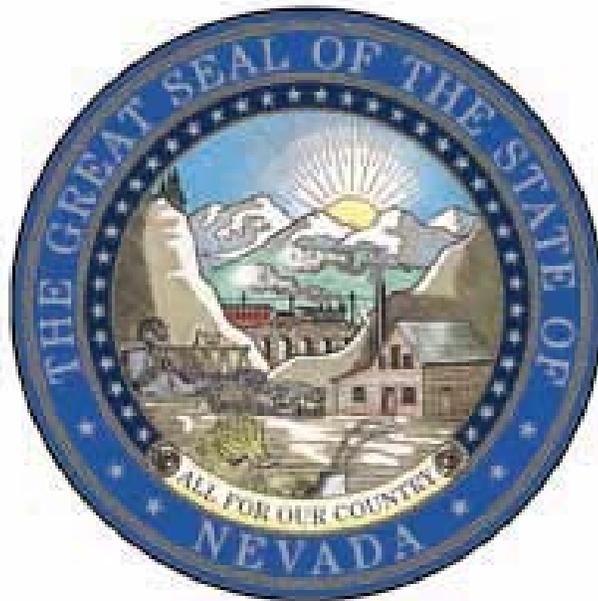


**State of Nevada  
Office of the Secretary of State**

# **Annual Report**

## **Fiscal Year 2005**



**DEAN HELLER**  
**Secretary of State**

**August 1, 2005**



## OFFICE OF THE SECRETARY OF STATE

DEAN HELLER  
*Secretary of State*

August 1, 2005

Dear Governor Guinn and Members of the Legislature:

The following is an account of fiscal year 2005, including reports from each Division and a close examination of revenues versus expenditures. Our goal is to continue to deliver great service to residents and businesses alike by providing the most efficient and timely service possible through enhanced use of technology, including a website that receives more than four million hits per month.

During fiscal year 2005, agency revenue climbed to more than \$87 million—an increase of almost 10% over fiscal year 2004—while expenditures were held to approximately \$11 million, resulting in \$8 in revenue for each dollar spent. Revenue per full-time employee (138) rose to \$635,704.



Fiscal year 2005 included many accomplishments through the efforts of the employees of the Secretary of State's office, including national recognition and distinction for being the only state in the nation to include a voter verifiable paper audit trail printer on touch screen voting machines during the 2004 Election. Nevada also continues to be recognized by national organizations and media outlets as one of the "top ten" business-friendly states in terms of filing for incorporation status, our Customer Service Division has received acclaim from across the nation and the world for their hands-on approach to customer service, the Notary Division is making great strides in its continuing effort to better educate newly appointed notaries public, and the Securities Division has built on its reputation for protecting investors from unscrupulous con artists through educational seminars and the aggressive prosecution of the law.

The agency's strong fiscal showing is a direct reflection of the expanded use of technology, which has permitted the agency to grow revenue, control costs and increase employee productivity, while at the same time improve service.

I thank you for your attention to our 2005 Annual Report. We welcome your comments regarding the Nevada Secretary of State's office.

Respectfully,

DEAN HELLER  
Secretary of State

ONE HUNDRED ONE NORTH CARSON STREET, SUITE THREE  
CARSON CITY, NEVADA 89701-4786  
PHONE (775) 684-5708 FAX (775) 684-5717

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, Executive Branch Audit Committee 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 and referendums.

The Secretary of State's office also receives business entity filings and maintains records for corporations, limited liability companies, limited partnerships, limited liability partnerships, limited liability limited 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; licenses and regulates athletes agents; and administers the state's Confidential Address Program (CAP).

### **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, and enforces state and federal election laws**

- ◆ **Registers and files candidate contribution and expenditure reports.**

**Registers corporations, limited partnerships, limited liability companies, limited liability partnerships, limited liability limited partnerships and business trusts.**

- ◆ **Registers trade names, trademarks, professional corporations and associations, and rights of publicity.**

**Records and Searches 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.**

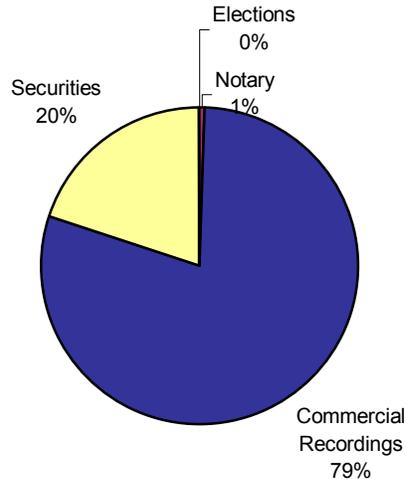
**Licenses and regulates athletes' agents.**

## Executive

# Summary

The Secretary of State's office experienced continued growth during fiscal year 2005. Revenues outpaced the previous years by more than \$8 million, an increase of about 10% over fiscal year 2004.

**Nevada Secretary of State  
Revenue by Division  
Fiscal Year 2005**



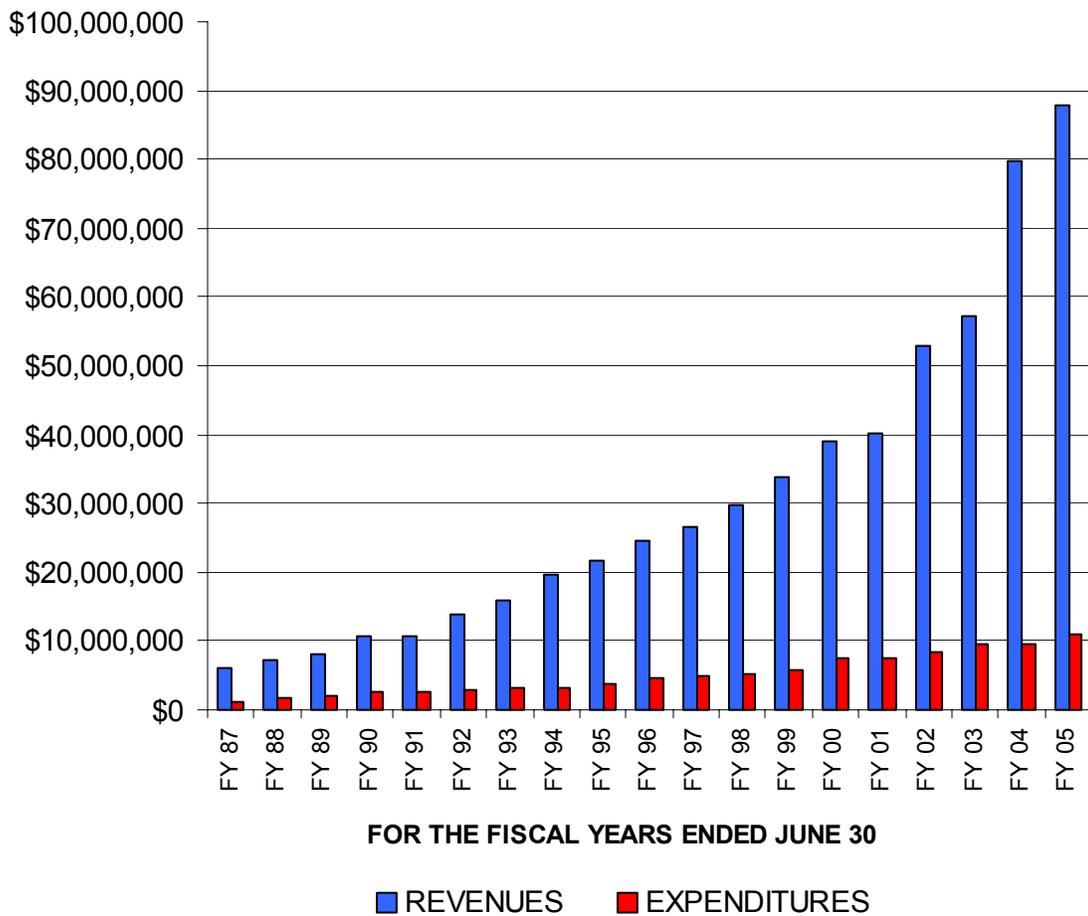
The continued implementation of efficient and cost-effective technology, coupled with reengineering of office procedures and comprehensive employee training, has resulted in increased staff productivity. While the number of full-time employees grew by two from 136 in 2004 to 138 in 2005, the agency registered an increase of almost 10% over the previous fiscal year in revenue generated per full-time employee (\$635,704) during fiscal year 2005.

One of the primary goals of the Secretary of State's office continues to be 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 150,000 visitors per day. More than 200 forms, including investor complaint forms, corporation filing forms, election forms and Notary Public application forms, are available online from the Secretary of State.

## SECRETARY OF STATE REVENUES VS EXPENDITURES

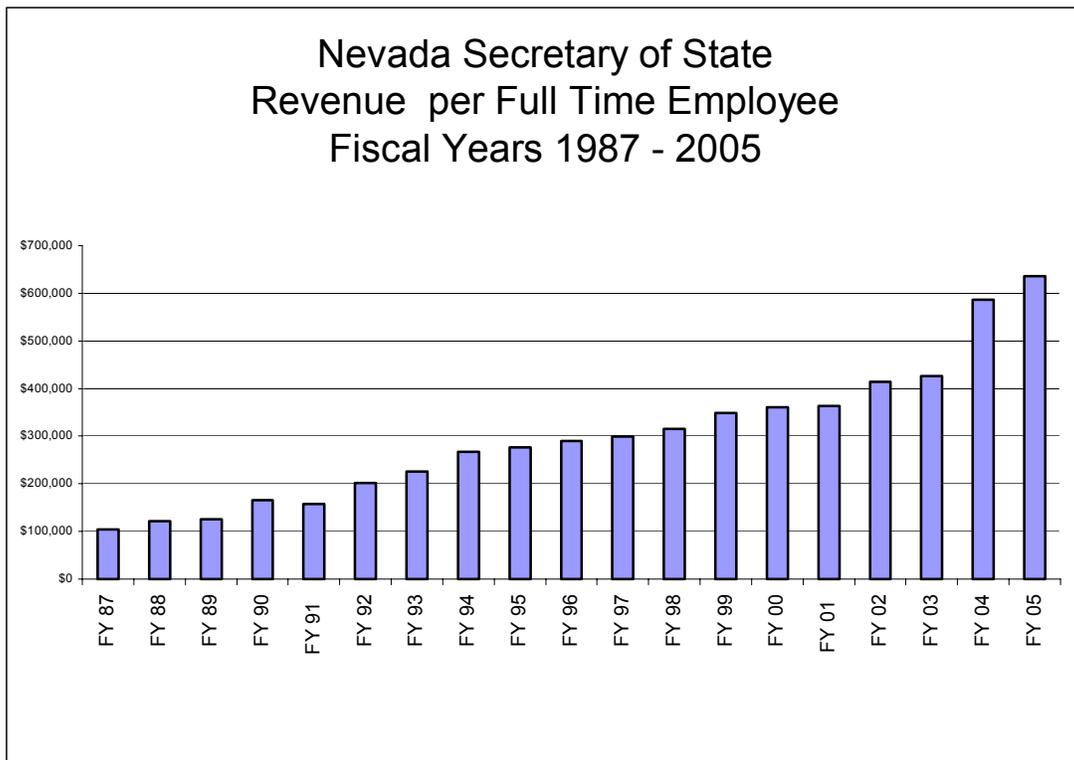


The technology in place in the Secretary of State’s office has also allowed the office to proceed with e-commerce applications. In the process, the agency has:

- Become an e-government leader in the state of Nevada.

- Implemented online with corporate name reservation, the agency's first e-commerce venture (late December of 1999).
- Retooled a user-friendly filing program wherein candidates for office are afforded the opportunity to electronically file Contribution and Expenditure Reports with the Secretary of State.
- Began implementation of the fourth largest IT project in the State: a Statewide Voter Registration System that must be operational by January 1, 2006 to comply with federal law.
- Deployed a full service Uniform Commercial Code (UCC) e-government application that is receiving positive reviews from and substantial use by the public.
- Implemented an expanded e-commerce system that allows business entities to file via the Internet their Annual List and other business-related forms.

These developments and the many others that have affected the Secretary of State's office during fiscal year 2005 are discussed in further detail in the following Division Profile sections of this report.



## 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, limited liability limited 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 Elections, 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 a convenient, one-stop shop for customers.

The Las Vegas Commercial Recordings Division is located in Suite 4000 of the Grant Sawyer Building. This office space provides for the continued growth and the expansion of services provided to the Las Vegas area. In addition to Commercial

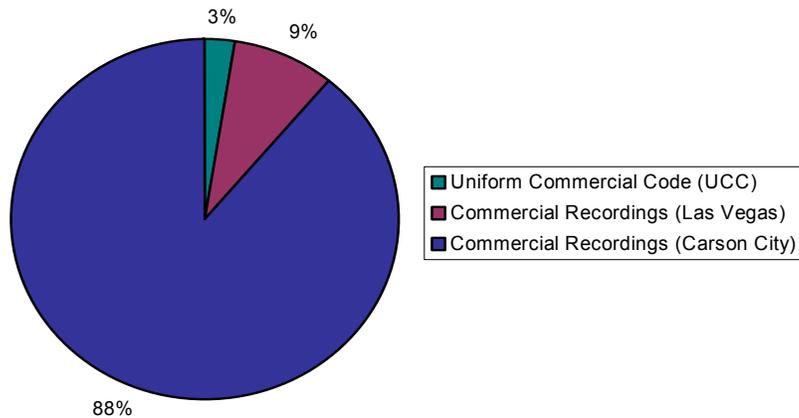
Recordings and Customer Service staff, our Las Vegas Information/Technology staff is located in this space.

## REVENUE

The Commercial Recordings Division and its various sections generated in excess of \$67 million in revenue during fiscal year 2005. The Division's Carson City office is the largest revenue-producer, with receipts of more than \$52 million during fiscal year 2005, while the Las Vegas Commercial Recordings office generated in excess of \$5.0 million in revenue. Additionally, expedite fees for all Division offices exceeded \$10.5 million, compared to about \$8.6 million in 2004. UCC receipts totaled over \$1.5 million during fiscal year 2005.

Fiscal year 2005 was another record year for increases in filings over the previous year. New entity filings increased by more than 23.66% during fiscal year 2005, with 78,728 new entity filings processed versus 63,665 during the same period in 2004. As of June 31, 2005, more than 260,000 business entities were on file and in current standing with the Secretary of State's office.

Secretary of State, Commercial Recordings Division  
Revenue by Source  
Fiscal Year 2005



## **LEGISLATION**

After two straight sessions of fee increases, the 2005 Nevada Legislature chose not to increase fees.

On October 1, 2005, penalties and enforcement provisions for the filing of fraudulent documents will go into effect. The Secretary of State will refer fraudulent filing complaints to the Attorney General for investigation and potential prosecution. Any person who is found in violation of these provisions will be liable in a civil action for actual damages or \$10,000, whichever is greater, for each separate violation, as well as attorney's fees and punitive damages.

On July 1, 2006 a new, optional, general partnership filing will be available to general partnerships. This new filing will be somewhat different from the entity filings already accepted in this office, as it is not a formation filing, but rather a notice filing. Filing fees will be similar to those for the filing of new entities.

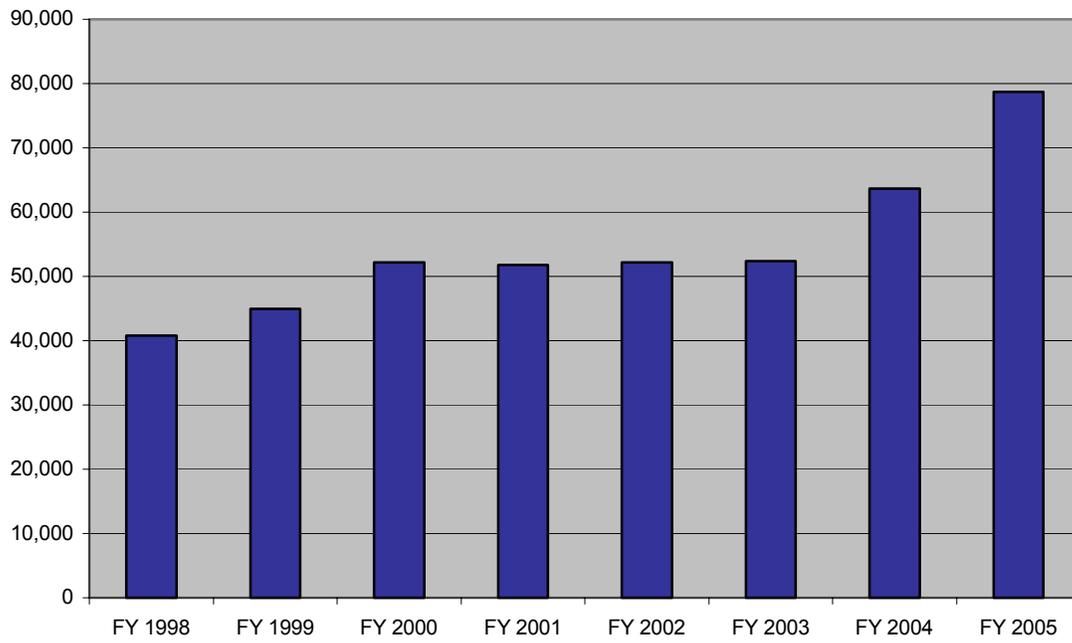
## **NEW SERVICES**

In January 2005, the Secretary of State implemented its new *E-SoS* filing system. This new system, which has been in development for the past several years, replaces our outdated Cobol-based filing system developed in the mid-1970s. It integrates a number of separate functions, including electronic imaging, receipting, accounting, documents preparation, database update and retrieval, image retrieval and correspondence into one fully-integrated system.

In February 2005, the Secretary of State implemented the beta version of the web services for the online filing of Annual and Initial Lists of Officers. Annual and Initial Lists can now be filed online using a credit card or trust account number. This online filing allows for the processing of these lists with minimal interaction with staff.

The Secretary of State is now in the transitional support and enhancement stage of the *E-SoS* Project. During the next two years, the agency will work with the developer to maintain and further enhance the system. Future enhancements will include online filing of most documents, electronic certificate preparation and electronic availability of document copies.

**Secretary of State, Commercial Recordings Division  
New Business Filings  
Fiscal Years 1998-2005**



## 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 state and federal election laws.

Among other things, the Elections Division oversees candidate filings, prepares forms and documents, recommends legislation and regulations relevant to the electoral process, responds to election-related complaints, 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 an Initiative and Referendum Handbook, Minor Party Qualification Guide, Recall Information Guide, Independent Candidate Guide, Title 24 Election Laws, and Election Regulations. Additionally, the Division publishes monthly voter registration reports that are available on the agency's website.

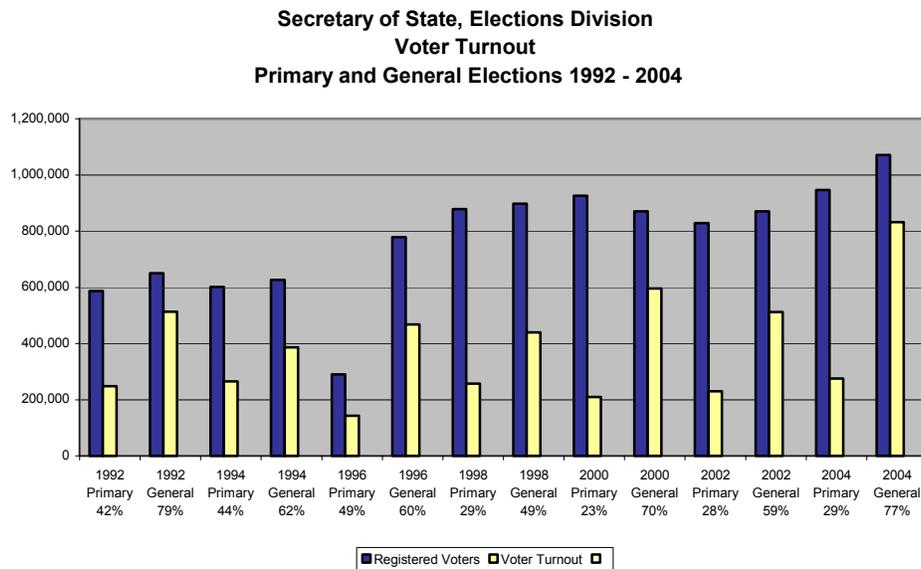


**2004 NEVADA PRESIDENTIAL ELECTORS**  
**Standing: Paul Willis, Secretary of State Dean Heller, Milton Schwartz**  
**Seated: Joe Brown, Beverly Willard, John Marvel**

## HELP AMERICA VOTE ACT

The *Help America Vote Act of 2002* (HAVA) was enacted by Congress and signed into law by President Bush on October 29, 2002. HAVA was a response to the irregularities in voting systems and processes unveiled during the 2000 Presidential Election. To address these irregularities, HAVA provided federal funding to the states to implement a statewide voter registration system, replace punch card voting machines, improve voter education and poll worker training, require provisional ballots, and require at least one voting machine per polling available to voters with disabilities. To be eligible to receive HAVA 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. As required by the Act, Secretary of State Heller, as Chairman of Nevada's HAVA Advisory Committee, and the members thereof, updated and submitted Nevada's State Plan to the United States Election Assistance Commission (EAC).

By the end of fiscal year 2005, Nevada received approximately \$21 million in federal funds under HAVA. A portion of these funds were used to purchase voting system upgrades (see *New Voting Equipment*) in this section for Nevada's counties. The State also expended HAVA funds to develop the statewide voter registration system. Finally, the State has allocated HAVA funds to address the other requirements mandated by HAVA. For more information on HAVA and the Nevada State Plan, please go to the Secretary of State's website at <http://secretaryofstate.biz>, and click on the *Elections* icon.



## **NEW VOTING EQUIPMENT**

In November 2004, Nevada became the first state in the nation to use Direct Recording Electronic (DRE) touch screen voting machines with a voter-verifiable paper audit trail (V-PAT) printer attached in a general election. HAVA funds were used to purchase new machines for sixteen of Nevada's counties. Clark County received some new optical scan machines for absentee vote counting, along with V-PAT printers for existing voting machines that could be retrofitted with the device. Unfortunately, many of the older touch screen voting machines could not be retrofitted with a V-PAT printer, so Clark County also used existing touch screen machines without a printer in 2004. Nevertheless, Secretary Heller and Clark County Registrar of Voters Larry Lomax ensured that at least one voting machine with a V-PAT printer was available at each polling place. Older voting machines that cannot be retrofitted with a V-PAT printer will be replaced over time so that all voters in Nevada will have the ability to view a paper trail detailing their choices.

Many national and international publications and media outlets reported on Nevada's success. As a New York Times editorial ("They Said It Couldn't Be Done 9/18/04) stated,

"Nevada proved the naysayers wrong this month, running the first statewide election in which electronic voting machines produced paper records of votes cast. Election officials across the country now have no excuse not to provide systems that voters can trust."

During the 2004 election campaign, hundreds of reporters, election observers, election officers and directors, and even the Chairman of the Election Assistance Commission visited Nevada to see for themselves how the printer functioned.

As for the 2004 Election itself, the cooperative efforts of the Secretary of State's office with Nevada's County Clerks and Registrars of Voters led to a very successful election, with only a few minor problems arising. As many other so-called Battleground States received headlines and were the focus of news accounts relating to election problems, Nevada basked in the limelight due to the historic advent of being the first state to use a paper trail on its touch screen voting machines.

## **LEGISLATION**

The Secretary of State's 2005 legislative agenda revolved around two basic issues: changes to the initiative petition process and moving the State's Primary Election date.

Secretary Heller asked the Legislature to move the Primary Election in Nevada to the first Tuesday in May to provide County Clerks/Registrars of Voters more time between the Primary and General Elections to publish and distribute Sample Ballots to voters. The Legislature did agree to move the Primary Election, but to the 12th Tuesday before the General Election, which in 2006 will fall on August 15.

Most of the agency's remaining agenda was directed toward improving the citizen initiative process by clarifying certain statutes, amending timelines for legal challenges to petitions, adding provisions to more clearly define the intent of a particular petition, and adding greater penalties for interfering with signature gathering efforts.

SB 224 was legislation sought by Senator Randolph Townsend that became the vehicle for effectuating some of these changes. As passed, SB 224 requires the authors of an initiative petition to address only one subject in its language, thereby allowing voters to more clearly define the impact of that petition. Along the same lines, the agency worked with Assemblywoman Heidi Gansert to include in SB 224 language requiring petitioners to include a brief description of the effect of the petition if approved by voters, and requires the Secretary of State to request a fiscal note from the Legislative Counsel Bureau on the financial impact to state and local government for each such petition.

Due to litigation that arose during the 2004 Election cycle regarding the meaning of "last preceding general election" in the State Constitution pertaining to what number is used to determine the qualifying number of valid signatures needed for a petition to gain ballot access, Secretary Heller asked the Legislature to amend the existing language to clarify that the "last preceding general election" is the election immediately preceding the date the petition is filed with the Secretary of State's office. This change was approved by the Legislature in AJR 8. It must now be passed once again by the 2007 Legislature before going to a vote of the people in 2008.

Amended timelines for filing legal challenges to petition language was also included in SB 224. The Secretary of State's office recommended the deadline for filing an action challenging certain aspects of a petition relate back to the date a copy of the

petition is filed with the Secretary of State's office. Additionally, that a complaint seeking judicial review of a decision relating to an initiative petition by the Secretary of State must be filed within five working days from when the Secretary of State certifies it as sufficient, and that the court must give priority to such complaints. The Legislature adopted the bill, but amended the timeline to seven working days from the filing date.

## **STATEWIDE VOTER REGISTRATION SYSTEM**

In November 2004, Secretary of State Dean Heller awarded a \$4.6 million contract with Covansys Corporation and PCC Technology Group to build and complete a statewide voter registration system for the state of Nevada. The completion date for the project is December 2005. HAVA mandated that each state complete and have operational a statewide voter registration system by January 1, 2006. Federal money from Nevada's share of HAVA will pay for the majority of the statewide voter registration system.

The centralized system will allow Nevada's seventeen County Clerks/Registrars of Voters to verify in one all-inclusive system the registration status of all citizens throughout the State, thereby producing even cleaner elections in the future.

When the new statewide voter registration system is operational, eligible citizens will continue to register to vote with their County Clerk/Registrar of Voters, but that registration information will be included in a centralized database maintained by the Secretary of State's office. The database system will also be used to compare records from the Department of Motor Vehicles and the Department of Vital Statistics to identify persons who may be potentially ineligible to vote according to federal laws and regulations.



**Secretary of State Elections Division Staff Members**

## **WEBSITE**

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: 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.

Beginning in 1998, Secretary of State Heller's office began posting election results on the Internet on Election Night. Through a collaborative partnership with each of the State's seventeen counties, which provided election results in 2004 to the Secretary of State's office, Nevada citizens were once again afforded the ability to view the outcome of federal, statewide and local races via the Internet.

## **EDUCATION AND PUBLIC OUTREACH**

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>.

## **ADVISORY COMMITTEE ON PARTICIPATORY DEMOCRACY**

The ACPD was first established in 1997 by the Legislature under the office of the Department of Cultural Affairs. The Committee was given the task of creating a repository of information and reporting back to the Legislature about recommendations on “programs, activities and events related to the participation of citizens in the development of public policy and the improvement of the operation of government.”

The 2003 Legislature placed the ACPD under the auspices of the Secretary of State's office with the passage of Senate Bill 309 (now codified in NRS 225.240,et.seq). The 2003 Legislature established very specific goals to reach by the 2008 General Election: attaining 75% voter registration in the State, and getting at least 70% of those registered voters to vote in the 2008 General Election. During the 2004 election season, ACPD and election officials throughout the State worked together in a cooperative and collaborative effort to achieve these goals.

ACPD is comprised of ten members selected by the Secretary of State's office. The Committee's purpose is to assist the Secretary of State in: identifying and proposing programs that promote citizen participation in governance; establishing a Jean Ford Democracy Award; and working with partner organizations at the local, state and national level to increase voter participation.

During the 2004 election season, ACPD recommended several programs to the Secretary of State's office, including the Easy Voter Project and the New Voters Project, both of which sought to increase voter participation by Nevadans throughout the State.

As required by NRS 225.250, ACPD selected two people as recipients of the first Jean Ford Democracy Awards: Community College of Southern Nevada political science professor Mark Peplowski and former ACPD Chair and longtime community activist, Reno resident Larry Struve. Both men were recognized by the 2005 Legislature during floor sessions of both Houses during a ceremony that took place in conjunction with the reading of a Resolution declaring April 27, 2005 *Democracy Day in Nevada*.

For more information on the ACPD, go to the Secretary of State's website at <http://www.acpd.org>.

## **CONFIDENTIAL ADDRESS PROGRAM (CAP)**

The Secretary of State, Elections Division, also 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 fictitious 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 2005, a total of 312 people participated in CAP in Nevada, up from 190 at the conclusion of fiscal year 2004. Currently there are 312 participants statewide. Growth is expected to continue.

The number of certified agencies has increased to thirty-two, including a private domestic violence shelter, several law enforcement related agencies, Washoe Legal Services and two state agencies (Welfare and Corrections Departments). 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 more than \$17.5 million in fiscal year 2005.

### **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**  
**Fiscal Years 2002-05**

<b>FISCAL YEAR END</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Brokers-Dealers	2,126	2,083	1,959	1,991
Total Investment Advisers	773	924	891	963
Total Nevada Licensed:	119	130	151	159
Federal Covered:	654	794	740	804
Sales Representatives	90,682	87,121	89,075	92,458
Investment Adviser Reps	961	944	1,911	2,107
Athletes' Agents (Effective in 2001)		13	18	23
Agent of Issue	121	99	103	112
Branch Offices	1,118	1,250	1,322	1,393
Registrations and Notice Filings	2,764	3,856	4,023	4,717
Exemptions	5,634	4,172	4,735	3,568

**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 2005 with 160 active cases open. An additional 362 cases were opened during the course of the year. Fiscal year 2005 concluded with 182 cases pending.

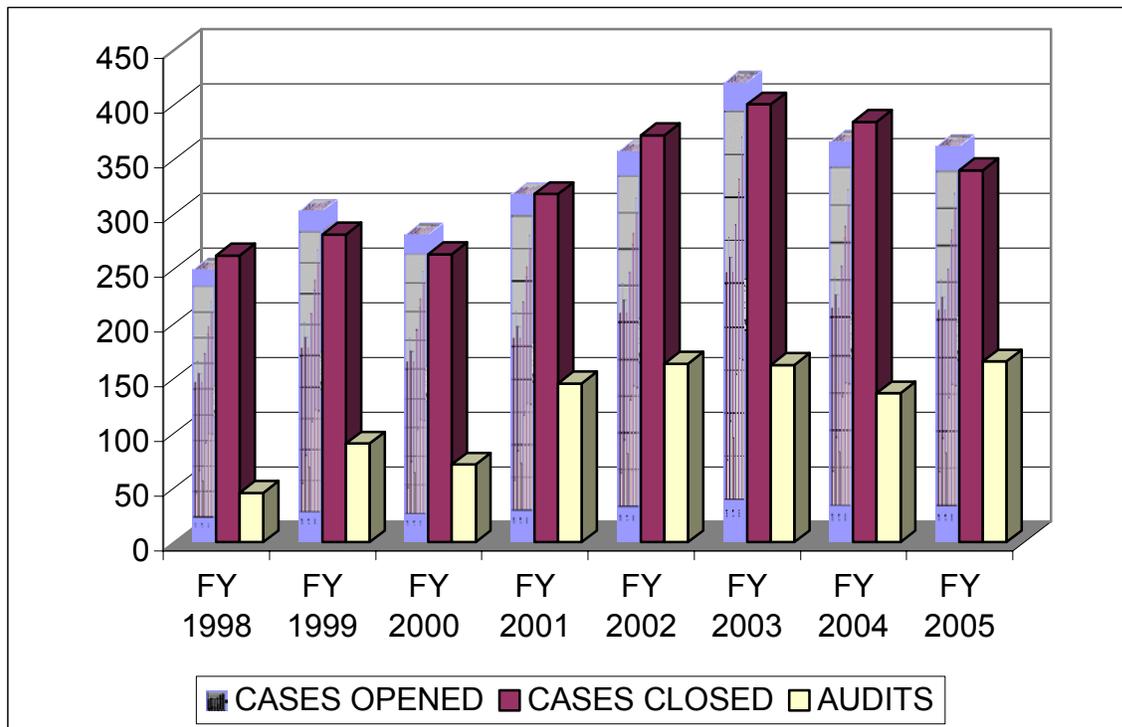
During fiscal year 2005, cases investigated by the Securities Division resulted in eight criminal convictions. More than one million dollars in restitution was ordered paid to victims.

Other enforcement actions brought by the Securities Division during fiscal year 2005 include one cease and desist order, three license suspensions and ten consent agreements. Monies recovered for investors totaled more than \$388,000.

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 2005, Securities Division investigators conducted 165 examinations. Inspection fees collected totaled more than \$47,500.

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. 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 1998-2005**



### **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 2005, twenty-three Nevada athletes' agents were registered with the Securities Division, which administers the act.

### **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 2005, the Nevada Securities Division contributed \$13,705 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. Over 6,800 elementary, middle and high school students statewide participated in the Internet-based game during the 2004-05 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.



**2005 Stock Market Simulation Game winners Sam Barton and Michael Souza with their Spring Valley High School mentor Robert Bloom and Secretary of State Dean Heller**

The Division is also a supporter of 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. Seventeen Clark County School District classrooms participated in the 2004-2005 Entrepreneurship Program.

In addition to financially supporting the Nevada Council on Economic Education's student focused program, the Secretary of State serves on the Council's Board of Directors and Executive Committee (The Deputy Secretary of State for Southern Nevada is his

designee on the Board). 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.

In April 2005, the Securities Division co-sponsored the Eighth 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 trained 20 senior volunteers who work with seniors in need on how to spot the warning signs of investment fraud. Division staff also participated in the Nevada Jump\$tart Coalition's first financial literacy training program for Clark County School District teachers.

During fiscal year 2005, the Securities Division continued its active involvement in the **Nevada Jump\$tart Coalition**. Deputy Secretary of State for Southern Nevada Pam Ruckel serves as President of the Coalition's Board of Directors. The Jump\$tart Coalition for Personal Financial Literacy is a national organization that seeks to improve the personal financial literacy of young adults by evaluating financial literacy among school-aged youth; developing, disseminating, and encouraging the use of standards for grades K-12; and promoting the teaching of personal finance. Now in its second year in Nevada, the state Coalition held two financial literacy training classes for Clark County School District teachers during fiscal year 2005 and participated at the CCSD's annual new teacher orientation program prior to the start of the 2004-2005 school year. The Nevada Jump\$tart Coalition also received a Proclamation from Governor Kenny Guinn declaring April 2005 "Financial Literacy for Youth Month."

The Securities Division continued its participation in **Partners in Financial and Tax Education**. Now in its second year and newly renamed **Taxpayer Assistance Program for Nevada (TAP for Nevada)**, TAP is a Northern Nevada coalition that seeks to financially empower low-income and working families by encouraging use of the appropriate income

tax credits available to tax filers, along with promoting improved financial literacy. The group sponsored Volunteer Income Tax Assistance (VITA) sites at more than ten locations in Northern Nevada and offered financial education programs simultaneously at those sites. The Securities Division provided numerous financial literacy materials for VITA sites and presented a program on investment fraud prevention at Reno's main VITA site at Community Services Agency. Other partners in TAP for Nevada include Community Services Agency, Nevada Legal Services, U.S. Bank and Great Basin Federal Credit Union.

The Securities Division participated in various events during fiscal year 2005 that allowed it to communicate its message of fraud prevention and financial literacy to the public. The Securities Division displayed booths and presented information at several City of Las Vegas Senior Fairs throughout fiscal year 2005. The Division also joined the City of Las Vegas' Senior Law Project in participating at two Senior Citizens Awareness Movement (SCAM) programs in Southern Nevada during fiscal year 2005. The SCAM programs offer seniors a wealth of information from various consumer protection and law enforcement agencies on how to protect themselves from scams and schemes and other financial crimes. In April of 2005, the Securities Division exhibited at the Third Annual Nevada Women's Money Conference sponsored by the State Treasurer's office. That event, held at Green Valley Ranch Station in Southern Nevada, was attended by nearly 300 people. Securities Division staff also offered a workshop on investment fraud prevention at Catholic Charities' Senior Division in Las Vegas and presented three additional workshops at Washoe County Library branches.

## 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 now almost 34,000 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 2005, 6,078 new notaries were appointed and 3,560 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 2005, the Notary Division issued 11,400 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 2005, more than 3,000 people took part in the volunteer instructional program.

For fiscal year 2006, the instructional program has been modified and improved to include an interactive work section, allowing new notaries the advantage of correctly completing necessary paperwork under the supervision of the Notary Division staff.



**Notary Division Administrator Bru Ethridge teaches one of her outstanding notary training classes**

## **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 2005, the number of current active ministers in the state stood at 4,168. During fiscal year 2005, 308 individuals were granted temporary minister licenses, and an additional 325 individuals received general licenses as ministers.

## **LEGISLATION**

Introduced by the Secretary of State's office, AB 453 made various changes to the State's notary laws relating to the verification process of signatures and associated fines and penalties for non-compliance.

At the request of Assemblyman Mo Denis and with the full support of the Secretary of State's office, the 2005 Legislature passed AB 227, which amended NRS 240.085 relating to the advertisement of notary service to limit the use of the words "notario" and "notary publico" to address confusion and fraud that resulted from the use of those terms because their Spanish meaning is different than the English version.

AB 178, introduced by Assemblyman John Ocegüera, allows an attorney licensed to practice law in Nevada to notarize a client's document and charge a separate fee from that authorized by Nevada's Notarial Act.

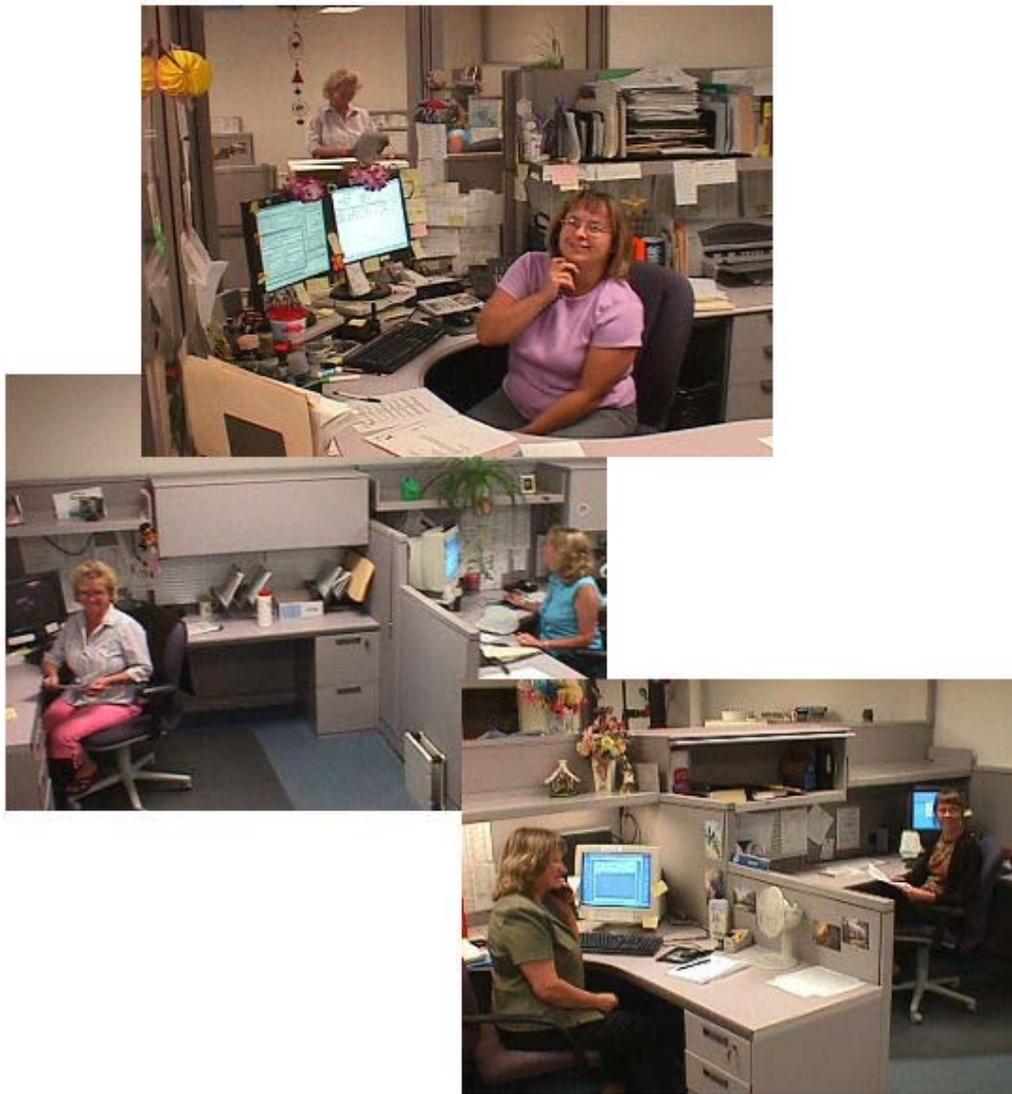
## **NOTARY FINES**

By law, the Secretary of State's office is charged with imposing fines for violations of NRS Chapter 240. The average fine for a notary who does not follow correct procedures is \$200.

## 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 through a variety of methods, including through greeting customers in person at the Carson City and Las Vegas offices, and answering telephone inquiries, email and written requests.

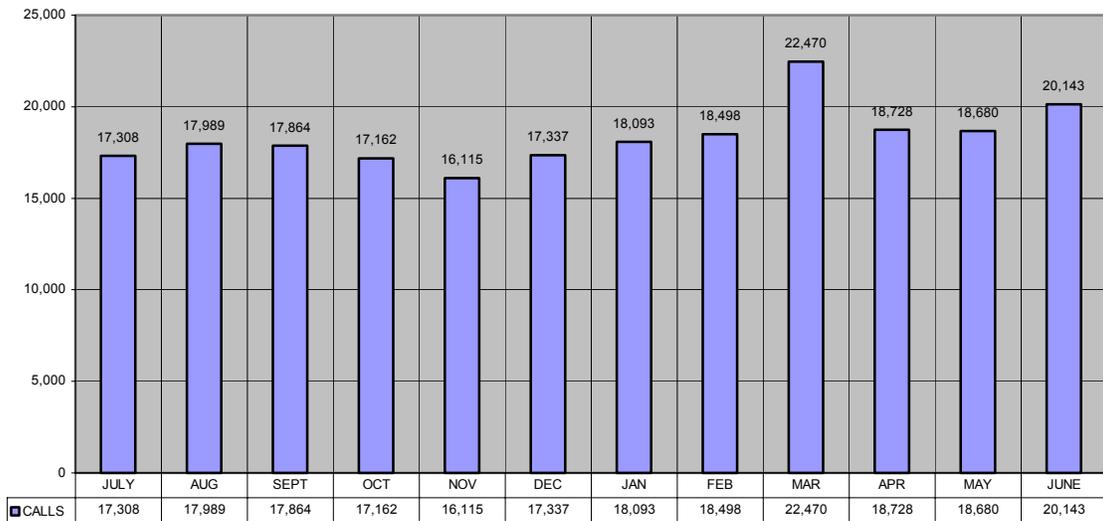


The Division’s representatives are trained to assist customers by providing accurate information covering a wide variety of issues, navigating our website, filing entities, calculating fees, obtaining forms, and responding to complex inquiries and concerns. This Division also answers general questions regarding the Notary and Election divisions, along with directing customers to the appropriate Division within the agency when necessary. Although Customer Service representatives are prohibited by law to give legal advice, staff is trained to direct customers to specific Nevada Revised Statutes that may address their issues.

The Division is comprised of 12 customer service representatives in the Carson City office, with 3 additional representatives in the Las Vegas office. With the public’s increasing use of email as a method of communicating their inquiries, staff continues to answer approximately 900 calls daily, along with assisting an average of 150 walk in customers on a daily basis.

The Customer Service Division strives to give the best possible service to our customers in a professional, courteous and knowledgeable manner.

**TELEPHONE FY 2004-2005**



## Division Profile

# Information Technology

Information Technology in the Secretary of State's office has become the driving force behind 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.

The enhanced and award-winning website allows the agency to reach proposed or existing business in the world. Customers from more than 100 countries utilize the website, which during fiscal year 2005 generated an average of 4.5 million hits per month.

The most visible role of SOSTEK is the Secretary of State's website (<http://secretaryofstate.biz>), the most frequented in Nevada state government. Since its online birth in early 1998 to the end of fiscal year 2005, the Secretary of State's website has received more than 224 million hits. Nearly ten million of these hits involved "sessions" in which customers engaged in interactive communication with the office, the equivalent of a telephone call.

The SOSTEK Division has placed more than 200 forms used in conducting business with the Secretary of State's office online. While many of these forms are related to the Commercial Recordings Division, customers of all divisions of the Secretary of State's office are increasingly able to utilize this mode of customer service.

During fiscal year 2005, the Secretary of State's office completed a five-phase project, dubbed *eSoS*, which integrates up-front receipting and document imaging, document processing and database, document retrieval and certificate services, online filing processes and accounting functions into one, state-of-the-art processing system.

The new in-house and online UCC portions of the new system (phases 2 and 3) have already allowed the UCC Division to cut its staff in half while providing improved service. Similar efficiencies in other divisions of the Commercial Recordings Division are expected within the next year.

Electronic services have expanded from online name reservations, form requests and data inquiries to now include UCC 1, 3 and 5 filings, and Annual Lists of Officers.

The expectation is our customers will soon have the ability to submit virtually all documents filed with the Secretary of State's office via the Internet.

Another highly visible aspect of SOSTEK by the general public is the Secretary of State's Election Night Reporting via the Internet, which provides updated information on all federal, statewide and local races. The Election Night Reporting software, developed by SOSTEK staff, gathers information provided by the various counties and places that information on the website in "real" time. On 2004 Election Night, the agency's website received close to 200,000 hits from Nevadans and others seeking the latest information on races throughout the state.

Additionally, SOSTEK played a major role in gathering requirements, selecting a vendor and completing the awarding of a contract for a statewide voter registration system. One of the many mandates of the Help America Vote Act (HAVA) is that each state have a statewide voter registration system in place and operational by January 1, 2006.

Finally, SOSTEK rewrote internal agency programming relating to Contributions and Expenditures (C&E) Reporting.

Additional e-government applications are currently under development. Projects in the works include 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.

Secretary of State Heller's investment in technology has allowed the agency to grow its 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 accounting, budgeting, human resources, information technology (refer to IT Division Profile), purchasing, and special projects. The Division also manages and monitors all agency contracts and is responsible for ensuring that all contracts properly comply with state and federal law.

The Accounting Section processes the daily bank deposits while ensuring compliance with essential internal controls. Accounting also maintains the popular pre-paid Trust Accounts for more than 1,000 customers. These Trust Accounts allow customers to deposit funds for use with subsequent requests for service eliminating the need to have a negotiable instrument accompany each request.

The Budget Section prepares, monitors, and reports on the office's biennial budget. Included in these duties is the responsibility to respond to various financial and budgetary requests internally as well as from the public and other governmental offices. The Section works closely with the Legislative Counsel Bureau and the Governor's office in projecting and monitoring general fund revenues.

The Human Resources Section processes all personnel and payroll documents, assists in the recruitment of new employees, provides employee orientation, maintains all employee training records and keeps employees informed of changes in insurance and benefits. With the use of information technology as an enabling resource for increased organizational productivity, the training function within Human Resources has become more important and the expansion of staff training sessions has become a valuable source of information for employees.

# Staff Profiles



**Renee Parker** was named **Chief Deputy Secretary of State** in December 2000. She is responsible for carrying out Secretary's Heller's mandates, including implementing agency policies, administering the agency's budget, supervising all agency personnel, and representing the Secretary of State at various office-related functions when necessary. She drafts and proposes legislative changes and testifies on behalf of the Secretary and the agency before the Legislature.

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 of Science degree Magna Cum Laude 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.

She lives in Carson City.

As **Deputy Secretary of State for Commercial Recordings**, a position he has held since 1997, **Scott Anderson** oversees the Division that processes and maintains the documents of more than 260,000 business entities on file with the Secretary of State's office. Scott also helped oversee the implementation of the Secretary of State's new *e-SoS* processing system.

Scott has served on the governing board of the International Association of Commercial Administrators (IACA) for six years. He is currently serving as the Association's President, an honor that also brings the 2006 IACA Conference to Nevada.

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.



**Ellick Hsu** was hired as **Deputy Secretary of State for Elections** in January 2005. Hsu is responsible for: administering a Division that now includes a staff of eight; planning, directing and supervising departmental operations; and functions relating to the elections process in Nevada, including enforcing state and federal election laws and procedures.

He graduated Cum Laude from the California Western School of Law, receiving his Juris Doctor Degree in 2000. Hsu attained his Bachelor of Science degree in Neuroscience/Animal Physiology from the University of California, San Diego.

Hsu joined the Secretary of State's office after spending four plus years with the prestigious law firm Lionel, Sawyer and Collins, practicing corporate, commercial and real estate/land use law.

**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 lives in Las Vegas with her husband and son.

As the Secretary of State's **Notary and Digital Signature Administrator, Bru Ethridge** oversees the daily operation of the Notary 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.



**Roy Cage** was appointed Director of Information Technology (IT) in June 2004. He manages a staff of ten IT specialists who support 138 Secretary of State staff members, along with overseeing the agency's website. Roy is also responsible for several new systems, including Election Night Reporting, Statewide Voter Registration and the Commercial Recording Division's *eSoS* project.

Roy obtained a Master of Business Administration degree from the University of Utah and a Bachelor's Degree in Business Administration from Virginia Tech. He is a Certified Internal Auditor and a Certified Information Systems Auditor. Roy brings 38 years of information technology related experience to his current position.

Roy and his wife live in Reno.



**Customer Service Division Supervisor Tamara Rains** 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.

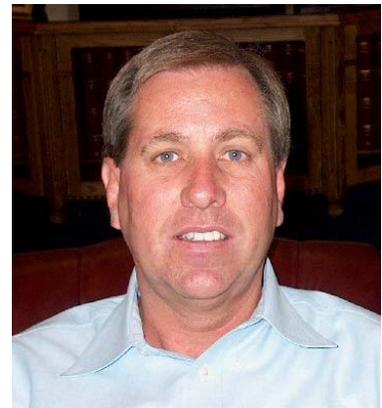
Tami became the Supervisor of the Customer Service Division in March 2004 after previously working in the agency's Floater Division. She spent 5 ½ years with the Nevada Gaming Control Board before joining the Secretary of State's office.

Tami, her husband and their two daughters live in Carson City.

**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 children.



**Executive Assistant Sallie Lincoln** provides secretarial support to the Secretary of State and the Chief Deputy, including: responding to constituent inquiries received via mail, email and telephone; scheduling and coordinating executive office meetings; serving as a liaison between the Secretary of State and the agency's Deputies and other staff; and scheduling travel for the Secretary of State and Chief Deputy.

Sallie previously worked in the agency's Customer Service Division and in the Legislative Counsel Bureau's Media Services Division.

She and her husband reside in Carson City.

## 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.

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. They have four children: Hilary, Harris, Drew and Emmy.

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, Harris, Drew, Hilary and Emmy.**

---

---

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:

Office of the Secretary of State  
101 North Carson Street  
Suite 3  
Carson City, NV 89701-3714  
(775) 684-5708

Corporate Annex  
202 N. Carson Street  
Carson City, NV 89701-4201  
(775) 684-5708

Secretary of State  
Corporate Satellite Office  
555 E. Washington Avenue  
Suite 4000  
Las Vegas, NV 89101  
(702) 486-2880

Secretary of State  
Securities Division  
555 E. Washington Avenue  
Suite 5200  
Las Vegas, NV 89101  
(702) 486-2440  
(800) 758-6440

Secretary of State  
Securities Satellite Office  
1755 E. Plumb Lane  
Suite 231  
Reno, NV 89502  
(775) 688-1855

---

---