



NEWS & VIEWS

education and protection for your financial security



NORTH DAKOTA
SECURITIES DEPARTMENT

January 2007

Commissioner's Comments

The North Dakota Securities Department is pleased to bring you the current issue of News & Views.



Karen Tyler

This periodic newsletter delivers timely information about matters of importance for investors, securities regulators and the securities industry. News & Views spotlights investment fraud trends and reports recent enforcement actions taken by the Securities Department. It provides readers with a periodic update of the capital raising efforts of North Dakota businesses. And it provides information about education initiatives designed to help North Dakota residents of all ages make wise decisions about investing. We hope you find News & Views to be a valuable resource and we welcome any questions or comments you may have.

Education – Invest a Little Time in Your Financial Education

The Securities Department is committed to improving the level of financial literacy in our state, resulting in better-educated consumers making good financial choices. National surveys continue to show that today's youth are receiving failing grades when it comes to personal finance. The key to changing this trend is to introduce financial education in the classroom at an early age, and then continue to build on this education throughout a student's academic career. The Department provides several opportunities for financial growth and understanding. Here are a couple of the opportunities for youth sponsored by the North Dakota Securities Department.

The Stock Market Game is an Internet simulation that teaches students in grades 4-12 about the stock market and how it affects our economy, and also teaches them to think about their own



financial futures. The Securities Department sponsors a fall and spring game for teams of students. Eight hundred teams of students statewide competed this fall to see who would have the largest investment gains in their portfolios. During the ten or fifteen-week session, student teams invest a hypothetical \$100,000 in common stocks.

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Education – *continued*

More than 43,000 North Dakota students have participated in the Stock Market Game over the past ten years. The game was created and made available by the Foundation for Investor Education, based in New York. The Securities Department is the coordinator for the North Dakota program. The program is available at no cost to all North Dakota schools.



For the past two years, the Securities Department has sponsored "Mad About Money" theatrical productions in 20 middle schools. The productions were performed by professional actors with The National Theatre for Children from Minneapolis, MN. Nearly 5,000 middle school students statewide experienced this production in their schools. The performances focused on the concepts of saving, budgeting, credit and investing. In addition to the performances, teachers receive classroom curriculum that also focuses on these concepts for continued classroom discussion and activities.

Note: Funding for the above programs was provided through the Investor Education & Technology Fund of the ND Securities Department.

Protection – “Know Your Rights - Protect Your Investments”

Enforcement Division

A primary goal of the North Dakota Securities Department is to protect the financial security of North Dakota residents. This is accomplished, in part, by conducting exams and investigations of persons and entities engaged in securities activities. Additionally, the Securities Department brings enforcement actions under appropriate circumstances. ***Since January 1, 2005 the Enforcement Division has opened 124 new enforcement cases and 27 new exam cases. The majority of cases were related to complaints received from investors.***

The Securities Department conducts two types of exams: for-cause exams and routine exams. For-cause exams are reactionary based on complaints received or investigations initiated. For-cause exams address problems and violations that are alleged and the purpose of the exam is to discover evidence to prove or disprove the allegation. The routine exam program is based on randomly selected individuals or firms. The purpose of the routine exam is to protect the investing public and the firms conducting securities activity. This is accomplished by ensuring that securities related business is being conducted properly and in accordance with the laws and regulations. A firm that conducts business lawfully protects its clients and itself.

Since January 2005, through our enforcement actions, North Dakota investors have been repaid more than \$1,029,000 and the department has collected in excess of \$965,000 in civil penalties and other assessments.

County	Amount Recovered for Investors
Burleigh	\$277,000
Cass	\$149,000
Grand Forks	\$103,875
Mckenzie	\$4,000
Mercer	\$9,900
Pierce	\$66,500
Stark	\$40,350
Walsh	\$107,180
Ward	\$44,186
Wells	\$168,000

Partial Summary of Recovered Funds through Enforcement Actions January 2005 to Current

Fargo Office Opens



Rachel Ulland

In December 2005, the Securities Department established an office in Fargo, and hired Rachel Ulland as an investigator for this new location. The eastern third of North Dakota accounts for roughly 50% of the 1,100 registered securities agents in the state. This concentration of securities industry professionals drives the need for a permanent regulatory presence in the eastern region and allows the department to better serve our investor constituents.

The primary function of the Fargo office is the execution of routine compliance exams of firms located in eastern North Dakota and to assist North Dakota investors seeking to file a complaint with the department. The Fargo office is located at 1351 Page Drive, #209, Fargo, ND 58103. Please stop in and meet Rachel or call 701-239-7204.



Registration of Securities Industry Professionals

Generally, all firms and individuals who want to conduct securities business in the state of North Dakota must be registered with the Securities Department. Not everyone is granted an automatic registration. If the Securities Department determines a firm or individual does not have a good business reputation and/or has a history of customer complaints, we will not register them in the state. Additionally, any firm or individual involved in the business of providing investment advice and who charges a fee for this service must be registered with the Securities Department. We encourage investors to contact our department to verify registration before doing business with securities firms or individuals. We can also provide information regarding disciplinary history. Names of firms and individuals registered and residing in North Dakota can be located on our website at www.ndsecurities.com.

Economic Development – Helping Businesses with the Capital Formation Process

North Dakota businesses and business owners can utilize the Securities Department for assistance in two important areas:

1. Corporation Finance – Companies may raise capital in North Dakota by either registering the security or relying on an exemption, which still requires a filing and approval process. During the period July 1, 2005 through June 30, 2006, the department received a total of 2,817 filings relating to the proposed offer and sale of securities and 2,052 offerings were registered or approved.

The Corporation Finance Division has a number of investor protection charges including:

- Reviewing offering materials to ensure full and fair disclosure and readability;
- Preventing offerings which by their terms would be unfair, unjust or inequitable for investors;
- Assisting companies, attorneys and accountants with appropriate filing and disclosure requirements for the raising of capital.

During the fiscal year ending June 30, 2006, there were 27 securities filings received with an aggregate of \$70,879,000 for companies located in North Dakota. The Corporation Finance Division has assisted companies in capital raising projects in many communities throughout the state such as Hettinger, Hebron, Newburg, Northwood, Maddock, Fargo, Minot, and Bismarck.

Contact the Securities Department for information or visit our website to access our Overview of Raising Capital at www.ndsecurities.com.

2. Franchising – A franchise is a business arrangement in which a person purchases the right to engage in marketing a particular product or service according to a specified or suggested plan. The North Dakota Securities Department provides general information and assistance to potential franchise buyers. The department assists them with understanding the obligations of owning a franchise, how to research opportunities, and what questions to ask before investing. Franchise distributors and chains that charge fees for the use of standardized marketing plans with trade names, trademarks or service logos are required to register with the department unless an exemption is available. A list of registered franchises can be accessed at www.odinlibrary.org (search by “franchise retail trade”) or contact our office.

Recent News



NASAA

North Dakota Securities Commissioner Karen Tyler has been elected President-elect of the North American Securities Administrators Association (NASAA). NASAA is the oldest international organization devoted to investor protection. Headquartered in Washington, DC, NASAA's membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Canada and Mexico. Tyler will serve a one-year term as President-elect, followed by a one-year term as the Association's President. Tyler is the first North Dakota Securities Commissioner to serve in this official capacity for NASAA.



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SECURITIES DEPARTMENT

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NORTH DAKOTA
SECURITIES DEPARTMENT

Our Mission

The North Dakota Securities Department regulates the offer and sale of securities and franchises in the State of North

Dakota, and protects the investing public by enforcing compliance with our state's laws. The department promotes public awareness of securities laws to prevent violations and to prevent investment fraud. The department provides investor education programs for all ages to improve the level of financial literacy in our state.

Responsibilities of the North Dakota Securities Department include:

- Enforcement of the North Dakota Securities Act, North Dakota Franchise Investment Law, law relating to Pre-Need Funeral Services, and law relating to Commodities Transactions;
- Registration of securities offerings, broker-dealer and investment adviser firms and their representatives, and franchises;
- Investigation of consumer complaints and initiation of appropriate disciplinary action; and
- Promotion of sound financial planning through investor education programs.

North Dakota Registration Statistics:

Dealer Firms	1,263
Investment Advisor Firms	584
Sales Agents	51,638
In-State Sales Agents	1,100
Investment Advisor Reps.	931
Securities Offerings	18,000
Franchises	662