

# Quarterly Business Report

Volume 1, Issue 16  
Third Quarter 2011

## ***Dear Business Leader:***

Economic development, aggressive securities enforcement, new advances in digital governance and a historic special election highlight the busy 3<sup>rd</sup> quarter of the Secretary of State's office.

My office is taking several proactive steps to help Nevadans during a difficult economic recovery period with high unemployment and stagnant job growth.

Economic development, and that means jobs, remains at the forefront of our agenda. State and business leaders are working together under a new state agency – the Office of Economic Development. We will analyze results from a study, conducted by renowned research firms and commissioned by my office and will propose a realistic growth plan that Nevada can embrace now and well into the future.

My Securities Division is constantly at work cracking down on companies that use fraudulent means to steal from Nevadans. As a formal criminal prosecutor, I do not believe our business-friendly climate should be interpreted to mean that we will look the other way when companies take advantage of loopholes in regulations.

Nevada's first online business portal will be launching soon, as our IT team works long hours to develop a service that will begin to revolutionize the relationship between business and government. By having the necessary governmental forms and information in one central location, setting up and maintaining a business in Nevada will be easier than ever before. The portal will be a great asset to the business community and enhance Nevada's reputation as a pro-business state.

Our Elections Division also managed the U.S. Congressional District 2 special election on September 13, which came and went without issue. The polling machines performed well, and the voting process is refined to the point of high efficiency, thanks to our staff, county clerks and recorders.

Thanks for allowing me to share some of the 3<sup>rd</sup> quarter news and highlights in the Secretary of State's office.

Respectfully,



*Secretary of State Ross Miller pays a visit to Zappos CEO Tony Hsieh. Before touring Zappos' unique office, Secretary Miller discussed economic development opportunities with Hsieh.*

## **Inside This Issue**

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# Economic Development Leaders Roll New Team, Next Milestones into Motion

Secretary Miller is playing a critical role in Nevada's dramatic overhaul of our economic development strategic engagement. As well as overseeing contracted vendors the Brookings Institution and SRI International (formerly the Stanford Research Institute) for a state-approved study, Secretary Miller also serves on the board of the newly formed Office of Economic Development (OED), which oversees the state's regional development agencies, development programs and funding.

Secretary Miller is working closely with Brookings and SRI, who will present a study in mid-November that analyzes industry sectors and realistic pursuits as Nevada moves forward to create a new development model. The study will also restructure how the public and private sectors work together to encourage economic development in Nevada.

As well as Secretary Miller, the OED board consists of Governor Brian Sandoval, Lt. Governor Brian Krolicki, and two non-voting members: Dan Klaich, chancellor of the Nevada System of Higher Education, and Frank Woodbeck of the Department of Employment, Training and Rehabilitation.

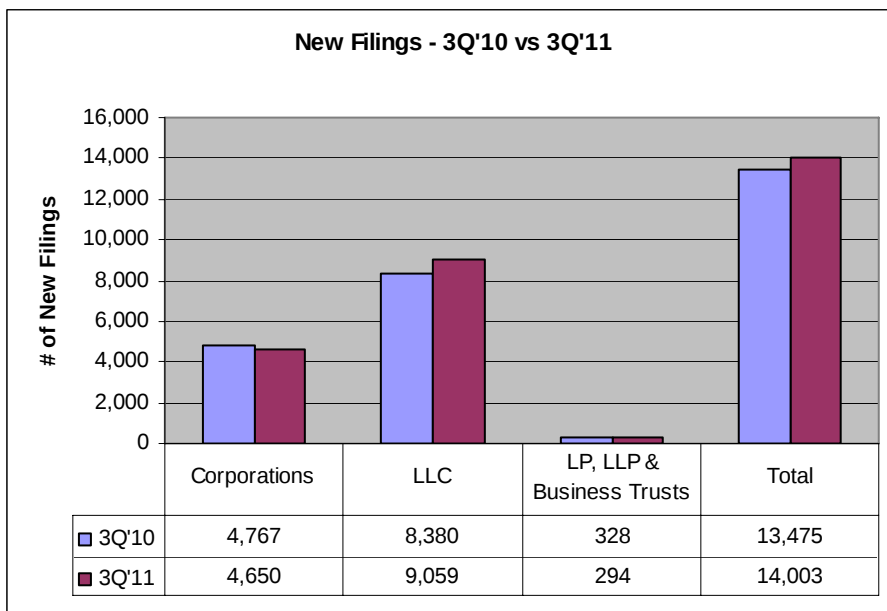
On September 14, Governor Sandoval announced six appointments from diverse areas of the private sector chosen by him, Speaker of the Assembly John Oceguera, Senate Majority Leader Steven Horsford and Minority Leader Mike McGinnis.

- Rob Roy, Switch Communications
- Bill Weidner, Gaming Asset Management
- Kathleen Drakulich, McDonald Carano Wilson
- Heather Murren, Nevada Cancer Institute
- Benjamin Yerulshalmi, The Jewelers of Nevada
- Sam Rousten, Winnemucca Farms

Appointees from the private sector maintain four-year terms, although three of the six initial appoints will have two-year terms to stagger appointments. The board will meet quarterly to review and evaluate all economic development programs, make recommendations to the Legislature to improve effectiveness, recommend a state plan for economic development and recommend the creation of one or more regional development authorities.

An executive director for the Office of Economic Development will be appointed by Governor Sandoval from a list of three names submitted by the board. During the interim, former chairman of the Las Vegas Chamber of Commerce, Steve Hill, is serving as executive director. OED will also oversee the distribution of the Catalyst and Knowledge Funds. The Catalyst Fund appropriates \$10 million for private sector companies that create new wealth in the state, while the Knowledge Fund allocates resources to technology commercialization infrastructure at the University of Nevada, Reno; University of Nevada, Las Vegas; or the Desert Research Institute.

Funding for the Brookings/SRI study came from a securities settlement that the Secretary of State's office facilitated. The Interim Finance Committee and Board of Examiners approved using the funds to contract with an outside firm. The Secretary of State's office will continue to provide the public with economic development updates as they occur.



*The Secretary of State's office processed more than 500 new entity filings in the 3rd quarter of 2011 than during the same period in 2010.*

## Upcoming Notary Training Classes

Elko, Red Lion Inn  
October 26, 5 to 9 p.m.

Las Vegas, Gold Coast Hotel  
November 16, 1 to 5 p.m.

Carson City, Carson City Nugget  
November 30, 8 a.m. to 12 p.m.

Pre-registration required at  
[www.nvsos.gov](http://www.nvsos.gov).

# Nevada's First Business Portal Aims to Revolutionize Business and Government Relationship

The relationship between Nevada businesses and government will soon be revolutionized with the launch of Nevada's first online business portal. The Secretary of State's IT team is working diligently to complete the finishing details to the website.

By having the necessary governmental forms and information in one central location, setting up and maintaining a business in Nevada will be easier than ever before. The portal merges the disjointed application process where entrepreneurs visit various governmental websites or offices to establish business entities. Users can log out and return without being required to re-enter information, and the portal can process a single payment for a variety of services with multiple governmental offices.

The portal offers a variety of features including:

- Register a new business
- File articles of incorporation
- File list of officers
- File annual or amended list
- Obtain/renew state business license
- Apply for sales & use tax permit/satisfy bond requirements
- Access to Secretary of State's Office and Department of Taxation functions

- Receive guidance on how to obtain municipal business license, register for unemployment insurance and other steps to conducting business

The portal also employs service-oriented architecture created by a world-renowned university that is the first of its kind. Digital Operating Agreement software allows users to electronically set up LLC's without working through an attorney or other third-party source who charges hundreds of dollars in fees. The portal provides a free operating agreement template that was developed with the assistance of Nevada's legal community.

Phase I includes state forms required of businesses. City and county government transactions will be added to the website in later phases when those entities update their technological architecture to interface with the portal. It will be a great asset to the business community and enhance Nevada's reputation as a pro-business state.

| Entity Name   | NV Business ID | Status              | Type                               |
|---------------|----------------|---------------------|------------------------------------|
| NV19981429191 | NV19981429191  | Revoked             | Domestic                           |
| NV20091069598 | NV20091069598  | Expired             | Domestic                           |
| NV20061729645 | NV20061729645  | Active              | Domestic                           |
| NV20111297869 | NV20111297869  | Active              | Domestic                           |
| NV19961101042 | NV19961101042  | Withdrawn           | Foreign                            |
| NV19931101816 | NV19931101816  | Dissolved           | Domestic                           |
| NV20041268114 | NV20041268114  | Active              | Domestic                           |
| NV20011072484 | NV20011072484  | Active              | Domestic                           |
| NV19961102741 | NV19961102741  | Active              | Domestic                           |
| NV20001302121 | NV20001302121  | Permanently Revoked | Domestic Corporation               |
| NV20091435745 | NV20091435745  | Active              | Domestic Limited-Liability Company |
| NV19931027937 | NV19931027937  | Active              | Domestic Corporation               |
| NV20041119310 | NV20041119310  | Active              | Domestic Limited-Liability Company |
| NV20051374637 | NV20051374637  | Permanently Revoked | Domestic Close Corporation         |

Screenshots of the Nevada business portal. Visitors can set up a new business, complete the necessary government forms and maintain company information all in one place.

# Commercial Recordings and Securities Divisions Team Up to Take Down Fraudulent Businesses

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The Securities Division continues to use its investigative and legal resources to support the Commercial Recordings Division as it targets businesses that fail to comply with Nevada laws.

Chief among them are businesses claiming a home-based exemption on their Nevada business license. Often intentionally false and costing the state tens of millions of dollars in unclaimed revenue, it is an unfair disadvantage to businesses that comply with licensing regulations. Businesses claiming the home-based exemption are now required to provide specific information verifying their location as a residence and net earnings of less than \$27,000 per year.

The Secretary of State's office conducted an internal investigation of a limited number of businesses and could not detect a single instance where the identified businesses

were properly claiming an exemption. The investigation found that 73% of the entities investigated were falsely claiming the business license exemption. The remainder of the entities did not respond to inquiries from investigators, and their charters to do business in the state were revoked.

In August, the Secretary of State's office sent letters requesting verification to more than 60,000 businesses that claim the exemption, warning them that their license status would be revoked if they failed to respond. The Securities Division took action when it failed to hear from Power Point Management, the registered agent of more than 400 limited liability corporations (LLCs) and corporations registered with the State of Nevada. Their corporate statuses were revoked after Power Point failed to respond, supply a current list of owners, and provide a place of business where service of process could occur, as required by NRS 77.320.

## **Corporate Ownership Fraud Task Force Battles Business Suspected of Deceptive Practices**

Utilizing his experience as a former criminal prosecutor, Secretary Miller created the Corporate Ownership Fraud Task Force to investigate registered Nevada business suspected of being involved in illegal activities, including tax evasion, money laundering, securities violations, and the marketing of shell or shelf companies for fraudulent and/or deceptive purposes.

The following members compose the Task Force:

- Former criminal prosecutor Tera Ames, as Miller's Special Liaison to the Task Force
- Special Agent in Charge Paul Camacho from the Internal Revenue Service
- John P. Kelleher, Chief Deputy Attorney General of the Attorney General's Bureau of Criminal Justice Fraud Division

The Task Force will use shared resources and information to target possible criminal activity, and its investigations will be backed by prosecutorial effort by Nevada Attorney General Catherine Cortez Masto.

"We're not going to allow businesses to skirt the rules," said Secretary Miller. "We're going to aggressively enforce our statutes and regulations, and in doing so we're going to ensure that compliant businesses are operating on a level playing field."

The Securities Division also issued a cease and desist order to a Wyoming company that does business in Nevada and uses a Nevada address to sell shell corporations. The sales of Nevada corporations and LLC's include the sale of stocks or shares, and are therefore regulated by Nevada's securities statutes and regulations. Selling securities without a license is a violation of securities statutes. The Securities Division is investigating possible fraudulent and misleading claims regarding the value of shell companies in this case and future investigations.

As a former criminal prosecutor, Secretary Miller makes it a priority to combat financial fraud. The issuance of the cease and desist order is part of an ongoing effort to address abuses of Nevada commercial filing statutes and loopholes in regulations. Miller recently formed the Corporate Ownership Fraud Task Force, a valuable weapon in addressing criminal activity related to corporate ownership fraud. Please see the sidebar to the left for more information.

# Investor Traps Threaten to Swindle Consumers of Savings

You've probably seen these suspicious headlines before: "Realize safety and appreciation in gold;" "Wave energy: the future to power our home;" "Synthetic fuels take the oilman out of our pockets;" and "Invest in foreclosed homes, help others and make a fortune!"

Secretary of State Ross Miller's Securities Division is warning Nevada with its annual list of financial products and practices that threaten to trap unwary investors troubled by lingering economic uncertainty and volatile stock markets.

"Con artists follow the news and seek ways to exploit the headlines to their advantage while leaving investors holding an empty bag," said Secretary Miller. "My Securities Division is working hard to stay ahead of the crooks, but as is the case with a lot of criminal activity, prevention can be our most effective tool. That means having well-informed consumers."

The following listing of the Top 10 financial products and practices that threaten to trap unwary investors was compiled by the North American Securities Administrators Association, of which the Nevada Secretary of State's Securities Division is a member. The listing is in order of the most common practices being seen by the division's investigators in Nevada.

## Products

### • *Promissory Notes*

Pitched as personal loans or short-term business arrangements, unregistered promissory notes are often covers for Ponzi schemes and other scams. Determine whether a promissory note and the seller/borrower are properly registered with the state regulator.

### • *Gold and Precious Metals*

Despite ubiquitous promises to the contrary, there are no guarantees with gold or precious metals, even in legitimate markets. In the spring of 2011, silver's value declined by 30 percent in a single three-week period.

### • *Distressed Real Estate Schemes*

Investments in properties that are bank-owned, in foreclosure, pending short sales or otherwise in distress carry substantial risks and should be evaluated carefully. Interests in real estate ventures must be registered with state regulators.

### • *Energy Investments*

Swindlers trick investors by touting the mystique associated with untapped oil and gas reserves and bountiful production runs. Energy investments are poor alternatives for those planning for retirement and should be avoided by anyone who cannot afford to strike out when trying to strike it rich.

### • *Securitized Life Settlement Contracts*

"Securitized" life settlement contracts combine those with traditional securities, such as bonds that supposedly guarantee

a fixed return on a fixed date, regardless of whether the insured outlive their life expectancies.

## Practices

### • *Affinity Fraud*

A recent national study of Ponzi schemes over the past decade found that one in four were marketed to affinity groups to increase the scheme's credibility and build the fraud. Investment decisions should always be made based on careful evaluation of the underlying merits.

### • *Private Placements*

Under federal law, these investments are exempt from registration with Nevada. Investors should be aware that even in the case of legitimate issuers, private placement offerings are highly illiquid, generally lack transparency and have little regulatory oversight.

### • *Securities and Investment Advice Offered by Unlicensed Agents*

State securities regulators have identified a consistent increase in investor complaints regarding salesmen unlicensed as securities brokers or investment advisers giving investment advice or effecting securities transactions. Investors should insist upon seeing a proper license.

**Threats Continued on page 6**

## Protecting Elder Americans from Financial Abuse

Receive free advice and guidance on how to protect yourself and your loved ones against investment swindles and financial abuse.

One out of every five citizens over the age of 65 have been victimized by a financial swindle. A leading publisher of financial investing advice, Kiplinger is coordinating a toll-free nationwide call-in service for individuals seeking advice. Members of the Financial Planning Association, National Adult Protective Services Association and health care professionals will answer your questions.

**CALL IN FROM HOME**  
**Thursday, Nov. 10, 2011**  
**9 a.m. to 6 p.m. EST**

General Finance Questions: 888-227-1776

Medical Questions: 888-303-0430

Financial Abuse Questions: 888-303-3297

## Voters Elect New Congressional Representative in Special Election

Republican Mark Amodei is the new representative for U.S. Congressional District 2 after nearly 58 percent of voters cast their ballots for him during the 2011 special election. Amodei faced off against Democrat Kate Marshall for the House seat left vacant by Dean Heller, who was appointed to fill the U.S. Senate seat vacated by John Ensign.

Four candidates faced off on September 13 for Nevada's 2<sup>nd</sup> Congressional District seat. The Secretary of State's Elections Division played a significant role in ensuring an easy and efficient experience for voters. Voting machines recorded ballots without issue, and Nevadans spent mere

minutes at polling locations. Elections Division staff worked together with county clerks and recorders and volunteer poll workers, creating a network dedicated to a successful election.

As each polling location submitted data on election day, [www.SilverStateElection.com](http://www.SilverStateElection.com) posted results in real time. Final results (broken down by counties) are available on the website. Secretary Miller canvassed the vote to the Nevada Supreme Court on Wednesday, Oct. 5, certifying the 2011 special election results.



*Secretary Miller canvassed the vote to justices of the Nevada Supreme Court on October 5, certifying that special election results declared Republican Mark Amodei the new representative of Nevada's U.S. Congressional District 2 seat.*

### Threats Continued from page 5

#### • *Bogus or Exaggerated Credentials*

State regulators have led the effort to prevent the misuse of credentials or designations intended to imply special expertise or training. Investors should press for full disclosure and the meaning behind all designations, and check with the state regulator if suspicious about claimed credentials.

#### • *Mirror Trading*

"Mirror trading" is promoted as an automated trading platform that ensures investors will participate in real-time transactions placed or executed by a skilled and knowledgeable third party. Whenever the third party executes a trade in his or her account, the same trade is mechanically placed on behalf of the investor in the investor's account.

Secretary Miller urges investors to learn the warning signs of investment fraud. "The Securities Division can provide detailed background information about licensed individuals who sell securities or give investment advice, as well as about the products being offered. Investors should do business only with licensed brokers and investment advisers and should report any suspicion of investment fraud to us."

Additional information on how to protect yourself from investment fraud is available on the Secretary of State's website at <http://www.nvsos.gov/index.aspx?page=198>. The Securities Division's telephone number is (702) 486-2440.