

AGENCY STRATEGIC PLAN

FOR THE FISCAL YEARS 2011 - 2015 Period

by the

TEXAS STATE SECURITIES BOARD

<u>BOARD MEMBER</u>	<u>DATES OF TERM</u>	<u>HOMETOWN</u>
Beth Ann Blackwood, Chair	7/2008 - 1/2013	Dallas, Texas
Bryan K. Brown, Member	4/2005 - 1/2011	Houston, Texas
Edward Escudero, Member	4/2007 - 1/2011	El Paso, Texas
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DATE OF SUBMISSION
JULY 2, 2010

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STATEWIDE VISION

We must set clear priorities that will help maintain our position as a national leader now and in the future by:

Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;

Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;

Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;

Defending Texans by safeguarding our neighborhoods and protecting our international border; and

Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

THE MISSION OF TEXAS STATE GOVERNMENT

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high . . . we are not here to achieve inconsequential things!

THE PHILOSOPHY OF TEXAS STATE GOVERNMENT

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

PUBLIC SAFETY AND CRIMINAL JUSTICE

Priority Goal

To protect Texans by:

- Preventing and reducing terrorism and crime;
- Achieving an optimum level of statewide preparedness capable of responding and recovering from all hazards; and
- Confining, supervising, and rehabilitating offenders.

Benchmarks

- Average rate of adult re-incarceration within three years of initial release.

REGULATORY

Priority Goal

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards; and
- Ensuring compliance.

Benchmarks

- Percent of state professional licensee population with no documented violations.
- Percent of new professional licenses as compared to existing population.

GENERAL GOVERNMENT

Priority Goal

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations.

Benchmarks

- Total state spending per capita;
- Percent change in state spending, adjusted for population and inflation;
- Number of state employees per 10,000 population;
- Number of state services accessible by Internet;
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format.

ECONOMIC DEVELOPMENT

Priority Goal

To provide an attractive economic climate for current and emerging industries that fosters economic opportunity, job creation, capital investment, and infrastructure development by:

- Promoting a favorable and fair system to fund necessary state services.
- Developing a well trained, educated, and productive workforce.

Benchmarks

- Number of employees in targeted industry sectors.
- Number of new small businesses created.
- Number of new non-government, non-farm jobs created.

AGENCY MISSION

The mission of the State Securities Board (“the Agency”) is to protect Texas investors. Consistent with that mission, the Agency will ensure a free and competitive securities market for Texas, increase investor confidence, and thereby encourage the formation of capital and the creation of new jobs.

AGENCY PHILOSOPHY

Strong capital markets are essential to a healthy state economy and the creation of jobs and opportunities all Texans deserve. These markets must be nurtured to achieve social and economic prosperity. Investors must believe that a fair opportunity exists before they will risk their investment capital. Entrepreneurs deserve access to capital markets that have not been depleted by promoters of fraudulent investment schemes.

The Agency must carefully craft its regulatory approach. A harsh and unyielding regulatory system may impede capital formation by removing the incentive for businesses to seek capital in Texas. An overly-lenient regulatory system may impede capital formation by fostering an environment where unscrupulous promoters damage public confidence in investments. The proper balance of the interests of the promoter and those of the investor produces a healthy and productive capital market.

The Agency approaches all its activities with a deep sense of purpose and responsibility and always strives to act in accordance with the highest standards of fiscal responsibility, ethics, accountability, efficiency, and openness.

EXTERNAL / INTERNAL ASSESSMENT

Overview of Agency Scope and Functions

The Agency was created in 1957 pursuant to The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 *et seq.*, (“the Act”) passed by the 55th Legislature. This legislation was

the culmination of four earlier statutes dating back to 1913 that attempted to rein in fraudulent stock promotions. To meet the requirements of the Act, the Agency maintains strategies for: 1) Law enforcement; 2) Registration of securities; 3) Registration of dealers, agents, investment advisers, and investment adviser representatives; and 4) Inspections of registered dealers and investment advisers.

The law enforcement strategy investigates suspected violations of the Act and, when appropriate, pursues administrative enforcement actions or refers matters for civil action or criminal prosecution. Staff of the law enforcement strategy also provide logistical, trial, and appellate assistance to prosecutors for the matters referred by the Agency for criminal action.

The securities registration strategy reviews applications for registration and processes notice filings for securities offerings in Texas to ensure that they are made in compliance with the Act and Board Rules.

The registration strategy for dealers, agents, investment advisers, and investment adviser representatives reviews applications for registration filed with the Agency and processes notice filings of investment advisers and investment adviser representatives doing business in the state that are registered with the U.S. Securities and Exchange Commission to ensure that only qualified firms and individuals are authorized to deal with the investing public in Texas.

The inspections and compliance strategy inspects the records of registered dealers and investment advisers to ensure that these registrants are acting in compliance with the Act and Board Rules and, in appropriate circumstances, pursues actions to sanction registrants found to have violated those requirements.

The Commissioner's Office, Office of General Counsel and Staff Services Division provide administrative support to each of the Agency's strategies. The Commissioner's Office also develops and implements investor education initiatives to inform the public about the basics of investing in securities, with a special emphasis on the prevention and detection of securities fraud.

Organizational Aspects

The governing board of the Agency is comprised of five members appointed by the Governor, with consent of the Senate, who serve six-year staggered terms. The Board establishes the policies of the Agency and meets periodically to update Agency rules to ensure that investors remain adequately protected and that unreasonable burdens on legitimate capital formation are avoided. The Board appoints a Securities Commissioner who serves at the pleasure of the Board and is responsible for administering the provisions of the Act and managing the day-to-day operations of the Agency.

While a majority of the Agency's employees work from its headquarters in Austin, the Agency also maintains offices in Corpus Christi, Dallas, Houston, Lubbock, and San Antonio. These offices facilitate the Agency's law enforcement and inspections functions in each geographic region of the state and provide services to investors and those seeking to raise capital through securities offerings in Texas.

A key ongoing challenge for the Agency is to maintain its ability to hire and retain qualified employees. The Agency has 99 full-time equivalent positions. Approximately 68% of the staff are professionals – attorneys, analysts, examiners, accountants, and programmers. In order to effectively protect Texas investors without restraining capital formation by legitimate issuers and dealers, it is important that Agency employees are well-educated, knowledgeable, and adequately trained to make prompt and accurate recommendations and decisions concerning complex fraudulent schemes, illegal sales practices, compliance with regulatory requirements, and plans of business for firms and individuals dealing in securities and rendering investment advice.

In the last fiscal year, the Agency's employee turnover rate was approximately 17%, most of it in professional positions. Although Agency salaries for professional positions probably cannot be competitive with those of individuals performing related work in the private sector, the Agency seeks to maintain a salary structure that is at least competitive with similar positions in state government and expends significant resources to ensure that employees receive adequate training and have the necessary support to effectively perform the Agency's work.

The Agency will be further challenged in the next five years as approximately 16% of its workforce becomes eligible for retirement. The Agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills.

As of May, 2010, 67% of the Agency's employees were female, 19% were Hispanic, 8% were African-American, 3% were American Indian, and 2% were Asian.

The Agency has databases, computer networks, and equipment that are critical to its law enforcement, inspections and compliance, and registration strategies. In recent years, the addition of a capital budget item in the appropriations for the Agency for the acquisition of information resource technologies has greatly improved the Agency's ability to manage and maintain these important assets and to meet its critical capital improvement needs. It is critical that the Agency be able to continue to maintain these technologies to effectively regulate one of the most technologically advanced industries in the world.

The Agency has established and implemented purchasing policies that call for the meaningful and substantive inclusion of historically underutilized businesses (HUBs). The objective of the Agency is to award to HUBs, within each fiscal year, at least 30% of the total dollar amount of contracts and subcontracts awarded by the Agency.

The Agency does not anticipate the need for consultants in the foreseeable future.

Fiscal Aspects

The Agency was appropriated funding of \$7,851,340 in Fiscal Year 2010 and \$7,871,716 in Fiscal Year 2011. These funds are paid from the General Revenue Fund. Funding at these levels included riders to address employee turnover and salary parity issues and to provide funding necessary to address additional regulatory responsibilities associated with a change in federal law which will increase the number of firms in Texas whose records must be inspected by the Agency. Continued funding at these levels is necessary for the Agency to adequately meet its responsibilities under the Securities Act.

Service Population Demographics

The Texas capital market has grown to be one of the preeminent capital formation areas in the world and is eagerly sought out by securities issuers. The number and volume of securities offerings processed have increased dramatically over the years. In Fiscal Year 2009, the dollar volume was approximately \$337 Billion. This number represents only a fraction of the total volume of securities activity in Texas because it does not include transactions conducted pursuant to exemptions from registration and filing requirements.

The migration from defined benefit retirement plans to self-directed plans has significantly increased individuals' direct participation in, and dependence on, the securities markets to fund their retirement. With dependence on the markets comes a dependence on the market professionals who advise individual investors. Currently, all investment advisers in Texas having less than \$25 million in assets under management come under the exclusive jurisdiction of the Agency. Legislation pending in Congress will increase this threshold from \$25 million to \$100 million. It is critical that the Agency effectively regulate the activities of these firms to ensure that Texans' retirement funds are safe.

Technological Developments

As members of the public have increased their direct participation in, and dependence on, the securities markets to fund their retirement, there has been a corresponding increase in the amount of investment-related information presented to investors in public forums such as newspapers, radio, television, and the Internet. Often the public is directly solicited to invest in securities offerings through one or more of these communication channels.

The Internet in particular has become a favored tool used by promoters of fraudulent investment schemes to disseminate information to the public. The Internet allows instant, world-wide publication and advertisement with few barriers to entry and minimal

cost. This makes it an ideal medium for fast-moving con artists.

These developments have required the Agency to become proficient in monitoring public solicitation in order to act quickly to stop offerings made in violation of the Act. Because much of the evidence in modern white collar crime resides on computers and other electronic storage devices, it is important that the Agency maintain up-to-date equipment, software, and methodologies to effectively obtain and analyze this information. Further, because the Internet has become a favored tool of promoters of fraudulent investment schemes, the Agency must retain the ability to efficiently monitor this activity to quickly stop offerings made in violation of the Securities Act.

As the volume of securities, dealer, agent, investment adviser, and investment adviser filings and applications for registration continue to increase over time, the Agency must achieve greater efficiencies in processing and analyzing these filings and applications through computer hardware, software, or new processing methodologies.

Economic Variables

Generally, the volume of applications and filings processed by the Agency's securities registration strategy is affected by prevailing economic conditions. Strength and weakness in the capital markets affects the the number and dollar amount of authorizations to sell securities in the state. The securities markets have grown significantly in recent years as the prevalence of defined benefit retirement plans for workers has declined and the need for persons to provide for their own retirement has increased.

With respect to the law enforcement function of the Agency, economic variables tend only to affect the nature of the offerings made to the public and not the volume of enforcement activity. During times when capital markets are strong, opportunistic promoters of fraudulent schemes tend to structure offerings in ways that most closely resemble those of legitimate issuers. During economic downturns, these promoters, many of whom are recidivist securities law violators, often create offerings that are touted as "safe," "guaranteed," or based on a new technology or product that will provide investment returns far greater than conventional securities generally available to the public.

Impact of Federal Statutes and Regulations

Federal law provides that, with respect to transactions occurring in interstate commerce, certain registration and law enforcement functions are to be performed by the U.S. Securities and Exchange Commission (SEC). Federal law recognizes the role of each state to regulate securities transactions at the local level and provides broad exemptions from securities registration, such as those based on the size of an offering or offerings made solely within one state. The National Securities Markets Improvement Act of 1996 (NSMIA) established a clear division of responsibility between the SEC and

the states for the registration of certain securities and the registration of investment advisers.

The SEC and the states have different fundamental enforcement objectives. The SEC generally acts as a market regulator of national offerings, exchange-listed securities, national accounting standards, and the largest investment advisers and securities dealers. The State Securities Board is generally focused on investor protection at the “point of sale” and concentrates its law enforcement efforts on the prompt interdiction of fraudulent securities offerings and criminal prosecution of those responsible. The focus of the inspections and compliance function of the Agency is on dealers and investment advisers not inspected by any other regulatory authority.

Self Evaluation and Opportunities for Improvement

The Agency has effectively and efficiently carried out its mission to protect investors and, consistent with that requirement, encouraged capital formation, job formation, and free and competitive securities markets. The Agency maintains an aggressive enforcement program and, despite its small staff, is a perennial leader among all jurisdictions in the United States in the number of actions taken to enforce the securities laws. With the explosive growth of the capital markets and the rapidly expanding population of individual investors, the Agency has implemented a series of investor education initiatives designed to assist all Texans in making informed investment decisions.

Continued growth in the workload of the Agency and the increasing complexity of investment schemes offered to the public will require the Agency to continue to improve its methods of processing and evaluating information. The Agency must seek new opportunities to develop and use technologies to achieve the efficiencies that are necessary to effectively carry out its mission. Funding and other limitations that impair the ability of the Agency to hire, support, and retain qualified employees present potential obstacles to achieving this objective.

The Agency must continue to work with local, state, and federal regulatory and law enforcement agencies to share information, leverage limited resources, and ensure that regulatory and law enforcement efforts are not duplicated. This work should continue to be facilitated through quarterly meetings with federal, state and regulatory organizations, participation in shared databases and email discussion groups, and coordination of multi-state investigations, inspections and review of applications where appropriate.

AGENCY GOALS

GOAL 1. We will protect investors from fraud and misrepresentation to ensure that access to capital is available to business. Tex. Rev. Civ. Stat. Ann. art.

581-10-1.B.

GOAL 2. We will carry out policies governing purchasing that foster meaningful and substantive inclusion of historically underutilized businesses. Tex. Gov't. Code Ann. §2161.123.

OBJECTIVES AND OUTCOME MEASURES

GOAL 1.

OBJECTIVE 1. Bring Law Enforcement Actions Against Violators.

- Outcomes:
1. Number of law enforcement actions taken.
 2. Dollar amount involved in law enforcement actions taken.
 3. Percentage of enforcement actions successful.

OBJECTIVE 2. Guarantee Registered Securities Offerings are Fair to Investors.

- Outcomes:
1. Average time (days) for deficiency letters issuance on securities applications.

OBJECTIVE 3. Guarantee that Persons Registered or Authorized are Qualified.

- Outcomes:
1. Average Median time (days) for issuance of deficiency letters on dealer and investment adviser applications.

OBJECTIVE 4. Inspect Registered Dealers and Investment Advisers.

- Outcomes:
1. Percentage of Texas dealers and investment advisers inspected.
 2. Percentage of inspected dealers and investment advisers requiring corrective action.

GOAL 2.

OBJECTIVE To include historically underutilized businesses in at least 30% of the total value of annually awarded contracts.

- Outcome:
- Percentage of the total awarded dollar value of purchasing awarded to historically underutilized businesses through

purchasing.

STRATEGIES AND OUTPUT, EFFICIENCY, AND EXPLANATORY MEASURES

STRATEGY 1. Law Enforcement. Aggressively investigate suspected violations of the Texas Securities Act and work closely with local, state, and federal prosecutors and law enforcement officials to insure that appropriate enforcement action is taken, including the criminal referral, indictment, and conviction of individuals who violate provisions of the Act.

Outputs: 1. Number of investigations opened.
2. Number of criminal referrals.

STRATEGY 2. Securities Registration. Perform a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications. Negotiate with the issuer or its representatives to remove unfair elements from offerings, to insert safeguards for the public, and to ensure full disclosure of material considerations to facilitate the registration of offerings. Refer suspected fraudulent offerings to enforcement personnel.

Output: Number of securities filings and submissions processed.

Explanatory: Revenues deposited to the state treasury from securities applications.

STRATEGY 3. Dealer Registration. Perform an extensive, timely, and responsive review of applications; conduct criminal and disciplinary investigation of applicants by contacting other law enforcement and regulatory organizations; ensure compliance with examination requirements; and oppose registration of unqualified applicants.

Outputs: Number of applications and submissions processed.

Explanatory: 1. Number of dealers, agents, investment advisers, and investment adviser representatives licensed or

- authorized.
2. Revenues deposited to the state treasury from dealer, agent, investment adviser, and investment adviser applications and submissions.

STRATEGY 4. Inspect Records. Perform a comprehensive inspection of records to ensure continuing compliance with statutory and rule requirements.

- Outputs:
1. Number of inspections conducted.
 2. Number of referrals for administrative or law enforcement action.
 3. Number of administrative actions taken by Inspections and Compliance.

STRATEGY 5. Historically Underutilized Businesses (HUB). Develop and implement a plan for increasing the use of historically underutilized businesses through purchasing.

- Outputs:
1. Number of HUB contractors contacted for bid proposals.
 2. Number of HUB contracts awarded.
 3. Dollar value of HUB contracts awarded.

TECHNOLOGY RESOURCE PLANNING

Because much of the information received by the State Securities Board, including evidence obtained in connection with investigations and inspections, is in electronic format, the Agency must maintain modern equipment, software, and methodologies to effectively process and analyze this information. As the workload of the Agency increases over time, it will be important to identify greater efficiencies that may be achieved in processing and analyzing information through the use of modern computer hardware, software, or methodologies. This task is particularly crucial if hiring additional personnel is not possible.

The key factors that will influence technology decisions over the next five years are the volume of the activity in the enforcement, inspections, and registration strategies of the Agency and new developments in equipment, software, or processing methodologies that are available to improve the Agency's functions.

The following describes the Agency's planning for technology resources as it relates to statewide technology goals:

Goal 1. Strengthen and Expand the Use of Enterprise Services and Infrastructure.

The State Securities Board utilizes the Texan and Capital Complex Telephone System communications technology infrastructure and the USAS and USPS statewide portal infrastructure. The Agency will continue to monitor the development of the new Enterprise Resource Planning system and may migrate some or all of its time-keeping or accounting functions to that system in the future if appropriate efficiency and cost benefits are created.

The Agency also leverages the State's purchasing power by utilizing Department of Information Resources contracts for information technology hardware, software, and service purchases and works with other agencies co-located in Agency office buildings to share information technology resources where appropriate.

Goal 2. Secure and Safeguard Technology Assets and Information.

The State Securities Board's policies and procedures are aligned with the State Enterprise Security Plan developed by the Department of Information Resources. The Agency participates in a program designed to periodically test the Agency's vulnerability to cyber attacks and follows published state guidelines on security, identity management, access privileges, and disaster recovery plans.

Goal 3. Serve Citizens Anytime, Anywhere.

The State Securities Board will continue to expand electronic access to investor education, securities registration, enforcement, and dealer, agent, investment adviser and investment adviser representative information by continuously adding new information to its publicly-available websites, and participation in social media designed to reach targeted audiences. The Agency will continue to comply with state and federal electronic information standards to limit the barriers to access by the public.

Goal 4. Pursue Excellence and Foster Innovation across the Enterprise

The State Securities Board will continue to use new technologies to improve workplace productivity and collaboration through the use of digital messaging and remote computing capabilities and use of enhanced security procedures for electronic file storage and portable devices to improve the information-sharing capabilities among Agency personnel. Server virtualization software will continue to be used to lower information technology operating costs. Operating system software will be updated to improve the functionality of information technology resources. The software controlling databases in Enforcement, Inspections and Compliance, and Registration will be updated to permit the databases to communicate seamlessly with each other and to provide improved functionality to the users.

The Agency will follow published guidelines issued by the Department of Information

Resources regarding best practices for managing digital information. The Agency will continue to replace equipment in accordance with the cycle approved in its policies and procedures.

TECHNOLOGY INITIATIVE ALIGNMENT

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE	RELATED SSP STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION, BEST PRACTICE, BENCHMARKING
Update database software	All objectives	4.1	Planned	Operational efficiencies	n/a
Operating system upgrade	All objectives	4.3	Planned	Operational efficiencies	n/a
Equipment replacement cycle program	All objectives	4.3	Current	Operational efficiencies	na/

APPENDIX A

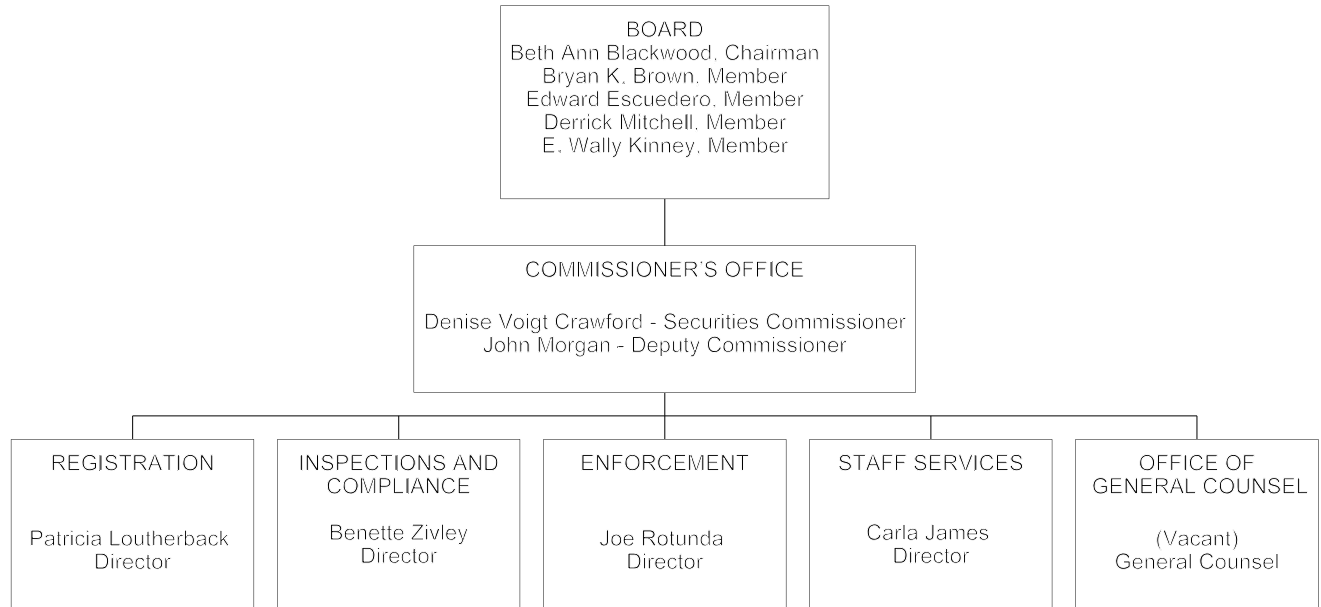
DESCRIPTION OF AGENCY'S PLANNING PROCESS

The strategic plan for the State Securities Board was developed by a management group comprised of the Securities Commissioner, Deputy Securities Commissioner, Director of Staff Services, General Counsel, and directors of the Registration, Inspections and Compliance, and Enforcement Divisions based on the structure and requirements set forth in the *Instructions for Preparing and Submitting Agency Strategic Plans*, for fiscal years 2011-2015 issued by the Governor's Office of Budget, Planning and Policy and the Legislative Budget Board in March 2010.

In formulating the External/Internal Assessment for the Agency's Strategic Plan, the management group considered historical and current issues affecting each of the Agency's strategies as well as the expectations for each of these strategies in the future. Based on this assessment, the management group generally followed the approach taken in the Agency's previous Strategic Plan adopted in 2008 with respect to the Agency's mission, goals, and budget structure. The management group determined that some of the performance measures should be updated and these changes were submitted to the Legislative Budget Board and Governor's Office of Budgeting, Planning and Policy for approval. Current information regarding technology assessments, Agency personnel, outcome projections, and workforce analysis, were included in the Plan.

The Plan was submitted to the Chair of the Board of the Agency for approval prior to distribution.

APPENDIX B
AGENCY ORGANIZATIONAL CHART



APPENDIX C
FIVE-YEAR PROJECTIONS FOR OUTCOMES

Outcome	2011	2012	2013	2014	2015
Number of Law Enforcement Actions Taken	565	565	565	565	565
Percentage of Law Enforcement Actions Successful	100	100	100	100	100
Dollar Amount Involved in Law Enforcement Actions Taken	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Average Time (days) for Deficiency Letter Issuance on Securities Applications	21	21	21	21	21
Average Time (days) for Deficiency Letters on Dealer and Investment Adviser Applications	14	14	14	14	14
Percentage of Texas Dealers and Investment Advisers Inspected	20	20	20	20	20
Percentage of Inspected Dealers and Investment Advisers Requiring Corrective Action	60	60	60	60	60
Percent of Total Dollar Value of Purchasing Awarded to HUBs.	30	30	30	30	30

APPENDIX D

WORKFORCE PLAN

I. Overview

The mission of the State Securities Board is to protect Texas investors. Consistent with that mission, the Agency will ensure a free and competitive securities market for Texas, maintain investor confidence, and thereby encourage the formation of capital and the creation of new jobs.

The Agency's strategic goals are to protect investors from fraud and misrepresentation to ensure that access to capital is available to business and to carry out policies governing purchasing that foster meaningful and substantive inclusion of historically underutilized businesses. The Agency's objectives are:

1. Investigate violations and coordinate appropriate action by authorities.
2. To guarantee that registered securities offerings are fair to investors.
3. To guarantee that persons registered or authorized are qualified.
4. To inspect registered securities dealers and investment advisers.
5. To include historically underutilized businesses in at least 30% of the total value of annual non-state contract purchases by the Agency.

The business functions of the Agency are:

1. **Law Enforcement.** The Agency aggressively investigates suspected violations of the Act and works closely with local, state, and federal prosecutors and other law enforcement officials to ensure that appropriate enforcement action is taken, including the criminal referral, indictment, and conviction of individuals who violate provisions of the Act.
2. **Analysis of Securities Offerings.** The Agency performs a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications, negotiates with the issuer or its representatives to remove unfair elements from offerings, inserts safeguards for the public, and ensures full disclosure of material considerations to facilitate the registration of offerings. Suspected fraudulent offerings are referred to law enforcement personnel.
3. **Evaluation of dealer, agent, investment adviser, and investment adviser representative applications.** The Agency performs an extensive, timely, and responsive review of applications, conducts investigations of

applicants by contacting other law enforcement and regulatory organizations, ensures compliance with examination requirements, and opposes registration of unqualified applicants.

4. Inspections. The Agency performs comprehensive inspections of records of registered dealers and investment advisers to ensure continuing compliance with statutory and rule requirements.

An anticipated change in federal law would increase the number of firms in Texas whose records must be inspected by the Agency.

Long-term customer demands for the Agency's services are predicted to continue increasing in the future. Projected growth in the economy and population of the state coupled with increased dependence by Texans on the securities markets to help meet personal financial goals, such as providing for a child's college education and ensuring that adequate funds are available for retirement, indicate an increase in the workload of the Agency in securities registration filings; dealer, agent, investment adviser, and investment adviser representative registration filings; required inspections of securities dealers and investment advisers; and matters requiring investigation and enforcement action by the Agency.

The Agency will be challenged in the next five years as approximately 16% of its workforce becomes eligible for retirement. The Agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills.

To help ensure the retention of key employees, adequate funds are needed to maintain salary parity with other positions in state government performing similar work.

II. Workforce Profile

The Agency's workforce is 99 FTEs. The staff is comprised of 68% professionals (attorneys, accountants, securities analysts, investigators and computer network professionals) and 32% support personnel. The demographics of the workforce are:

AGE

<u>Under 30</u>	<u>31-40</u>	<u>41-50</u>	<u>51-60</u>	<u>Over 60</u>
18%	25%	22%	27%	8%

GENDER

<u>Male</u>	<u>Female</u>
33%	67%

RACE

<u>African American</u>	<u>Hispanic</u>	<u>White</u>	<u>American Indian</u>	<u>Asian</u>
8%	19%	68%	3%	2%

TENURE

<u>0-2 Years</u>	<u>3-6 Years</u>	<u>7-14 Years</u>	<u>15-25 Years</u>	<u>25 + Years</u>
32%	24%	24%	13%	7%

The Agency had a turnover rate of approximately 17% in fiscal year 2009. The turnover rate for the first half of the 2010 fiscal year was 3%. The employee turnover rate in the next five years is projected to be 16% to 21% annually. This includes employees who are eligible to retire during the period. The expected turnover rate could be greater than expected if the Agency is unable to maintain sufficient funding to address salary issues as noted above.

III. Future Workforce Profile (Demand Analysis)

The professional workforce skills that are critical to the mission and goals of the Agency in Enforcement include: Education in law or accounting; extensive knowledge of securities laws and regulations; demonstrated legal and financial analytical abilities; excellent written and oral communication skills; experience in administrative, civil, or criminal litigation and proceedings; and experience in complex financial investigations and audits. The professional skills necessary in Inspections and Compliance include: Excellent written and oral communication skills; experience in financial auditing; extensive knowledge of securities laws and regulations; litigation experience in an administrative forum and ability to travel extensively throughout the state. The professional skills necessary in Registration include: Education in law, accounting, or finance; extensive knowledge of securities laws and regulations; excellent oral and written communication skills; experience in analysis of registration applications, complex disclosure documents, balance sheets, income statements and sources and uses of capital; and expertise in negotiating with issuers, underwriters, and legal counsel to create disclosure language in materials distributed to prospective investors. The workforce for each of the Agency's strategies must also be proficient in the use of current technologies including computer hardware and software.

Increases in population, registration filings, matters requiring law enforcement action, and other components of the workload of the Agency may require an increase in the number of employees needed to do the work. The number will depend on performance targets established by the Legislature.

The critical functions that must be performed to achieve the strategic plan are law enforcement, registration of securities, registration of securities dealers, investment advisers, and their agents, and inspections of dealers and investment advisers.

IV. Gap Analysis

The Agency relies heavily on attorneys and financial professionals. Persons with these skills are currently available, especially in Austin where the majority of the Agency positions are located. If the Agency is able to maintain a salary structure that is competitive with similar positions in state government, a shortage in staffing needed to meet future functional requirements is not anticipated.

V. Strategy Development

The Agency's goal is to retain its professional workforce and to meet the special needs described above. Future changes in the organizational structure may be necessary to respond to changing workloads or new initiatives to ensure that the mission of the Agency is accomplished efficiently. The Agency will continue to utilize a wide range of recruiting sources to secure the maximum number of qualified applicants, including minorities and women, for available positions within all classifications. The Agency will also continue to maintain its published career ladder and sponsor formal and informal on-the-job training and in-house programs for employees and, when possible, provide funding for workshops, seminars, and other programs offered by universities, other agencies, and private entities to develop leadership and career development.

The securities industry is technologically advanced and dynamic. Substantial training is required to maintain the necessary knowledge related to this industry. Training for employees on current technological enhancements is a critical component in enabling the Agency to remain current on ways to counter new, innovative methods of committing securities fraud. Maintenance of current funding is necessary to provide this on-going training.

Training opportunities for staff remain a high priority for the Agency. Cooperative state training opportunities are a valuable method for knowledge enhancement and the Agency will continue to make substantial efforts to utilize these tools. These cooperative training opportunities allow staff to learn about important subject matter while working with their counterparts in other states.

Succession planning will remain an ongoing process of recruitment, retention, methodical development of required skills through training and experience, cross-training, and careful evaluation of individual job performance. This will maintain the depth of skilled personnel at key positions on the Agency's career ladder necessary to ensure continuation of the efficiency and effectiveness of the Agency.

APPENDIX E

HISTORICALLY UNDERUTILIZED BUSINESS PLAN

Goal

The Agency has established and implemented policies for purchasing that call for meaningful and substantive inclusion of historically underutilized businesses (HUBs).

A.1 Objective

The Agency has set the objective that it include historically underutilized business in at least 30 percent of the total contracts and subcontracts awarded annually through fiscal year 2013.

Outcome Measure

Percentage of Total Dollar Value of Purchases Awarded to HUBs.

A.1.1 Strategy

The Agency will research available vendors before each purchase. The Agency will award purchases to HUB vendors in all cases when the HUB product or service is competitively priced when compared to non-HUB vendors.

Output Measures

1. Number of HUB contractors contacted for bid proposals.
2. Number of HUB contracts awarded.
3. Dollar value of HUB contracts awarded.