

Quarterly Business Report

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First Quarter 2012

Dear Business Leader:

Advancing the state's economic development efforts, enforcing business regulations, developing resources for business identity theft victims, investigating investment fraud, and preparing for the 2012 election highlight the 1st quarter of 2012 in my office.

The 176-page study commissioned by my office and presented by the Brookings Institution and SRI International provided the groundwork for the Office of Economic Development's new state economic development plan. With well-defined objectives and actions items listed for the next three years, the state plan provides clear direction to forge a new path toward economic diversification.

Nevada is fighting rampant fraud and corruption by businesses that set up illegal shell companies in Nevada to exploit our regulatory environment. The adoption of Regulation 080-11 helps my office maintain a level playing field for all businesses by ensuring that only non-Title 7 entities that make less than \$27,000 per year can claim the home-based business exemption.

My colleagues from across the nation and I examined issues and crafted best practices for business service programming, securities, international relations, and other responsibilities under our jurisdiction during the National Association of Secretaries of State winter conference to better serve you, our constituents.

Forty-one Nevadans who invested millions of dollars in funds whose high risks were improperly disclosed received restitution when the Securities Division executed an administrative consent order. State investigators and securities officials continue to enforce regulations to protect the interests of Nevadans.

The Elections Division is busily preparing for the 2012 election season by working with all county registrars to expand the online voter registration system to all counties prior to the June 12 primary; filing candidates for both judicial and non-judicial offices; and filing contributions & expenditures reports and financial disclosure statements from candidates and public officials.

Thank you for allowing me to share our news from the 1st quarter of 2012 and to continuing to serve you.

Respectfully,



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Secretary Miller informs the Los Angeles Rotary Club about Nevada's economic development efforts.

New State Plan Advances Economic Development Agenda

Nevada may be down, but we're definitely not out. Having reached the level of economic crisis that we've seen here in Nevada the past few years, the Secretary of State's Office is changing its point of view on how to reinvigorate our economy in a way that's sustainable and beneficial to all Nevadans.

Our economic development efforts over the last several decades had morphed into an "us" versus "them" kind of thinking. Ultimately, it's limiting and short-sighted.

Our new state economic development plan from the Office of Economic Development points out that our future isn't about getting companies to relocate. It's about developing an infrastructure, both social and physical, in a way that supports innovation, commercialization, and a desirable quality of life for the knowledge-based industries and workers we want to attract.

The new state plan outlines the following objectives:

- Establish a cohesive economic development operating system
- Advance targeted sectors and opportunities in the regions
- Expand global engagement
- Catalyze innovation in core and emerging industries
- Increase opportunity through education and workforce development

We have the infrastructure for connectivity, both geographically and virtually. Dr. Robert Lang of The Brookings Institution, the organization that developed the initial study for our state's economic development plan, sees the country in "megapolitan areas" and "megaregions."

Southern Nevada is part of the Southwest Megapolitan with Los Angeles, San Diego, and Phoenix, and Northern Nevada is part of the Sierra-Pacific Megapolitan with San Francisco, Sacramento, and the Silicon Valley. Megaregion members supply a diverse array of resources that can be used to gain access to the global market.

The initial study identified the industry clusters that Nevada should target. All of them are best pursued as part of a megaregional effort. What we need to do now is recruit the top faculty in the country to work in our higher education system to develop curriculum meeting the needs of those industries. Then, commercialize those efforts by attracting the companies that are thirsty for an educated workforce to meet those needs.

We're behind the economic development curve for identifiable reasons. We're lacking in institutional partnerships with higher education, and research and development that result from those partnerships. We're lacking in overall workforce development, and one of the reasons is a lack of public investment.

However, we are on track to turn that around. We have the assets. We recognize and can overcome our liabilities, and as this state and this community have demonstrated in the past, we can come through the most recent tough times stronger and more resilient than ever before.

Download an executive summary or the entire state economic development plan by visiting the "Economic Development Plan, Reports, and Studies" page in the Information Center of the Secretary of State's website, www.nvsos.gov, or by clicking [here](#).

Regulation Clarifies Home-Based Business Exemption

On March 8, the Legislative Subcommittee to Review Regulations approved a regulation which clarifies that the home-based business exemption applies only to natural persons, including sole proprietors and general partnerships, who make less than \$27,000 per year.

The Secretary of State's Office aims to deliver fair and consistent enforcement and collection of the Legislature's Business License Fee. The regulation does not create a new law; rather, it is the same regulation adopted by the Nevada Tax Commission when the exemption was created in 2003. The exemption was intended to apply only to natural persons, and not corporations, limited-liability companies, and other Title 7 entities.

The Legislature determines business licensing fee amounts. Through this regulation, fees have not been increased. However, the Secretary of State's Office has and will continue to work to ensure that exemptions are

provided only to those who actually qualify for them.

Title 7 entities such as corporations, limited-liability companies, and other entities that seek legal protection through Nevada incorporation are not considered natural persons, and are therefore not eligible for the home-based business exemption. The Legislative Council Bureau's deputy legal counsel testified that the legislative intent when the law was passed in 2003 is that Title 7 entities would be considered artificial persons, and not eligible for the exemption.

The adoption of this regulation assists the Secretary of State's office in maintaining a level playing field for all businesses. We are fighting rampant fraud and corruption from businesses that set up illegal shell companies in Nevada to exploit our regulatory environment.

A copy of the approved regulation can be found [here](#).

NASS Winter Conference Addresses Business Identity Theft Combat Efforts, 2012 Election Preparations

Secretaries of State from across the country expressed concern about and pooled resources to combat business identity theft; exchanged ideas to better prepare for the 2012 election; and honored former U.S. Secretary of State Condoleezza Rice during the annual winter meeting of the National Association of Secretaries of State (NASS).

Secretary Miller, president-elect of NASS, joined his associates in workshops that covered top administration issues such as business service programming, securities, international relations, social media, and other issues in Washington, DC in January.



Drawing from experiences and input from all secretaries of state, the NASS Business Identity Theft Task Force produced a white paper design to help state officials curb business identity theft. The 19-member task force developed policy guidelines and recommendations for state leaders dealing with identity fraud causes involving public business records.

The white paper offers insights on common issues that states face in developing strategies to protect information in public records and thwart fraud. The report also contains a series of basic recommendations that all states can follow to help prevent the spread of business identity theft, including:

- ◆ Creating a statewide task force to study business identity theft issues
- ◆ Developing a legislative and procedural action plan for protecting state-held business records
- ◆ Establishing a notification program for businesses when public records are updated or changed
- ◆ Implementing clear steps for victim assistance and education
- ◆ Conducting outreach to raise awareness and urge prevention

The Nevada Secretary of State's office is seeking to implement these recommendations as it moves forward with a legislative package for 2013, including convening a state Business Identity Theft Task Force with local business as-

Secretary of State Ross Miller, president-elect of NASS, spoke to former U.S. Secretary of State Condoleezza Rice before she received the Margaret Chase Smith American Democracy Award.

sociations and law enforcement agencies. Nevada currently has legislation and regulations regarding electronic notification updates; fraudulent filing reporting processes; and statutes authorizing the issuance of interrogatories and assistance in criminal investigations.

NASS and the Identity Theft Protection Association launched www.businessIDtheft.org, a website that compiles resources from every state. Business identity theft victims will find all the information they need to protect themselves and their business, as well as how to report and resolve their cases.

NASS members also discussed 2012 election preparations and heard from representatives from U.S. Congress, U.S. Department of Justice, U.S. Postal Service, Federal Voting Assistance Program, Democratic National Committee, Republican National Committee and the National Conference of State Legislatures.

During the winter conference, NASS honored former U.S. Secretary of State Condoleezza Rice with the 2011 Margaret Chase Smith American Democracy Award for acts of political courage. Recipients of the award are recognized for similar acts of political courage, uncommon character, and selfless action in the realm of public service.

Elections Division Ramps Up for 2012 Election Cycle

Registered voters in Clark County can now change their address and party affiliation online through the Nevada Online Voter Access (NOVA) system at www.registertovotenv.com without submitting a paper application to the Clark County Registrar of Voters.

The Elections Division is collaborating with all the remaining Nevada counties to launch online voter registration this spring prior to the primary and general elections. First-time voter registrants who have not already registered to vote in any other Nevada county are eligible to use NOVA if they have a photo identification card or a driver's license issued by the Nevada Department of Motor Vehicles. NOVA is federally funded by the Help America Vote Act.

Candidate filings for judicial and non-judicial offices wrapped up during the first quarter, which can be viewed online at www.nvsos.gov in the Election Center.

Public and appointed officials filed their annual contributions and expenses (C&E) reports in January. The information is available on Aurora, the Secretary of State's online campaign finance disclosure system that launched in December. Search C&E reports and financial disclosure statements [here](#).

The Elections Division is busy planning its next steps to ensure the primary and general elections run smoothly for all involved, including poll workers, county registrars, and voters.

Securities Division Secures \$5 Million in Restitution for Nevadans

In February, the Securities Division executed an administrative consent order in conjunction with a multistate task force investigation that nets investors a \$200 million settlement from broker dealer Morgan Keegan & Company, Inc. (MKC) and its affiliate Morgan Asset Management, Inc. (MAM)

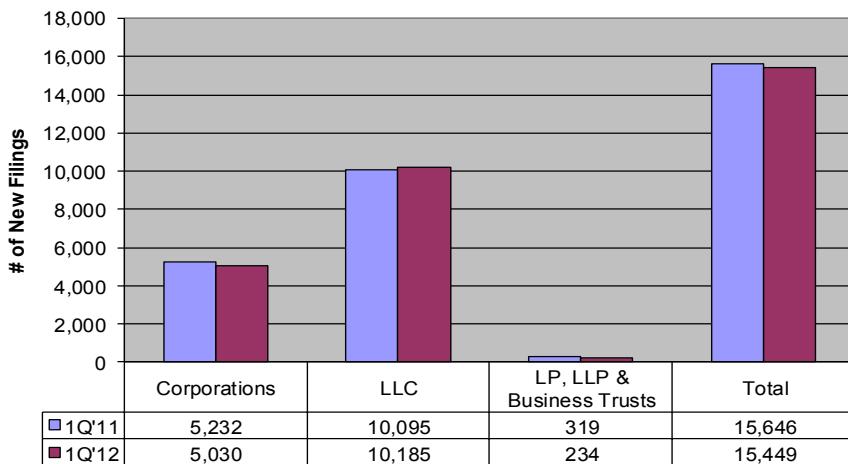
The order garnered restitution for 41 Nevadans who lost approximately \$5 million by investing in funds whose high risks were not properly disclosed by MKC and MAM. The U.S. Securities & Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) also conducted investigations of the companies.

Among the issues raised in the investigations include failing to adequately disclose some of the risks associated with investments in MAM's offered funds in reports filed with the SEC; classifying approximately \$400 million of asset-backed securities as corporate bonds and preferred stocks when they were the lower tranches of asset-backed structured debt instruments; using industry benchmarks not directly comparable to the investment funds; and incorrectly characterizing funds and their holdings.

Of the \$200 million settlement, \$100 million will be apportioned to the SEC's Fair Fund established for the investors who are the subject of the SEC order, and \$100 million to a States' Fund established for the investors who are the subject of the consent order.

The multistate task force was comprised of securities regulators from Alabama, South Carolina, Kentucky, Tennessee, and Mississippi.

New Filings - 1Q'12 vs 1Q'11



New entity filings with the Secretary of State's office in the first quarter of 2012 was slightly less — 197 — than during the same quarter of 2011.

Upcoming Notary Training Classes

Las Vegas
Gold Coast Casino
April 26, 2012 at 8 a.m.

Carson City
Carson City Nugget
May 9, 2012 at 8 a.m.

Pre-registration required at
www.nvsos.gov