

Regulating Securities  
Fighting Fraud

NASAA

Championing Reform  
Protecting Investors  
Policing Markets  
Raising Awareness

2009 - 2010

NASAA Report

North American Securities Administrators Association



*State securities regulations are governed under "**blue sky**" law. Kansas adopted the first modern state blue sky law in 1911. The term refers to speculative schemes that, in the words of a judge of the period, had no more substance than so many feet of "blue sky."*

## About NASAA

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State and provincial securities regulators have been protecting investors from fraud and abusive sales practices since the passage of the first "blue sky" law in Kansas in 1911 and in Canada in 1912. In the United States, state securities regulation preceded federal securities laws, including the creation of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), formerly the NASD.

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association with a membership consisting of securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and Mexico.

As the preeminent organization of securities regulators, NASAA is committed to protecting investors from fraud and abuse, educating investors, supporting capital formation, and helping ensure the integrity and efficiency of financial markets.

NASAA represents and serves its members through advocacy, education, subject-matter expertise, communication and coordination. NASAA values investor protection, education, respect for diverse views, building consensus, being proactive, and active participation by all members of the organization. NASAA has a long history of advocating for federal and state legislation, rule making and coordinated enforcement actions that advance the goal of protecting investors.

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# Leadership Letter

As career public servants, NASAA members believe that regulation is the proper province of government. NASAA members are all true believers in the demonstrated power of state and provincial securities regulators to protect our citizens from fraud and abuse. It is this unshakeable belief in the importance of our mission that drives our success.

The one positive outcome of the worldwide economic collapse is a renewed commitment to strong, effective financial regulation. Years of deregulation at the federal level have left a legacy of failure to properly scrutinize the financial industry, a regulatory lapse personified by the now infamous Bernie Madoff. Virtually all developed countries are reforming their systems of financial regulation that permitted unbridled risk-taking and large-scale financial fraud.

While the economic crisis was the result of many failures, NASAA is very proud to say that a failure of state securities regulation was not one of them. Through the years, states have been the undisputed leaders in criminal prosecutions of securities violators because we believe in serious jail time for securities-related crimes. We have successfully exposed and addressed the

profound conflicts of interest among Wall Street stock analysts by requiring changed behavior. We led all regulators on late trading and market timing in mutual funds. We address on a daily basis abusive sales practices targeting vulnerable senior investors.

We continue to lead the effort to ensure that investors receive redemptions for their frozen auction rate securities that were marketed as safe and liquid investments, an effort that already has resulted in the largest return of funds to investors in history. In the last few years, it has been state and provincial securities regulators who have been at the forefront of investor protection. Our record demonstrates clearly that we have the will and ability to regulate.

State securities regulators are committed to influencing the direction of financial regulatory reform so that it works for, not against, investors. In the coming months, we will focus on several areas of investment adviser regulation that cry out for change.

NASAA has long called upon Congress to extend the fiduciary duty standard to all financial professionals who give investment advice regarding securities. Currently, investment advisers

have this duty but broker-dealers do not. What is fiduciary duty? It is simply the duty to put the client's interest first. Differing standards of care create confusion and distrust and do not serve the best interests of investors.

State securities regulators also urge Congress to increase the number of investment advisory firms under our jurisdiction. States have an efficient and effective system in place for the regulation of investment advisers, and we are developing systems to better deploy our resources should we take on greater regulatory responsibilities.

Another area of concern is mandatory, industry-run arbitration for investors. Investors should have the right to choose litigation or independent arbitration as the forum for resolving disputes with their financial services firms.

As the debate over regulatory reform gathers steam in Congress, so too have efforts by powerful interests in the financial services industry to delay, derail and distort the regulatory changes to the status quo that are necessary to strengthen investor protection. But business as usual doesn't work anymore. Nor does regulation as usual.

Along with securing meaningful regulatory reform, state securities regulators are dedicated to investor education. We strongly believe that investors need access to free, unbiased financial information to make informed decisions for the good of their personal financial security and the greater economy.

The NASAA leadership is looking forward to furthering our association's efforts to make 2010 a seminal year for investor protection.



David Massey  
North Carolina Deputy Securities Commissioner  
NASAA President  
2010-2011



Denise Voigt Crawford  
Texas Securities Commissioner  
NASAA President  
2009-2010



Fred Joseph  
Colorado Securities Commissioner  
NASAA President  
2008-2009

# A Strong Decade for NASAA Members

## 2000

**For nearly a century, state securities regulators have tirelessly pursued those who commit securities fraud, from the con artist operating a local Ponzi scheme to the Wall Street brokerage engaged in dishonest practices at the national level.**

**2000** State securities regulators and SEC join forces in nationwide sweep to fight the fraudulent sale of promissory notes to investors.

**2001** States launch national crackdown on fraudulent pay telephone schemes.

**2002** States investigate conflicts of interest between investment advisers and major Wall Street firms.

**2003** States uncover widespread illegal trading schemes in the mutual fund industry.

**2003** States launch initiative to protect seniors from investment fraud.

**2004** NASAA focuses national attention on securities arbitration and mutual fund 12b-1 fees.

NASAA members are proud of the long history of strong, effective state and provincial securities regulation. The role of state securities regulators has become increasingly important as growing numbers of Main Street investors rely on Wall Street to build financial security.

In the last ten years alone, state and provincial securities regulators have proven time and again their will and ability to regulate in the best interests of investors.

NASAA members remain dedicated to the mission of investor protection and will continue to serve as the first responders to cases of fraud and abuse in the securities marketplace.

For a look at some of the highlights in the past decade of state securities regulation, follow the timeline to pages 8 and 9.



## \$61 Billion Returned to Auction Rate Investors

Since the collapse of the auction rate securities market in February 2008, the collaborative efforts of state securities regulators have resulted in the largest repayment to investors in the history of capital markets. NASAA's Auction Rate Task Force has reached settlements with 13 Wall Street firms to buy back more than \$61 billion in frozen auction rate securities from investors who had been told these investments were as safe and liquid as cash. Suits have been filed against three additional firms.

NASAA President Denise Voigt Crawford attributed the success of the auction rate securities settlements to state securities regulators' accessibility and accountability to investors. "State securities regulators began receiving complaints from local investors in early 2008, and we were quick, innovative and aggressive in our response," she said.

Many auction rate investors were middle-class, Main Street Americans. Issuers and underwriters lowered the minimum investment to \$25,000 in the 1990s, opening up the market to individuals, charities and small businesses.

## By the Numbers

*Enforcement Statistics Show NASAA Members Lead the Fight Against Investment Fraud*



**2004** NASAA directs national spotlight on possible market manipulation through naked short selling activity.

**2005** States expose widespread fraud against seniors through misleading use of senior designations.

**2006** NASAA raises concerns about the increasing role of hedge funds in portfolios of pensions and individual investors.

## Increasing State Regulatory Authority

Monitoring the activities of investment advisers is a key investor protection responsibility shared by state and federal securities regulators. The Securities and Exchange Commission's Inspector General's report on the Madoff scandal and the testimony of SEC Chairman Mary Schapiro and other SEC staff before Congress clearly show that the bulk of federally registered investment advisers are examined with insufficient frequency.

"When examinations are conducted, the SEC has demonstrated a lack of understanding as to the business of these registrants," NASAA President and Texas Securities Commissioner Denise Voigt Crawford said in Oct. 6, 2009, testimony before the House Financial Services Committee. "An 'oversight gap' exists," Crawford warned.

State securities regulators are prepared and equipped to fill this gap by accepting responsibility for the oversight of investment advisers who have \$100 million or less in assets under management. Currently, investment advisers with assets under \$25 million register with states, while larger firms must register with the SEC.

Raising the threshold of state authority would

reduce the burden on federal regulators, allowing them to concentrate their efforts on the largest advisory firms.

While government never has enough resources to do everything, it's clear that states have done a much better job at deploying their limited resources. State securities regulators have developed specialized technology used in investment adviser exams that allow states to run reports and help detect problems earlier.

Although states already regularly work together on an informal basis to better leverage resources, NASAA has developed a formal memorandum of understanding in which NASAA members agree to assist their sister states with examination staff, expertise and resources if necessary to continue to



*NASAA President and Texas Securities Commissioner Denise Voigt Crawford testifies at a hearing of the House Financial Services Committee on Oct. 6, 2009.*

**2006** NASAA is joined by SEC in joint national initiative designed to protect seniors from investment fraud and sales of unsuitable securities.

**2007** NASAA successfully challenges studies that "over-regulation" has harmed competitiveness of U.S. capital markets.

**2008** NASAA members approve Model Rule on use of senior certifications and professional designations.



effectively regulate investment adviser firms under the \$100 million AUM threshold.

Entrusting the states with increased responsibility for investment adviser exams will lead to

demonstrable improvements in the frequency, thoroughness and efficiency of these exams. States have proven to have both the will and the ability to take action to ensure that investors are protected.

## *Uncovering the Causes of the Crisis*

NASAA President and Texas Securities Commissioner Denise Voigt Crawford went before the Financial Crisis Inquiry Commission on Jan. 14, 2010, to testify that actions by Congress and the courts to preempt the regulatory authority of state securities regulators contributed to the ongoing financial crisis.

“As the regulators closest to investors, state securities regulators provide an indispensable layer of protection for Main Street investors,” Crawford told the bipartisan panel charged with identifying the causes of the crisis. “Our presence did not contribute to the crisis; rather, the fact that our regulatory and enforcement roles had been eroded was a significant factor in the severity of the financial meltdown.”

Crawford urged the commission to consider how



*NASAA President Denise Voigt Crawford testifies before the Financial Crisis Inquiry Commission on Jan. 14, 2010.*

the aggressive investor protection role of state securities regulators may be expanded through the restoration of regulatory authority that was preempted by the National Securities Markets Improvement Act of 1996 (NSMIA).

“Deregulation is no longer the presumptive policy prescription; indeed today, the sense is that

the current crisis was deepened by excessive deregulation,” Crawford said. “Similarly, the naiveté behind the view that markets are always self-correcting now seems apparent. But clearly, reliance by the investing public on federal securities regulators, self-regulatory organizations (SROs) and ‘gatekeepers’ in the years preceding the crisis (and in its very midst) to detect and prevent even the most egregious of frauds and deceit was equally naïve.”

**2008** States launch investigations into the frozen auction rate securities market, returning more than \$61 billion to investors.

**2009** NASAA applauds President Obama’s directive affirming the value of state regulatory authority and urges Congress to resist pressure to weaken investor protections in reform proposals.

# 2010

# The Highest Standard of Care

*State securities regulators believe that when Main Street investors seek the advice of financial professionals to help them manage their investments, they should be able to trust that those professionals are held to the highest possible standard of care.*

## **Fiduciary Duty**

NASAA has long advocated that all investment professionals who offer investment advice should be subject to the fiduciary duty standard that currently applies to investment advisers under the Investment Advisers Act of 1940. This fiduciary duty is the highest standard of care under the law. It simply requires investment advisers to put the interests of their clients first when recommending investments.

Currently, customers of brokers and investment advisers are treated differently, which can be a source of dangerous confusion for investors.

While investment advisers must meet the strict fiduciary standard, broker-dealers who offer investment advice must only ensure that their suggestions are “suitable,” not necessarily best, for their clients.

Investment advisers are also required by law to provide up-front disclosures about their qualifications and services and how they are compensated for those services, any possible conflicts of interest and whether they have a record of disciplinary actions against them.

Broker-dealers, on the other hand, are held to a

lesser standard that calls for them only to know their clients’ financial situation well enough to recommend investments that are suitable to their needs. Brokers are not subject to the same up-front disclosures as investment advisers.

NASAA believes Congress should ensure that brokers and others who offer investment advice meet the same high standards as other investment advisers. For too long, a regulatory gap has exposed investors to unscrupulous and harmful sales practices by salesmen posing as advisers.

**Fiduciaries put the interests of their clients first when offering investment advice.**

Brokers have been free to market themselves as trusted advisers and offer extensive advisory services without having to live up to the investment adviser fiduciary duty standard appropriate to that role. As a result, many investors do not know the difference between the responsibilities of an investment adviser and a broker. Congress should address this problem by eliminating the legislative loophole that has allowed that dual standard to persist.

The securities industry has pushed for defining a watered down “federal fiduciary standard” that would weaken investor protection. Others have called for further study of the issue, an unwarranted and dangerous delay for investors. Investors, especially seniors, do not need a study. They need help now.

## Reversing Regulatory Preemption

States have campaigned vigorously to reverse the trend of state preemption by the federal government. In May 2009, the Obama administration issued a directive setting legal limits on regulatory preemption. NASAA commended the president for affirming the vital role that state regulators play in protecting American investors.

“We sincerely appreciate your recognition that states have frequently been more aggressive than the national government in protecting the public’s interest,” Colorado Securities Commissioner Fred Joseph, then NASAA’s president, wrote in a letter to President Obama. “You have sent a strong signal that our nation’s citizens are served best when the state-federal partnership works harmoniously and with

mutual respect.”

NASAA members enjoy a unique proximity to investors and to the industry participants within their state borders. As a result, state securities regulators are often the first to investigate and uncover our nation’s latest and most damaging frauds.

Over a number of years, Congress and previous administrations have repeatedly sought to preempt state regulation. For example, in 1996, Congress passed the National Securities Markets Improvement Act (NSMIA), which dramatically curtailed the authority of state securities regulators to oversee many aspects of the securities markets, including private offerings under Regulation D Rule 506.

### *Restoring State Oversight of Reg D Rule 506 Offerings*

In a wave of misguided state preemption in the late 1990s, Congress prohibited states from subjecting Regulation D Rule 506 private offerings to regulatory review. These offerings also are federally exempted, so they receive virtually no regulatory pre-screening - even where the promoters or brokers have a criminal or disciplinary history. As a result, Rule 506 offerings have become a favorite vehicle for fraud.

In essence, the private offering provisions of Rule 506 are being used by unscrupulous promoters to evade review and fly under the radar of justice.

Although Congress preserved the states’ authority

to take enforcement actions for fraud in the offer and sale of all covered securities, including Rule 506 offerings, this power is no substitute for a state’s ability to scrutinize offerings for signs of potential abuse and to ensure that disclosure is adequate *before* harm is done to investors.

In the years since NSMIA’s enactment, investors have been exposed to far more risk in private placement offerings than Congress likely intended. These investors need protection, which is why state securities regulators urge Congress to return to the states the full authority to review private placement offerings made under SEC Rule 506 of Regulation D.

## Investor Rights

### *Wronged investors deserve access to civil courts*

*The massive Bernie Madoff Ponzi scheme unveiled just how damaging for investors the misconduct of investment advisers and related professionals can be. Removing excessive restrictions on access to the courts would not only provide more fair and just compensation for victims of fraud, it also would restore a powerful deterrent against fraud and abuse: the threat of civil liability.*

#### **Mandatory Pre-Dispute Arbitration**

NASAA has taken a strong stance against mandatory pre-dispute arbitration clauses in brokerage contracts. The process is inherently unfair to investors, NASAA told Congress in a Sept. 15, 2009, written statement to the House Commercial and Administrative Law Subcommittee in support of the “Arbitration Fairness Act of 2009.”

Investors currently are forced to resolve their disputes with their brokers in an industry-run forum with at least one industry member hearing the case.

In addition to the advantage of a friendly forum, brokerage firms also have significantly more resources to fight investor claims and much more experience navigating the arbitration process.

NASAA has urged Congress to allow investors the option of litigating in a civil court or an independent arbitration forum. A meaningful choice of venue to air investors’ claims would go a long way toward

bringing balance to the process and helping victims of misconduct in their attempts to recover their losses.

#### **Aiding and Abetting**

NASAA has also been vocal in support of restoring investors’ right to bring private actions against aiders and abettors of corporate deception and fraud.

In testimony on behalf of NASAA before the Senate Judiciary Committee’s Subcommittee on Crime and Drugs, Illinois Securities Department Director Tanya Solov said: “Our laws must send the message to corporate management, as well as their lawyers,

**Our laws must send the message to corporate management, as well as their lawyers, accountants, investment bankers and so-called ‘secondary actors,’ that they will be held accountable for aiding and abetting in deception and fraud.**

accountants, investment bankers and so-called ‘secondary actors,’ that they will be held accountable for aiding and abetting in deception and fraud.”

The Senate financial services regulatory reform draft is a positive step toward restoring the ability of defrauded investors to seek damages from all of the entities that substantially participated in the fraud.

# Planning for a Secure Retirement

## NASAA Launches Workplace Investor Education Initiatives

*Today's workers face the enormous challenge of preparing for their own financial security in retirement. NASAA has developed two initiatives to provide working adults with accurate, unbiased financial information.*

### Pre-Retiree Outreach

State securities regulators have created a new educational toolkit, "Planning Your Retirement With Confidence," to bring investor education to the workplace.

The initiative was developed primarily to help prepare pre-retirees for the financial challenges they will face in retirement. NASAA recognized and responded to a growing concern that increasing numbers of workers are preparing to retire.

"With the decline in defined benefit pension plans, the responsibility for financial security in retirement

rests largely on the shoulders of today's workers," said NASAA President and Texas Securities Commissioner Denise Voigt Crawford.

"State and provincial securities regulators want to make sure that these workers are provided with accurate and unbiased financial information."

The toolkit was prepared by the NASAA Investor Education Section's Pre-Retiree Outreach Project

Group to provide investor education coordinators within the NASAA membership with the tools necessary to conduct workplace presentations covering all phases of pre-retirement and retirement.

The "Planning Your Retirement With Confidence" toolkit was created to complement the information contained in the NASAA Sandwich Generation investor education initiative, which was released last year.

### United Against Investment Fraud

The United Against Investment Fraud (UAIF) outreach program was developed for NASAA members to present investor education materials to members of unions and other types of professional or trade associations.

Originally created by state securities regulators in Hawaii to reach out locally to working families, the

program was revised by NASAA's Affinity and Military Outreach Project Group for use in any jurisdiction.

The program offers important and unbiased investor education to working families to help them protect their investments, an important goal for many who are struggling to recoup losses to their retirement savings in the wake of the severe economic downturn.

**The responsibility for financial security in retirement rests largely on the shoulders of today's workers.**

## Protecting Senior Investors

### *States build partnerships to fight elder exploitation*

*Every investor deserves protection, none more so than the growing numbers of seniors who are depending on every dollar of their savings for a financially secure retirement. Because of their age and accumulated wealth, seniors are an attractive target for swindlers. State securities regulators devote significant time and effort to educating senior investors and their caregivers about the red flags of senior investment fraud.*

#### **Free Lunch Monitor**

NASAA has teamed up with the AARP to warn seniors about the dangers of free lunch seminars. Nearly 6 million Americans age 55 and older have attended a free lunch or dinner in the past three years. These seminars are advertised as an opportunity for seniors to learn about investing in retirement over a free meal. Instead of free, unbiased advice, attendees

 of these seminars are often pressured into purchasing fraudulent or unsuitable financial products.

To raise public awareness about the possible dangers of free lunch seminars, AARP and NASAA launched the Free Lunch Monitor Checklist program in October 2008. Senior volunteers armed with the

checklist attend free lunch seminars and report their findings to their local state securities regulator.

In the first year of the Free Lunch Monitor program, NASAA and AARP learned that attendees were consistently promised that products were “low risk” or that they would yield “high rates of return.”

“‘Low risk, high reward’ is a red flag warning for possible investment fraud,” said NASAA President and Texas Securities Commissioner Denise Voigt Crawford. “Defrauding our senior population is unconscionable and protecting senior investors is a top priority of state securities regulators. I encourage all seniors to investigate before they invest in any offer served at a free lunch seminar. State securities regulators offer extensive employment, disciplinary and registration information about those who sell securities or offer investment advice.”

#### **Baylor Project**

For many seniors, their doctors, nurses and other medical caregivers are among their most trusted sources of information. State securities regulators are expanding nationwide a Texas pilot program to educate these medical professionals on how to identify and assist individuals at risk of elder investment fraud due to cognitive impairment.

With funding from an Investor Protection Trust grant, state securities regulators and the Baylor



College of Medicine developed a guide for clinicians outlining the red flags of elder financial abuse, how to discuss finances with seniors and where to turn if they suspect a senior patient is being financially exploited.

The success of the Texas Baylor Project has encouraged NASAA to launch a program that NASAA members can implement in their jurisdictions across North America.

## Congressional Efforts

State securities regulators commended Congress for spotlighting the growing threat of elder financial abuse and taking steps to protect America's seniors.

Sen. Herbert Kohl (D-WI), chairman of the U.S. Senate Special Committee on Aging, and Senators Robert Casey (D-PA) and Kirsten Gillibrand (D-NY), with Representatives Paul Hodes (D-NH) and Gwen Moore (D-WI), introduced two bills aimed at protecting seniors from investment fraud.

One bill, the Senior Investment Protection Act, targets the misleading use of senior and retiree designations, a problem first identified by state securities regulators and the subject of a NASAA model rule adopted by 19 jurisdictions. The bill would provide grants to states to fund additional resources, education materials and staff dedicated to cracking down on meaningless titles used by unscrupulous investment professionals to mislead investors about their expertise in senior financial issues.

The second bill would allow securities regulators and other law enforcement authorities to charge

enhanced penalties against those who commit securities fraud against the elderly.

"NASAA believes the predators who intentionally seek to deprive retirees of the savings they have worked their lifetime to accumulate should be subject to enhanced penalties," Colorado Securities Commissioner Fred Joseph, then NASAA's president, said in a statement. "These two bills will assist state securities regulators in their mission to protect every investor, especially seniors who are most vulnerable to fraud and abuse."



*Colorado Securities Commissioner and NASAA Past-President Fred Joseph emphasizes the importance of protecting senior investors.*

## World Elder Abuse Awareness

NASAA is continuing efforts to identify more partners in the fight to end elder financial abuse. In June, NASAA joined forces with NAPSA, the National Adult Protective Services Association, to tackle the issue. "State securities regulators and adult protective services workers are natural partners because we operate at the local level in service to our elderly citizens and are often the first responders to abuse or financial fraud," NASAA President Denise Voigt Crawford said. The partnership was announced in recognition of World Elder Abuse Awareness Day, which is dedicated to raising international awareness of elder abuse and financial exploitation and reinforcing a commitment to protect the elderly.

## Activities & Accomplishments

**The primary mission of NASAA is to represent and serve its members through advocacy, education, subject matter expertise, communication and coordination as they protect investors from fraud and abuse. For NASAA and its members, 2009 saw advances on several fronts in our continued efforts to better serve and protect investors.**

### Government Affairs

The Obama Administration unveiled its financial regulatory reform plan in June 2009, launching a flurry of executive branch and legislative branch activity. The frenetic pace of the reform effort continued throughout the fall and into 2010, as Congress worked to resolve the many highly controversial issues presented by the plan. NASAA and its members have developed strong relationships with lawmakers on both sides of the aisle because of our mutual goal of putting the interests of investors first. Investment fraud knows no party labels and NASAA welcomes the opportunity to work with all members of Congress and the Obama Administration to find common ground in our efforts to advance investor protection.

Working through its membership, the Federal Legislation Committee and the Corporate Office staff, NASAA actively promotes the interests of state and provincial securities regulators before legislatures. NASAA provides a uniform voice to call for maintaining the essential authority of state and provincial securities regulators to keep capital markets safe for all investors.



*NASAA President and Texas Securities Commissioner Denise Voigt Crawford testifies on increasing state regulatory authority over investment advisers at a hearing of the House Financial Services Committee on Oct. 6, 2009.*

### TESTIMONY

#### **U.S. House Financial Services Committee: Capital Markets Regulatory Reform October 6, 2009**

NASAA President and Texas Securities Commissioner Denise Voigt Crawford outlined the key elements of meaningful financial services regulatory reform, focusing on three proposals in the Investor Protection Act that are of utmost importance to individual investors: the establishment

of a fiduciary duty for broker-dealers who provide investment advice, restricting mandatory pre-dispute arbitration and removing some of the hurdles facing private plaintiffs who seek damages for securities fraud.

**U.S. Senate Committee on the Judiciary, Crime and Drugs Subcommittee:**  
***Evaluating S. 1551: The Liability for Aiding and Abetting Securities Violations Act of 2009***  
 September 17, 2009

Tanya Solov, Director of the Illinois Securities Department, testified on behalf of NASAA in support of a bill to restore investors' right to bring private actions against aiders and abettors of corporate deception and fraud. "The integrity of the U.S. markets depends on accurate information and our laws must send the message to corporate management, as well as their lawyers, accountants, investment bankers and other so-called 'secondary actors,' that they will be held accountable for aiding and abetting in deception and fraud," Solov said.

**U.S. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management:**  
***The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions***  
 April 29, 2009

In written testimony, NASAA expressed its support for the federal Financial Literacy and Education Commission (FLEC), noting that there has been slow but deliberate progress in integrating the commission's national strategy for financial literacy. NASAA urged greater coordination between federal, state and local government and private organizations to enhance financial literacy. Greater coordination, NASAA wrote, "should not be considered just a step in the national strategy, but viewed as a crucial and integral part of the Commission's mandate. The existing grassroots network available to the Commission provides the entire picture of financial



*Colorado Securities Commissioner and then-NASAA President Fred Joseph urges Congress to expand state securities regulators' authority over investment advisers at a hearing of the Senate Banking Committee on March 26, 2009.*

literacy efforts that we believe Congress intended when creating the FLEC."

**U.S. Senate Special Committee on Aging:**  
***Betting on Death in the Life Settlement Market – What's at Stake for Seniors?***  
 April 29, 2009

NASAA's then-President Fred Joseph told a congressional panel that state securities regulators continue to see problems of fraud and abuse in the growing life settlement industry and outlined the need for strong regulation of these financial products by appropriate regulatory authorities. "Although life settlements may serve a useful purpose by enhancing the value and liquidity of life insurance policies, they also pose significant risks to policyholders and to investors," Joseph testified. "Thousands of investors, many of them senior citizens, have been victimized through fraud and abuse in the sale of viaticals and life settlements. Notwithstanding substantial successes by securities regulators in their enforcement actions, and higher standards among some industry participants, abuses continue and diligent oversight of these products remains necessary."

**U.S. Senate Committee on Banking, Housing and Urban Affairs:**  
***Enhancing Investor Protection and the Regulation of Securities Markets***  
 March 26, 2009

With the nation's financial services regulatory structure under heavy scrutiny, NASAA offered

Congress a series of constructive reform proposals that advance the interests of Main Street investors through enhanced state securities regulation. “Our proximity to individual investors puts us in the best position, among all law enforcement officials, to deal aggressively with securities law violations,” NASAA’s then-President Fred Joseph testified. “In light of the demonstrable value of state securities regulation, we urge Congress to reject any attempts to preempt or otherwise restrict the role of state securities regulators.”

Joseph recommended entrusting the states with an even broader authority over investment advisers and called upon Congress to encourage the SEC to expand the class of investment advisers that are subject to state securities regulation and increase the states’ enforcement authority over large investment advisers. He also urged Congress to apply the fiduciary duty to all financial professionals who give investment advice – broker-dealers and investment advisers alike.

## U.S. House Committee on Financial Services:



Former Delaware Securities Commissioner Jim Ropp, then chair of NASAA’s Enforcement Section, advocates for strong enforcement of state securities laws at a panel discussion.

### **Federal and State Enforcement of Financial Consumer and Investor Protection Laws**

March 20, 2009

Drawing from their experience on the front lines of investor protection, then Delaware Securities Commissioner James Ropp and Massachusetts Secretary of the Commonwealth William Galvin offered the House Financial Services Committee concrete proposals to enhance the

states’ ability to pursue and prosecute perpetrators of financial crimes. Ropp, who served as the chair of NASAA’s Enforcement Section, urged Congress to support the valuable contributions of state securities regulators through federal grants. Ropp also suggested deputizing state securities attorneys to serve as special prosecutors for complex securities cases. Secretary Galvin, the top securities official in Massachusetts, urged the committee to “give the states the tools we need to maintain and enhance our ability to regulate effectively and protect investors.” Galvin also asked Congress to require that brokerages be in a fiduciary relationship to their individual retail customers.

## Legal & Regulatory Affairs

NASAA serves an important role in providing legal counsel to the membership, commenting on regulatory rule proposals, representing the membership’s position as amicus curiae in significant cases brought by private plaintiffs, as well as government regulators involving the interpretation of the securities laws and the rights of investors.

### COMMENT

#### **Expanding the Scope of FINRA’s Public Disclosure System, BrokerCheck** September 8, 2009

In a comment letter to the SEC, NASAA said FINRA should take further steps to expand the information available to the public through BrokerCheck. NASAA also encouraged FINRA to proactively direct investors to their state regulators when making inquiries about financial services professionals given the restrictions on the information provided through BrokerCheck. “NASAA contends that on whole, the type and amount of information available through BrokerCheck is in fact tilted in favor of associated persons, both current and former, of FINRA’s members. While NASAA commends FINRA



for its plan to expand BrokerCheck, we cannot help but object to the narrowness of this proposal. Now is the time for FINRA to propose a rule that offers complete disclosure of important information to the public. Continuing to conceal such information will not bolster investor confidence in our markets or in the professionals who provide important financial services.”

## Arbitration

August 21, 2009

In a comment letter to the SEC, NASAA noted its support for the Public Investors Arbitration Bar

**NASAA has a long record of advocating for the fair treatment of investors as they seek to resolve disputes with financial services intermediaries.**

Association’s rule-making petition to eliminate the industry arbitrator requirement in securities arbitration proceedings. “NASAA has a long record of advocating for the fair treatment of investors as they seek to resolve disputes with financial services intermediaries,” NASAA wrote. “Our commitment to this goal has led us to support efforts to improve the current dispute resolution process as well as efforts to give investors a meaningful choice when it comes to picking a dispute resolution forum.” NASAA said the PIABA proposal “is but one step, albeit an important one, to improve a process that is sorely in need of reform.”

## FINRA Rule Consolidation

August 14, 2009

In a comment letter to the Financial Industry Regulatory Authority, NASAA encouraged the self-regulatory organization to strengthen the standards for suitability during its rulebook consolidation.

“NASAA strongly encourages FINRA not to diminish any investor protections or specificity requirements that currently exist in today’s suitability rules through the process of rulebook consolidation,” NASAA wrote.

## SEC Custody Rule

August 14, 2009

NASAA commended the SEC for proposing to change its rule for custody of funds or securities of clients by investment advisers, noting that the amendments represent important steps toward clarifying custody requirements and strengthening investor protections. “Some of these issues have been considered or addressed by state securities regulators and we welcome the opportunity to share our reasoning and experience with the Commission. Conversely, some of the proposed rule amendments, while only applying to SEC-registered advisers, can serve as important guides to state officials in their efforts to promote strong and uniform regulation,” NASAA wrote.

## LEGAL BRIEFS

- *U.S. Supreme Court in Jones v. Harris Associates, June 18, 2009*: NASAA filed an amicus brief in the U.S. Supreme Court in *Jones v. Harris Associates*, supporting the right of mutual fund shareholders to pursue claims against the fund’s investment adviser for charging excessive fees in breach of the fiduciary duty under Section 36(b) of the Investment Company Act.
- *American Equity v. SEC, April 10, 2009*: NASAA filed an amicus brief jointly with AARP and MetLife on April 10, 2009, in the D.C. Circuit, arguing that the SEC’s new rule regulating equity-indexed annuities under federal securities law should be upheld on legal and policy grounds.
- *Tennessee v. Casper, March 19, 2009*: NASAA’s amicus brief filed in the Tennessee Supreme Court argued that a criminal conviction under state law for willful failure to register as a broker or agent does not require a showing of specific intent.

- *New York v. The Clearing House Association, L.L.C.*, March 4, 2009: NASAA's amicus brief filed in the U.S. Supreme Court argued that OCC rules do not preempt the New York Attorney General's authority to investigate discriminatory lending practices by national banks and their operating subsidiaries.

## Communications & Investor Education

NASAA promotes the work of its members through a proactive communications and media relations program focused on print, broadcast and online media. The communications staff also provides support for legislative and grassroots media activities and raises media awareness of the value of state and provincial securities regulation.

NASAA's communications team took advantage of the heightened interest in financial services regulation throughout the year by conducting an aggressive media outreach program to raise awareness of NASAA's positions on financial services regulatory reform through background briefings with key reporters and seeking interview opportunities for NASAA leadership.

The outreach effort kicked off with a news conference at the National Press Club in Washington, D.C., in January 2009 to release NASAA's Pro-Investor Legislative Agenda for the 111th Congress. In February, then-NASAA President Fred Joseph delivered a commentary on regulatory reform on the nationally broadcast *Nightly Business Report* on PBS. In March, President Joseph appeared live on *Fox Business News* and NASAA Enforcement Section Chair Jim Ropp appeared live on *Bloomberg Television*. In May, NASAA launched a YouTube channel to reach an ever-growing audience that seeks its news and information from non-traditional media sources. The channel, [NASAAdotORG](http://www.NASAAdotORG), provides a blend of investor awareness and policy videos, including NASAA congressional testimony. The channel also links to YouTube channels of four NASAA members:



*NASAA President and Texas Securities Commissioner Denise Voigt Crawford appears on Fox Business News to discuss why state securities regulators have the experience and the will to take on more regulatory authority.*

the British Columbia Securities Commission, Washington Department of Financial Institutions, New Brunswick Securities Commission and the Kentucky Office of Financial Institutions. NASAA's YouTube channel is available at the following link: <http://www.youtube.com/user/NASAAdotORG>.

During September, NASAA conducted a series of visits with key financial print and broadcast reporters in Washington and New York to introduce NASAA President Denise Voigt Crawford to the national media. The tour resulted in a prominent article in *USA Today* and television interviews on *Fox Business News* and *Dow Jones Television*. A second round of media interviews followed in December with influential media in New York and Washington. The outreach effort was capped by NASAA's first-ever satellite media tour, which reached a television audience of more than 6.4 million viewers and a radio audience of nearly 11 million listeners, and an invitation from the National Press Club to speak as part of its *Newsmaker* series.

NASAA's Investor Education program continued to raise the profile of both the organization and its members as leaders in investor education. Outreach programs have generated invitations to present, partner and deliver materials to outside organizations.



For example, NASAA presentations to the federal Office of Personnel Management led to increased interest in NASAA's "Sandwich Generation" materials from the Federal Citizen Information Center. And the "United Against Investment Fraud" outreach program helped reinforce strategic partnerships on policy-related issues with AFSCME and the AFL-CIO. NASAA's communications and investor education team also supported the work of the Investor Education Section by helping deliver a campaign on financial elder abuse, which generated coverage in *The Washington Post*, and assisting in the development of a national workplace investor education outreach program to unions or employee associations based on pilot programs by NASAA members in Hawaii and Alabama. The workplace program was featured by *The Detroit Free-Press*.

## Training & Conferences

Educating and training our members is a critical component of NASAA's mission. NASAA's emphasis on training helps promote uniformity by ensuring that state examiners, investigators and prosecutors are

aware of emerging and current problem areas so that they can more effectively regulate the securities industry and serve investors.

In 2009, NASAA hosted a series of training seminars to provide members with the latest developments and trends in broker-dealer, investment adviser, franchise, corporation finance, investor education, attorney/investigator, CRD/IARD and joint regulatory areas. NASAA's Board of Directors moved aggressively to expand the reach of NASAA's training programs by authorizing the development of a distance learning program for use by all NASAA members beginning in 2010.



*U.S. Rep. Paul Kanjorski (D-PA) delivers the keynote address at NASAA's 2009 Spring Policy Conference in Washington, D.C., in April.*

NASAA's two major conferences – the Spring Policy Conference and the Annual Conference – brought regulators, industry representatives, policymakers, media representatives and others to Washington, D.C., in April and Denver, Colorado, in September.

NASAA members convened in Washington, D.C., on April 28 to host the 24th annual Spring Policy Conference. The conference engaged lawmakers, federal securities regulators, industry representatives, academics and the media in a vibrant discussion of policy proposals to strengthen regulatory safeguards for Main Street investors.

U.S. Rep. Paul Kanjorski (D-PA), who



*Steve Irwin, Pennsylvania Securities Commissioner and NASAA's Policy Conference Chair, opens NASAA's panel on restoring investor confidence. Panelists from left: Moderator James Cox, Duke University securities law professor; Mark Cooper, research director for the Consumer Federation of America; Missouri Securities Commissioner Matt Kitzi; and Donald Langevoort, securities law professor at Georgetown School of Law.*

serves on the House Financial Services Committee and chairs its capital markets subcommittee, delivered the keynote address, commending NASAA for its collaborative approach to regulatory reform.

“You’ve done a great job here in the United States and in the provinces of bringing things together and being well aware of the changes that are moving out there and the changing need for regulation,” he said. “Keep that process going forward, and join us all internationally to do the same thing.”

Duke University School of Law Professor James Cox moderated a panel on restructuring the financial services regulatory structure to restore investor confidence. Alabama Securities Commission Director Joseph Borg led a panel discussion examining the need to rebuild market integrity through systemic risk regulation.

In September, NASAA members gathered with academics, industry representatives, federal regulators and media at the 92nd Annual Conference in Denver, Colorado, to discuss how to reform financial services regulation so that it starts putting investors first.



*Conference Chair and Massachusetts Securities Division Director Bryan Lantagne opens the conference with a strong affirmation of the investor protection role of state and provincial securities regulators.*

Conference Chair and Massachusetts Securities Division Director Bryan Lantagne opened the conference with a strong affirmation of the investor



*California Department of Corporations Commissioner Preston DuFauchard and Marc Steinberg, Esq., Professor, Southern Methodist University Dedman School of Law, participate in a lively panel examining the role of state regulators in the new financial services regulatory landscape at the 2009 Annual Conference in Denver.*

protection role of state and provincial securities regulators, noting that the theme of the conference, “The STATE of Regulatory Reform: Putting Investors First,” reflects both a legacy of important contributions and an ongoing role in the debate over the modernization of financial services regulation.

Pennsylvania Securities Commissioner Steven Irwin moderated a panel examining the role of state regulators in the new financial services regulatory landscape. Delaware Securities Commissioner Jim Ropp moderated a panel on ways to enhance regulatory cooperation to strengthen investor protection. Illinois Securities Director Tanya Solov moderated a panel on the regulation of third-party finders, and Alabama Securities Commission Director Joseph Borg led a panel discussion of how investor protection has been weakened since the enactment of NSMIA, with a focus on how NSMIA should be re-evaluated to return review of Regulation D Rule 506 offerings to the states.

Joseph M. Morales, Chief Deputy District Attorney, Denver District Attorney’s Office and University of Denver Sturm College of Law professor J. Robert Brown, Jr. delivered passionate and compelling remarks as the conference’s two featured speakers.

## Broker-Dealer Section

### Overview

NASAA's Broker-Dealer Section focuses on broker-dealer and agent issues, including qualification and licensing requirements, record keeping and compliance requirements, continuing education, and practices involving investors. The section provides official comments on rule proposals; participates in discussions with industry, SROs and federal regulators regarding trends and concerns in the brokerage industry; and provides guidance to states on broker-dealer issues. The point-of-sale contact that broker-dealers have with investors makes the work of this section critical in achieving NASAA's mission of investor protection. The section oversees the activities of six project groups: Arbitration, Continuing Education, Exams Advisory, Investment Products and Services, Market and Regulatory Policy and Review, and Broker-Dealer Operations, and works closely with the CRD/IARD Steering Committee.

### Key Activities

The section focused on the ongoing investigations and settlements of auction rate securities cases. The section also met frequently with the Securities Industry and Financial Markets Association, the Financial Industry Regulatory Authority and the Financial Services Institute. The Arbitration project group continued to seek reform of the securities arbitration process. The Market and Regulatory Policy and Review Project Group prepared three comment letters – to the SEC regarding Regulation SHO; to FINRA concerning suitability standards for broker-dealers; and to the U.S. Department of the Treasury's Financial Crimes Enforcement Network regarding SAR compliance reporting for financial institutions. The Continuing Education Project Group met with industry and regulatory agency members to write training scenarios for the regulatory content requirements for securities representatives.

**Broker-Dealer Section 2009-2010.** Ralph Lambiase, Connecticut, Chair; Tanya Solov, Illinois, Vice Chair; Preston DuFauchard, California; Bryan Lantagne, Massachusetts; Chris Naylor, Indiana; Douglas Brown, Manitoba. **Project Group Chairs.** John Cronin, Vermont, *Arbitration*; Ralph Lambiase, Connecticut, *Continuing Education*; William Cahill, Massachusetts, *Broker-Dealer Exams Advisory*; Carolyn Mendelson, Pennsylvania, *Market and Regulatory Policy and Review*; Bill Reilly, Florida, *Operations*; Peter Cassidy, Massachusetts, *Investment Products and Services*

**Broker-Dealer Section 2008-2009.** Matthew Neubert, Arizona, Chair; Tanya Solov, Illinois, Vice Chair; Preston DuFauchard, California; Ralph Lambiase, Connecticut; Chris Naylor, Indiana; Douglas Brown, Manitoba. **Project Group Chairs.** John Cronin, Vermont, *Arbitration*; Sheila Cahill, Nebraska, *Exams Advisory*; Carolyn Mendelson, Pennsylvania, *Market and Regulatory Policy and Review*; Bill Reilly, Florida, *Operations*.

### **Corporation Finance Section**

**2009-2010.** Jack Herstein, Nebraska, Chair; Randall Schumann, Wisconsin, Vice Chair; Heath Abshure, Arkansas; Peter Cassidy, Massachusetts; Mike Stevenson, Washington; Susan Powell, New Brunswick. **Project Group**

**Chairs.** Rick Fleming, Kansas, *Coordinated Interpretations*; Alisha Smith, New York, *Corporate Accountability*; Patrick Morgan, Missouri, *Corporation Finance Policy*; Mark Heuerman, Ohio, *Direct Participation Programs Policy*; Dale Cantone, Maryland, *Franchise and Business Opportunities*; David Weaver, Texas, *Small Business/Limited Offerings*.

### **Corporation Finance Section 2008-**

**2009.** Jack Herstein, Nebraska, Chair; Randall Schumann, Wisconsin, Vice Chair; Heath Abshure, Arkansas; Peter Cassidy, Massachusetts; William Beatty, Washington; Susan Powell, New Brunswick. **Project Group Chairs.** Rick Fleming, Kansas, *Coordinated Interpretations*; John Quinn, Pennsylvania, *Corporate Accountability*; Patrick Morgan, Missouri, *Policy*; Mark Heuerman, Ohio, *Direct Participation Programs Policy*; Dale Cantone, Maryland, *Franchise and Business Opportunities*; David Weaver, Texas, *Small Business/Limited Offerings*; Denise Voigt Crawford, Texas, *Tenancies-In-Common*.

## Corporation Finance Section

### Overview

NASAA members have long helped facilitate capital formation at the state and local level. NASAA members assist entrepreneurs with their business plans and help them obtain resources to grow their enterprises and create local jobs. The Corporation Finance Section also develops and monitors policies for the registration of securities under state law. The section oversees the activities of six project groups: Coordinated Interpretations, Corporate Accountability, Corporation Finance Policy, Direct Participation Programs Policy, Franchise and Business Opportunities, and Small Business/Limited Offerings.

### Key Activities

A major focus of the section's activities, including the Small Business/Limited Offerings Project Group, has been the Form D electronic filing project. The SEC's Form D Electronic Filing System began operations in 2009, and NASAA has been actively engaged in developing a system for the electronic filing of Form D with the states. The section's Franchise and Business Opportunities Project Group completed its work on a proposal for model state law provisions regarding the delivery of franchise disclosure documents. NASAA's membership adopted a Statement of Policy in September 2009 recommending that states revise their franchise law provisions, if necessary, to achieve a more uniform approach to state franchise delivery requirements. Earlier in the year, NASAA members also adopted a Statement of Policy for generating coordinated responses to multi-state requests for legal interpretations and/or no-action letters.



## Enforcement Section

### Overview

NASAA members have a significant history of bringing enforcement actions, including criminal prosecutions. NASAA assists its members in coordinating enforcement efforts regarding multi-state frauds by facilitating the sharing of information and leveraging the resources of the states more efficiently. NASAA's Enforcement Section acts as a point of contact for other federal agencies and the self-regulatory organizations, such as the SEC, the FBI, the Postal Inspectors, FINRA and the CFTC, and helps identify new fraud trends. The section oversees the activities of four project groups, including: Attorney/Investigator Training, Enforcement Technology, Litigation Forum and Enforcement Zones.

### Key Activities

The section devoted much of its efforts to supporting the work of the Auction Rate Securities Task Force. To date, state securities regulators have secured settlements calling for firms to repurchase from investors more than \$61 billion in auction rate securities, the largest return of funds to investors in history. The section also continued to spotlight problems plaguing private placement offerings. Calling attention to emerging investment fraud trends, the section provided material for NASAA's annual list of Top Investor Traps. Topics spotlighted by the section included real estate investment fraud and the use of reverse mortgages to achieve liquidity for unsuitable investments.

**Enforcement Section 2009-2010.** James Ropp, Delaware, Chair; Matt Kitzi, Missouri, Vice Chair; Kevin Anselm, Oregon; Joe Rotunda, Texas; Robert Terry, Georgia; Marc Arseneault, Alberta. **Project Group Chairs.** Peter Jamison, Delaware, *Attorney/Investigator Training*; Robert Brunner, Oregon, *Enforcement Technology*; Mary Beth Williams, Virginia, *Litigation Forum*; Katharine Weiskittel, Maryland, *Enforcement Zones*.

**Enforcement Section 2008-2009.** James Ropp, Delaware, Chair; Steve Irwin, Pennsylvania, Vice Chair; Kevin Anselm, Oregon; Matt Kitzi, Missouri; Robert Terry, Georgia; Marc Arseneault, Alberta. **Project Group Chairs.** Peter Jamison, Delaware, *Attorney/Investigator Training*; Colin McCann, Ontario, *Enforcement Technology*; Michael Byrne, Pennsylvania, *Enforcement Trends*; Mary Beth Williams, Virginia, *Litigation Forum*; Zachary Ortenzio, Pennsylvania, *Special Project Development & Coordination*; Katharine Weiskittel, Maryland, *Enforcement Zones*.

**Investment Adviser Section 2009-2010.** Patricia Struck, Wisconsin, Chair; Daphne Smith, Tennessee, Vice Chair; Linda Cena, Michigan; Andrea Seidt, Ohio; Ron Thomas, Virginia; Estella Tong, Ontario. **Project Group Chairs.** Sheila Cahill, Nebraska, Investment Adviser Exams Advisory; Michael Huggs, Mississippi, *Investment Adviser Operations*; Ken Hojnacki, Wisconsin, *Investment Adviser Regulatory Policy and Review*; Linda Cena, Michigan, *Investment Adviser Training*; Daphne Smith, Tennessee, *Investment Adviser Zones*.

**Investment Adviser Section 2008-2009.** Patricia Struck, Wisconsin, Chair; Daphne Smith, Tennessee, Vice Chair; Linda Cena, Michigan; Ron Thomas, Virginia; Estella Tong, Ontario. **Project Group Chairs.** Michael Huggs, Mississippi, *Investment Adviser Operations*; Ken Hojnacki, Wisconsin, *Investment Adviser Regulatory Policy and Review*; Linda Cena, Michigan, *Investment Adviser Training*; Daphne Smith, Tennessee, *Investment Adviser Zones*.

## Investment Adviser Section

### Overview

NASAA's Investment Adviser Section develops policies and monitors the state registration and regulation of firms and professionals in the investment advisory business. Such involvement includes development of the Investment Adviser Registration Depository (IARD). The section also develops uniform policies for ethical business practices and model rules to enforce the investment advisory provisions of state law. The section oversees the activities of five project groups: Exams Advisory, Operations, Regulatory Policy and Review, Training, and Investment Adviser Zones. The section also works closely with the CRD/IARD Steering Committee.

### Key Activities

With congressional interest in expanding state regulatory authority over investment advisers, the section continued working toward its two primary goals of 1) helping NASAA members with their mission of regulating investment advisers by providing training and facilitating communication on regulatory issues and practices; and 2) assessing and highlighting the value added by state regulation of investment advisers. States are uniquely positioned to exercise continued, if not expanded, jurisdiction over smaller advisers. The Training Project Group updated and conducted its annual investment adviser training program. The Operations Project Group continued to update the electronic examination modules to reflect both NASAA model rule changes as well as highlighting areas where Madoff-type fraud might occur and be detected. The group also sponsored the fourth biennial examination sweep of investment advisers and prepared a corresponding series of recommended best practices.



## Investor Education Section

### Overview

Recognizing that education is a key weapon in the fight against investment fraud, the NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the investor education efforts of our members. The section oversees the activities of six project groups: Affinity and Military Outreach, Informed Investor Outreach, Research and Coordination, Senior Outreach, Women in Transition Outreach and Youth Outreach.

### Key Activities

The section and its Affinity and Military Outreach Project Group launched the “United Against Investment Fraud” outreach program in 2009. This affinity fraud outreach initiative designed for working adults was launched in July with the support

of the AFL-CIO and AFSCME. The section’s Pre-Retiree Outreach Project Group also developed “Planning Your Retirement With Confidence,” a brown-bag luncheon seminar program designed for working adults. The Senior Outreach Project Group spearheaded NASAA’s participation in World Elder Abuse Awareness Day, which included a partnership with the National Adult Protective Services Association (NAPSA). Through this partnership, NASAA and NAPSA prepared a joint brochure, “ABC’s for APS Workers: Identifying and Reporting Investment Fraud,” designed to help adult protective services workers identify investment fraud and report it to state securities regulators. The section also established a Rapid Response Task Force to prepare informational releases for NASAA and member jurisdictions.

**Investor Education Section 2009-2010.** Tung Chan, Hawaii, Chair; Colleen Keefe, Kentucky, Vice Chair; Lynne Egan, Montana; Theodore Miles, District of Columbia; Diane Young-Spitzer, Massachusetts; Elizabeth Block, New York; Marissa Rignanesi, New Brunswick. **Project Group Chairs.** Dan Lord, Alabama, *Affinity and Military Outreach*; Diane Young-Spitzer, Massachusetts, *Informed Investor Outreach*; Andrew Roth, California, *Research & Coordination*; Christina Kotsalos, Pennsylvania, *Senior Outreach*; Vickie Moseley, Illinois, *Youth Outreach*; Gena Wilimitis, New Mexico, *Women in Transition Outreach*.

**Investor Education Section 2008-2009.** Bruce Kohl, New Mexico, Chair; Colleen Keefe, Kentucky, Vice Chair; Tung Chan, Hawaii; Lynne Egan, Montana; Theodore Miles, District of Columbia; Anthony Wong, British Columbia. **Project Group Chairs.** Dan Lord, Alabama, *Affinity and Military Outreach*; Andrew Roth, California, *Research & Coordination*; Christina Kotsalos, Pennsylvania, *Senior Outreach*; Justin Southern, West Virginia, *Youth Outreach*; Diane Young-Spitzer, Massachusetts, *Pre-Retiree Outreach*.

## 2009 NASAA Awards

### Blue Sky Cube

*Fred Joseph, Colorado*

### Outstanding Service Award

*Bonnie Russell, Maine*

### Distinguished Service Award

*JoAnn Kocurek, Texas*

*Carolyn Mendelson, Pennsylvania*

*Andrew Roth, California*

*Karen Terhune, Ohio*

*Gena Wilimitis, New Mexico*

*Bennette Zivley, Texas*

### Enforcement Award

*David Ruhnke, Kansas*

### Investor Education Outreach

*Illinois Securities Department*

*West Virginia Securities Commission*

### Appreciation Award

*Ann Hagestad, Minnesota*

## Board of Directors

*NASAA's Board of Directors, elected annually from the ranks of the membership, is responsible for the association's planning and policy development.*

### 2009-2010 Board

Denise Voigt Crawford, Texas, President  
David Massey, North Carolina, President-elect  
Fred J. Joseph, Colorado, Past President  
Mark Connolly, New Hampshire, Treasurer  
Rick Hancox, New Brunswick, Secretary  
Joseph P. Borg, Alabama, Ombudsman  
Melanie Senter Lubin, Maryland  
Chris Biggs, Kansas, Sept. 2009 - Mar. 2010  
Bruce Kohl, New Mexico, Sept. 2009 - Dec. 2009  
Ralph Lambiase, Connecticut, Jan. 2010 - Apr. 2010  
Preston DuFauchard, California, Apr. 2010 -  
Jack Herstein, Nebraska, Apr. 2010 -

### 2008-2009 Board

Fred J. Joseph, Colorado, President  
Denise Voigt Crawford, Texas, President-elect  
Karen Tyler, North Dakota, Past-president  
David Massey, North Carolina, Treasurer  
Glenda Campbell, Alberta, Secretary  
Joseph P. Borg, Alabama, Ombudsman  
Chris Biggs, Kansas  
Melanie Senter Lubin, Maryland  
Michael Stevenson, Washington



*(Left) Texas Securities Commissioner Denise Voigt Crawford receives the NASAA presidential gavel from outgoing President and Colorado Securities Commissioner Fred Joseph at the 92nd Annual Conference. (Right) President Crawford speaks with NASAA President-elect David Massey of North Carolina.*



**Board Committee Chairs  
2008-2009**

**Awards**

Craig Goettsch, Iowa

**Communications**

Daphne Smith, Tennessee

**Corporate Governance**

Craig Goettsch, Iowa

**CRD/IARD Steering**

Melanie Senter Lubin, Maryland

**CRD/IARD Forms and Process**

Pam Epting, Florida

**External Affairs**

Patricia Struck, Wisconsin

**Federal Legislation**

James Ropp, Delaware

**Finance and Audit**

Patricia McKenna, Maryland

**Finders**

Tanya Solov, Illinois

**International**

Joseph Borg, Alabama

**Legal Services**

Robert McDonald, Maryland

**NEMO User Acceptance Team**

Michael Huggs, Mississippi

**Reg. D Electronic Filings**

Michael Stevenson, Washington, Co-Chair

Jack Herstein, Nebraska, Co-Chair

**Standards, Certification and Training**

Matt Kitzi, Missouri, Chair

**State / Federal Relations**

Denise Voigt Crawford, Texas

**Technology Planning & Coordination**

Vacant

**Uniform Securities Act**

Craig Goettsch, Iowa

**Board Committee Chairs  
2009-2010**

**Awards**

Craig Goettsch, Iowa

**Communications**

Daphne Smith, Tennessee

**CRD/IARD Steering**

Melanie Senter Lubin, Maryland

**CRD/IARD Forms and Process**

Pam Epting, Florida

**Federal Legislation**

Steve Irwin, Pennsylvania

**Finance and Audit**

Patricia McKenna, Maryland

**International**

Joseph Borg, Alabama

**Legal Services**

Robert McDonald, Maryland

**Life Settlements**

Fred Joseph, Colorado

**NEMO User Acceptance Team**

Michael Huggs, Mississippi

**Reg. D Electronic Filings**

Jack Herstein, Nebraska

**Standardized Training,**

**Certification & Technology**

Matt Kitzi, Missouri, Chair

**State Legislation &**

**Uniform Securities Act**

Tom Michlovic, Pennsylvania

## Corporate Office Staff

### Executive & Administrative Office

Russ Iuculano  
*Executive Director*

John H. Lynch  
*Deputy Executive Director*

Gina Haidle  
*Membership Services & Finance Manager*

Aaron Loewenberg  
*Executive Assistant, Office Manager  
& Benefits Coordinator*

Josephine Oundo  
*Receptionist*

### Legal

Rex Staples  
*General Counsel*

Joseph Brady  
*Deputy General Counsel*

Tina Stavrou  
*Assistant General Counsel*

Faye Gordon  
*Paralegal*

### Government Affairs

Deborah A. Fischione House  
*Director of Policy*

Diana Defino  
*Government Affairs Assistant*

### Communications & Investor Education

Bob Webster  
*Director of Communications*

Leah Szarek  
*Assistant Manager of Communications &  
Investor Education*

### Conferences & Events

Lonnie Martin  
*Membership & Meetings Manager*

### Training & Technology

Jason Wolf  
*Training & Technology Manager*





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