

**PROGRAM NARRATIVE**

**Date:** 12/07/2012

**414 Securities Department**

**Time:** 14:47:52

<b>Program:</b> Investor Protection	<b>Reporting level:</b> 00-414-100-00-00-00-00000000
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**Program Performance Measures**

1. Operate department within budget parameters
2. Routinely examine broker-dealers and investment advisors registered and with offices in the state
3. Maintain staff of highly trained, professional, experienced examiners in all divisions
4. Perform duties in ethical, unbiased, informed and efficient manner
5. Foster public confidence in regulated industry and capital markets through effective administration of duties
6. Promote compliance with the Securities Act through routine firm examinations and swift enforcement action when necessary, appropriate and in the public interest

Annual performance reviews are utilized to determine effectiveness in contributing to agency goals and overall mission. Statistics are maintained for each division and are compared to prior measurement period. However, agency activity is market driven, i.e. broker-dealer, agent, franchise, securities registrations, thus changes in statistics do not directly translate into a measure of agency effectiveness.

**Program Statistical Data**

<b>DEPARTMENT STATISTICAL DATA</b>	<b>Actual Year Ending 6/30/2012</b>	<b>Estimate Year Ending 6/30/2013</b>	<b>Estimate Biennium 2011-13</b>	<b>Estimate Biennium 2013-2015</b>	<b>Estimate Biennium 2015-2017</b>
<b>SECURITIES</b>					
Actual number of ND Offerings:					
Test the Waters	3	3	6	6	6
Accredited Investor	3	3	6	6	6
Organizational (no filing required)			-	-	-
Limited Offering	1	1	2	2	2
Limited Offeree	11	11	22	22	22
Regulation D, Rule 506	15	15	30	30	30
Registered Offerings	3	3	6	6	6
<b>Total ND Offerings</b>	<b>36</b>	<b>36</b>	<b>72</b>	<b>72</b>	<b>72</b>
Actual \$ of ND Offerings:					
Test the Waters	55,010,000	55,010,000	110,020,000	110,020,000	110,020,000
Accredited Investor	8,165,000	8,165,000	16,330,000	16,330,000	16,330,000

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Organizational (no filing required)			-	-	-
Limited Offering	1,699,975	1,699,975	3,399,950	3,399,950	3,399,950
Limited Offeree	10,569,454	10,569,454	21,138,908	21,138,908	21,138,908
Regulation D, Rule 506	47,100,000	47,100,000	94,200,000	9,420,000	9,420,000
Registered Offerings	10,900,000	10,900,000	21,800,000	21,800,000	21,800,000
Total \$ of ND Offerings	133,444,429	133,444,429	266,888,858	266,888,858	266,888,858
<b>REGISTRATIONS</b>					
Securities Registrations:					
# Definite Registrations	1,529	1,529	3,058	3,058	3,058
\$ Definite Registrations	23,050,016,300	23,050,016,300	46,100,032,600	46,100,032,600	46,100,032,600
# Indefinite Registrations	1,664	1,664	3,328	3,328	3,328
Franchise	896	896	1,792	1,792	1,792
Broker-Dealer	1,168	1,168	2,336	2,336	2,336
Sales Agent	72,230	72,230	144,460	144,460	144,460
Investment Advisor	680	680	1,360	1,350	1,350
Investment Advisor Representative	1,960	1,960	3,920	3,920	3,920
<b>ENFORCEMENT</b>					
Complaint Investigations Opened	19	19	38	38	38
Involved Registered Persons	9	9	18	18	18
Complaint Investigations Closed	17	17	34	34	34
Other Investigations Opened	23	23	46	46	46
Involved Registered Persons	18	18	36	36	36

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Other Investigations Closed	16	16	32	32	32
For-Cause Firm Exams	1	1	2	2	2
Routine Firm Exams	5	5	10	10	10
Number North Dakota Firm Offices	529	529	1,058	1,058	1,058
\$ Returned to Investors	663,154	663,154	1,326,308	1,326,308	1,326,308
<b>EDUCATION</b>					
General Public	24039	24039	48,078	48,078	48,078
Student Programs	11492	11492	22,984	22,984	22,984
Teacher Programs	1012	1012	2,024	2,024	2,024
<b>GENERAL FUND REVENUE</b>					
Franchises	97,000	97,000	194,000	194,000	194,000
Securities	3,545,415	3,545,415	7,090,831	7,090,831	7,090,831
Dealers/Investment Firms	324,300	324,300	648,600	648,600	648,600
Agents/Representatives	5,346,950	5,346,950	10,693,900	10,693,900	10,693,900
Fines-Forfeitures-Escheat	12,497	12,497	24,994	24,994	24,994
Preneed Funeral	615	615	1,230	1,230	1,230
Misc. Sales & Services	2,310	2,310	4,620	4,620	4,620
Total	9,232,087	9,329,087	18,658,174	18,658,175	18,658,175
<b>SPECIAL FUND REVENUE</b>					
Fines-Forfeitures-Escheat	6,986	6,986	13,972	13,972	13,972
Total	6,986	6,986	13,972	13,972	13,972
<b>TOTAL REVENUE</b>	<b>9,239,073</b>	<b>9,336,073</b>	<b>18,672,147</b>	<b>18,672,147</b>	<b>18,672,147</b>

**PROGRAM NARRATIVE**

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**Date:** 12/07/2012**Time:** 14:47:52**Program:** Investor Protection**Reporting level:** 00-414-100-00-00-00-00000000**Explanation of Program Costs**

Costs are associated with department's execution of investor protection mandate.

Investor protection begins with registration of investment securities, sales firms and agents, franchise offerings and pre-need funeral plan sales. Fees collected are a revenue source for the State of North Dakota. The agency fosters the formation of capital by legitimate North Dakota businesses.

Investigation of fraud and misrepresentation result in money returned to North Dakota investors through rescission, recovery and restitution. Enforcement actions generate state revenues through statutory civil penalties, and consent orders and agreements. Education programs help investors make wise investment decisions and avoid fraud and abuse.

**Program Goals and Objectives**

The primary mission of the Securities Department is to protect the North Dakota Investor through the administration of the North Dakota Securities Act (10-04). We support this mission through our efforts in four functional areas:

1. Regulation of the Capital Formation Process
2. Registration of Securities Industry Firms and Professionals
3. Examinations, Investigations and Enforcement Actions
4. Investor Education and Financial Literacy Initiatives

**REQUEST DETAIL BY PROGRAM**414 Securities Department  
Biennium: 2013-2015

Bill#: HB1011

Date: 12/07/2012

Time: 14:47:52

Program: Investor Protection		Reporting Level: 00-414-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
<b>Salaries and Wages</b>					
Salaries - Permanent	1,010,131	1,139,983	2,427	1,142,410	96,000
Salaries - Other	0	0	0	0	38,927
Overtime	1,212	571	6,064	6,635	0
Fringe Benefits	325,506	379,424	21,215	400,639	39,782
Salary Increase	0	0	0	0	0
Benefit Increase	0	0	0	0	0
<b>Total</b>	<b>1,336,849</b>	<b>1,519,978</b>	<b>29,706</b>	<b>1,549,684</b>	<b>174,709</b>
<b>Salaries and Wages</b>					
General Fund	1,336,849	1,519,978	29,706	1,549,684	174,709
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>1,336,849</b>	<b>1,519,978</b>	<b>29,706</b>	<b>1,549,684</b>	<b>174,709</b>
<b>Operating Expenses</b>					
Travel	88,602	105,557	(45,957)	59,600	7,500
Supplies - IT Software	6,586	9,477	78	9,555	4,750
Supply/Material-Professional	174,234	121,971	(46,739)	75,232	(3,168)
Food and Clothing	0	164	0	164	0
Bldg, Ground, Maintenance	110	719	(113)	606	0
Miscellaneous Supplies	0	2,000	(151)	1,849	0
Office Supplies	14,359	14,789	(2,454)	12,335	(1,000)
Postage	6,225	7,998	(48)	7,950	0
Printing	16,625	19,084	(1,955)	17,129	0
IT Equip Under \$5,000	14,835	8,125	(4,635)	3,490	20,600
Other Equip Under \$5,000	162	6,238	(1,875)	4,363	0
Office Equip & Furn Supplies	33,056	13,476	(7,645)	5,831	3,000
Insurance	2,942	1,853	(580)	1,273	0
Rentals/Leases-Equip & Other	7,964	12,225	(3,625)	8,600	0
Rentals/Leases - Bldg/Land	10,605	15,550	(990)	14,560	0
Repairs	44,243	2,000	0	2,000	0
IT - Data Processing	29,108	46,991	(5,660)	41,331	1,200
IT - Communications	21,735	26,766	(6,445)	20,321	3,000
IT Contractual Svcs and Rprs	4,825	9,500	(2,300)	7,200	1,300
Professional Development	52,155	55,835	(20,400)	35,435	3,000
Operating Fees and Services	37,184	28,624	24,500	53,124	0
Fees - Professional Services	31,382	197,499	(20,205)	177,294	(50,000)
<b>Total</b>	<b>596,937</b>	<b>706,441</b>	<b>(147,199)</b>	<b>559,242</b>	<b>(9,818)</b>

**REQUEST DETAIL BY PROGRAM**414 Securities Department  
Biennium: 2013-2015

Bill#: HB1011

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Program: Investor Protection		Reporting Level: 00-414-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
<b>Operating Expenses</b>					
General Fund	300,351	389,242	0	389,242	(9,818)
Federal Funds	0	0	0	0	0
Special Funds	296,586	317,199	(147,199)	170,000	0
<b>Total</b>	<b>596,937</b>	<b>706,441</b>	<b>(147,199)</b>	<b>559,242</b>	<b>(9,818)</b>
<b>Total Expenditures</b>	<b>1,933,786</b>	<b>2,226,419</b>	<b>(117,493)</b>	<b>2,108,926</b>	<b>164,891</b>
<b>Funding Sources</b>					
<b>General Fund</b>					
<b>Total</b>	<b>1,637,200</b>	<b>1,909,220</b>	<b>29,706</b>	<b>1,938,926</b>	<b>164,891</b>
<b>Special Funds</b>					
244 Investor Education & Technology	279,600	317,199	(147,199)	170,000	0
262 Investor Restitution Fund 262	16,986	0	0	0	0
<b>Total</b>	<b>296,586</b>	<b>317,199</b>	<b>(147,199)</b>	<b>170,000</b>	<b>0</b>
<b>Total Funding Sources</b>	<b>1,933,786</b>	<b>2,226,419</b>	<b>(117,493)</b>	<b>2,108,926</b>	<b>164,891</b>
<b>FTE Employees</b>	<b>9.00</b>	<b>9.00</b>	<b>0.00</b>	<b>9.00</b>	<b>1.00</b>

**CHANGE PACKAGE DETAIL**414 Securities Department  
Biennium: 2013-2015

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
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**Base Budget Changes****Ongoing Budget Changes**

A-A 2 Decrease special fund appropriation		0.00	0	0	(147,199)	(147,199)
Base Payroll Change		0.00	29,706	0	0	29,706
<b>Total Ongoing Budget Changes</b>		<b>0.00</b>	<b>29,706</b>	<b>0</b>	<b>(147,199)</b>	<b>(117,493)</b>
<b>Total Base Budget Changes</b>		<b>0.00</b>	<b>29,706</b>	<b>0</b>	<b>(147,199)</b>	<b>(117,493)</b>

**Optional Budget Changes****One Time Optional Changes**

A-D 3 IT - Upgrade/replace	3	0.00	25,850	0	0	25,850
A-D 4 Retirement salaries and wages	4	0.00	38,927	0	0	38,927
<b>Total One Time Optional Changes</b>		<b>0.00</b>	<b>64,777</b>	<b>0</b>	<b>0</b>	<b>64,777</b>

**Ongoing Optional Changes**

A-C 5 1 FTE - Investigator	2	1.00	158,282	0	0	158,282
<b>Total Ongoing Optional Changes</b>		<b>1.00</b>	<b>158,282</b>	<b>0</b>	<b>0</b>	<b>158,282</b>
<b>Total Optional Budget Changes</b>		<b>1.00</b>	<b>223,059</b>	<b>0</b>	<b>0</b>	<b>223,059</b>

**Optional Savings Changes**

A-G 1 Governor's request	1	0.00	(58,168)	0	0	(58,168)
<b>Total Optional Savings Changes</b>		<b>0.00</b>	<b>(58,168)</b>	<b>0</b>	<b>0</b>	<b>(58,168)</b>