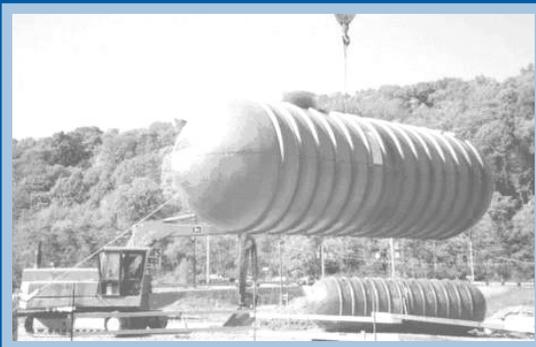
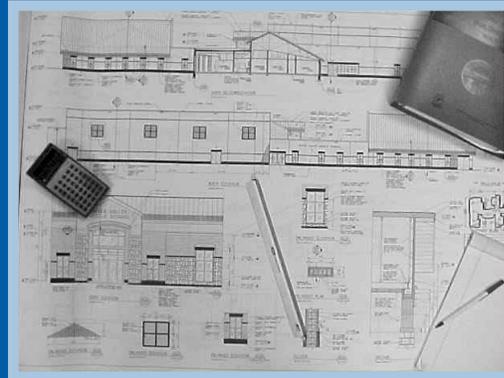




The Ohio Department of Commerce

Annual Report 2001



Bob Taft
Governor

www.com.state.oh.us

Gary C. Suhadolnik
Director

TABLE OF CONTENTS

DIVISIONS

<i>Administration</i>	<i>1</i>
<i>Financial Institutions</i>	<i>4</i>
<i>Industrial Compliance</i>	<i>8</i>
<i>Labor & Worker Safety</i>	<i>12</i>
<i>Liquor Control</i>	<i>15</i>
<i>Real Estate & Professional Licensing</i>	<i>19</i>
<i>Securities</i>	<i>23</i>
<i>State Fire Marshal</i>	<i>27</i>
<i>Unclaimed Funds</i>	<i>31</i>

Dear Governor Bob Taft:

It is my pleasure to present to you the Ohio Department of Commerce Fiscal Year 2001 Annual Report. Organized by division, this report provides an overview of department programs, and documents the accomplishments of FY 2001.

The ever-pervasive element of change was with us in FY 2001 as we incorporated the new division of Labor and Worker Safety into our fold. Formed from the former Bureau of Employment Services' divisions of Wage and Hour and Occupational Safety and Health, this division helps protect the interest of Ohio's workers by administering workplace safety programs as well as minor, child and prevailing wage laws. Much work was accomplished leading up to and directly following the merger as 60 former O.B.E.S employees, many located across Ohio, became part of the Commerce family. The fact that customer service continued uninterrupted throughout the process is a testament to the hard work of everyone involved.

Overall, FY 2001 was a great year for our divisions. Unclaimed Funds broke records for the amount of money collected as well as the number and amount of claims paid to rightful owners. Liquor revenue and profits were also the highest they have been in 20 years, allowing generous transfers to the General Revenue Fund and other state agencies. The Division of Real Estate and Professional Licensing implemented staggered license renewals, improving efficiency for us and customer service for the real estate industry.

Many more changes and accomplishments are on the way in the upcoming year, as we continue to look toward technology to make our operations more efficient and to provide our customers with easier ways to interact with us.

The success of the department is a direct result of the achievements of its individual employees. Day in and day out, our more than 900 employees work together to serve Ohio's citizens. Through personal ingenuity and hard work, and by utilizing team concepts and the Quality Service through Partnership process, our employees continue to find ways of making Ohio an even better place for its citizens and businesses.

On behalf of all our employees, I am pleased to present you with the FY 2001 Annual Report.

Sincerely,



Gary C. Suhadolnik
Director

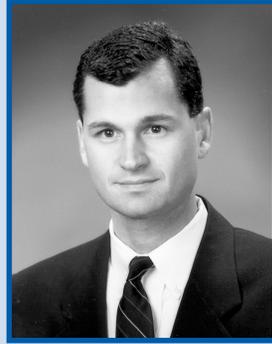


Gary C. Suhadolnik
Director

DIVISION OF ADMINISTRATION



J. Patrick McDonald
Assistant Director



Thomas E. Geyer
Assistant Director

The division of Administration provides policy and administrative direction as well as various centralized functions for the eight operating divisions of Commerce. These services are provided by the following sections; the office of the Director, the information technology group, office of human resources, office of communications, office of legislative affairs, legal counsel, office of fiscal administration, support services, and office of quality training.

The Division of Administration is supported by charges applied to each operating fund of the department. With the exception of the Division of Labor and Worker Safety (LAWS) and the State Fire Marshal's Fire Department Training and Grant Programs, the department uses no General Revenue Fund monies for its general operating expenses. In fact, \$140.5 million was turned over to the GRF or other state agencies in FY 2001, primarily profits from liquor sales.

In FY 2001, the department's budget was \$458 million. Of that, \$5.9 million was from the GRF and \$3 million was from federal monies designated for the OSHA On-Site Consultation Program in LAWS and the Bureau of Underground Storage Tanks in the Division of State Fire Marshal. The rest was revenue from customer industries and liquor sales.

Communications

Bill Teets, Chief

The Communications Office represents the department to the news media and coordinates the department's internal and external communications. In addition to informing the news media through news advisories, news releases and special events, the Communications Office answered 1,825 inquiries from the news media in FY 2001. The office also coordinates the department's printing needs and produces numerous publications throughout the year.

At the 2000 Ohio State Fair, the Communications Office presented a display to educate Ohioans about the various ways that the department impacts the lives of every resident of the state. The display highlighted the activities of each division, particularly the Divisions of State Fire Marshal and Unclaimed Funds. The display attracted 18,265 people who checked their names for unclaimed funds and found \$413,932 wait-

ing to be claimed. It also attracted 14,831 Ohioans who learned fire safety lessons from fire safety educators

Fiscal

Cheryl Lyman, Chief

The Office of Fiscal Administration provides fiscal, payroll, budget, and internal control services to the operating divisions of the Department of Commerce. The office performs a policy and oversight role for the agency's purchasing and payment activities. The Fiscal Office coordinates the submission of the department's biennial operating and capital budgets, and tracks budget activity. In addition, this office is responsible for monitoring departmental compliance with the Minority Business Enterprise (MBE) Set-Aside Law, and Internal Audit Compliance Program (IACP) certification. This section also coordinates financial reporting including submission of the Generally Accepted Accounting Principles (GAAP) Reporting Package.

In FY 2001, the office was involved in the successful integration of two former divisions of the Ohio Bureau of Employment Services (OBES) into the new Division of Worker and Labor Safety.

Human Resources

Blain Brockman, Chief

The Human Resources Office (HR) administers three department programs: the Labor Relations Program, the Personnel Management Program and the Equal Employment Opportunity Program. This requires interpreting two collective bargaining agreements, the civil service laws of the state of Ohio,

and numerous state and federal employment laws. The HR office is the primary entry point of all new hires in the department, and coordinates all hiring procedures. The office hears step three grievances, provides expertise to department managers in contract interpretation, conducts pre-disciplinary meetings, and acts as state advocate at labor arbitrations. The HR office conducts initial investigations into complaints of discrimination and coordinates the department interaction with the Ohio Civil Rights Commission and the federal Equal Employment Opportunity Commission.

In FY 2001, the HR office established a customer focused mission designed to focus more on customer needs in applying the rules that guide everyday activities.

Information Technology Group

Tom Hart, Chief

The Information Technology Group (ITG) is responsible for developing and supporting the computer systems for the department. In addition, ITG provides technical support to Commerce's nine divisions. The vision statement for ITG is to be a collaborative organization, which leverages collective resources in timely and cost-effective service to internal and external customers.

In FY 2001, ITG established the Board of Technology Support (BOTS) comprised of the IT manager of each operating division. The purpose of the BOTS group is to make recommendations to senior management on the current and future use of technology within the agency, and to assist in the implementation of all technology initiatives.

One of the accomplishments of the ITG section for FY 2001 was the completion of an infrastructure assessment project utilizing outside facilitators to identify areas within Commerce where technology and infrastructure required major improvements. This resulted in a three-year technology plan that will be a guideline for future technology implementation throughout Commerce.

In addition, ITG established a strong emphasis on training and customer service. A manager of training and procurement was added to ITG to develop a training plan for IT staff and to assure that products and services are procured in the most cost-effective manner possible. Another addition to the staff was a network manager to assist in stabilizing the networks and developing plans for future enhancements.

Legal

James Turner, Chief

The Legal Section provides support and legal counsel to the director, assistant directors, and administrative section chiefs as well as division superintendents/chiefs. This section also coordinates the administrative hearing process for all of the divisions, coordinates and supervises the legal intern program, and plans and presents in-service training on topics of legal significance for the various divisions. In addition, the Legal Section acts as liaison between the department and various sections of the Ohio Attorney General's Office, the Ohio Ethics Commission, the Inspector General, and the Ohio State Highway Patrol, as necessary.

In FY 2001, this section was awarded an Innovation Ohio award for its role in implementing a settlement protocol for Bureau of Worker's Compensation claims that resulted in savings in excess of \$600,000 in claims liability less claims paid.

Legislative

John Oberle, Chief

The Legislative Office interacts with the Ohio General Assembly, the Governor's Office, various constituency groups and the public on various legislative issues for which the department has regulatory authority.

In FY 2001, the Legislative Office addressed the following legislation:

Ohio Senate bill 76 was enacted to provide enhanced consumer protection in mortgage lending. The bill increased licensure requirements and increases enforcement authority for the Division of Financial Institutions. The law becomes effective in the Spring of 2002.

Ohio Senate bill 32 was enacted to make certain financial services modernization provisions consistent with the amendments to federal law in the Gramm-Leach-Bliley Act. Further, the bill made several e-commerce initiatives to allow securities dealers and investment advisers to apply and renew licenses on the Internet. The act also implemented fee reductions on dealer and investment adviser licenses to offset the costs of Internet filings and to ease the regulatory burden on small dealers and advisers.

Several bills were introduced in FY 2001 at the Department's request to modernize and improve vari-

ous regulations. The following divisions are currently working on regulatory legislation: Financial Institutions, Industrial Compliance, Labor and Worker Safety, Liquor Control, Real Estate & Professional Licensing, and the State Fire Marshal.

Quality, Training & Employee Development

Joey Lee, Chief

The Quality, Training and Employee Development Section provides all Commerce employees with a multitude of training opportunities. Monthly course listings, in addition to quarterly course catalogs, offer training in areas including: computer technology, supervisory and management skills, personal enrichment training and more.

Ninety eight percent of all Commerce employees have been trained in Quality Service through Partnership (QStP). The quality initiatives resulted in the development of eight Commerce teams, five of which completed and implemented their solutions. Through QStP teams and process improvement groups, many improvements to Commerce operations were made during this past year.

This section organized the Commerce "All Hands" meetings to bring Commerce related news and information to all employees.

Support Services

Vickie Smith, Chief

The Support Services Section provides a variety of services for the department including records management, mail and package distribution, office renovations, telecommunications, and managing inventory.

In addition, Support Services is responsible for managing the Tussing Road facility, overseeing its supplies, and operating an in-house print shop. This section is also responsible for managing the department's fleet of 295 vehicles.

Support Services had many accomplishments for FY 2001 including the successful relocation of two major Division of Industrial Compliance (DIC) branch offices, reducing forms for the department by 9.25%, and the implementation of an electronic gas credit card system for Commerce fleet.

In addition, this section was responsible for re-evaluating security and emergency procedures for the department. This included an access system for the Verne Riffe Center, creation of emergency and evacuation manuals for the Tussing Road location, and

development of a consistent training program for Commerce safety wardens.

Community caring

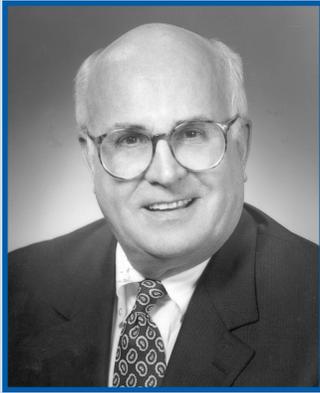
Once again, Commerce employees demonstrated true generosity and caring by participating in various philanthropies that benefit their communities. Employees donated \$6,821.33 and 22 complete baskets and 23 boxes of food for the 2000 Holiday Food Basket Campaign. Through Operation Feed, employees were able to provide 19,080 meals to families in need. The Combined Charitable Campaign netted \$89,553.85, clearly attesting to the employees' spirit of giving.

In addition, 39 Commerce employees volunteered as tutors to help kindergartners at Kent Elementary School in Columbus learn to read through Governor Taft's *Ohio Reads* program. Commerce also participated in the Columbus Partners in Education, continuing its long-term relationship with the Northwest Career Center. More than 30 Commerce volunteers served as mentors, providing the students with valuable experience and insight into the working world. Other Commerce volunteers served as tutors to help students prepare for the ninth grade proficiency test, and helped judge public speaking and mock job interview contests. Further, employees raised \$11,500 to be put toward classroom needs.



Division of Administration section chiefs (back row, left to right): Tom Hart, Jim Turner, John Bender (Chief of Policy), Bill Teets, and Cheryl Lyman. (front row, left to right) Joey Lee, John Oberle, and Blaine Brockman. Not pictured: Vickie Smith.

DIVISION OF FINANCIAL INSTITUTIONS



F. Scott O'Donnell
Superintendent

The Division of Financial Institutions regulates Ohio's state-chartered depository institutions and consumer finance organizations. The duties performed by the division include chartering depository institutions, registering and licensing non-depository financial services, and conducting on-site examinations. The division regulates banks, savings and loans, savings banks and credit unions as well as consumer finance organizations. Consumer finance organizations include check cashing services, check casher lenders, credit service organizations, insurance premium finance companies, mortgage brokers, pawnbrokers, precious metals dealers, second mortgage businesses, and small loan businesses. All examinations, supervision and regulatory activities are performed by division staff who specialize in the operations of each of the specific industries.

Home State Liquidation Estate Approved

In September 2000, Hamilton County Common Pleas Court Judge Richard Niehaus approved a motion to close the Home State Savings Bank liquidation estate. Home State was the first institution closed during the Ohio savings and loan crisis of 1985.

In 1985, the State of Ohio contributed the sum of \$129,250,000 to the liquidation estate to ensure that Home State depositors would have access to all of their monies.

Through aggressive actions by the State of Ohio, the liquidation estate has recovered and returned approximately \$136 million to date to the State. It is estimated that approximately \$9 million will be paid to the State following the closing of the liquidation estate. At the onset of Ohio's saving and loan crisis, no one could have anticipated this amazing recovery of public funds.

"While this has been a long process, we worked to ensure that monies due to the State of Ohio were collected and accounted for before closing the estate," Superintendent O'Donnell said. In finalizing the estate's affairs, a final audit was completed, final tax returns were filed, final expenses paid, and corporate charters terminated.

New Savings Bank and State Credit Unions

- **New Savings Bank**

Cottage Savings Bank opened its doors April 16, 2001. The new state-chartered savings bank

is located at 9813 Montgomery Road in Montgomery. The president of the savings bank is Barbara S. Farris. Since Fiscal Year 1999, three other newly created, state-chartered savings banks have opened in Ohio.

- **Credit Union Conversions**

Two federally-chartered credit unions submitted applications and received approval to convert to a state-charter in Fiscal Year 2000.

Mid-State Credit Union, Inc.

399 East Livingston Avenue
Columbus, OH 43215
Assets - \$50,742,000
Conversion date - September 15, 2000

River Valley Credit Union, Inc.

505 Earl Boulevard
Miamisburg, OH 45342-6425
Assets - \$93,827,000
Conversion date - June 13, 2001

Bankers Day Includes Savings Institutions

The 2000 Ohio Bankers Day Conference was held on March 15 at the Hyatt on Capital Square in Columbus. The occasion marked the first time that directors and officers from Ohio's state-chartered savings & loans and savings banks were included among the more than 250 attendees.

Federal Reserve Board Governor Laurence H. Meyer highlighted the conference with his presentation titled "Capital Standards and Community Banks."

In addition to Governor Meyer, presentations were led by representatives of the Federal Reserve Bank of Cleveland, Federal Deposit Insurance Corporation in Chicago, Alex Sheshunoff & Company Investment Banking, and A.G. Edwards.

DFI Received Bank Accreditation

The Division of Financial Institutions received its third bank certificate of accreditation from the Conference of State Bank Supervisors (CSBS) during the Ohio Bankers Day Conference. Neil Milner, President and CEO of CSBS, presented the accreditation certificate to David Arnold, Deputy Superintendent for Banks.

CSBS accredited the division after it completed a comprehensive review of its standards and practices in bank supervision. CSBS evaluated the division's administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. CSBS accredited the division's bank regulatory operations from 2001 - 2006.



David Arnold, Deputy Superintendent for Banks (right), accepts the accreditation certificate from CSBS President Neil Milner.

Bank Regulatory Fees Reduced

Ohio's state-chartered banks are enjoying their fourth reduction in three years in the regulatory fees paid to the Division of Financial Institutions. The fees fund the division's regulatory efforts to ensure the safety and soundness of the banks.

In November 2000, the State Banking Commission approved a new fee assessment schedule proposed by

the division. Under the new schedule, bank fee assessments declined approximately 13% during the second half of FY 2001 and will continue at the same rate through FY 2002.

Mortgage Broker Statutes Amended

In Fiscal Year 2001, the consumer finance section initiated a major overhaul of Ohio's mortgage broker law. After consulting with consumer groups, other regulatory agencies and the industry, changes were placed in Senate Bill 76, which was sponsored by Senator Bill Harris.

The bill creates licensing for individual mortgage loan officers and establishes a testing procedure for both loan officers and operations managers. The bill also provides for continuing education for loan officers and operations managers and enhances the enforcement powers available to the Division of Financial Institutions.

The bill seeks to improve the mortgage lending marketplace by prohibiting certain abusive practices, such as the falsification of mortgage application documents. The bill also helps consumers by requiring mortgage brokers to disclose their fees and describe their services more completely.

The division believes that Senate Bill 76 enhances protections for Ohio consumers without inhibiting the ability of Ohio businesses to compete in the national marketplace. The division's consumer finance section looks forward to the implementation of this bill in the spring of 2002 and believes that it will greatly enhance the professionalism of the mortgage broker industry.



Pictured with Governor Bob Taft (seated) are (from left) Rob Grieser, Deputy Superintendent for Consumer Finance; Jim Hunt, DFI Legal Counsel; State Senator Bill Harris; Superintendent O'Donnell; John Oberle, Commerce Legislative Liaison; and State Representative Amy Salerno.

Keeping the Industry Informed

The division conducts programs to inform financial institution management of regulatory changes and participates in industry events to stay informed about current trends. During fiscal year 2001, these programs and events included:

- Conducting four Bank Regional Roundtable meetings in Athens, Canton, Bowling Green and Miamisburg;
- Conducting the second annual Savings and Loans and Savings Bank Regional Roundtable meetings in Canton and Cincinnati;
- Sponsoring four sessions of Directors' Training for banks, credit unions, savings & loans and savings banks in Akron, Columbus and Cincinnati, where approximately 650 financial institutions officers, directors and regulators attended presentations by George Freibert, Professional Bank Services;
- Sponsoring the annual Ohio Bankers Day in Columbus;
- Participating in meetings of the Association of Mortgage Bankers, Ohio Association of Financial Service Centers, Ohio Consumer Finance Association, and Ohio Association of Premium Finance Company and Ohio Association of Mortgage Brokers; and
- Participating in Credit Union Outreach meetings in conjunction with the Ohio Credit Union League at six sites throughout Ohio.

Credit Union Council Members Announced

Governor Bob Taft appointed the members of the Credit Union Council in November 2000. House Bill 510 expanded the council to seven members and defined the council's role to advise the Division of Financial Institutions regarding issues affecting Ohio's state-chartered credit unions. The council meets quarterly.

The division and the Ohio Credit Union League worked together to expand the council's advisory role and to provide for the confirmation of fee assessments paid by the credit unions to fund their regulation.

In addition, the council can consult with, advise, and make recommendations to the Superintendent and Deputy Superintendent on matters relating to the business of credit unions, including field of membership, regulation, examination, safety and soundness, and



Officers and directors from credit unions, as well as banks, savings & loans and savings banks attended Directors' Training at the Embassy Suites in Columbus.

applications of credit unions. The council can also submit recommendations to the Governor concerning amendments to Ohio's credit union laws and rules.

The current members are:

- Kenneth A. Roberts, Acting Deputy Superintendent for Credit Unions;
- Patrick McGrady, Toledo Area Catholic Credit Union, Inc., Sylvania;
- Deanna K. Meyer, Ormet Credit Union, Inc., Clarington;
- John Lattanzi, Credit Union One, North Jackson;
- Thomas L. Furrey, Western Credit Union, Columbus;
- Dianne A. Peck, Bethany Baptist Church Credit Union, Cleveland;
- Marta Liscynesky, Attorney at Law.

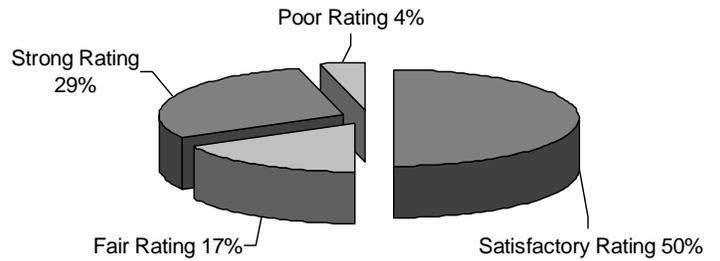


Pictured from the left are credit union council members John Lattanzi, Kenneth Roberts, Scott O'Donnell, Deanna Meyer, Patrick McGrady, and Thomas Furrey. Not pictured are Dianne Peck and Marta Liscynesky.

Depository Institutions are Sound

The condition of state-chartered financial institutions (banks, credit unions, savings banks or savings and loan associations) remains sound. The majority of institutions (79%) supervised by the division are rated strong or satisfactory and a small number (4%) are poorly rated. The division's risk focused examinations considers an institution's size, risk profile, management practices and overall condition to determine examination frequency (varies between six months and two years). Poorly rated institutions are closely monitored.

Financial Institutions Ratings as of 6/30/01

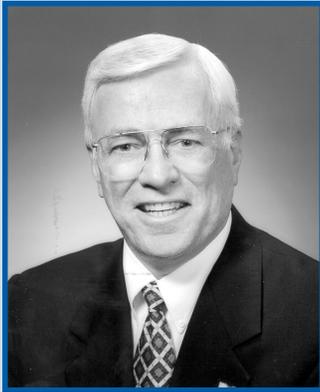


SUMMARY OF INSTITUTIONS REGULATED

Each depository institution is individually chartered. Each separate office of non-depository financial servicers must be licensed or registered.

<u>Type of Institution</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Depository Institutions				
Banks	127	123	125	118
Trust Only Banks	1	2	2	2
Bank Trust Operations	59	57	50	49
Credit Unions	298	289	281	281
Savings and Loan Associations	58	54	48	46
Savings Banks	26	26	27	26
Non-Depository Financial Servicers				
Check Cashers	310	558	716	807
Check Casher Lenders	238	511	644	717
Credit Service Organizations	4	3	5	3
Domestic Money Transmitters	14	15	15	15
Foreign Money Transmitters	14	14	16	17
Insurance Premium Finance Lenders	58	49	50	47
Mortgage Brokers	918	1,203	1,290	1,429
Mortgage Loan Registrants	3,214	3,227	3,134	3,281
Pawnbrokers	211	205	197	192
Precious Metals Dealers	30	28	27	24
Small Loan Licensees	168	126	63	54
Total Institutions Regulated	5,748	6,490	6,690	7,108

DIVISION OF INDUSTRIAL COMPLIANCE



David M. Williamson
Superintendent

The Division of Industrial Compliance (DIC) provides building and construction plans reviews and inspections of plumbing, electrical and structural systems, elevators, boilers, and bedding and upholstered products. Additionally, DIC provides testing, certification, licensing and continuing education services for numerous skilled trades within Ohio's building industry. DIC had three bureaus in FY 1999; the Bureaus of Construction Compliance, Operations and Maintenance, and Licensing and Certification. In FY 2000, the Bureau of Construction Compliance split its responsibilities with the newly founded Plans and Specifications Bureau. DIC also registers travel agents/tour promoters and provides administrative support for the Board of Building Standards, Board of Building Appeals, Ohio Construction Industry Examining Board, and the Ski-Tramway Board.

DIC Moves Towards Fully Automated Inspection Process

On May 29, 2001, the Division of Industrial Compliance initiated phase two of a three-phase project to fully automate the division's inspection process through the DOCC (Dispatch Operations and Communications Center). The division can be more responsive to the ever-increasing number of requests for inspection services from contractors and building officials statewide, and provide those services in a timely and customer-service oriented manner.

In phase two, customers can call one of the two dispatchers and request an inspection. Through the FOCUS computer program dispatch module, the request for inspection is scheduled for a "most optimum" schedule, which is then faxed out to the field inspector in the form of a "job ticket."

DOCC plans to move to a fully electronic mode in phase three. All correspondence, beginning with the initial request through the recording and data entry of the inspection results, will be handled electronically. The "mobile office" concept will provide a paperless and almost instantaneous transfer of information.

Field Staff Activities

DIC continues its emphasis on increased and standardized field staff inspection operations, with the following procedures being implemented or modified:

- Dispatching program for Pressure Piping inspectors;

- Upgrade of in-house computers for faster interfacing with database
- Updating information and forms on the Web page;
- Redesigning the permit application to become more user friendly for the customer and better interface with the new database.

In FY 2001, the Bedding Section shifted their focus from inspecting retail operations to inspecting distribution warehouses. As a result, there was a 35% decrease in the number of inspections done in FY 2001



Elevator Inspectors like Mike Eagleton diligently check the circuits and cables of elevators throughout Ohio.

compared to FY 2000. The DOCC program began handling the scheduling and routing of routine inspections for boiler and elevator operations throughout the state.

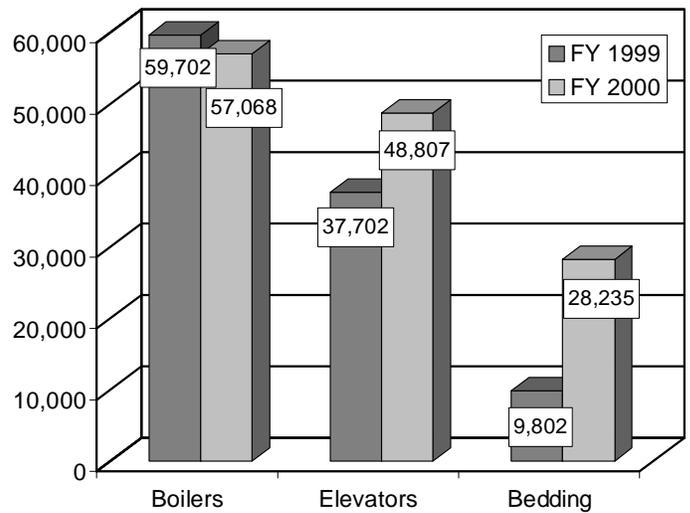
Ohio Building Code Modifications

During FY 2001, the Board of Building Standards spent countless hours reviewing and modifying the International Building, Mechanical, and Plumbing Codes to bring them into compliance with the Ohio Revised Code. From 1979 until the present, the board has used model codes of the Building Officials and Codes Administrators International, Inc. (BOCA) as the basis for the state of Ohio's building code. The new code will go into effect on January 1, 2002. The adoption of the international codes by the Board of Building Standards had the support of the Ohio Building Officials Association and of the building construction industry.

OCIEB Certification

The Ohio Construction Industry Examining Board (OCIEB) issues qualification certificates for the electrical, plumbing, refrigeration, HVAC and hydronics trades. Ohio House Bill (HB) 434 resulted in some changes for the OCIEB. HB 434 will make the qualification certificate a license and require all building departments to ask for the license when contractors take out permits for commercial buildings. This

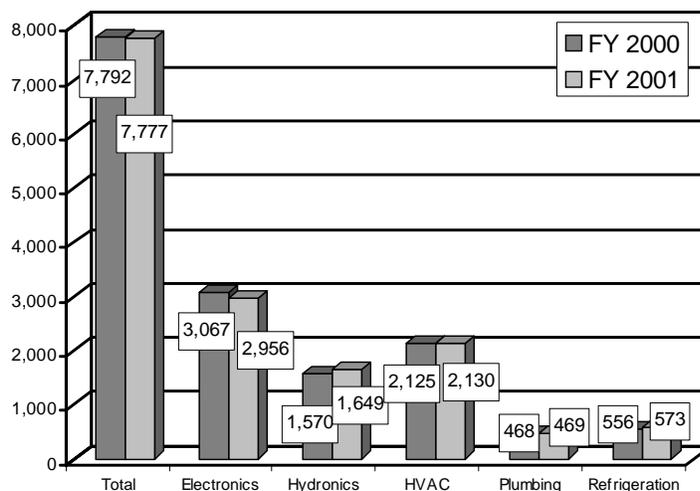
Inspections Performed



eliminates duplicative requirements and allows contractors to work throughout the state with just one license.

In FY 2000, OCIEB issued a total of 7,792 certificates. For FY 2001, the total number of certificates issued dropped slightly to 7,777, as a result of HB 434. The new law allows contractors who qualify to grandfather in without testing. Many existing contractors took advantage of the grandfather application and did not renew their certificates.

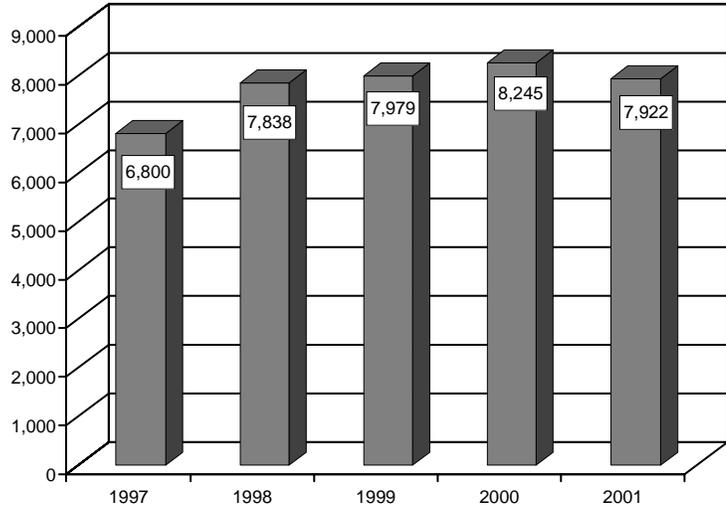
Certificates Issued by OCIEB



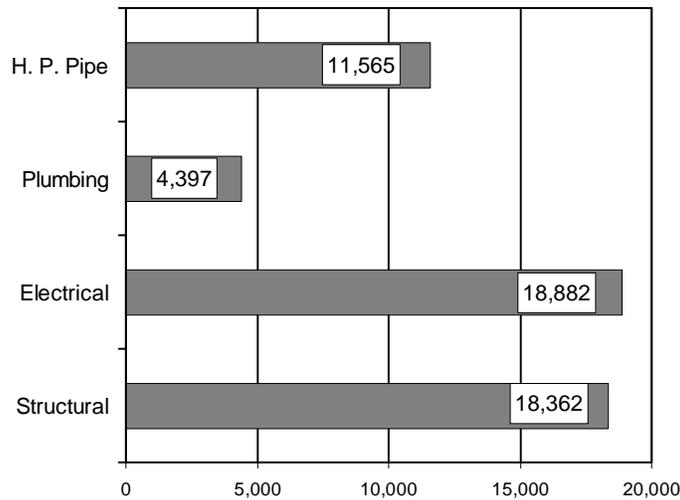
Project Submissions

Although the Bureau of Plans and Specifications had an ever-increasing volume of submissions, there was a slight decline in the larger projects. Normally, larger projects bring numerous smaller projects and construction compliance inspections attached to the original plans. As a result, the number of total plans and inspections were affected. A total of 7,922 projects were submitted in FY 2001. An additional 739 submissions for industrialized units were also reviewed.

Project Submissions for FY 1997-2001



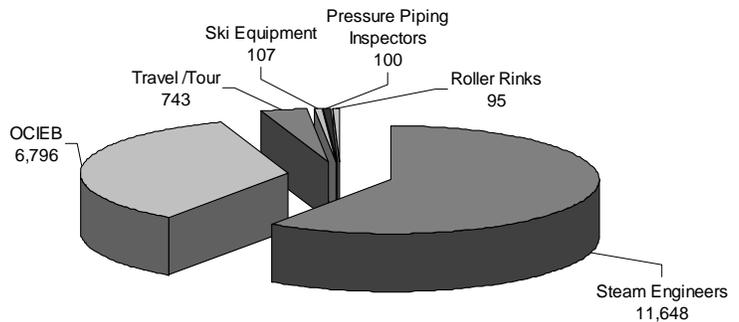
Construction Compliance Inspections FY 2001



Licensing and Certification

During Fiscal Year 2001, the Bureau of Licensing and Certification processed 19,489 licenses, permits, and certificates. The responsibility of processing licenses for fire protection, BUSIR, Fireworks and Hotels/Motels was transferred to the Division of State Fire Marshal.

Licensing and Certification FY 2001



Board of Building Appeals

The Board of Building Appeals consists of five board members and an executive secretary. The board holds hearings for two days in Reynoldsburg and one day in Akron each month. The board reviews appeals made to adjudication orders issued by the Bureau of Plans and Specifications, Bureau of Operations and Maintenance's Elevator Section and Boiler Section or any certified local or county enforcement agency. The board also reviews appeals made to fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector. The board may reverse, modify, or repeal an order of the enforcing agency if it is found contrary to a fair interpretation or application of the governing laws or rules and will not be contrary to the public interest where a literal enforcement will result in unnecessary hardship.

The board in the past year has managed an increase in the number of requests received without increasing personnel. In FY 1999, the board received 694 requests; in FY 2000, the board received 732; and in FY 2001, the board received 740. In addition, in fiscal year 2001 not one case that went before the board was appealed to the Court of Common Pleas.

Other accomplishments of the board include the outstanding attendance record of all five board members. In the year 2001, two board members attended 100% of the scheduled hearings, one board member attended 98%, and the remaining two board members attended 89%.

The board has also reviewed and revised the agenda format to allow the board to operate in a more efficient manner. The agenda format was revised to record the action of the board for each case scheduled.

The board has also seen a significant increase in the use of the "Request for Hearing" form, which was created in 2000 and added to our web page for public access. This form when completed will contain all pertinent information needed for the board members to review and prepare for the hearing.

Regional Office Relocated

The Ohio Department of Commerce has closed its Akron regional Division of Industrial Compliance (DIC) office and relocated it to a location in Canton in early FY 2002.

In FY 2001, the offices in Athens and Batavia were consolidated into a new office in Chillicothe. The offices in Reynoldsburg and Toledo were not affected.

Over the last four years, the department has witnessed a continued trend of increased plan submission from contractors, engineers and architect firms across the state. With minimal staffing at the regional offices, the workload increased beyond capacity which also increased the number of days for a project to receive complete plan review at each of these locations.

To determine the best way to offset the increase in plan review time and the cost of doing business, DIC examined alternative solutions to the plan review process that would provide improved customer service thus making the entire process consumer-friendly. After the review, Director Suhadolnik arrived at a two-fold solution:

- Increase the number of plans examiners within the division's main office from 10 to 12 in order to decrease turnaround time on plan review, especially on larger and more complex projects;
- Realign the regional office from four widely scattered and remote locations to three more centralized locations. This will also establish a standard, customer focused office configuration of two plans examiners, one secretary and one plumbing inspector assigned to each regional office.



The Division of Industrial Compliance's regional Plans and Specifications Office in Chillicothe is located in an historic section of town.

DIVISION OF LABOR & WORKER SAFETY



Gordon Gatien
Superintendent

Consisting of two bureaus, Occupational Safety & Health and Wage & Hour, the division was created upon the transfer to the Ohio Department of Commerce as a result of the merger between the former Ohio Bureau of Employment Services and the former Department of Human Services on July 1, 2000. The Labor & Worker Safety Division (LAWS) receives its statutory authority from chapters 4109, 4111, 4115, and 4167 of the Ohio Revised Code (ORC).

The Wage & Hour Bureau is responsible for enforcing Ohio's labor laws as they pertain to wages, hours of work, and minor workers' safety. The bureau assists the public in understanding its rights and responsibilities under the wage and hour law, and pursues reported violations of the law. The bureau also coordinates the activities of field staff, standardizes enforcement procedures, and interprets the

rules and regulations associated with the ORC.

The Bureau of Occupational Safety & Health consists of two programs, the Public Employment Risk Reduction Program (PERRP) and the OSHA On-Site Consultation Program (On-Site). PERRP is charged with assisting public employers in creating safe and healthful working environments by conducting free safety and health inspections and/or consultations. Likewise, On-Site, which is 90% funded by the U.S. Department of Labor's Occupational Safety & Health Administration, assists small private employers in creating a safe and healthful working environment.

Despite numerous challenges associated with the transition, LAWS not only maintained previous year levels, but in most instances, activities increased with a focus on quality.

PERRP Responsibilities Increase

Ohio Senate Bill (SB) 183 was enacted into law in October 2000. It is designed to protect healthcare workers from incurring sharp object and needlestick injuries. This is important, in light of the potential for health care workers to become infected with bloodborne pathogens when they have experienced a needlestick injury. Fundamentally, the legislation requires hospitals and health-care facilities to incorporate the use of safe-needle devices to reduce the number of needle-related injuries. PERRP staff and the Public Employment Risk Reduction Advisory Commission continue to work closely to effectuate the implementation of the new statutory mandates.

With the implementation of SB 183, PERRP will be better able to assess the future goals of the section. PERRP's number one goal is to increase the number of public entities utilizing its services, thereby increasing the safety and soundness of public employees' work sites. However, to achieve that goal, PERRP must tar-

PERRP Activities for FY 2001

Safety & Health Consultations:	_____	582
Employees Covered:	_____	23,117
Safety Training Conducted:	_____	93
Employees Converted or Trained	_____	2,526
Presentations Conducted:	_____	31
Employees Covered:	_____	1,421
Migrant Inspections:	_____	23

get its services to the areas with the most need. With employers reporting incidents via the new Web-enabled reporting form, PERRP may extract vital information to track trends within the public sector. Surveys completed by PERRP's customers indicate that the program is very useful and of high quality.

On-Site Consultation

To many, On-Site is the state's "best kept secret." Not only do its consultants and industrial hygienists conduct free consultations for private employers, it also offers free Occupational Safety & Health Administration (OSHA) training. Employers may access both PERRP and On-Site training services via the Internet. On-line registration has increased efficiencies and tracking.

Despite the transition of moving operations from the former Bureau of Employment Services, On-Site exceeded its performance expectations. Highlights of the program include:

- On-Site dramatically increased the number of outreach activities;
- Feedback from the training On-Site conducted revealed that over 90% of its customers rated the services as outstanding;
- Of the survey results received, 100% of its customers rated On-Site services as either satisfactory or outstanding (72% outstanding). In addition, 98% of its customers rated On-Site services as meeting their expectations.



Paul Monus of OSHA On-Site consults with Shincor Silicones in Akron on workplace safety procedures.

On-Site rolled out the OSHA 10-hour and 30-hour courses for construction and general industry outreach training. On-Site has developed training materials for distribution to enable attendees to better grasp the fundamentals of safety and health topics. The program has been particularly strong in southwest Ohio due in part to federal OSHA's promotional efforts.

Wage and Hour

Despite receiving an increased number of complaints regarding prevailing wage, minimum wage, and minor workers issues, Wage and Hour continued to conduct timely investigations. While most of the focus over the past several years has been prevailing wage, performance measures and technology advances have increased the number of investigations in each of these areas.

Electronically Filed Minor Work Permits

The Division of Labor & Worker Safety's number one information technology initiative beginning in fiscal year 2001 and continuing in the next fiscal year is to allow school districts to file work permits electronically. As it currently exists, all school districts in Ohio must issue permits manually to about 110,000 school-age workers (i.e., under age 18). All retention of information is in hard copy form at the school, employer, Department of Commerce, and the U.S. Department of Labor.

In a collaborative effort with the Ohio Department of Education, LAWS has proposed legislative changes that will enable the school districts to file permits over the Internet. This will not only enhance efficiencies, but it will also aid enforcement efforts by pre-alerting school officials of hazardous occupations or other violations of law. Additionally, employers will be relieved of yet another record-keeping burden.

If enacted, the following goals will be achieved:

- Stronger enforcement (i.e., enhanced child safety);
- Reduced operating costs for school districts;
- Increased efficiency;
- Reduced regulatory burdens on employers;
- Utilized tools in line with the state's e-commerce strategy.

Four Companies Receive SHARP Award

In FY 2001, four Ohio companies were presented the Safety and Health Achievement Recognition Program (SHARP) award. The companies receiving the award were Plastic Suppliers of Columbus; CND Machine, Inc., of Canton; Radco Industries, Inc. of Toledo; and Twist, Inc., of Jamestown and Xenia.

Superintendent Gatien presented the awards on behalf of the Ohio Department of Commerce's Bureau of Occupational Safety and Health On-Site Consultation program, a program funded through the federal Occupational Safety and Health Administration (OSHA).

The SHARP award recognizes a company's effort to work with its employees to develop and implement effective injury and illness prevention programs. The award program promotes effective safety and health program management. SHARP also recognizes employers who practice exemplary safety and health programs at their work sites, which result in the immediate and long term prevention of job-related injuries and illnesses.

The SHARP award is good for two year and provides an exemption from federal OSHA general schedule inspections during that period. OSHA recognizes that employers like the four SHARP recipients have put procedures in place to ensure hazards are identified and corrected in a proactive fashion.

To receive the award, these companies worked closely with Commerce's On-site Consultation Program to ensure that safety and health management



Superintendent Gordon Gatien (left) presented a SHARP Award to Twist Inc. representatives (left to right) Mike Given, Vice President of Operations; Julia Ables, Human Resources; and Eric Waggoner, Safety Manager.

systems were established and were sustainable in reducing injuries and illnesses in the work place. By working with the On-Site Consultation Program and making revisions to its safety and health management system, these companies showed their concern for their employees and the importance of safety to management and ownership.

Wage & Hour Activity FY 2001	Employees Affected	Amount
Prevailing wage determinations issued	1,625	\$1,536,177
Prevailing wage re-determinations issued	431	\$283,039
Prevailing wage collections	1,026	\$521,325
Minimum wage determinations issued	258	\$127,218
Minimum wage re-determinations issued	2	\$564
Minimum wage Collections	289*	\$101,160
Penalty fund Collections	19	\$3,151
* reflect totals from previous years		

DIVISION OF LIQUOR CONTROL



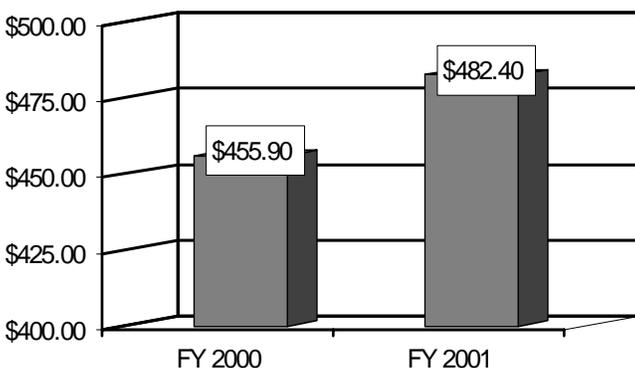
Rae Ann Estep
Superintendent

The Division of Liquor Control is responsible for controlling the manufacture, distribution and sale of all alcoholic beverages in Ohio. The division is the state's sole purchaser and distributor of spirituous liquor (intoxicating liquor containing more than 21 percent alcohol by volume). Spirituous liquor is sold through nearly 400 private businesses, known as liquor agencies, which are contracted by the division to serve as its sales agents. Significant sales and tax revenues are generated from the sale of spirituous liquor. These revenues are used to help fund a variety of programs offered by various other state agencies. Regulatory functions include the issuance of permits to the state's approximately 24,000 privately owned and operated manufacturers, distributors, and retailers of alcoholic beverages. The division also regulates industry compliance of the laws pertaining to the manufacture, importation, and distribution of beer, wine, and mixed beverages containing less than 21 percent alcohol by volume in Ohio.

Division Records Highest Dollar Sales

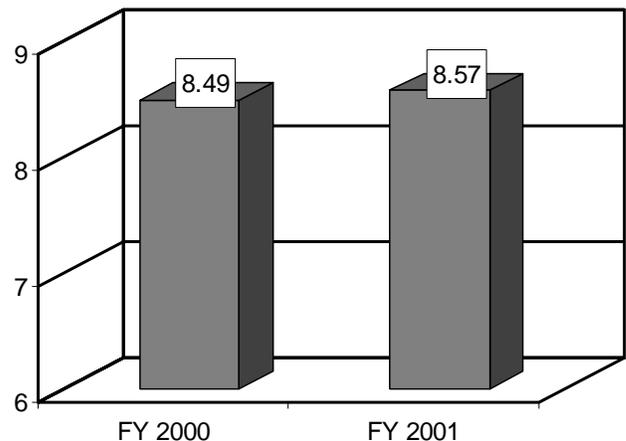
Spirituous liquor sales totalled a record \$482.4 million in FY 2001. This was an increase of \$26.5 million, or 5.8 percent, compared to sales in FY 2000. The increase in dollar sales is due to supplier price increases, an ongoing trend of customers purchasing more premium priced products, and a slight increase in consumption. Gallonage sales of spirituous liquor in FY 2001 totalled 8.57 million gallons, an increase of 84,000 gallons, or 1.0 percent, compared to FY 2000. The average dollar value per gallon sold in FY 2001 equalled \$56.24, a 4.8 percent increase to FY 2000's \$53.68. The average dollar value per bottle sold in FY 2001 equalled \$13.75, a 4.9 percent increase to FY 2000's \$13.10. As testament to the fact that Ohio's controlled system of liquor sales does not promote con-

**Spirituous Liquor Sales
(Dollars in Millions)**



sumption, Ohio ranked 48th in the nation in per capita consumption of distilled spirits in 1999 according to the Distilled Spirits Council of the United States, Inc.

**Gallons of Spirituous Liquor Sold
(Gallons in Millions)**



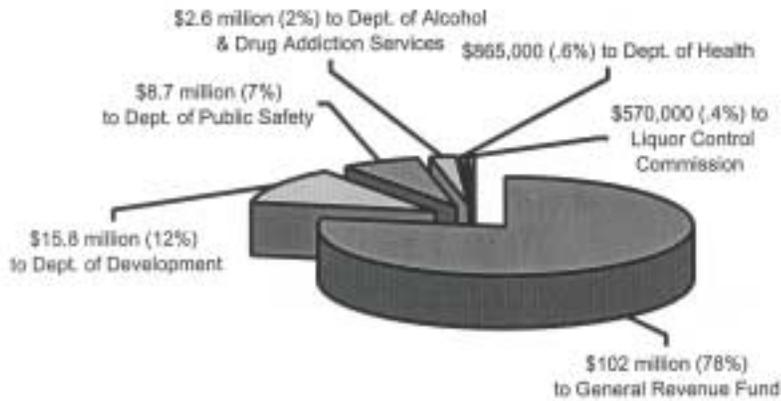
GRF Transfer Increases By \$7 Million

The main financial goal of the division is to maintain profitability of liquor sales through efficient management and operations. For the fiscal year ending June 30, 2001, the division achieved its goal by contributing \$102 million to the state's General Revenue Fund (GRF). This fund is used to support all state services. The FY 2001 GRF transfer was \$7 million more than last year's transfer, and the highest amount transferred in 19 years.

In addition to the GRF transfer, liquor revenues are also earmarked for the following other state services: the Ohio Department of Development for the retirement of economic development bonds used to fund the state's small business loan/job development program; the Ohio Department of Public Safety for state liquor law enforcement; the Ohio Department of

Alcohol and Drug Addiction Services to fund alcoholism treatment, education and prevention programs statewide; the Ohio Department of Health to fund the Alcohol Testing Program; and the Ohio Liquor Control Commission to fund its operations. The total revenue transferred to the state in FY 2001 was \$130.5 million.

Liquor Control Revenue Distribution FY 2001



Division Accomplishments

Division staff continually review operations for ways to improve processes and performance and were successful in implementing a number of improvements in FY 2001. Better inventory control practices in the contract liquor agencies resulted in a turnover rate of 10.13 turns of the spirituous liquor inventory, which is a significant and enviable rate for a retail business. This was also the best inventory performance of any 12 month period since the turnover measure was initiated in 1987.

Product outages in the liquor agencies, as well as short shipments and incorrect orders from the liquor warehouses, were significantly reduced with the implementation of a scanning system that scans all spirituous liquor deliveries for accuracy at both the origination point (warehouse) and the destination point (contract agency).

Customer service improvements were achieved in all areas of the division. This included simplifying the spirituous liquor special order process and allowing customers to purchase a single bottle versus the previous case requirement. Miniature sized (50 ml.) bottles of spirituous liquor were also introduced for retail sales in nearly 220 contract liquor agencies, replacing case lot purchases via special order.

A backlog on stock transfer processing was eliminated and the timeframe for first review of all applications was reduced. The product label registration process for beer, wine and low-proof mixed beverages was also streamlined expediting product review and approval. In addition, a list of all beer, wine and mixed beverage products approved since September 1, 2000, is now available on the division's web page.

Liquor Permit Requirements

Licensing compliance officers survey the area within a 500 feet radius of a liquor permit applicant business to determine if there are any schools, churches, libraries, public playgrounds or township parks that must be notified and given the opportunity to object to the issuance and request a division hearing. Inspections are also conducted on the premises to determine if it meets all requirements, including proper restroom, kitchen and dishwashing facilities.

Liquor Permit Activity

In FY 2001, the Licensing Section issued 32,100 liquor permits and collected \$23,264,820 in permit fees. Fifty percent of the permit fees collected are returned to the local taxing district to assist in liquor law enforcement, 29 percent are deposited in the state's General Revenue Fund, and the remaining 21 percent are allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund alcoholism treatment and education efforts statewide.

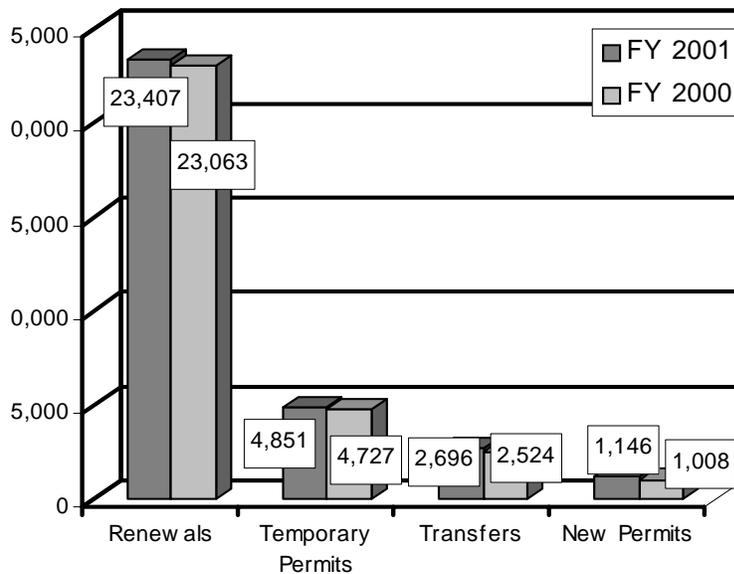
In the granting of liquor permits, the division considers the safety and welfare of Ohio's citizens as first priority. At the same time, the division is guided and restricted by statutes, rules and legal cases in making a decision on a permit's issuance or denial.

In FY 2001, 241 new, transfer and permit renewal objection hearings were held by the Legal Section, and a total of 365 applications were rejected.



Compliance Officer Robert Vanderhorst performs a licensing inspection.

Liquor Permit Activity



Statement of Profit and Loss

<u>SPIRITUOUS LIQUOR SALES</u>	<u>FY 2001</u>	<u>FY 2000</u>	<u>FY 1999</u>
RETAIL	\$304,649,818.58	\$287,909,345.78	\$269,637,442.13
WHOLESALE	\$203,117,637.33	\$191,985,859.48	\$176,374,617.81
GROSS TOTAL	\$507,767,455.91	\$479,895,205.26	\$446,012,059.94
Less: 12.5% Discount on Wholesale	\$25,389,704.66	\$23,998,232.45	\$22,046,827.23
TOTAL SALES	\$482,377,751.25	\$455,896,972.81	\$423,965,232.71
Less Cost of Goods Sold	\$279,815,734.23	\$264,045,869.95	\$244,833,099.79
State Gallonage Tax	\$28,988,298.12	\$28,703,411.20	\$27,696,463.34
TOTAL COST OF GOODS	\$308,804,032.35	\$292,749,281.15	\$272,529,563.13
GROSS PROFIT	\$173,573,718.90	\$163,147,691.66	\$151,435,669.58
Percent Gross Profit to Total Sales	34.18%	34.00%	33.95%
OPERATING EXPENSES			
Less Operating Expenses – Agencies	\$25,966,380.50	\$24,508,253.66	\$22,868,204.60
Less: General Operating Expenses	\$12,638,668.32	\$13,741,663.32	\$13,540,991.64
TOTAL OPERATING EXPENSES	\$38,605,048.82	\$38,249,916.98	\$36,409,196.24
NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS	\$134,968,670.08	\$124,897,774.68	\$115,026,473.34
PERCENT NET PROFIT TO GROSS SALES	26.58%	26.03%	25.79%

DIVISION OF REAL ESTATE & PROFESSIONAL LICENSING



Lynne Hengle
Superintendent

- REAL ESTATE • APPRAISERS • AUCTIONEERS
- PRIVATE INVESTIGATORS • SECURITY GUARDS
- REGISTERED CEMETERIES • FOREIGN REAL ESTATE

This division licenses real estate brokers and salespersons, auctioneers, private investigator companies, security guard companies, and licenses and certifies general and residential appraisers. It also registers security guard and private investigator employees. Applicants are screened by division staff to assure that legal qualifications for licensure are met. Once licensed, the division conducts audits to ensure compliance with Ohio law. In addition, the division regulates foreign real estate brokers and salespersons and registers foreign real estate property. When allegations of misconduct and fraud are made against licensees or registrants, the division is charged with investigating such allegations, holding hearings, and imposing discipline where warranted. The division also supports the Ohio Cemetery Dispute Resolution Commission by registering all active cemeteries in Ohio and investigating complaints or disputes involving registered cemeteries.

When allegations of misconduct and fraud are made against licensees or registrants, the division is charged with investigating such allegations, holding hearings, and imposing discipline where warranted. The division also supports the Ohio Cemetery Dispute Resolution Commission by registering all active cemeteries in Ohio and investigating complaints or disputes involving registered cemeteries.

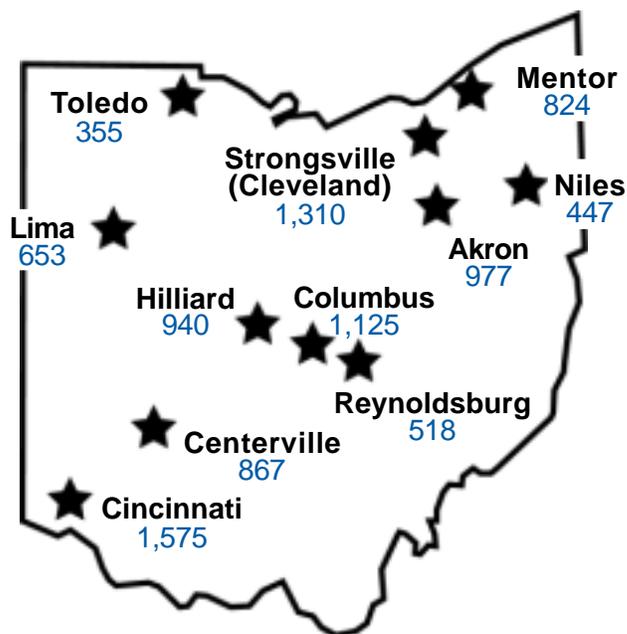
Proposed Modernization Bill

Continuing the process of modernizing the law for each of the industries we regulate, the division proposed the Private Investigator/Security Guard Modernization Bill, House Bill (HB) 188 of the 124th Ohio General Assembly. The bill provides for background checks of all registrants (employees of licensees) every other year, and the bill clarifies the activity for which a private investigator or security guard license is not required. If enacted into law, it will be the first substantial change to this industry's license law in 15 years.

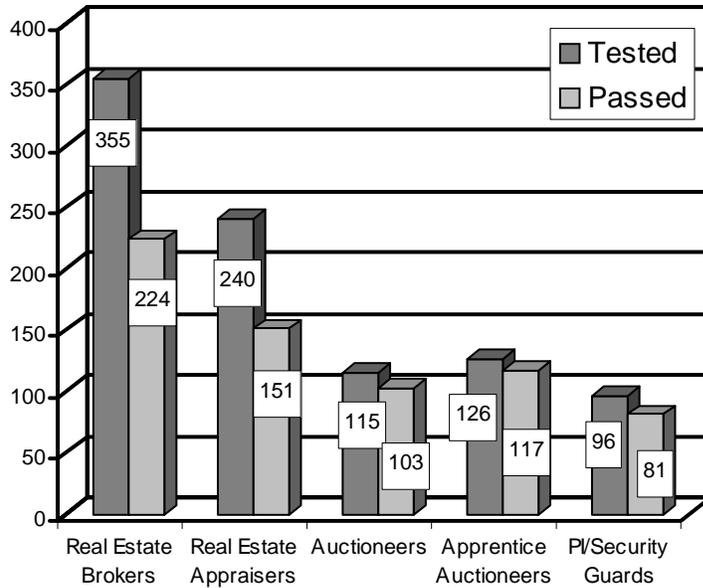
Test Sites Throughout Ohio

There are 11 Sylvan testing sites strategically located throughout Ohio authorized to administer both real estate and appraiser examinations. During the past fiscal year, these locations administered 9,571 examinations. Both of these examinations can also be taken at designated sites throughout the country. This past year, applicants became licensed real estate salespersons, brokers and real estate appraisers by taking the required examination in locations from Virginia to California.

Number of Applicants Tested at Each Testing Site for FY 2001



Testing Statistics for FY 2001



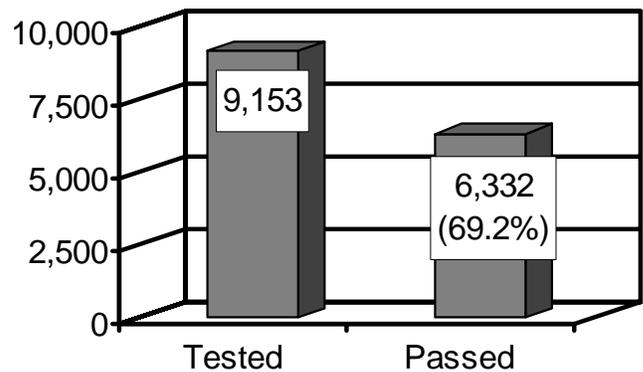
Distance Education Task Force Update

The Real Estate Distance Education Task Force completed a yearlong series of meetings to develop a means of providing continuing education through alternative means. A blue ribbon panel then took the findings of the task force and drafted a proposal for the Superintendent. This proposal was presented to the Ohio Real Estate Commission for its consideration. After reviewing the proposal, the commission provided some additional suggestions and requested that the committee submit its final report for consideration this fall.

Auctioneer Program to be Transferred

The Ohio Auctioneer Program will be transferred from the Department of Commerce to the Ohio Department of Agriculture on October 1, 2001. The transfer of the program was authorized by language in the 2002-2003 biennium budget bill (Am. Sub. HB 94). With the transfer, the Department of Agriculture will assume responsibility for all aspects of the auctioneer program previously performed by the Department of Commerce. Those responsibilities include the testing and licensing of auctioneers, investigation of complaints against licensed auctioneers, investigation of alleged unlicensed auctioneer activity, the enforcement of any license law violations discovered during the investigatory process, and supplying administrative support to the Ohio State Auctioneers Commission. Representatives of the division and the Department of Agriculture are working closely together to ensure a smooth transition.

Real Estate Salespersons Testing for FY 2001



Funding Operations

Funding for the division's operations comes from many different sources. This revenue is generated entirely through the collection of license and testing fees, enforcement actions (fines) and other miscellaneous areas. In FY 2001, fines assessed against real estate licensees totaled \$47,200. Fines assessed against private investigators and security guard providers totaled \$40,100. Total revenue received by the division for FY 2001 was \$4,178,766.92, of which \$376,761.97 was earmarked directly for consumer recovery programs and education.

Revenue by Fund for FY 2001

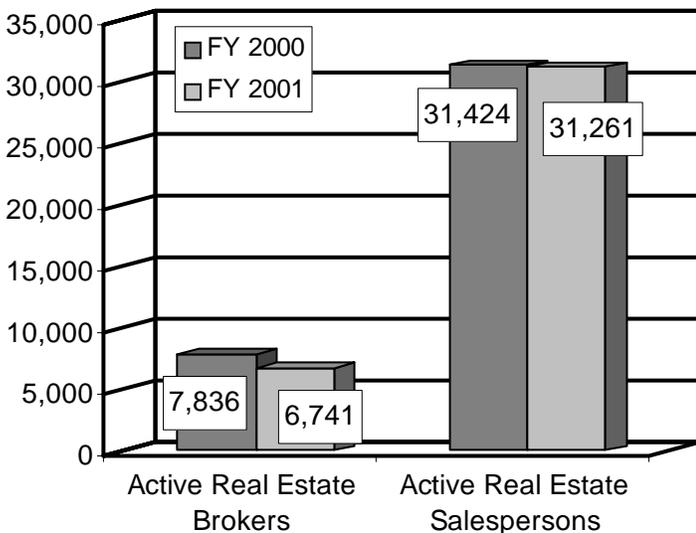


Licensing Activities

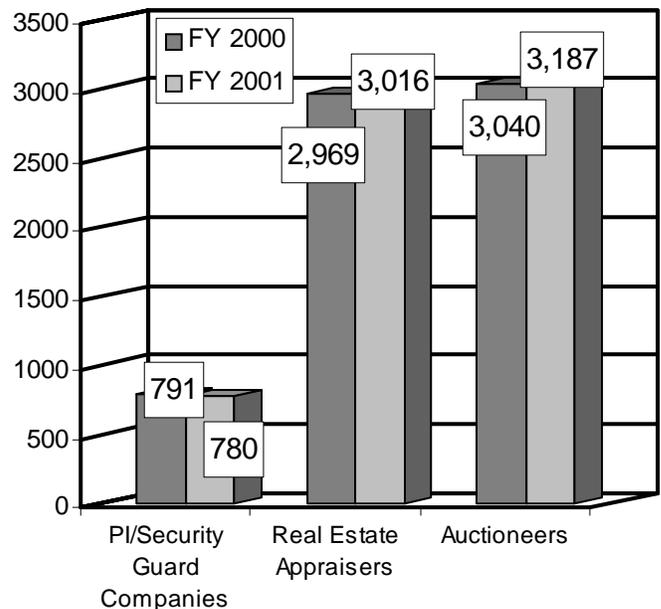
The real estate licensing section handles salespeople and broker licensing from beginning to end; from original licensure of salespeople to reviewing and approving broker examination applications. Additionally, the licensing section issues new licenses and transfers of licenses from one brokerage to another. It also reviews and approves new brokerages and the associated applications that coincide with the new real estate company.

Further, new to the industry and the division this year is the staggered license renewal. Each licensee must pay their renewal on or by their birthday every year. Brokerage renewals are billed April 1st of each year and are due by June 30th. To qualify for a brokerage renewal, a brokerage must have at least one branch office or at least 11 salespeople.

Number of Licensed Real Estate Brokers and Salespersons



Number of Licensees



Embracing New Technology

The Division of Real Estate and Professional Licensing went through a metamorphosis this year. The first phase of a three-phase computer project became a reality with the implementation in November 2000 of a new computer program called "RealPro." This software combines seven professions' licensure systems which the division maintained in two separate and distinct systems into one complete program. This conversion gave the division a chance to purge old, unused files. It also enables division personnel to know how many different types of licenses an individual may hold.

In January 2001, the division and the vendor who created our computer system, Iowa Foundation for Medical Care (IFMC), began working on phase two of the project - Internet Interface. This phase of the project has three goals: (1) provide all customers the ability to query the database to check the status of licensees, (2) make on-line renewals a reality, and (3) give licensees the ability to file on-line some of the other applications currently required by the division.

In the spring of 2001, the state of Ohio changed the look of its Web site to allow the user to more effi-

ciently locate frequently requested forms and applications. These improvements are now reflected in the division's Web site. This new portal gives the division the ability to expand and grow with the implementation of phase two of the computer project.

Enforcement Activities

Private investigator and security guard company compliance examinations (audits) are conducted on a regular basis. The purpose is to evaluate licensee compliance with the Ohio Revised Code and assist licensees in that effort. Currently, division investigators are conducting an average of 8-10 audits per week. Payroll records, personnel rosters and files are reviewed to determine compliance with the requirements. Where firearms are used, a review is undertaken to verify that only those individuals who possess a valid firearm bearer notation are carrying firearms. Real Estate investigators performed 427 audits in FY 2001. Their goal is to help licensees comply with the license laws, to answer any questions, and provide clarification.

Enforcement Statistics for FY 2001

	<u>REAL ESTATE</u>	<u>PI/SG</u>	<u>AUCTIONEER</u>	<u>APPRAISAL</u>	<u>CEMETERY</u>
COMPLAINT CASES FILED	266	7	25	62	31
PENDING CASES	145	8	6	64	36
CLOSED CASES	255	15	31	43	53
CEASE & DESIST ORDERS	20	1	0	NA	NA
REFERRED TO PROSECUTOR	1	0	0	1	8
HEARINGS HELD	63	1	4	16	53
SUSPENSIONS	15	0	0	7	NA
REVOCATIONS	2	1	0	1	NA

DIVISION OF SECURITIES



Debbie Dye Joyce
Commissioner

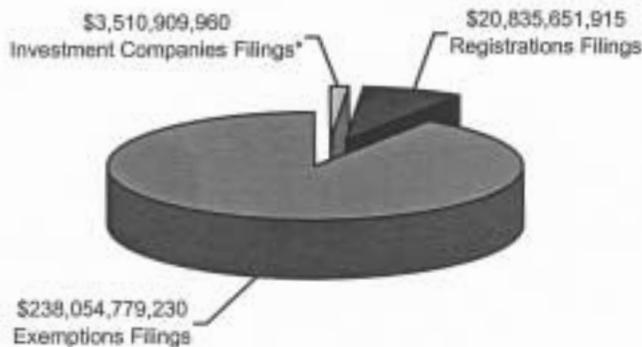
The mission of this division is to maintain a balance between enhancing capital formation and providing investor protection. This balance is achieved by administering and enforcing the Ohio Securities Act. The Act requires the licensing of those who sell or give advice about securities, provides for the registration of certain types of securities sold, and prohibits certain conduct in connection with the sale of securities and the giving of investment advice. Through efficient administration and diligent enforcement of the Act, the division promotes an honest and fair securities market in Ohio where individuals and businesses can raise capital and investors can expect a fair return on their investment. Ohio law defines "security" broadly to include stocks, bonds, mutual funds, options, commercial paper, promissory notes and many other investment opportunities.

Capital Formation Activity in Ohio

The Ohio Securities Act contains provisions for a number of securities filings including various registrations, notice filings, and exemptions. In addition, the Act contains over three dozen exemptions that do not require a filing with the division. Although the division cannot be aware of the dollar amount of se-

curities sold in reliance on one of the self-executing exemptions, the aggregate dollar amount of securities sold or to be sold in Ohio pursuant to filings made with the division was more than \$262 billion for FY 2001—an increase of more than 50 percent from FY 2000. The chart below is representative of the capital formation taking place in Ohio for which the division has received a filing.

Dollar Amount of Securities Sold or to be Sold in Ohio Pursuant to Filings Made with the Division in FY 2001

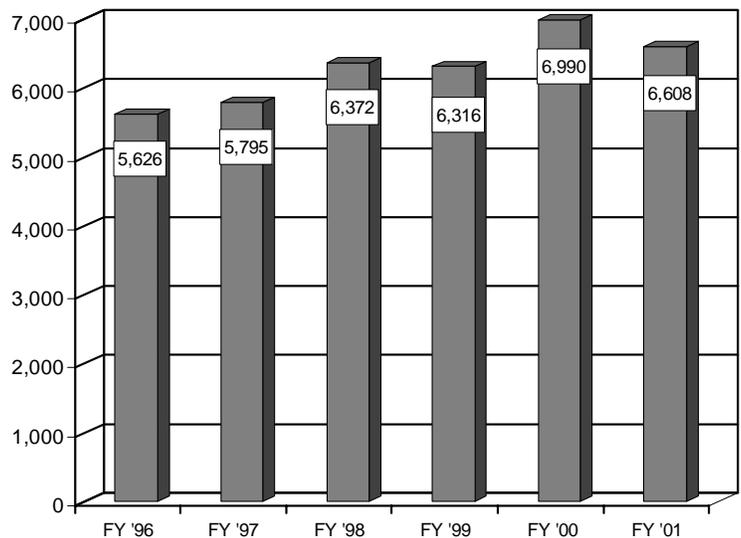


**Investment Companies may seek to sell an indefinite amount of securities by submitting maximum fees. Based on the maximum filing fee, an indefinite filing represents the sale of a minimum of \$1 million worth of securities. For purposes of this chart, each indefinite filing was assigned a value of \$1 million.*

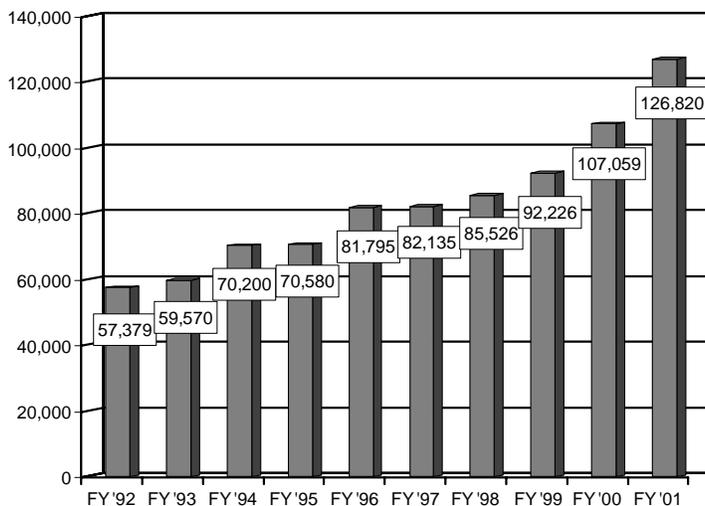
Securities Filings

The division reviews securities registration filings to ensure that securities offerings are not being sold on "grossly unfair terms" to Ohio residents. Exemption and notice filings are reviewed for compliance with legal requirements. Although the capital formation for securities filings increased dramatically during FY 2001, the total number of filings for the sale of securities in Ohio decreased by 5%. The most common securities filing is for mutual funds, which represent 72% of all filings. The second most common is a notice filing that claims an exemption pursuant to the federal Rule 506 of Regulation D, which represent 19% of securities filings and account for over \$237 billion of the capital formation amount. The remaining 9% of filings contain a mix of registrations, corrective filings and other exemptions.

Number of Filings for Sale of Securities in Ohio



Number of Securities Salespersons Licensed



Investor Protection through Licensing

One way the division carries out its mission is through its licensing function. Although the number of securities dealers licensed by the division decreased by almost 8% from 2,505 in FY 2000 to 2,308 in FY 2001, the number of licensed securities salespersons increased nearly 18% in FY 2001. This marked the 10th consecutive year that the number of salespersons licensed by the division has increased.

Similarly, the division licenses investment advisers and investment adviser representatives. In only its second year of administering laws overseeing investment advisers, the division has seen an increase in filings as a result of the explosive growth in this area. During FY 2001, the division saw a 20% increase in the number of notice filings by federally registered investment advisers, a 13.5% increase in the number of license applications for state registered investment advisers, and a 35% increase in the number of license applications for investment adviser representatives.

Prosecutors' Conference

In September 2000, the division held a securities law seminar for Ohio prosecutors in order to enhance the understanding and awareness by Ohio county prosecutors of the Ohio Securities Act and its criminal sanctions. The seminar also fostered positive working relationships with many Ohio county prosecutors' offices and provided an excellent networking opportunity in conjunction with future criminal referrals by the division. The division's enforcement section worked with the Ohio Prosecuting Attorney's Association to disseminate flyers and compile a list for future mailings and seminars. The seminar included such topics as an overview of the Act, discussions of securities registrations and exemptions, licensing, enforcement and liabilities, and offered a criminal prosecution issues panel. The seminar was a great success with 64 prosecutors from across the state in attendance.

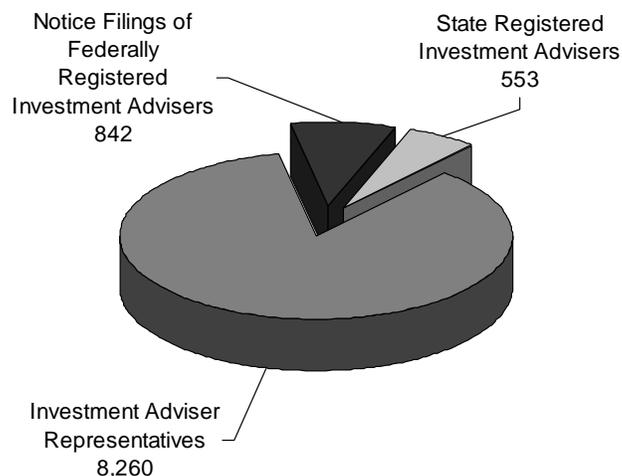
Investment Adviser Registration Depository

In October 2000, the division participated in the pilot phase of the Internet based Investment Adviser Registration Depository (IARD) database, also known as IARD. The National Association of Securities Dealers, Inc. (NASD) oversees the IARD and a companion Internet database for securities dealers and securities salespersons known as the Central Registration Depository (CRD). The IARD accommodates investment adviser filings and license applications over the Internet and, with its completion, will offer a wealth of information to the public regarding investment advisers and investment adviser representatives.

Legislative and Rule Making Initiatives

The division was involved in a number of legislative and rule making initiatives in FY 2001. Notably, the division and the Ohio Department of Insurance sup-

Investment Advisers and Investment Adviser Representatives FY 2001



ported legislation in which "life settlement interests," also known as viaticals, are included within the definition of the term "security." The legislation, Ohio House Bill (HB) 551, provides for dual regulatory authority over the sale of viaticals in Ohio that is split between the division and the Ohio Department of Insurance.

As a result of federal legislation known as the Gramm-Leach-Bliley Act (GLBA), which sought to encourage affiliations among financial services providers, the division amended its rules to permit securities dealers and salespersons to share certain remuneration with unlicensed financial institutions and their unlicensed employees. During the course of the fiscal year, the division made more than a dozen other changes to its administrative rules in an attempt to provide the best regulatory environment possible in pursuing its mission.

Good Business Repute

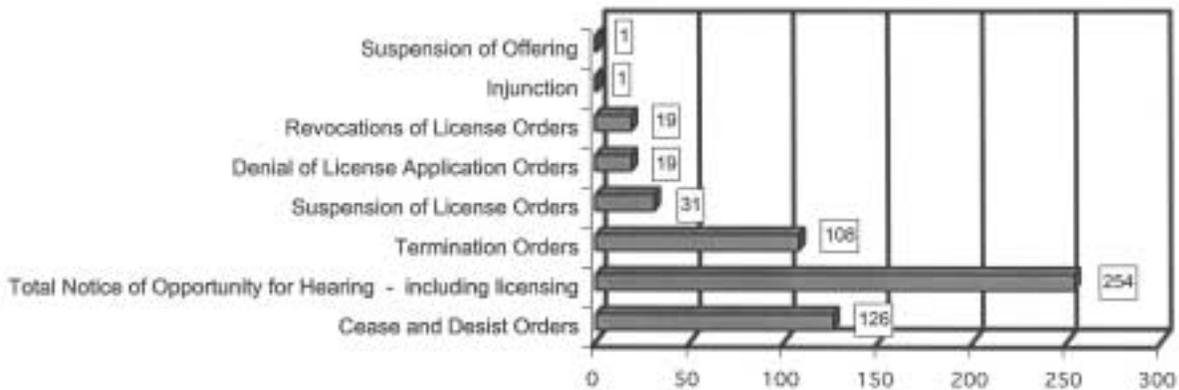
Upon receipt of a license application, the division reviews the background of license applicants and licenses only those applicants who meet standards of minimum competency and "good business repute." With the increasing number of both securities salesperson and investment adviser applicants, the division continued its vigilant review of license applications in FY 2001. The division issued more than 122 "Notices of Opportunity for Hearing/Intent to Deny Application" or "Notices of Opportunity for Hearing/Intent to Revoke License."

Investor Protection through Enforcement Actions

Another way that the division carries out its investor protection mission is through the vigorous enforcement of Ohio's securities laws. The division investigates alleged violations of the securities laws and initiates criminal, administrative and injunctive actions

as appropriate. During FY 2001, the division made two criminal referrals to Ohio county prosecutors. During the same period, a total of 18 indictments totaling 149 counts and 18 convictions resulted from division referrals.

Enforcement Actions FY 2001



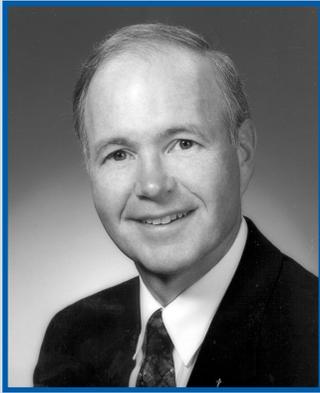
Helping Investor Protection Begin with the Investor

In April 2001, the division again sponsored the annual "Savings and Investing Education Month," a worldwide, month-long effort designed to raise awareness of the importance of saving and investing wisely. During the month, division representatives made nearly 100 presentations to school and community groups, dozens of articles were published by Ohio newspapers, and numerous radio and television stations conducted interviews and carried promotional announcements. The division also issued news releases about savings and investing, and generated several new publications and brochures, including "How to Check Out Your Stockbroker or Brokerage Firm."



Division of Securities staff member Denise Stewart presents saving and investing tips to students at Otsego High School in Wood County.

DIVISION OF STATE FIRE MARSHAL



Robert R. Rielage
State Fire Marshal

The State Fire Marshal's Office is the oldest established office of its kind in the United States.

It consists of eight bureaus and one unit: Administration, Investigations, Forensic Laboratory, Bureau of Underground Storage Tank Regulation (BUSIR), Fire Prevention, Code Enforcement, Testing and Registration, Ohio Fire Academy, and the Pyrotechnics and Explosives Unit. Responsibilities include modernizing and enforcing the Ohio Fire Code; designing and presenting fire prevention programs; analyzing fire-related criminal evidence; investigating the cause and origin of fires and explosions; training firefighters; providing fire safety education to business, industry and the general public; regulating underground storage tanks; testing and training; and licensing and certification support services.

Fire Expo & Muster

In June, the Division of State Fire Marshal joined with the Central Ohio Antique Fire Apparatus Association to host the inaugural Fire Expo & Muster. More than 2,000 people enjoyed this event, which featured fun for the entire family. The idea was born from last year's celebration of the Fire Marshal's 100th anniversary.

More than 100 pieces of fire apparatus, from 1800's steamers to a Med-flight helicopter were on display on the grounds of the Ohio Fire Academy. Water battles, demonstrations by the division's accelerant-detection canine and Columbus Bomb Squad, and fire safety shows were just some of the exhibitions to capture the attention of attendees. Numerous hands-on fire

safety activities provided fun and education to the hundreds of children present.

The whole office is looking forward to making the Expo a tradition and is already making plans for next year's event. It is just one more way to accomplish the division's mission to protect, educate and safeguard the lives and property of Ohio's citizens.

Providing Better Service

Working in conjunction with Ohio's nearly 1,300 fire departments, the division has developed and instituted several innovative programs and expanded the agenda of projects for 2001. Some of the major programs include:

- Implementation of BUSIR's Ohio Tank Tracking and Environmental Regulation system (OTTER) allowing users to perform on-line registration, submit payments and perform searches of all BUSIR sites. This database will allow countless citizens and customers to access tank information at any time;
- Creation of the Bureau of Testing and Registration. This new bureau was created to oversee Underground Storage Tank (UST) registration and the related permit system; fire protection equipment certification; hotel/motel licenses; individual and company certification processes; explosive magazine permits; and the licensing process for fireworks exhibitors and their assistants;



State Fire Marshal Robert Rielage, pictured here with his 1938 Ford/Seagrave Fire Pumper, was among the scores of fire buffs who showed off their antique fire vehicles and equipment at the first combined Fire Expo & Muster.

- Approval of \$3.9 million in capital improvement projects, including a new \$2 million state-of-the-art burn building. These improvements also include a boiler room building; converting the division's heating system to a more cost-effective and efficient gas line; and numerous classroom and building renovations;
- Delivery of a "state bid" contract for a standardized fire pumper specification (triple combination pumper fire truck) and EMS transport unit (a multi-purpose ambulance with both basic and advanced life support options). To further reduce costs of equipment needed by the state's fire departments, next year should see the inclusion of self-contained breathing apparatus, thermal imaging cameras and firefighter protective apparel;
- Implementation of the National Fire Incident Reporting System (NFIRS) version 5.0 for all incident data collection and information dissemination from any fire department in Ohio. This system allows for the expeditious, electronic transfer of information from fire departments on the tens of thousands of fire incidents across the state each year.

Recognition

- The State Fire Marshal's office was recognized by the International Association of Fire Chiefs (IAFC) at their Fire-Rescue 2000 Conference in Dallas, Texas. "Feel the Heat" (the innovative program designed to educate local officials on the needs and rigors of the fire service) was honored with the IAFC Award for Excellence, modeled after the Malcom Baldrige Award of Excellence.
- Thirteen BUSTR employees received an *Innovation Ohio* award of \$1,127 for suggesting that the bureau discontinue hiring consultants to review and conduct assessments on underground storage tank regulation files and have full-time employees complete such reviews on overtime. The bureau was able to save \$293,033.

Forensic Laboratory

During fiscal year 2001, fire investigators and law enforcement agents from 79 counties submitted 750 cases (an increase of 110 over FY 2000) consisting of 2,293 pieces of evidence requiring 5,043 examinations. Quality assurance and reference standard building required an additional 2,278 tests. Analysis was conducted on flammable liquids, fire debris, fire bombs and general physical evidence from suspicious fire scenes or hazardous situations.

Fire Prevention

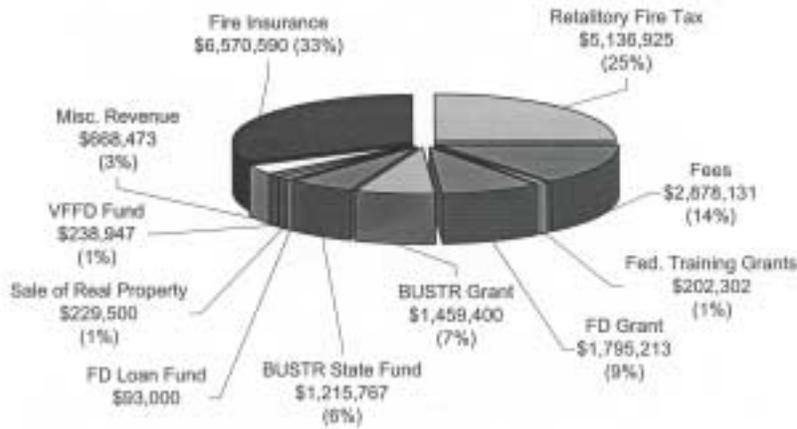
During FY 2001, the bureau conducted 2,500 programs for more than 76,000 Ohioans at schools, senior centers, health care facilities, businesses, and expositions such as the Ohio State Fair. The bureau also distributed 540,000 pieces of fire safety literature throughout the course of the year.

The bureau continues to promote the use and maintenance of smoke detectors. Smoke D.O.G. (Smoke Detector on Guard) awards were given to seven families whose lives were saved by having a working smoke detector in their home. Project S.A.F.E. (Smoke Alarms For Everyone) continued to assist local fire departments by placing free smoke detectors in the homes of needy families in southeastern Ohio. Since the inception of the program in FY 2000, the bureau has distributed 2,742 new smoke detectors to fire departments.

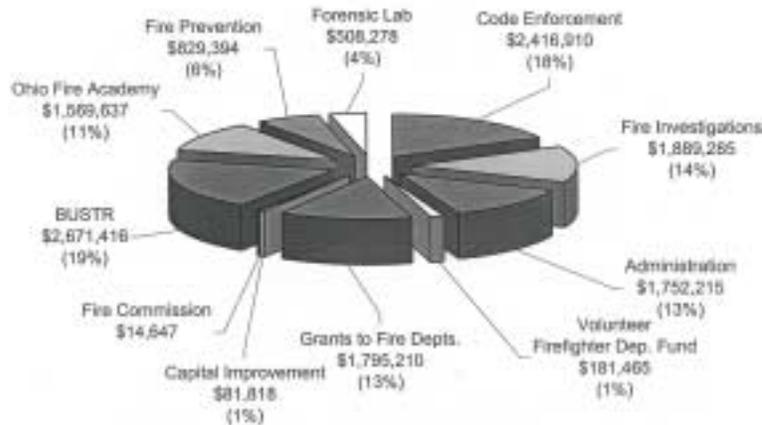
Bureau of Testing & Registration

Since its creation, the bureau has concentrated its efforts on improving processing time for the completion of test results. In addition, the bureau has maintained stricter enforcement of hotel/motel registrations. The bureau is also heavily focused on data imaging of records and computer program revisions in consonance with the Department of Commerce's evolution into e-government. Providing its more than 50,000 customers with the increased ability to conduct business online is an ongoing goal of the bureau.

State Fire Marshal Sources of Revenue for FY 2001



State Fire Marshal Expenditures By Program for FY 2001



Explosives and Pyrotechnics

In FY 2001, the unit regulated 52 wholesaler and manufacturing licensed fireworks facilities, 561 active exhibitors, 1,576 active assistants and 18 out-of-state shippers. In addition, the unit conducted or took part in more than 19 in-service training courses with a total of 740 attendees. The unit also issued 52 variances to our customers allowing them to continue their business operations.

With input from a committee of fire service and fireworks industry representatives, the unit adopted uniform standards for the stability of fireworks racks

used at fireworks exhibitions and instituted a detailed checklist for fire and police chiefs to utilize during pre-event inspections of exhibitions.

The Fireworks Incident Team (made up of SFM inspectors and investigators) was called out to investigate incidents that involved 13 injuries to spectators and exhibitors. Appropriate administrative and criminal justice actions were taken against the responsible persons. Investigators also seized fireworks from individuals selling them without a license.

Code Enforcement Bureau

During fiscal year 2001, the bureau conducted approximately 14,000 fire safety inspections and re-inspections of various premises, events and licensed facilities across Ohio. Each re-inspection was performed to verify the abatement of all identified hazardous conditions. The bureau responded to more than 200 complaints of fire code violations and initiated related enforcement actions.

The bureau utilized new technologies to better serve the fire service and the public including:

- Provided all fire safety inspectors with laptop computers to facilitate electronic communication and document transmission for enforcement cases;
- Provided digital cameras for field staff use to capture and utilize images for exhibits in enforcement cases;
- Provided increased public access to various forms and documents via our website;
- Streamlined the flammable/combustible liquid tank permit application process;
- Added an engineer to the bureau's technical staff to research and respond to various fire code questions and to assist with code development and the timely processing of various requests and tank permit applications.

Ohio Fire Academy

During the last fiscal year, the Ohio Fire Academy trained 14,590 emergency responders at the academy facilities and through statewide outreach programs. Sixty-nine percent of Ohio's fire departments participated in academy programs (an increase of 11% over FY 2000). The resource center provided 721 videos for various fire safety and public education programs reaching an audience of more than 10,000 individuals. The academy provided meeting rooms, staff support and equipment to 352 different state and local agencies who, in turn, provided training and educational programs to more than 13,000 participants.

Additional accomplishments include:

- Secured \$25,000 in new funding for training from the National Fire Academy;
- The academy received new equipment for training purposes including a hazardous materials trailer, a confined space trailer, a new engine and a rescue truck;

- Hosted the Ohio Rural Fire Council conference with 113 participants and two "county weekend" with 122 total attendees.

Bureau of Underground Storage Tank Regulations (BUSTR)

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates Ohio's underground storage tank (UST) program. BUSTR works to prevent and detect releases of petroleum from regulated USTs and to ensure appropriate investigation and cleanup when a petroleum release occurs. During fiscal year 2001, BUSTR:

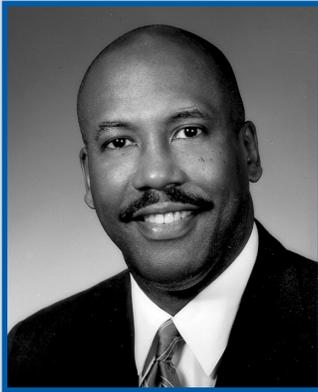
- Regulated 9,221 facilities with a total of 26,517 registered underground storage tanks;
- Issued 1,154 permits to remove, upgrade, replace or repair underground storage tanks state wide;
- Continued a statewide inspection and compliance program, performing 1,026 compliance checks of registered facilities;
- Issued 696 "No Further Action" letters completing cleanup at sites where a release of hazardous substances from underground storage tanks into the environment was detected.

Investigations

In FY 2001, bureau personnel were involved in 1,077 incidents consisting of 909 investigations, which included fireworks incidents, explosive disposals, polygraphs, canine accelerant detection, and teaching hazardous materials disposal. Of these incidents, 407 were determined to be arson. The bureau also investigated 104 of the 125 fatal fires that occurred in Ohio last year.

To increase the efficiency and number of tools available to all 17 investigators, each car received portable desktops for investigators' laptop computers. Global positioning units were also installed along with a street atlas program to assist investigators in reaching rural or unmarked locations. Additionally, power inverters were installed in each vehicle and all investigators were issued full turnout gear, body armor and 40-caliber weapons. A new canine van was purchased and assigned to the canine handler/investigator.

DIVISION OF UNCLAIMED FUNDS



David Moore
Superintendent

The Division of Unclaimed Funds is responsible for the safekeeping and return of monies designated as "unclaimed." The overall mission of the division is to return unclaimed funds to the rightful owners. Each year, due to death, inadvertence or forgetfulness, more than 100,000 people and organizations lose track of monies, and intangible personal property in Ohio. Common examples of unclaimed funds are: dormant checking and saving accounts, insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent and utility deposits, and intangible contents of safe-deposit boxes.

Division Has Another Record Year

The Division of Unclaimed Funds paid a record number of claims in FY 2001 when 30,076 claims worth \$28 million were paid. The 30,076 claims represented 61,000 single accounts. This fiscal year's record exceeded last year's record of 28,527 claims paid. In addition, the return of \$28 million is the highest total ever returned to current or former Ohio residents. Through mutual agreement with other states this fiscal year, \$3,282,733.74 of unclaimed funds was returned to other states in which the original owner resided at the time of the reporting.

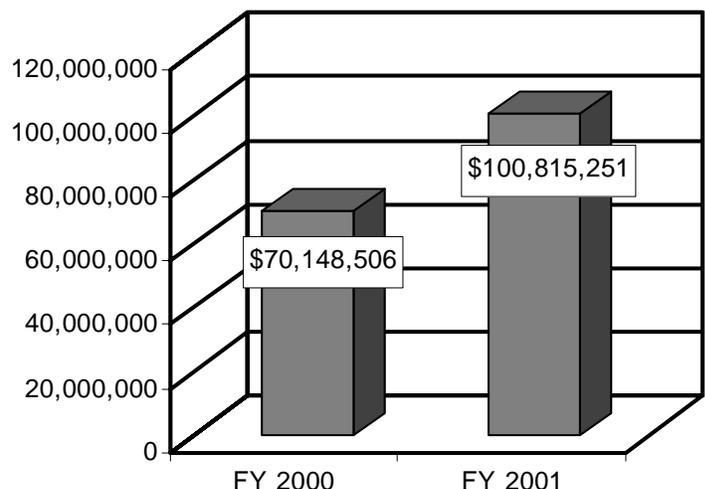
Reported Funds Increase

The division has increased its mailing of the Annual Report of Unclaimed Funds Forms booklet dramatically during the last three years. The number of mailings has increased from less than 22,000 in FY 1999 to 73,000 in FY 2000 and in FY 2001 the division mailed out 190,000 booklets.

The increase in the mailings is due to the division's continuing Professional Education Program and through the purchase of databases in an effort to identify and contact all of the businesses in the state of Ohio that should be filing an annual unclaimed funds report. Of the 190,000 mailings, 34,000 were mailed to businesses that filed in FY 2000, 61,000 were mailed to CPAs and Attorneys licensed in Ohio, and 95,000 booklets were mailed to companies identified that

should file but have not. In addition to the record number of annual reports mailed out, a record amount of unclaimed funds were reported to the division. Due to the aggressive outreach to financial professionals, \$100.8 million were reported in FY 2001 as compared to \$70.1 million in FY 2000.

Unclaimed Funds Reported



Unclaimed Funds Surpasses Quarter Billion Mark

In April, 2001, Unclaimed Funds surpassed a quarter billion dollars in paid claims since the program's inception in 1968.

Unclaimed funds are accounts reported to the Division of Unclaimed Funds from businesses or organizations that have lost track of the true owner of the funds. These accounts consist of monies or the right to monies that have been dormant or forgotten. Some common examples include: dormant checking and savings accounts, forgotten rent and utility deposits, uncashed checks, undelivered stock certificates, uncashed insurance policies, and forgotten layaway deposits. These funds are reported to the state of Ohio for safekeeping until the rightful owners can be found.

Searching on the Web Produces Results

The division's Internet site continues to be the most common means of returning unclaimed funds to their rightful owners. The web site - www.com.state.oh.us - is updated monthly and contains the names of all Ohio unclaimed account owners. Users can print a claim form from their own computer. The site also provides a link to the National Association of Unclaimed Property Administrators (NAUPA) so users can search for accounts being held by other states.

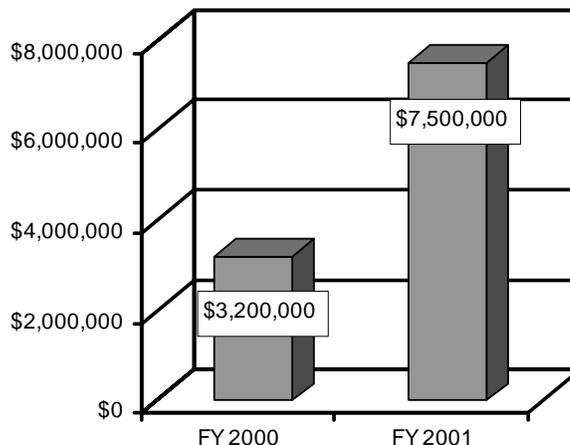
In FY 2001, the division paid more than 16,000 claims submitted to the Web site worth a total of nearly \$7.5 million. During the previous year, the division paid 7,000 claims worth a total of \$3.2 million.

Community Outreach

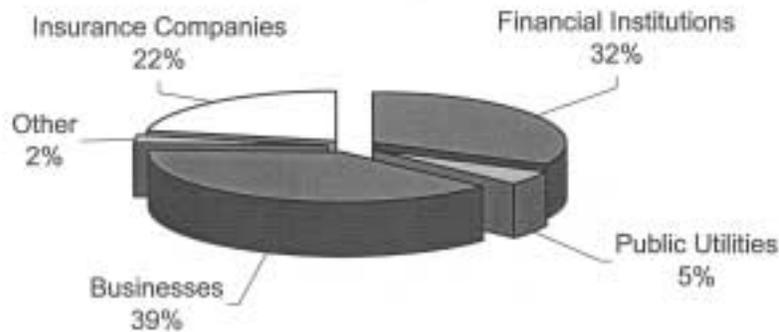
The division's community outreach program raises public awareness of the 2.10 million unclaimed funds accounts worth \$250 million, which are being held by the division on behalf of private individuals and organizations.

The division supplies a list of names and accounts within each county to all 88 County Treasurer Offices as a way to assist in the return of funds. The *Treasure Hunt* is the division's highest profile outreach program for educating Ohioans of the existence of unclaimed funds. Employees travel throughout the state bringing all of the unclaimed funds account information to conferences, job fairs, and local government days. The division's *Treasure Hunt* also participates in the Department of Commerce's display at the Ohio State Fair. At the 2000 State Fair, the division located 2,038 accounts worth \$413,932.10.

**On-Line Treasure Hunt
Amount of Claims Paid**



Summary of Unclaimed Funds by Type of Holder for FY 2001



Supporting Ohio Housing Finance Agency

Until the rightful owner is located, unclaimed funds are used by the Ohio Department of Development's Ohio Housing Finance Agency (OHFA) to guarantee and fund low and moderate-income housing programs. During FY 2001, the division provided OHFA with \$51,601,746 in loan funding and reserved \$166,760,292 for future OHFA loans. Unclaimed funds are also used to support economic development by guaranteeing performance bonds for the Minority Business Bond Fund.

New Technology on the Way

This fall the division is planning on updating its current computer application with a new Unclaimed Property System. With the new UPS system, the division will be able to receive reports in the standard National Association of Unclaimed Property Administrators (NAUPA) format, which will increase the number of reports received electronically and be in line and consistent with 26 other unclaimed property offices who currently use the UPS system.

Helpful Tips for Claiming Funds

The Division of Unclaimed Funds requires the claimants to provide documentation that they lived at an address reported by the holders or prove they had a business relationship with the company that reported the funds that are from 5-20 years ago. To avoid funds from being turned over to the division, claimants

should respond to all notifications from financial institutions, insurance companies and other holders within the time-frame listed. All holders are required to show "due diligence" by notifying the claimants at least 30 days prior to reporting their funds to the state. Below are tips on how to prevent funds from being reported as unclaimed funds:

- Keep accurate and current records of bank accounts, insurance policies, stock certificates, utility and rent deposits, and safe deposit box locations;
- Keep accounts active through customer-initiated contact with the holders of your property through activity on your account. Accrual of interest does not count;
- Cash all checks for dividends, wages, refunds and insurance settlements;
- Notify a family member or trusted adviser of the location of your records;
- Prepare a checklist of the above items to be used in notifying all concerned parties if you change your address.

Vision Statement

Enhancing Ohio's future by providing fair, consistent regulation that balances maximum benefit for the public with minimal intrusion on business.

Mission Statement

To fulfill our legal obligations to safeguard the public, while striving to regulate commerce in a reasonable, fair and efficient manner.



The Ohio Department of Commerce
77 South High Street
23rd Floor
Columbus, Ohio 43215-6123

An Equal Opportunity Employer and Service Provider