



180 East Broad Street  
Columbus, Ohio 43215

# ohio securities bulletin

JAMES A. RHODES  
Governor

J. GORDON PELTIER  
Director of Commerce

JAMES F. HURD  
Commissioner of Securities

February 28, 1977

## ANNOUNCEMENT

James F. Hurd was appointed Commissioner of the Ohio Division of Securities on January 21, 1977.

Mr. Hurd has been employed in the Division since 1965. He has held various positions as an examiner and supervisor. He had previously served as Acting Commissioner of the Division, having been appointed to the position on December 28, 1976, following the resignation of James S. Reece.

Mr. Hurd is a graduate of Ohio State University with a Bachelor of Arts degree. He was employed in private industry in financial institutions from 1951 to 1965, when he joined the Division. He is a member of the Public Accountants Society of Ohio and of the National Society of Public Accountants.

Mr. Hurd is a veteran of both WWII and the Korean conflict.

He resides with his wife, Opal, at 4776 Musket Way, Columbus, Ohio. They have one daughter, Pamela Ann, who is a student at the University of Notre Dame.

## COMMENTS

### OHIO ADMINISTRATIVE CODE

Effective January 1, 1977, all rules of the Division of Securities were renumbered, reorganized and refiled pursuant to the provisions of Am. Sub. House Bill 317.

That act called for the recodification of the rules of all administrative agencies and the publication of the Ohio Administrative Code. This process involved: changing the numbers of all rules, changing such things as punctuation and capitalization to conform to a uniform standard, the elimination of parenthetical repeats, the elimination of most Arabic numbers from the text of various rules, and some paragraph reorganization. No substantive changes in the rules were made.

We have been able to preserve the basic idea of identifying a rule with the section of the Revised Code to which it relates. There is a cross-reference table at the end of this Bulletin which shows the old and new numbers for all Division rules. The full text of all changes which were made during recodification will be available when the Ohio Administrative Code is published by the Banks-Baldwin Publishing Co. of Cleveland, Ohio. That publication is expected to be available in the near future.

### PROPOSED "OHIO INVESTORS PROTECTION ACT"

Because of the numerous scandals which have prevailed the securities industry over the past several years both nationally and statewide, it is now essential for the protection of investors that the Ohio Securities Act (Chapter 1707. of the Revised Code) be strengthened. In keeping with this rationale, numerous substantive amendments to the Act will soon be introduced into the Ohio General Assembly.

The primary purpose of these amendments is to make available, to the Division of Securities, new and clarified powers in the enforcement area and to give the defrauded investor additional remedies and a longer statute of limitations within which to effect a recovery from those defrauding him.

Secondary purposes of the proposed amendments are to simplify some of the provisions of the Act, to eliminate unnecessary paper work for issuers, and to make non-substantive, or housekeeping changes.

Over the past five years, thousands of Ohio citizens have been bilked out of millions of dollars. The citizens of Ohio look to the Division of Securities to afford them some measure of protection, and the proposed Act is designed to provide tools which will permit the Division to more effectively perform its function.

It is not believed that the amendments will cause any adverse effect upon legitimate businesses, but that such businesses will be aided by the increased availability of investment

funds presently being diverted into fraudulent schemes. Thus, legitimate business enterprises and the general commerce in the State of Ohio will benefit.

Copies of these changes are not available from the Division. We do not have the facilities nor the funds available for reproducing this proposed legislation. After the bill has been introduced, may we suggest you contact your State Representative, your State Senator, the Ohio House of Representatives bill room or the Ohio Senate bill room for copies of this bill.

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## THE SECTIONS

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### BROKER-DEALER

We have from time to time in these columns contributed explanatory remarks about dealer and salesman licensing. Here we discuss dealer and salesman license changes and cancellations.

1. Closing of a Broker-Dealer. The Division must receive written notification of a closing signed by a corporate officer or general partner. The license must be returned to the Division. A closing financial report must be forwarded to the Division showing that all customer accounts are closed or accounted for. The records of the broker-dealer must be kept for three (3) years from the date of the last transaction. The Division must be notified of the location of the records and the name of the officer in charge of the records.

2. Change of Entity. The Division must receive written notification of any change of entity signed by a corporate officer or general partner. A new Form 15, dealer's license application, and Form 15-B, proof of publication, must be submitted with a new Form 16, salesman's license application or transfer. A Form 16-B must be filed with the Division. This form cancels salesmen's licenses issued to the old entity. A certified copy of incorporation papers and an opening financial statement for the new entity must be filed with the Division.

3. Change of Name. The Division must receive written notification of the change of name signed by a corporate officer or general partner. A certified copy of incorporation or partnership papers showing the new name on file with the Secretary of State must be forwarded to the Division.

4. Change of Address. The Division must receive written notification of the change. Such notification must be signed by an authorized company official or designate. NOTE: The Division will not issue licenses to P.O. Box numbers. However, other mail from the Division can be sent to your P. O. Box if you so specify.

5. Mergers. Please follow the same procedure as outlined for change of entity.

6. Miscellaneous. If new applications are filed by an attorney representing a dealer, the Division will deal with the attorney. We will deal with attorneys on existing license files only with written authority, in advance, from the dealer. Salesmen must go through the broker-dealer and will not be dealt with directly.

The license renewal deadline is November 15th each year. If, by October 15th, a licensed broker-dealer has not received his renewals, he probably has not followed the aforementioned procedures. The Division should be contacted at once.

Licensing after the renewal deadline can be accomplished only if the renewal is accompanied by a statement from the applicant that he fully understanding that his license must be renewed annually.

7. Caution to Dealers. The foregoing information may appear to be merely housekeeping. However, failure to comply with these procedures may result in a suspension proceeding.

Gordon A. Stott, Supervisor  
Broker-Dealer Section

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## CONSUMER FINANCE

### 1. LATE CHARGES

The Division Examination Section reports to the Consumer Finance Section that too many infractions still occur in the computation and collection of late charges under both Small Loan and Mortgage Loan Acts.

On August 2, 1976, the Consumer Finance Section distributed a bulletin to all licensees and registrants in which an example demonstrated the proper method of computing multiple late charges. The Bulletin attempts to standardize maximum allowable late charges. Any licensees or registrants may obtain an additional copy of the August 2nd Bulletin by contacting the Consumer Finance Section.

A late charge problem is evident when a lump sum payment has been applied to an account in consideration of the release of an auto or similar security. Section 1321.13(A)(2) states in part: "No rebate shall be required for any partial prepayment". Licensees often make adjustments, reducing the payments in accordance with the remaining maturity. While the Consumer Finance Section does not concern itself with the arrangements or renegotiation of contract payments, it is of the opinion that a "mathematical" prepayment would preclude late charges being taken until or unless the contract, as originally scheduled, is no longer mathematically prepaid.

An additional problem regarding late charges has become manifest under the new disability insurance procedures. It is our opinion that late charges taken from a disability claim credit would be an unconscionable practice since the

	Sept.	Oct.	Nov.	Dec.		
Real Estate					COs-2-17 (A)	1301:6-3-17
Ltd. Partnerships	10	24	24	17	COs-2-18	1301:6-3-18
Cattle Funds	0	0	0	1	COs-2-19	1301:6-3-19
Other Non-Corporate	0	0	2	0	COs-2-20	1301:6-3-20
Oil & Gas Offerings	27	29	18	21	COs-2-21	1301:6-3-21
Form 39	11	18	8	25	COs-2-22	1301:6-3-22
					COs-2-23 (A) and (B)	1301:6-3-23
					COs-2-24 to COs-2-99	Deleted
					COs-3-00	Deleted
					COs-4-00	Deleted
					COs-5-01	1301:6-5-01
					COs-5-02	1301:6-5-02
2(B)	54	50	46	61	COs-5-03	1301:6-5-03
3-O	546	660	370	460	COs-5-04 (A) and (B)	1301:6-5-04
5(A)	0	2	0	2	COs-5-05	1301:6-5-05
6(A)(1) & 6(A)(2)	168	217	124	193	COs-5-06	1301:6-5-06
6(A)(3)	30	74	14	43	COs-5-07	1301:6-5-07
6(A)(4)	7	10	5	4	COs-5-08	1301:6-5-08
Interstate Corp.	12	40	14	24	COs-5-09	1301:6-5-09
Stock Option					COs-5-10	1301:6-5-10
& Purchase Plan	2	4	6	5	COs-5-11	1301:6-5-11
Intrastate Corp.	0	2	0	2	COs-5-12	1301:6-5-12
Investment Companies	42	62	41	54	COs-5-13 (A)	1301:6-5-13
R.E.I.T.	0	0	0	0	COs-5-14	1301:6-5-14
Real Estate					COs-5-15	1301:6-5-15
Ltd. Partnerships	9	13	20	26	COs-5-16	1301:6-5-16
Cattle Funds	0	0	0	0	COs-5-17	1301:6-5-17
Other Non-Corporate	0	1	1	0	COs-5-18	1301:6-5-18
Oil & Gas Offerings	12	25	18	25	COs-5-19	1301:6-5-19
Form 39	12	24	11	13	COs-5-20	1301:6-5-20
					COs-5-21	1301:6-5-21
					COs-5-22	1301:6-5-22
					COs-5-23 (A)	1301:6-5-23
					COs-5-24	1301:6-5-24
					COs-5-25 (A)	1301:6-5-25
					COs-5-26	1301:6-5-26
					COs-5-27	1301:6-5-27
					COs-5-28 (A) and (B)	1301:6-5-28
					COs-5-29 (A)	1301:6-5-29
					COs-5-30 (A) and (B)	1301:6-5-30
					COs-5-31 (A) and (B)	1301:6-5-31
					COs-5-32 (A)	1301:6-5-32
					COs-5-33	1301:6-5-33
					COs-5-34	1301:6-5-34
					COs-5-35	1301:6-5-35
					COs-5-36 (A)	1301:6-5-36
					COs-5-37	1301:6-5-37
					COs-5-38	1301:6-5-38
					COs-5-39	1301:6-5-39
					COs-5-40	1301:6-5-40
					COs-5-41 (A) to (C)	1301:6-5-41
					COs-5-42 to COs-5-45	Deleted
					COs-6-00	Deleted
					COs-7-01	1301:6-7-01
					COs-7-02	1301:6-7-02
					COs-7-03	1301:6-7-03
					COs-7-04	1301:6-7-04
					COs-7-05	1301:6-7-05
					COs-7-06	1301:6-7-06
					COs-7-07	1301:6-7-07
					COs-7-08	1301:6-7-08
					COs-7-09 (A)	1301:6-7-09
					COs-7-10	1301:6-7-10

CROSS REFERENCE TABLE  
FOR  
RULES OF THE DIVISION OF SECURITIES

OLD NUMBER	NEW NUMBER	
COs-1-01 to COs-1-07	Deleted	
COs-1-08 (A)	1301:6-1-01	
COs-1-08 (B)	1301:6-1-02	
COs-1-08 (C)	1301:6-1-03	
COs-1-08 (D)	1301:6-1-04	
COs-1-081 to COs-1-22	Deleted	
COs-2-01 (A)	1301:6-3-01	
COs-2-02 (A) to (C)	1301:6-3-02	
COs-2-03 (A) and (B)	1301:6-3-03	
COs-2-04	1301:6-3-04	
COs-2-041	Deleted	
COs-2-05 (A) to (D)	1301:6-3-05	
COs-2-06 (A) to (H)	1301:6-3-06	
COs-2-07	1301:6-3-07	
COs-2-08	1301:6-3-08	
COs-2-09 (A) to (E)	1301:6-3-09	
COs-2-10	1301:6-3-10	
COs-2-11	1301:6-3-11	
COs-2-12	1301:6-3-12	
COs-2-13	1301:6-3-13	
COs-2-14 (A)	1301:6-3-14	
COs-2-15 (A) to (Q)	1301:6-3-15	
COs-2-16 (A) to (F)	1301:6-3-16	

COs-7-11 (A) and (B)	1301:6-7-11
COs-7-12 (A)	1301:6-7-12
COs-7-13 (A) and (B)	1301:6-7-13
COs-7-14(A)	1301:6-7-14
COs-7-15	1301:6-7-15
COs-7-16 (A)	1301:6-7-16
COs-7-17 to COs-7-19	Deleted
COs-8-01	1301:6-9-01
COs-8-02 (A)	1301:6-9-02
COs-8-03	1301:6-9-03
COs-8-04 (A) to (C)	1301:6-9-04
COs-8-05 (A)	1301:6-9-05
COs-8-06	1301:6-9-06
COs-8-07	1301:6-9-07
COs-8-08 (A) to (C)	1301:6-9-08
COs-8-09 (A)	1301:6-9-09
COs-8-10	1301:6-9-10
COs-8-11 (A)	1301:6-9-11
COs-8-12 to COs-8-16	Deleted
COs-9-51	1301:6-11-01
COs-9-52	1301:6-11-02
COs-9-53 (A)	1301:6-11-03
COs-9-54	1301:6-11-04
COs-9-55 (A) to (C)	1301:6-11-05
COs-9-56	1301:6-11-06
COs-9-57 (A) and (B)	1301:6-11-07
COs-9-58 (A) and (B)	1301:6-11-08
COs-9-59	1301:6-11-09
COs-9-60 (A) and (B)	1301:6-11-10
COs-10-00	Deleted

claim payment date is not controlled by the borrower and represents payment for the prior period of his default because of the disability.

## 2. PRE-LICENSING TESTS

The Section has found the need to establish a criterion for determining the licensing prerequisites of "experience" under Sections 1321.04(A) and 1321.52(A). The Section proposes to devise a comprehensive test covering both the Small Loan Act and the Second Mortgage Act. The purpose of the test would be to ascertain the operational knowledge of an applicant who does not have previous extensive operational experience under these Acts. Use of the testing process would generally be applicable to de novo entries and would be at the option of the Section.

## 3. ON LINE COMPLIANCE EXAMS

The Section has continued its research on the feasibility of and procedural format for a successful compliance examination of multiple licensed operators using the various on line systems. Considerable progress has been made recently. It is hoped that Division standards will be met and exceeded. It is further hoped that the examination can be operational during 1977.

Robert P. Fickell, Supervisor  
Consumer Finance Section

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## ENFORCEMENT

### PELTIER VS. CONSUMER COMPANIES OF AMERICA, INC. et al.

The Division of Securities has filed a civil suit against Consumer Companies of America (CCA) alleging substantial violations of the Ohio Securities Act, seeking an injunction and the appointment of a receiver pursuant to Sections 1707.26 and 1707.27, of the Ohio Revised Code.

The complaint alleges that the company's officers, directors and others have sold, caused to be sold, or offered for sale the equity securities of CCA, which are the subject of a Form 3-0 filing with the Division of Securities, in violation of the Ohio Securities Act. The Division also alleges that CCA, its directors and its officers have sold, offered for sale or caused to be sold, beneficial interests in an unregistered real estate investment trust.

On December 14, 1976, the Franklin County Court of Common Pleas issued a Temporary Restraining Order restraining the defendants from selling, causing to be sold or offering for sale the equity securities of CCA, except with full compliance with the Ohio Securities Act.

## ENFORCEMENT PROCEEDINGS

### THRALL CAR COMPANY vs. JAMES A. RHODES, et al.

The federal court suit, THRALL CAR COMPANY vs. JAMES A. RHODES, et al., filed in connection with Thrall's attempt to take over Youngstown Steel Door Company, was withdrawn by Thrall.

### C. P. I. SECURITIES, INC.

The broker-dealer license of C.P.I. Securities of Columbus was suspended on October 20, 1976, C.P.I. refused to comply with a lawful order or requirement of the Division pursuant to Section 1707.19(F) of the Ohio Revised Code.

### MIDDLETOWN PAWN SHOP, INC. DBA RICHIE'S PAWN SHOP

The license of Middletown Pawnshop dba Richie's Pawn Shop was revoked for violations of Section 4727.06 of the Ohio Revised Code. On numerous occasions from January 1, 1976 through September 17, 1976, the licensee willfully charged interest rates in excess of those allowed under the aforementioned statute.

### STATE OF OHIO VS. JOE N. YORE

On November 22, 1976, Case CR 29202, Joe N. Yore was indicted by the Grand Jury of Cuyahoga County, Ohio on five (5) counts of the unlicensed sale of securities and five (5) counts of the sale of unregistered securities.

## CEASE AND DESIST LETTERS

The following companies were advised to register their securities pursuant to Chapter 1707 of the Ohio Revised Code before any solicitation in the State of Ohio:

- (1) Olympic Petroleum Corporation, Dallas, Texas
- (2) First American Oil Company, Dallas, Texas.

TRANTER INVESTMENT COMPANY, Cincinnati, Ohio, was advised that advertising for "equity interests" must be registered with the Ohio Division of Securities and must be sold through a licensed broker-dealer.

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## ADMINISTRATIVE ACTIONS

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Statistics summarizing the Division's activities for September, October, November, and December:

ENFORCEMENT SECTION	Sept.	Oct.	Nov.	Dec.
Inquiries Received	141	198	169	213
Complaints Received	30	31	62	33
Complaints Closed	16	14	41	13
Broker/Dealer Suspensions	0	2	1	0
Salesman Suspensions	0	1	0	0
Salesman License Revocations	0	0	0	1
Salesman License Refusals	0	5	6	2
Registration Suspensions	0	0	1	0

Hearings Held	7	41	54	13
Court Actions	1	4	2	0
Prosecutions Recommended	4	4	4	2
In-Depth Investigative Interviews	86	78	69	79
Subpoenas Issued	1	63	37	16
Matters Referred to the Attorney General	1	6	6	2
Matters Referred to SEC	3	3	1	0

**CONSUMER FINANCE SECTION** Sept. Oct. Nov. Dec.

Licenses Issued

Small Loan	6	26	9	64
Second Mortgage	25	3	28	10
Premium Finance	1	0	0	1
Pawnbroker	0	0	0	73

Licenses Cancelled

Small Loan	4	1	3	2
Second Mortgage	1	1	1	0
Premium Finance	0	0	0	0
Pawnbroker	0	0	0	0

Licenses Suspended

Small Loan	0	0	0	0
Second Mortgage	0	0	0	0
Premium Finance	0	0	0	0
Pawnbroker	0	0	0	0

**CREDIT UNION SECTION** Sept. Oct.

Suspensions	1	0
Hearings	0	0
Mergers	2	0
New Charters	0	0
Examination Fees	\$4,338.16	\$4,533.86
Xerox Fees	\$846.25	\$196.00
Supervisory Fees	0	0
CU-1 Fees	\$10.00	0
CU-2 Fees	0	0

Nov. Dec.

Suspensions	10	0
Hearings	1	0
Mergers	1	0
New Charters	1	0
Examination Fees	\$4,785.71	\$1,239.84
Xerox Fees	\$388.25	\$186.00
Supervisory Fees	0	0
CU-1 Fees	\$10.00	0
CU-2 Fees	\$10.00	0

**BROKER/DEALER SECTION** Sept. Oct. Nov. Dec.

Application Received

Securities Broker/Dealer (Form 15) Foreign Real Estate	15	12	15	18
Broker/Dealer (Form 331-A)	2	4	3	3
Securities Salesman (Form 16) Foreign Real Estate	188	224	213	454
Salesman (Form 331-B)	8	24	12	7

Licenses Issued

Broker/Dealer	9	10	10	3
Salesman	149	146	64	29

Licenses Cancelled

Broker/Dealer	7	6	6	1
Salesman	91	81	14	7

**EXAMINATION SECTION** Sept. Oct. Nov. Dec.

Broker/Dealer Examinations	2	12	17	17
Registration Examinations				
Form 6	6	12	13	2
Form 9	3	19	28	1
Other	2	2	12	4
Credit Union Examinations	43	58	70	97
Small Loan Examinations	113	182	129	123
Second Mortgage Examinations	85	140	106	96
Premium Finance Examinations	0	0	0	0
Pawnbroker Examinations	16	22	6	2
Compliance Examinations	214	344	241	221

**STATISTICS**

**REGISTRATION SECTION**

		Applications Received			
		Sept.	Oct.	Nov.	Dec.
2(B)	41	51	67	29	
3-O	491	544	532	571	
5(A)	0	1	1	3	
6(A)(1) & 6(A)(2)	177	215	200	258	
6(A)(3)	58	32	36	50	
6(A)(4)	3	8	3	6	
Interstate Corp.	27	33	21	21	
Stock Option & Purchase Plan	2	6	4	7	
Intrastate Corp.	2	6	3	6	
Investment Companies	41	77	42	41	
R.E.I.T.	0	1	1	0	