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October 2, 2012

The Honorable John Carona
Chair, Senate Committee on Business & Commerce
P.O. Box 12068
Austin, Texas 78711

RE: Fiscal Year 2012, Fourth Quarter Update

Dear Chairman Carona:

Pursuant to the request of the Senate Committee on Business and Commerce, below is the quarterly update of information relating to the Texas State Securities Board.

Contingent Rider Funding

The Agency continues in the hiring process of additional examiners authorized through a contingent revenue rider approved during the last legislative session to help regulate the recently increased number of investment advisers registered in Texas.

Enforcement Activities

During the fourth quarter of fiscal year 2012, law enforcement actions included the felony indictment of 10 individuals in cases in San Antonio, Houston, Dallas, McKinney, and Rockwall. The offenses charged include securities fraud, theft, misapplication of funds by a fiduciary, and money laundering. There were also securities fraud convictions of two individuals in Dallas, resulting in prison terms of five years and 16 years respectively.

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Agency Performance

During the fourth quarter of fiscal year 2012, the Agency deposited \$24.4 million into the general fund; processed 10,243 securities filings; processed 15,775 dealer, agent and investment adviser applications and other filings; conducted 38 inspections; and obtained administrative orders against three individuals.

Please contact me at (512) 305-8302 if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "John Morgan". The signature is written in a cursive style with a large, looping initial "J".

JOHN MORGAN
Securities Commissioner

JM/cj