised Statutes, the Secretary of State is a member of the State Board of Examiners, State Board of Prison Commissioners, Tahoe Regional Planning Agency, and Chairman of the State Records Committee.

In addition to Constitutional duties, the Secretary of State serves as Nevada's Chief Elections Officer. In this role, the Secretary of State is responsible for the

The goals of the Office of Secretary of State are to:

- (1) Ensure the integrity of elections and proper disclosure by candidates and elected officials through the effective administration of the state's election laws;**
- (2) Encourage the development and diversification of the state's business community by providing efficient, expeditious and cost-effective services;**
- (3) Protect consumers from investment fraud through effective regulation of the securities industry, enforcement of the securities laws, and education of the public; and**
- (4) Maintain records and information filed with the office and to make that information more easily accessible and at a reasonable cost.**

execution, interpretation and enforcement of federal and state election laws, is the filing officer for statewide elective positions, and is the filing officer for all statewide initiative petitions.

The Secretary of State's office also receives business entity filings and maintains records for corporations, limited liability companies, limited partnerships, limited liability partnerships, business trusts, professional corporations and associations, and rights of publicity; administers the Notary Public Act, Trademark Act, and the Uniform Commercial Code; regulates the securities industry by registering securities, licensing persons who sell them, and enforcing the civil and criminal provisions of state and federal securities law; and licenses and regulates athletes agents.

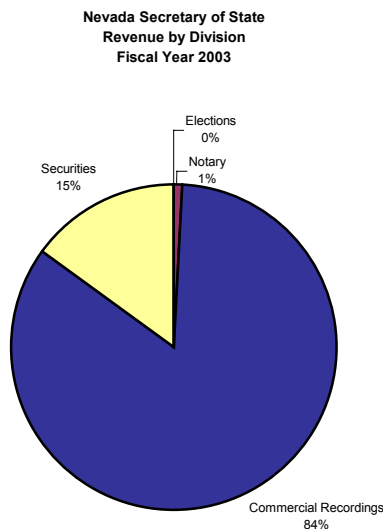
Constitutional and Statutory Duties

- ◆ **Certifies all statewide candidates and ballot questions and reports and certifies primary and general election results.**
- ◆ **Supervises state and local elections.**
- ◆ **Registers and files candidate contribution and expenditure reports.**
- ◆ **Registers corporations, limited partnerships, limited liability companies, limited liability partnerships, and business trusts.**
- ◆ **Registers trade names, trademarks, professional corporations and associations, and rights of publicity.**
- ◆ **Records Uniform Commercial Code statements and documents.**
- ◆ **Appoints, trains, and regulates Notaries Public.**
- ◆ **Administers the Confidential Address Program for victims of domestic violence.**
- ◆ **Regulates the state's securities industry and enforces securities law.**
- ◆ **Licenses and regulates athletes' agents.**

Executive

Summary

The Secretary of State's office experienced continued growth during fiscal year 2003. Revenues outpaced the previous years by nearly \$5 million, an increase of 9.5% over fiscal year 2002.

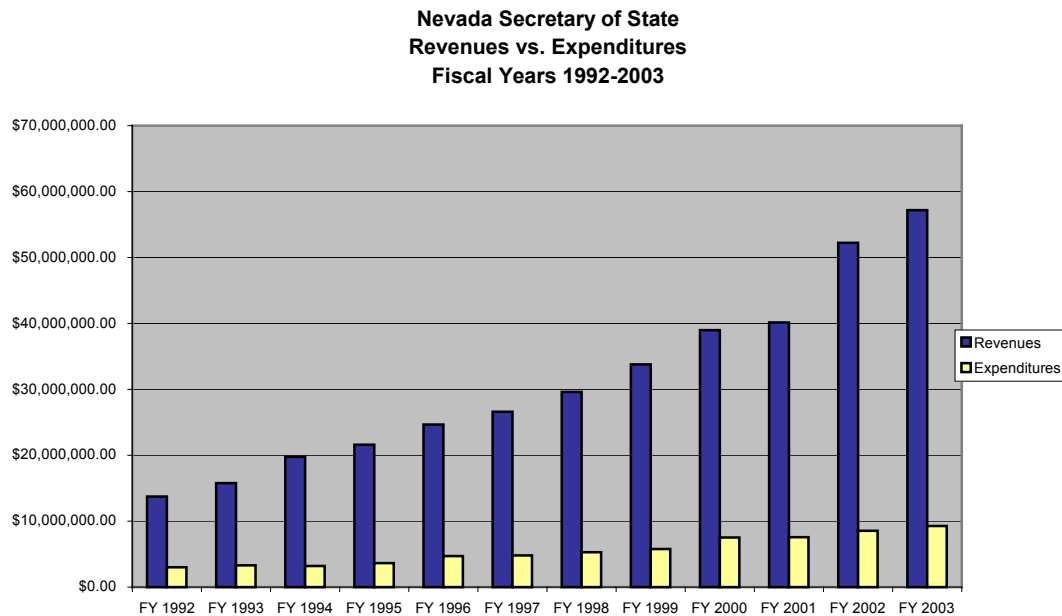


The expanded use of efficient and cost-effective technology, coupled with reengineering of office procedures and comprehensive employee training, has resulted in increased staff productivity. More than \$426,000 in revenue was generated per employee during fiscal year 2003, an increase of 2.9% over the previous fiscal year.

The Secretary of State's office strives to make conducting business with the agency increasingly efficient and convenient for its customers. The expanded use of technology, continuous evaluation of office procedures and a strong commitment to employee development has resulted in greater customer and worker satisfaction.

Since its unveiling in 1998, the Secretary of State's award winning website has become a valuable tool by which individuals and businesses interact with the agency. Generating in excess of four million hits per month, the website attracts an average of

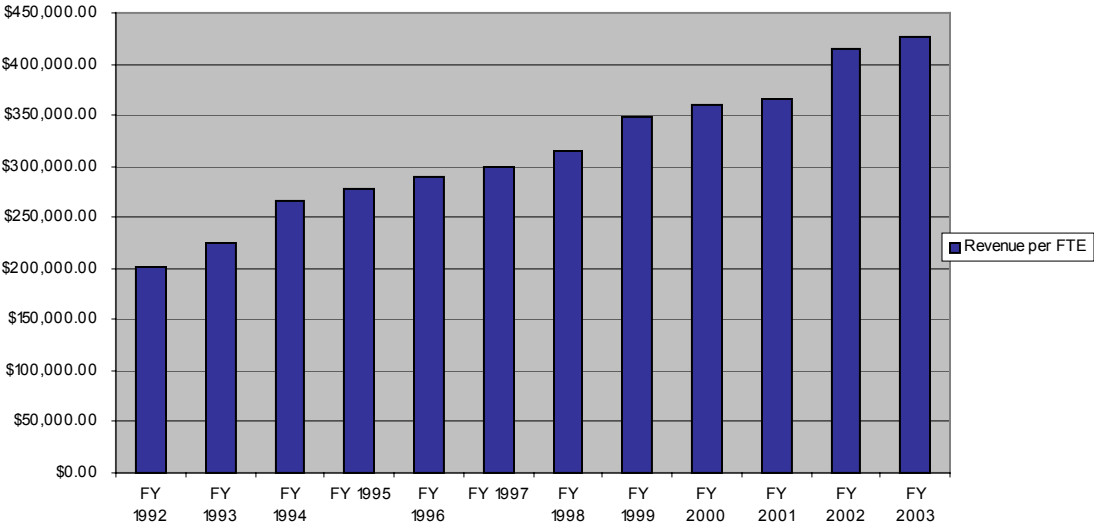
more than 130,000 visitors per day. Approximately 200 forms, including investor complaint forms, corporation filing forms, election forms and Notary Public application forms, are available online from the Secretary of State. In addition to providing more expedient service, the website has had the added advantage of reducing the number of incoming telephone calls to the office's Customer Service Division.



The technology in place in the Secretary of State's office has also allowed the office to proceed with e-commerce applications. In the process, the agency has become an e-government leader in the state of Nevada. Online corporate name reservation marked the Secretary of State's first e-commerce venture in late December of 1999. The Elections Division has also developed and is operating a pilot program wherein candidates for office are now afforded the opportunity to electronically file Contribution and Expenditure Reports with the Secretary of State. In August 2003, we deployed a full service Uniform Commercial Code (UCC) e-government application that is receiving positive reviews from the public. In the very near future, additional e-government opportunities will be available to customers.

These developments and the many others that have affected the Secretary of State's office during fiscal year 2003 are discussed in further detail in the following Division Profile sections of this report.

**Nevada Secretary of State
Revenue per Full-Time Employee (FTE)
Fiscal Years 1992-2003**



Division Profile

Commercial Recordings

The Secretary of State, Commercial Recordings Division, is responsible for processing and filing the organizational and amendatory documents of entities organized under the laws of the state of Nevada. These entities include for-profit and nonprofit corporations, limited partnerships, limited liability companies, limited liability partnerships, professional corporations and associations, and business trusts. The Division is also charged with reviewing, filing and processing: (1) trademarks, trade names, service marks, rights of publicity; and (2) Uniform Commercial Code financing statements, changes and lien searches, as well as federal tax liens and utility filings.

The Commercial Recordings Division operates offices in Carson City and Las Vegas. The Carson City office includes numerous Divisions: New Filings, Status, Amendments, Floater, Mailroom/Receipting, Uniform Commercial Code (UCC) and Copies. The Floater Division, created in 1998 to train staff in all areas of the Commercial Recordings Division, has expanded its role and now assists in a number of other Divisions, including Customer Service, Notary and Information Technology. This allows the office to respond to periodic or seasonal staff shortages and increases in workload. The Las Vegas office includes a Commercial Recordings Division and a Trademarks section. The Trademarks staff is responsible for the processing and filing of trademarks, trade names, service marks and rights of publicity. All filings processed in the Las Vegas office are on an expedited basis only.

The Carson City Commercial Recordings Division, located at 202 N. Carson Street (the old Meyer's Hardware Building), includes a Customer Service counter and provides better parking facilities and a convenient, one-stop shop for customers.

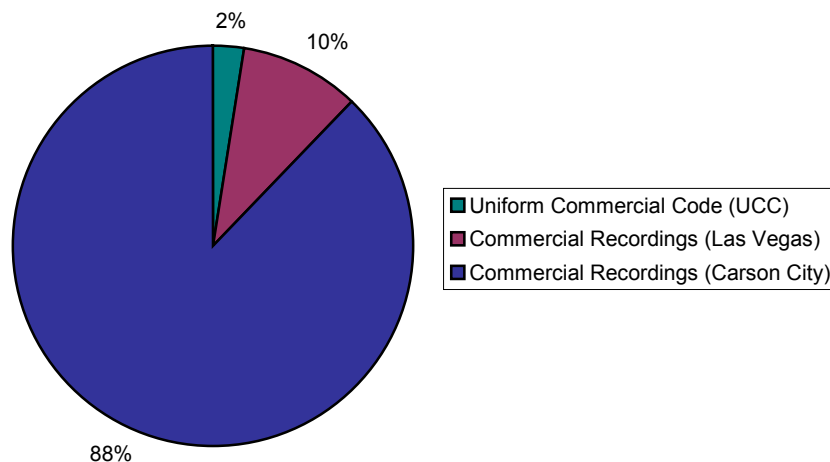
In May 2002, the Division relocated its Las Vegas offices from Suite 2900 to Suite 4000 in the Grant Sawyer Building. This new office space provides for the continued growth and the expansion of service provided in this office. In addition to Commercial Recordings and Customer Service staff, our Las Vegas Information/Technology staff is located in this new space.

REVENUE

The Commercial Recordings Division and its various sections generated nearly \$41 million in revenue during fiscal year 2003. The Division's Carson City office is the largest revenue-producer, with receipts in excess of \$36 million during fiscal year 2003. The Las Vegas Commercial Recordings office generated more than \$4.1 million in revenue. Additionally, expedite fees for all Division offices exceeded \$6.3 million compared to \$6.1 million in 2002. UCC receipts totaled over \$996,000 during fiscal year 2003.

The financial downturn brought about by the tragic events of September 11, 2001, and other economic factors, coupled with fee increases mandated by the 2001 Legislature, has resulted in a flat rate of new filings being submitted to the Commercial Recordings Division. While not experiencing the growth the Division had enjoyed prior to these events, the Commercial Recordings Division has maintained similar volume in the number of new filings over fiscal years 2001, 2002 and 2003. The encouraging news is that the first six months of calendar year 2003 reflected a 2.14% increase in new filings as compared to the same period in 2002. As of June 30, 2003, more than 213,000 entities were on file with the Secretary of State's office.

Secretary of State, Commercial Recordings Division
Revenue by Source
Fiscal Year 2003



LEGISLATION

The 2003 Nevada Legislature increased the fees charged for most services provided by the Commercial Recordings Division—effective November 1, 2003—marking the second straight legislative session in which fees were increased. The various fee increases are projected to generate an additional \$20 million per year.

Beginning November 1, 2003, the Secretary of State will implement a new fee structure mandated by the 2003 Legislature for the filing of Annual Lists of Officers for all corporations—domestic or foreign. Annual fees will be calculated based on capitalization using a tiered structure. Fees will range from \$125 to \$11,100. Modifications that will automatically determine the fee per entity using the agency's current processing system are underway.

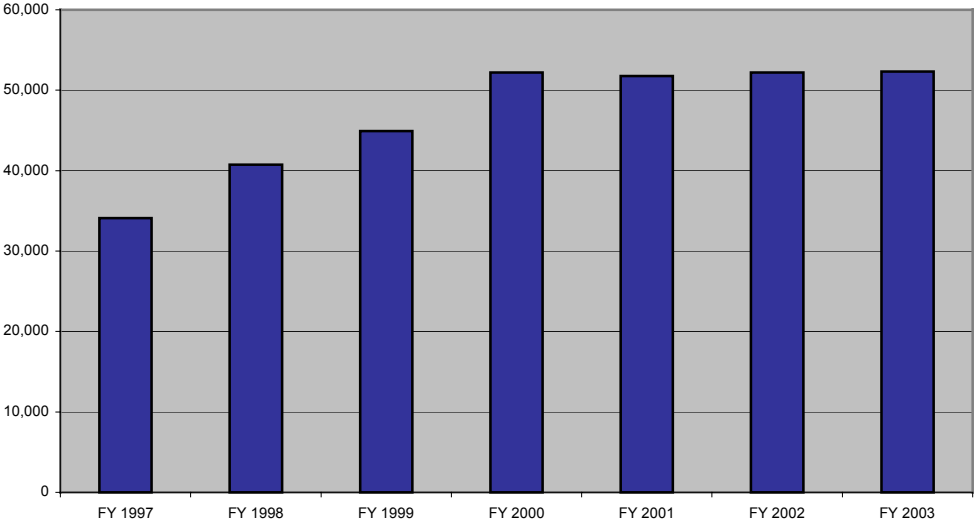
NEW SERVICES

In 2003, the ability for general partners of a Limited Partnership to form a Limited Liability Limited Partnership (LLLP) was added to those services already available from the Secretary of State's office. The LLLP affords limited partners the limited liability protections corporate officers and managers of a Limited Liability Company now enjoy.

In August 2003, phase three of a five-phase project went live. This phase of the *e-SoS* project permits customers to complete the filing process for UCC 1's, 3's and 5's online, along with providing online searches of financial statements, as well as providing access to the actual images of those documents. Phase two of the *e-SoS* project, implemented in 2002, has allowed the Division to maintain a one to two day turnaround time on filings, thus decreasing the number of staff members needed to operate the Division.

The five-phase *e-SoS* project begun under Secretary of State Heller's tenure is designed to increase the efficiency, effectiveness and economy of services the Secretary of State's office provides for its business customers. The entire project is expected to be completed by October 2003. The next phase of the *eSoS* project will allow the Secretary of State's office to become a "virtual office" for commercial recordings and allow for corporate filings to be completed via the Internet.

**Secretary of State, Commercial Recordings Division
New Business Filings
Fiscal Years 1997-2003**



Division Profile

Elections Division

The Secretary of State is the Chief Elections Officer for the state of Nevada. Through the Elections Division, the Secretary of State provides technical information and enforces the state's election laws and procedures.

The Elections Division oversees candidate filings, prepares forms and documents, recommends legislation and regulations relevant to the electoral process, and provides information to the public regarding candidates and elections. The Elections Division also publishes informational election materials that are available to the public at no charge. These publications include monthly reports of voter registration, Initiative and Referendum Handbook, Minor Party Qualification Guide, Recall Information Guide, Independent Candidate Guide, Title 24 Election Laws, and Election Regulations.



Secretary Heller completes the canvass of the 2002 General Election vote with members of the Nevada Supreme Court.

HELP AMERICA VOTE ACT

The *Help America Vote Act of 2002* (HAVA) was signed into law by President Bush on October 29, 2002. The federally mandated legislation came about as a result of the voting problems that occurred during the 2000 Presidential election in many states, especially Florida. Senate Bill 453, passed by the 2003 Legislature and signed into law by Governor Guinn, incorporates the HAVA provisions mandated by the federal government into state law.

SB 453 will substantially affect virtually every element of the voting process, including implementing a statewide voter registration system, allowing provisional balloting in federal races, and extending the voter registration period by an additional ten days if the voter registers in person at the appropriate County/City Clerk or Registrar of Voters' office.

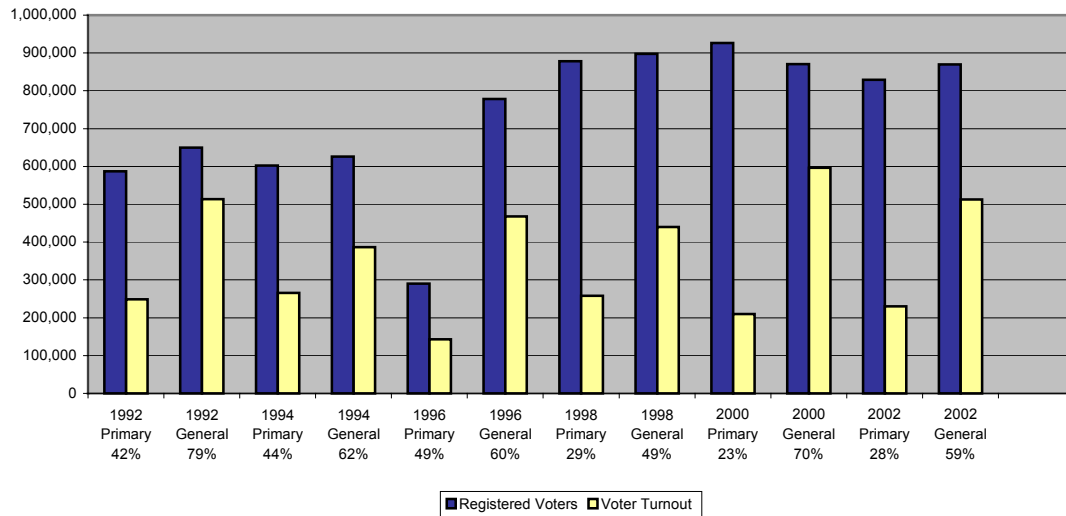
HAVA provided federal funding to assist states in complying with the Act, including money to upgrade voting systems throughout Nevada. To be eligible to receive this funding, each state was required to submit a State Plan to the federal government that would serve as a blueprint for that state in meeting the ambitious timelines and requirements contained within the Act. Secretary of State Heller and members of Nevada's HAVA Advisory Committee, which Heller chaired, developed and submitted Nevada's State Plan to the Federal Elections Commission in June for publication in the Federal Register.

Nevada's 15-page State Plan (plus appendixes) contains various sections addressing, among others things, upgrades to voting systems throughout the State, improving voter education and poll worker training, the implementation of a statewide voter registration system, and procedures for provisional balloting. Nevada's State Plan also establishes a framework for the State to continue progress that has already been made in election reform and to achieve compliance with HAVA.

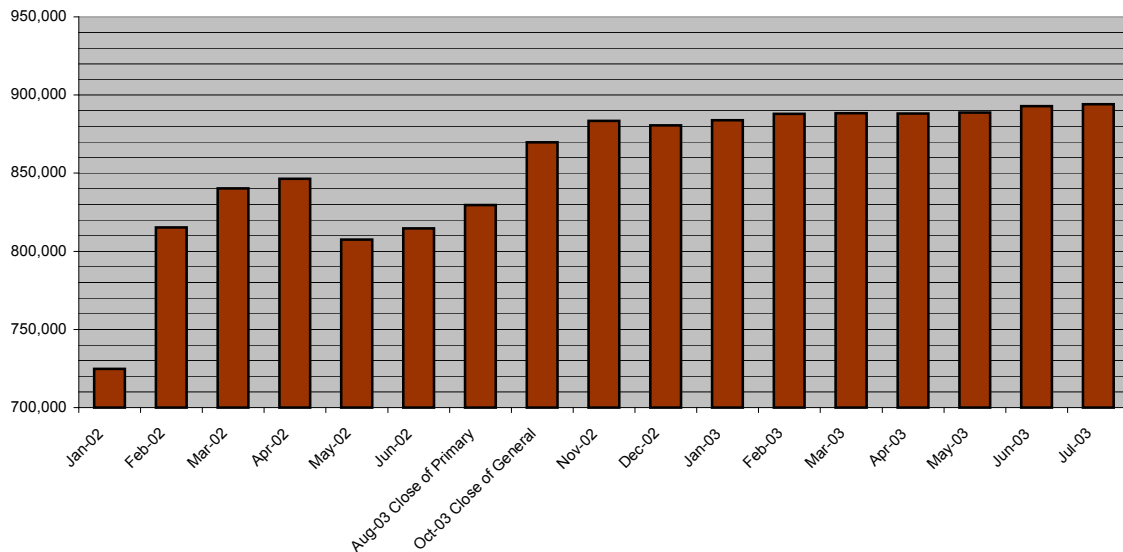
Under Title I of the Act, Nevada received \$5 million on April 30, 2003. The State is also eligible to receive approximately \$18 million under provisions outlined in Title II of the Act, if full federal funding is appropriated.

For more information on the Help America Vote Act, go to the Secretary of State's web site at <http://secretaryofstate.biz>, and click on the *Elections Division* icon.

**Secretary of State, Elections Division
Voter Turnout
Primary and General Elections 1992 - 2002**



**TOTAL ACTIVE REGISTRATION
January 2002 through July 2003**



2003 LEGISLATION

In addition to SB 453, the 2003 Legislature enacted several important changes to existing Nevada Revised Statutes (NRS) relating to elections in Nevada.

With the passage of SB 453, Secretary Heller successfully advocated to extend Nevada's voter registration period an additional ten days for in-person registration.

AB 125 amended the NRS concerning the age and qualifications of poll workers. Previously, the statute allowed only senior high school students performing at an exceptional level to work at polling places. AB 125 now allows a student who is at least 16 years old and obtains the approval of his or her principal and school counselor to work at a polling place, thus expanding the number of poll workers while at the same time granting more high school age students the ability to become intricately involved in the elections process.

The 2003 Legislature moved the Advisory Committee on Participatory Democracy, previously under the Department of Cultural Affairs, to the auspices of the Secretary of State. Through the passage of SB 309, the Legislature set ambitious goals for increasing voter participation in Nevada. The Secretary of State will work through the Advisory Committee on Participatory Democracy to establish links with various national and local groups to reach these goals and to “get out the vote.”

With the passage of AB 293, the Secretary of State’s office was given responsibility for appointing committees to prepare arguments for and against statewide ballot questions. The Secretary will establish the maximum length of the arguments and has the power to reject any statements deemed libelous or factually inaccurate.

AB 55 provides for the automatic and immediate restoration of the right to vote for ex-felons who have been honorably discharged from probation (exception for those convicted of violent offenses). The right to hold office is restored after four years; the right to serve as a juror in a criminal action after six years. The procedure for restoration of civil rights still exists for those who do not qualify for the automatic restoration.

AB 529 created a yearly reporting requirement for reports of campaign contributions and expenses (C&E Reports), in addition to the three reports required in election years. The bill also moved the reporting of financial disclosure information by candidates and elected officials from the State Ethics Commission to the Secretary of State’s office.

Finally, the 2003 Legislature passed a bill sponsored by the Secretary of State that reduces the maximum penalty from \$5,000 to \$100 for a late filing of a C&E Report by public officers not entitled to receive contributions and candidates for such offices who did not receive any contributions or make any expenditures. AB 528 made other various changes to State Election Law, thereby bringing the State into conformance with federal and state case law.

WEBSITE INFORMATION

The Elections Division section of the Secretary of State's website has grown to include: results from previous and current elections; voter registration figures for each county and statewide; all filed C&E Reports, including those filed using the pilot program initiated by the Secretary of State in 2002; a list of candidates filed with the Secretary of State's office and a list of candidates filed in each county; an election calendar; candidate, party, election and ballot initiative information; and a Frequently Asked Questions section. Information on the Help America Vote Act and how that federal legislation will affect Nevada voters is also available on the website.

The Secretary of State's office posted election results on the Internet on election night beginning in 1998, thus providing the state's residents with swift and accurate voting results. The Election Division continued to partner with each of the state's seventeen counties to provide electronic links to election results in 2002, including the outcome of local races.

CONTRIBUTIONS AND EXPENSES (C&E) REPORTS ONLINE PILOT PROGRAM

The Secretary of State's office developed and utilized a pilot program in 2002 that allowed candidates and Committees for Political Action (PACs) to file their required Contributions and Expenses Reports (C&E Reports) with the Secretary of State's office via the Internet. The program was available to all candidates and Committees for Political Action, free of charge. The web-based program allowed a candidate to go online to enter contributions and expenses as they occurred. The program also kept a running total. It is a secure program, with each candidate/PAC utilizing a personal password for entry into the system. As of January 2003, 93 candidates and 26 PACs were using the online pilot program to complete their third reporting period C&E Report.

MOTOR VOTER DEVELOPMENT COMMITTEE

Created by the Elections Division, the committee is designed to ensure proper implementation of the National Voter Registration Act (NVRA) in Nevada. In January 2002, the newly formed Motor Voter Development Committee held its first meeting. Representatives from the Department of Motor Vehicles (DMV), County

Clerks/Registrars and the Secretary of State's office met to address issues arising from the 2000 General Election.

Signed into law in 1993, the objectives of the NVRA were to establish procedures that would increase the number of registered voters, protect the integrity of the electoral process by ensuring accurate rolls are maintained, and increase voter participation in the elections process. Among other things, the NVRA requires that individuals be given an opportunity to apply for voter registration when they are applying at certain other public assistance offices and by mail.

Through the combined efforts of the various members of the Committee, all DMV locations throughout the state now receive Motor Voter Training every six months. In fiscal year 2003, a total of 575 DMV employees took part in these trainings.

The Committee has successfully implemented statewide, standardized procedures for required information on applications, acceptable identification, voiding an application, and transmitting applications to County Clerks/Registrars of Voters.

Two modifications to DMV's internal policies and procedures were proposed during fiscal year 2003 to ensure compliance with NVRA: (1) Individuals who completed a DMV Change of Address form now have a Voter Registration Application forwarded to their new address (completed), and (2) the Acceptable Mailing Address was modified to require the applicant to have a Nevada mailing address, thus preventing individuals who do not meet residency requirements from registering to vote through NVRA (effective September 2003).

EDUCATION AND PUBLIC OUTREACH

Secretary of State Heller and members of his staff make numerous appearances on radio and television programs to better inform the public about ballot initiatives and other election-related information, along with notifying the public and media about election-related information through media releases generated by the agency.

During election seasons, the Division publishes an *Elections Update* newsletter that is distributed to members of the Legislature, political parties, media, County/City Clerks, Registrars of Voters and other interested parties. The newsletter provides information on voter registration, important election dates, statewide initiatives and referendums petitions being circulated, and a section referred to as Hot Topics, which

highlights interesting facts and information regarding politics and elections in and around Nevada and the nation.

The Division has published several informative brochures designed to better educate Nevada's citizens on the voting process. ***Top Ten Reasons One Vote Does Count!*** includes examples of how history has been dramatically affected by just one single vote, and ***Make Sure Your Voice is Heard: Register and Vote!*** is a guide to registering to vote in Nevada. Two additional brochures: ***Help America Vote Act; The future of voting in the United States***, and ***AB 235; Nevada's Voters' Bill of Rights***, have been added to the list of available publications. These brochures and other information can be found on the agency's website at <http://secretaryofstate.biz>.

CONFIDENTIAL ADDRESS PROGRAM (CAP)

The Secretary of State, Elections Division, administers the state's Confidential Address Program (CAP). Created in 1997, Nevada became the second state in the nation to adopt such a program. CAP provides assistance to victims fleeing abusive situations and attempting a fresh start for themselves and their children. Two services are provided to participants: use of a CAP substitute mailing address, and confidential voter registration. When both services are applied, participants greatly reduce the risk of being located through public records.

During fiscal year 2003, a total of 143 people participated in CAP in Nevada, up from 59 at the conclusion of fiscal year 2002. Currently there are 152 participants statewide. Growth is expected to continue, with approximately 91 new participants expected by the end of fiscal year 2004.

The number of certified agencies has increased to twenty, including a private domestic violence shelter, two law enforcement related agencies (Reno City Attorney's office and the Washoe County District Attorney's office) and Washoe Legal Services. To be deemed as "certified," an agency must include at least one certified domestic violence counselor.

The Secretary of State's office now provides certified domestic violence advocacy groups and shelters annual training on how to screen and process individuals who may benefit from participation in the program. Additional training is available for any organization interested in learning about the CAP program.

Division Profile

Securities Division

The Secretary of State, Securities Division, is responsible for administering the state's securities law. The Division's mission is to protect Nevada investors from securities fraud by licensing investment professionals, registering securities offerings, enforcing the state's securities law, and by educating the public through speaking engagements and presentations. The Division also administers and enforces Nevada's Athletes' Agent Act.

The main office of the Securities Division is located in the Grant Sawyer Building in Las Vegas. The Division also maintains a satellite office in Reno. The Securities Division is staffed by 26 full-time employees, including seven criminal investigators and six compliance audit investigators.

The Securities Division recorded annual revenue of approximately \$8.5 million in fiscal year 2003.

LICENSING

Securities law requires any person engaging in the offer or sale of securities, or who provides investment advice for compensation, to be licensed with the Nevada Securities Division. Individuals conducting business as an investment adviser with more than \$25 million in assets under management must register with the Securities and Exchange Commission (SEC) as a Federal Covered Adviser. Individuals conducting business in the state of Nevada with less than \$25 million in assets under management must register with the Securities Division. Moreover, a representative of a Federal Covered Adviser with a place of business in Nevada must be either licensed or exempt from licensing.

Securities Division Licensing and Registration Statistics
2000-2003

	2003
	2,083
	924
	130
	794
	87,121
	944
	13
	99
	1,250
	3,856
	4,172

REGISTRATION

Companies seeking to offer securities for sale in the state of Nevada must register their offerings with the Securities Division, or comply with an exemption from registration in the Securities Act.

ENFORCEMENT

The Securities Division began fiscal year 2003 with 143 active cases open. An additional 420 cases were opened during the course of the year. Fiscal year 2003 concluded with 163 cases pending.

During fiscal year 2003, cases investigated by the Securities Division resulted in two criminal convictions. More than \$18 million in restitution was ordered paid to victims.

Other enforcement actions brought by the Securities Division during fiscal year 2003 include four cease and desist orders, six license suspensions, seven consent agreements and

the assessment of more than \$647,000 in fines. In excess of \$577,000 in fines was collected during the fiscal year. Monies recovered for investors totaled more than \$18 million.

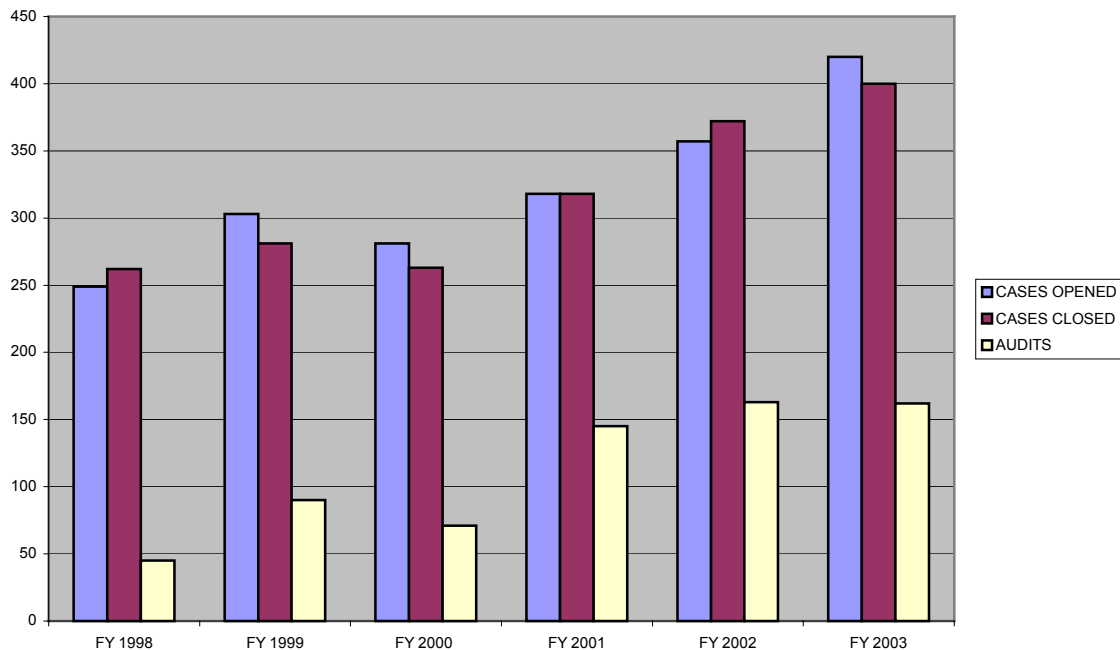
Furthermore, the Nevada Securities Division participated in a multi-state task force investigation—which included the SEC, New York Stock Exchange (NYSE) and the National Association of Securities Dealers (NASD)—that analyzed possible conflicts of interest involving ten major Wall Street brokerage firms. The investigation resulted in an SEC Final Judgment, NYSE Stipulation and Consent and a NASD Letter of Acceptance, Waiver and Consent. The Nevada Securities Division is currently negotiating Administrative Consent Orders with nine of the brokerage firms that could result in the Division collecting approximately \$4 million in fines.

In addition to investigating criminal cases, the Securities Division conducts routine and for-cause examinations of Nevada's broker-dealers and investment advisers. Currently, Nevada-based firms are examined approximately every two years in order to ensure compliance with the statutory requirements for conducting a securities business in the State of Nevada. Division investigators also review the securities firms' procedures for compliance with SEC rules and the NASD Conduct Rules. During fiscal year 2003, Securities Division investigators conducted 162 examinations. Inspection fees collected totaled more than \$62,000.

In order to ensure the Division is prepared for a rapidly changing securities industry, training is not only a priority, but vital to the ongoing education of Securities Division investigators and other staff members. During fiscal year 2003, one Division investigator completed peace officer training. Other training opportunities pursued by staff during the fiscal year included: Federal Law Enforcement Training Center (FLETC), which introduces participants to the principles and techniques governing acquisition of computer data files and search and seizure of computer-related equipment and media; the National White Collar Crime Center (NWCCC), which presents state-of-the-art training for economic crime investigators; the North American Securities Administrators Association (NASAA), which focuses on such topics as broker-dealer inspection, investment adviser audit training, enforcement, litigation training and new investigator training; the Certified Fraud Examiners Association (CFE), which provides courses in locating hidden assets and in auditing for contract and procurement fraud, financial statement fraud and computer fraud; and the Securities and Exchange Commission (SEC), which offers classes covering churning,

suitability, market manipulation, sales practices, audit objectives, possession and control and investor characteristics.

**Secretary of State, Securities Division
Enforcement Activity
Fiscal Years 1998-2003**



ATHLETES' AGENTS

The Nevada State Legislature adopted the Uniform Athletes' Agents Act during the 2001 legislative session. Effective October 1, 2001, Nevada athletes' agents were required to register with the Secretary of State.

At the close of fiscal year 2003, 13 Nevada athletes' agents were registered with the Securities Division, which administers the act.

LEGISLATION

The Securities Division successfully lobbied for the passage of two major bills during the 2003 legislative session.

Senate Bill 456 revises various provisions of the Uniform Athlete's Agents Act, including, expanding the authority of the Division to conduct investigations, bring administrative actions, conduct hearings and adopt additional regulations.

Assembly Bill 10, adopted during the Second Special Session of the 2003 Legislature, increases the criminal penalties for violating the Nevada Uniform Securities Act to a category B felony, punishable by imprisonment for a minimum term of not less than one year and a maximum sentence of not more than 20 years, or a fine of not more than \$500,000, or by both a fine and imprisonment for each violation. AB 10 extends the statute of limitations for investors to bring a civil lawsuit, as well as extending the statute of limitations for the Division to file criminal charges against a firm or individual. Additionally, AB 10 makes it a criminal offense for any person to hinder an investigation by the Division, to destroy or alter evidence, to conceal a violation of the Nevada Uniform Securities Act, or to conceal the identity of any person who violates the State's securities law. All of these provisions parallel federal legislation adopted in 2002 as a result of the failure of publicly held companies such as Enron and WorldCom.

The 2003 Legislature adopted legislation sought by the Governor's office—Senate Bill 2 and Assembly Bill 4—that resulted in the doubling of all fees collected by the Securities Division, effective September 1, 2003.

INVESTOR EDUCATION AND PUBLIC OUTREACH

The Secretary of State, Securities Division, funds investor education programs and materials through fines levied and collected against individuals and firms found guilty of securities law violations. Additionally, the Division publishes several informative brochures and other materials that are available on the agency's website (<http://secretaryofstate.biz>), or by calling the Securities Division at 1-800-758-6440.

During fiscal year 2003, the Nevada Securities Division contributed \$8,000 to the Nevada Council on Economic Education in support of the Stock Market Simulation Game. A national program that teaches real-life applications of economics and consumer finance, the Stock Market Simulation Game introduces students to the workings of financial markets. Approximately 17,000 elementary, middle and high school students statewide participated in the Internet-based game during the 2002-2003 school year. Thanks to the Securities Division's sponsorship, Nevada is the only state in the nation in which students participate in the Stock Market Simulation Game at no charge to schools or students.

The Division contributed an additional \$2,000 to the Nevada Council on Economic Education's Entrepreneurship Program, in which elementary and middle school students

establish and operate classroom businesses. With the assistance of volunteer business professionals, including staff from the Securities Division, students design a business plan encompassing production, accounting, marketing, sales and finance. More than 50 Southern Nevada classrooms participated in the 2002-2003 Entrepreneurship Program.

In addition to financially supporting the Nevada Council on Economic Education's student focused program, the Secretary of State and his Southern Nevada Deputy serve on the Council's Board of Directors and Executive Committee. The Council's mission parallels that of the Secretary of State: to increase economic literacy among Nevada's young people by assisting teachers and students by providing information and training on economics that can be utilized in the classroom.

The Securities Division has also extended financial and professional support to the Academy of Finance at Clark High School in Las Vegas. The Academy of Finance is a four-year magnet school program that prepares young people throughout the Las Vegas area for higher education and careers in the financial services industry. The Secretary of State, Securities Division, is represented on the Academy's Advisory Board, and Division staff members serve as mentors to students in the program.

In April 2003, the Securities Division co-sponsored the Sixth Annual "Facts on Saving and Investing Campaign." A nationwide promotion organized by consumer groups, financial industry associations and government agencies, the campaign focuses on investor education and encourages people of all ages to plan for their financial futures. As part of the month-long campaign, staff from the Securities Division visited classrooms at elementary, middle and high schools in Elko, Reno, Carson City, Laughlin, Boulder City, Henderson and Las Vegas. Investor education materials were made available to senior and community centers throughout the state, as well.

Staff from the Securities Division also presented "The Savvy Investor" workshop to more than 400 personnel at Nellis Air Force Base during fiscal year 2003. For many of the recruits who participate in the workshop, "The Savvy Investor" represents their first in-depth discussion of saving and investing.

Finally, a multi-media campaign urging investors to "Investigate Before You Invest," was initiated in fiscal year 2003. The campaign included radio ads, cable television spots and cinema screen ads. The ads were paid for through the collection of fines paid by individuals and companies found guilty of securities law violations.

Division Profile

Notary Division

The Secretary of State, Notary Division, is responsible for appointing, training and regulating Notaries Public in the state of Nevada. There are more than 29,233 Notaries Public who serve the residents of Nevada by providing such services as taking acknowledgements, executing jurats, administering oaths and certifying copies. During fiscal year 2002, 4,441 new notaries were appointed and 3,413 renewals were granted. Notaries Public serve in law firms, title companies, banks, government offices and many other private businesses.

The Notary Division is also responsible for providing authentication of notary signatures, known as apostilles or certifications, which are typically used to authenticate documents that will be presented in foreign countries. Apostilles and certifications can only be issued by the Secretary of State's office. As the number of Notaries Public in the state increases, the number of apostilles issued annually by the Notary Division has also increased. During fiscal year 2003, the Notary Division issued 8,331 apostilles.

WEBSITE

The Notary Division posts forms and information on its section of the agency's web site. The Notary Division section of the web site now includes a notary training class schedule, all notary forms, information on how to become a Notary Public and an explanation of notary duties. The ease and availability of Notary Division information to clients has helped to maintain a five-day turnaround for signature authentication and seven-day period for processing of notary applications.

EDUCATION AND OUTREACH

The Notary Division offers regularly scheduled training classes statewide for Nevada's Notaries Public and individuals seeking notary appointments. The classes are also offered to any business with 20 or more notaries public on staff who wish to arrange

an in-house training at their place of business. During fiscal year 2003, more than 1,500 people took part in the volunteer instructional program.

REGISTRATION OF MINISTERS

The Notary Division also maintains a list of ministers in the State of Nevada who have been licensed and approved, or who have been temporarily licensed, by the state's county clerks. At the close of fiscal year 2003, the number of current active ministers in the state stood at 6,097. During fiscal year 2002, 320 individuals were granted temporary minister licenses, and an additional 321 individuals received general licenses as ministers.

LEGISLATION

Assembly Bill 87 amended NRS 240.100 authorizing notaries to charge a fee of \$10-25 per hour for travel (depending on the time of day) to a location, providing the document signer is informed of the fee in advance. AB 87 also included definitions for previously undefined words listed in NRS 240.100.

Additionally, although NRS 240.163 is now listed as "repealed," the provisions of that statute have actually been incorporated into NRS 240.1655.

Division Profile

Customer Service

The Customer Service Division of the Secretary of State's office provides assistance to the general public, professional businesses and other government agencies in a variety of forms, including through live telephone communication, email inquiries and personal visits to the Secretary of State's office.

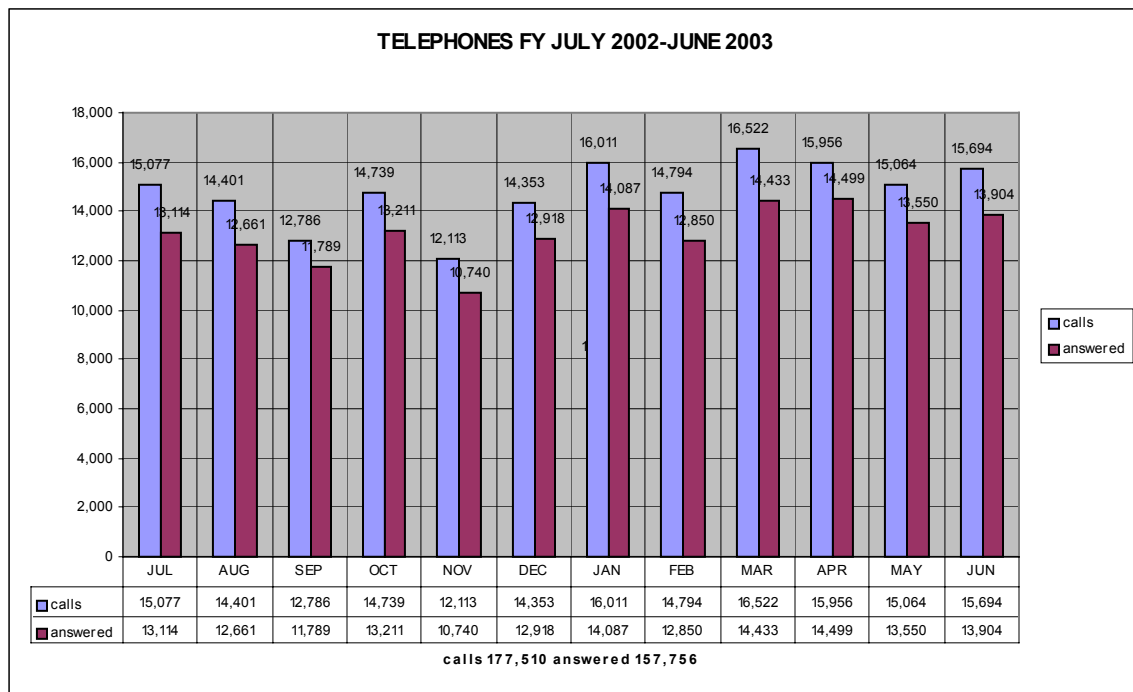


Currently, there are twelve Customer Service Representatives in the Carson City office and another three working in the Las Vegas office of the Secretary of State's office. Each representative is trained to provide accurate information in a prompt and courteous manner regarding various aspects relating to the Secretary of State's office, with special emphasis placed on the Commercial Recordings Division.

With the publics' increasing use of e-mail as a method of communication, telephone inquiries have steadily decreased, although the Customer Service Division still answers approximately 800 calls per day.

Although members of the Customer Service Division are prohibited by law from giving legal advice, they can refer customers to specific Nevada Revised Statutes that may address the person's inquiry.

The bottom line is "service with a smile!" Whether the customer visits our office in Carson City or Las Vegas, calls or sends an e-mail, The Customer Service Division is there to serve those citizens who need the services of the Secretary of State's office.



Division Profile

Information Technology

The increased use of Information Technology in the Secretary of State's office and its Divisions continues to dramatically improve the agency's efficiency and quality of services available to customers. Housed within the Administrative Services Division, the Secretary of State's Technology Services Section, referred to as SOSTEK, is staffed by ten full-time professionals.

As an example of how the agency strives to keep pace with technological advances, an online Uniform Commercial Code (UCC) system that allows customers to complete filings via the Internet was introduced in May 2003 and went public in August 2003. As discussed previously, this is the third phase of a five-phase project begun under Heller's tenure designed to increase the efficiency, effectiveness and economy of services the Secretary of State's office provides for its business customers. The most visible role of SOSTEK is the development and enhancement of the award winning (2002 E-Nevada Award for *Most Innovative Government Web Site in Nevada*) Secretary of State's website (<http://secretaryofstate.biz>), the most frequented in Nevada state government. Between its unveiling in early 1998 and the end of fiscal year 2003, the Secretary of State's website has received more than 160 million hits. More than six million of these hits involved "sessions" in which customers engaged in interactive communication with the office, the equivalent of a telephone call.

In addition to providing customers needed information in a timely and efficient manner, increased web traffic has led to a reduction in incoming telephone calls to the Customer Service Division. As a result, abandoned or unanswered calls have been reduced to fewer than 10 percent.

The SOSTEK Division has placed approximately 200 forms used in conducting business with the Secretary of State's office online. While many of these forms are from the Commercial Recordings Division, customers of all divisions of the Secretary of State's office increasingly utilize this online service.

The agency's target market is every proposed or existing business in the world. The Secretary of State is able to reach this market via its website. Customers from more

than 100 countries utilize the website, which during fiscal year 2003 generated an average of four million hits per month. Expanded e-government capabilities will allow the Secretary of State to further tap the global marketplace.

The Secretary of State's first e-government venture, developed by SOSTEK, was online corporate name reservation. First available in late December 1999, customers are able to reserve a corporate name and pay the requisite fees online. Corporate name reservation is generally the first step in the incorporation process, allowing a name to be reserved for 90 days while organizational documents are prepared. An increasing number of corporate names are reserved each month via the Internet with the Secretary of State.

Additional e-government applications are currently under development. Some of these projects include online filing of new business entities, online filing of annual lists of officers, e-government links for online applications and submission of Trademark documents, retrieval of all stored documents and filings via the Internet, and online filing of Notary Public applications. These e-government filings will allow the Secretary of State's office to grow office revenue while controlling personnel costs.

SOSTEK has provided support and aid to the agency's Elections Division by developing and rewriting portions of the Election Reporting Application software, thereby providing easier data access to information contained on the agency's website. Additionally, SOSTEK is in the process of gathering information and requirements for the Secretary of State to establish a statewide voter registration system, as mandated by the passage of the Help America Vote Act (HAVA).

The Secretary of State has chosen to invest in technology in order to grow the office's market share and accompanying revenue, while at the same time improving customer service and controlling expenditures. SOSTEK, although challenged by old systems currently in place that are not adaptable for e-government and web-based applications, strives to implement cost-effective solutions that provide significant returns on investment.

Division Profile

Administrative Services

The Administrative Services Division of the Secretary of State is responsible for budgeting, accounting, human resources and special projects. The Division also manages and monitors all agency contracts, and is responsible for ensuring that all contracts properly comply with state law. Additionally, the Division is responsible for ensuring compliance with audits performed by other state agencies.

The Accounting Section handles the Secretary of State's daily bank deposit, maintains the pre-paid trust accounts for more than 400 customers, and processes all refunds and overpayments. All money received in the office must be deposited within 24 hours. A typical daily deposit includes more than 1,000 monetary instruments.

The Budget Section prepares the Secretary of State's biennial budget request for the Nevada State Legislature. The section is also responsible for preparing supplemental requests to the Interim Finance Committee, and works closely with the Governor's Budget Division and Legislative Counsel Bureau in projecting and monitoring general fund revenues.

The Human Resources section processes all personnel and payroll documents, assists in the recruitment of employees, provides employee orientation, maintains all employee training records, and keeps employees informed of changes in insurance and benefits.

Staff Profiles



Renee Parker was named **Chief Deputy Secretary of State** in December 2000. She is responsible for the daily operation of the agency. In conjunction with Secretary Heller, Renee administers the agency's budget, implements policies, supervises personnel, proposes legislative changes and testifies before the Legislature, along with representing the Secretary at various functions.

She graduated Summa Cum Laude from Santa Clara University School of Law, receiving her Juris Doctor in 1996. She is a member of the Nevada and California State Bars. She earned a Bachelor Science degree in Economics from Santa Clara University in 1992.

Renee previously served as policy advisor and assistant general counsel to the Public Utilities Commission. Her background also includes being an associate at the law firm of Pillsbury, Madison & Sutro, LLP, where she specialized in corporate and securities law.

As **Deputy Secretary of State for Commerical Recordings**, a position he has held since 1997, **Scott Anderson** oversees the Division that processes and maintains the documents of more than 200,000 business entities on file with the Secretary of State's office.

Scott currently serves on the governing board of the International Association of Corporation Administrators as 1st vice president.

He holds a Business Administration Degree from the University of Nevada, Reno, and is a certified public accountant.

Prior to state service, Scott was Chief Financial Officer for a Carson City manufacturing business.

He resides in Carson City with his wife and family.



Ronda L. Moore joined the Secretary of State's office as **Deputy Secretary for Elections** in April 2003. She is responsible for administering the Elections Division, which includes a full-time staff of five employees.

Ronda previously spent nine plus years in the Nevada Attorney General's office as a deputy attorney general.

She graduated Magna Cum Laude from Gonzaga University of Law, receiving her Juris Doctor Degree in 1992. She attained her undergraduate degree in English from Central Washington University.

Ronda and her husband reside in Carson City.

Securities Division Administrator Charles Moore manages the statewide operations of the Division, including directing a staff of investigators, attorneys and legal assistants.

He received a Juris Doctor Degree from Oklahoma City University School of Law and a Bachelor of Science Degree in Accounting from Central State University in Edmond, Oklahoma. Charles is licensed as an attorney and as a certified public accountant.

Before joining the Securities Division as the Director of Enforcement in 1993, Charles was the Director of Enforcement for the Oklahoma Securities Division.

Charles and his wife and family reside in Las Vegas.



Pamela Ruckel was named **Deputy Secretary of State for Southern Nevada** in August 2001. She had previously been the agency's Education and Information Officer.

In her role as Deputy Secretary for Southern Nevada, Pam conducts educational programs throughout the community. She is responsible for coordinating the administrative functions of the Secretary of State's Las Vegas office.

Pam previously served as Director of Education for the Nevada Hotel, Motel and Restaurant Association, and as Public Information Officer for a California school district.

Pam earned a Bachelor of Arts Degree in Political Science from Kent State University.

She resides in Las Vegas with her husband and new son.

As the Secretary of State's **Notary and Digital Signature Administrator, Bru Ethridge** oversees the daily operation of the Notary Division, along with supervising the Secretary of State's Las Vegas office Customer Service Division.

As part of her duties, Bru regularly travels throughout the state organizing and conducting numerous notary public training classes. In fact, she has personally trained many of the state's Notaries Public.

Before serving the past 14 years in the Secretary of State's office, Bru managed a family business with her husband.

Bru has lived in Carson City since 1969.



Chief of Finance and Administrative Services Officer Bill Reinhard has worked in state government for some 20 years.

Bill is responsible for overseeing the agency's budget, providing financial reports, and for processing personnel and payroll records. His duties also include overseeing the development and implementation of the information technology systems.

He earned a Bachelor of Science Degree in Accounting from Cal Poly, San Luis Obispo, an MBA from the University of Nevada, Reno, and is currently a doctoral candidate at UNR.

Bill and his wife, Lenore, have been married for 33 years.

Brian Kagele was named **Director of the Information Technology Division (IT)** of the Secretary of State's office in August 2002. In that role, he supervises a staff of ten IT specialists, along with being responsible for oversight of the agency's website, IT special projects and the Secretary of State's e-SoS project.

Brian, who is completing his Bachelor of Science degree in Business from Chadwick University, has more than 25 years of experience. Prior to joining the Secretary of State's office, Brian was employed by the Nevada Department of Information Technology as the Software Quality Assurance Manager.

Brian and his family live in Spanish Springs.



Customer Service Division Supervisor Jo-Anne Brown oversees the daily operation of the Carson City Customer Service Division. She coordinates all internal training of Division representatives, along with working closely with other staff to provide the best service possible to customers.

Jo-Anne has worked for the Secretary of State's office for 10 years.

Born in England, Jo-Anne has been a Carson City resident for more than sixteen years, where she lives with her husband.

Public Information Officer Steve George joined the Secretary of State's staff in January 2002. His duties include: managing the public relations and information program for the agency; writing news releases, speeches, newsletters and articles; creating informational brochures; answering media and public inquiries; monitoring media outlets; and developing public outreach programs.

He previously worked in the Nevada Attorney General's office as Director of Communications, and as News Director at KNUU News Radio in Las Vegas.

Steve lives in Dayton with his wife and two young children.



NEVADA SECRETARY OF STATE DEAN HELLER

Dean Heller got into politics early in life, making daily trips to the Capitol Building to give then Governor Mike O'Callaghan an update on local, national and world events. That is, Dean was delivering the Governor's newspaper as his paperboy at the age of twelve.

Dean grew up in a log cabin---oops, wrong story. After graduating from Carson High School, Dean received a Bachelor's Degree in Business Administration, specializing in finance and securities analysis, from the University of Southern California in 1985.

Dean was first elected Secretary of State in 1994, and re-elected in 1998 and again in 2002. He previously served Carson City as an assemblyman in the Nevada Legislature from 1990-1994. Prior to that, Dean worked as an institutional stockbroker and as a broker/trader on the Pacific Stock Exchange.



Secretary of State Heller is the third highest-ranking constitutional officer in Nevada, serving as the state's Chief Elections Officer. His office includes the Elections Division, Commercial Recordings Division, Securities Fraud Division and the Notary Division. In his official capacity, Dean also is a member of the Board of Examiners (which includes the governor and attorney general), State Prison Board, and the Tahoe Regional Planning Agency. Additionally, he is on the National Association of Secretaries of State (NASS) Executive Committee, serving as Western Region Vice President.

Dean was also a Founding Board Member of the Boys and Girls Club of Western Nevada and the Western Nevada Community College Foundation, and is an Advisory Board Member for Nevada's Foster Grandparent program.

Dean and his wife, Lynne, who met while they were attending the University of Southern California, live in Carson City with their four children: Hilary, 17; Harris, 14; Drew, 13; and Emmy, 8.

The Heller family is Carson City's version of the Von Trapp family. Lynne has been a major force in the development of the Western Nevada Musical Theatre Company, and Dean and the children have performed in many of the group's plays. Dean has performed—although that is stretching the definition—as a sailor, baseball player and a 6'4 Chinese gambler. He even performed at Carnegie Hall in 1996. Okay, so all he actually did was serve as narrator for the Sierra Nevada Master Chorale Singing Troop's performance, but his Mom, Janet, who sings with the group, said her "little Dean-o" was just great.

Many people believe politicians are always in a fog, but Dean actually went the extra mile and created fog...during a play that is. Seems he was in charge of the fog machine during a play and kept it going so long that the entire theater was covered.

Dean also enjoys stockcar racing, competing in several races a year throughout Nevada and California. He grew up around the sport following his dad, "Blackjack" Heller, who raced

for many years. That background has led many people to ask the question, “How could someone who always turns left end up as a Republican?”

Dean loves sports, especially basketball, golf and snowboarding, and attending his children’s events.



Secretary Heller with his wife, Lynne, and their children, Hilary, Harris, Drew and Emmy. We could not identify the man in the middle of the picture.

For more information regarding the Nevada Secretary of State's office and its Divisions, please visit the agency's website at <http://secretaryofstate.biz> or contact:

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