

OHIO SECURITIES BULLETIN

A QUARTERLY PUBLICATION OF THE OHIO DIVISION OF SECURITIES

Bob Taft
Governor of Ohio

Lt. Governor Jennette Bradley
Director of Commerce

Deborah L. Dye Joyce
Commissioner of Securities

Lt. Governor Bradley Joins In Signing of H.B. 7

On June 17, 2003, Lieutenant Governor Jennette Bradley, Director of the Department of Commerce, joined Governor Bob Taft in the signing of House Bill 7. Also present were Attorney General Jim Petro and State Representative Mary Taylor, the bill's sponsor. H.B. 7 is a corporate and securities law reform measure designed to enhance investor confidence in the securities marketplace.

Upon the signing of the bill, the Lieutenant Governor stated: "As Director of the Department of Commerce, I am very pleased with these new investor protections and enforcement provisions that will enhance the Division's regulatory authority." She further commented that: "These added provisions to the Ohio Securities Act will give the Division, as well as prosecutors, a greater array of tools to hopefully reduce the number of people who fall victim to

securities fraud and to punish white-collar criminals who commit such fraud."

As described in the article that appears below, H.B. 7 provides investor protections by strengthening a number of standards pertaining to registration of securities with the Division. New enforcement tools include: authority for the Division to seek restitution for victims in certain situations; lengthened statutes of limitations; and increased penalties for theft. A more detailed description of H.B. 7 was contained in the last edition of the Ohio Securities Bulletin, issue 2002:4, which is accessible through the Division's website at <http://www.securities.state.oh.us/Bulletin/BUL024.pdf>.

Pages 3 and 4 of this edition of the Bulletin contain a chart that lists each sec-

continued on page 2

Division Merit Guidelines Codified in Corporate-Securities Reform Bill

by Michael P. Miglets

H.B. 7 signed by Governor Taft on June 17, 2003 will create a new section of the Ohio Securities Act that incorporates three of the Division's longstanding merit guidelines for registered offerings of securities. The legislation will be effective on September 16, 2003. As R.C. 1707.13 authorizes the Division to suspend securities offerings that are made on "grossly unfair terms," over the years the Division has released a number of merit guidelines to give guidance to practitioners structuring securities offerings.¹ The new R.C. 1707.131 incorporates the Division's merit guidelines prohibiting blank check/blind pool offerings and limiting insider transactions and loans. With the enactment of R.C. 1707.131, practitioners will be put on further notice of the merit standards for registered securities offerings in Ohio.

The Division has long followed a policy of not registering blank check/blind pool offerings under the "grossly unfair" standard of R.C. 1707.13 due to the lack of disclosure to investors, the potential for conflicts of interest with insiders of the issuer, and a long history of fraud and abuses by promoters. Blank check/blind pool offerings are securities offerings where the issuer does not specify the use of proceeds or have a business plan other than to acquire an unidentified company, or companies, through a merger. There is no disclosure to the investor on the type of companies to be acquired, the risks, or the terms. Under new R.C. 1707.131(B), the Division shall refuse any blank check/blind pool offering to be registered by description, qualification or coordination.² While

continued on page 2

OHIO DEPARTMENT OF COMMERCE DIVISION OF SECURITIES

<http://www.securities.state.oh.us>



Ohio Securities Bulletin

Issue 2003:1-2 (Combined Issue)

Table of Contents

Lt. Governor Jennette Bradley	1
Merit Guidelines Codified ..	1
ORC Changes/Chart.....	3
Division Rule Initiatives.....	5
Transactions by Description: First Review ...	5
Enforcement Reports/Criminal Updates	7
Securities Conference 2003	12
Division Publications.....	13
Capital Formation and Registration Statistics	14
Licensing Statistics	14
Bulletin Pilot Project.....	16

Bradley

continued from page 1

tion of the Revised Code changed by H.B. 7, a brief description of the change, and (where applicable) a reference to the analogous provision of the Sarbanes-Oxley Act. The changes made by H.B. 7 take effect September 16, 2003.

Reform Bill

continued from page 1

R.C. 1707.131(B) only applies to offerings where the Division receives a registration application, practitioners should note that Rule 504 of Regulation D and the model accredited investor exemption in R.C. 1707.03(Y) are not available for blank check blind pool offerings.

For transactions with insiders, the Division's merit guidelines have required disclosure that any future transactions with insiders be on terms no less favorable to the issuer than could be obtained from third parties.³ The purpose of the merit guideline was to insure that transactions with insiders were fair to the issuer and investors. Under R.C. 1707.131(C)(1), the Division may require disclosure in the final prospectus, offering circular or Form U-7 that any future transactions with officers, directors, five percent shareholders, managers, trustees, or general partners will be on terms no less favorable to the issuer than could be obtained from an independent third party. R.C. 1707.131(C)(1) will apply only to offerings registered by description, qualification and coordination. For example, an issuer relying on the self-executing exemption under R.C. 1707.03(O) would not be subject to R.C. 1707.131(C)(1), but the issuer would need to disclose material transactions under the fraud prohibitions of the Ohio Securities Act and the general fiduciary duties and prohibitions against self-dealing under corporate law would apply.

The Division's merit guidelines on insider loans require that outstanding loans be repaid within six months of the offering and any future loans be for a bona fide business purpose and approved by a majority of the disinterested directors, managers, or trustees.⁴ Unlike the prohibition against the majority insider loans by public compa-

nies in the Sarbanes-Oxley Act, R.C. 1707.131(C)(2) provides that the Division may require outstanding loans to officers, directors, five percent shareholders, managers, general partners, and trustees be repaid within six months of the offering. There is an exception for loans and extensions of credit by a bank as these transactions are subject to review by state and federal banking authorities.⁵

The Division may require that any future loans to insiders be for a bona fide business purpose and approved by a majority of the disinterested directors, five percent shareholders, managers, trustees or general partners. For public companies, the Division may require confirmation that the loan is permitted under the Sarbanes-Oxley Act.⁶ R.C. 1707.131(C)(2) will apply only to offerings registered with the Division. As with insider transactions, loans by issuers relying on exemptions under the Ohio Securities Act will be subject to the fraud prohibitions and general fiduciary duties.

With the prohibition against blank check/blind pool offerings, R.C. 1707.131 extends investor protection under the Ohio Securities Act. With the codification of the Division's merit guidelines on insider transaction and loans, investor protection is extended to a wide range of offerings not covered under the Sarbanes-Oxley Act.

Endnotes

¹The Division's merit guidelines may be found at http://www.securities.state.oh.us/Rules/Existing_Guidelines.

² R.C. 1707.06, 1707.08, 1707.09 and 1707.091.

³ Any current agreements or contracts with insiders must be disclosed to investors. See Ohio Administrative Code 1301:6-3-06(D)(10) and 1301:6-3-09(D) and Item 404 of Regulation S-B.

⁴ Partnership loans are not covered under the Division's merit guidelines. Statements of Policy adopted by the North American Securities Administrators Association, Inc. ("NASAA") for direct participation programs cover loans and other transactions with general partners. See NASAA Statements of Policy for Commodity Pool Programs, Oil and Gas Programs, Real Estate Programs and Equipment Programs.

⁵ "Bank" is defined in R.C. 1707.01(O) to include banks, trust companies, savings and loan associations, savings banks and credit unions incorporated or organized under the laws of the United States, any state of the United States, Canada, or an Canadian province.

⁶ Section 13(k) of the Securities Exchange Act of 1934, 116 Stat. 787, 15 U.S.C.A. 78m, as amended.

OHIO SECURITIES BULLETIN

Desiree T. Shannon, Esq., Editor

The *Ohio Securities Bulletin* is a quarterly publication of the Ohio Department of Commerce, Division of Securities. The primary purpose of the *Bulletin* is to (i) provide commentary on timely or timeless issues pertaining to securities law and regulation in Ohio, (ii) provide legislative updates, (iii) report the activities of the enforcement section, (iv) set forth registration and licensing statistics and (v) provide public notice of various proceedings.

The Division encourages members of the securities community to submit for publication articles on timely or timeless issues pertaining to securities law and regulation in Ohio. If you are interested in submitting an article, contact the Editor for editorial guidelines and publication deadlines. The Division reserves the right to edit articles submitted for publication.

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ORC Changes Contained in Sub. H.B. 7 and Analogous Provisions of Sarbanes-Oxley Act

ORC Section	Description	SOXA Analogue
111.16	Amendment of the Secretary of State's "service of process" fee schedule in light of the amendment of the "service of process" provision of the Ohio Securities Act, R.C. 1707.11	none
1701.01	Technical amendments to the definitions of "control share acquisition" (1701.01(Z)) and "interested shares" (1701.01(CC)); these terms are used in the Ohio Control Share Acquisition Act, R.C. 1701.831	none
1701.831	Amendment of the Ohio Control Share Acquisition Act to codify a federal court ruling that permits the target company to reschedule the special meeting of shareholders when the offer is changed	none; but tracks SEC Rule 14e-1(b)
1707.01	Amendment of the definition of "security" (1707.01(B)) to clarify that an investment opportunity need not be in writing in order to be a "security" under Ohio law	none; responds to <u>Gutmann v. Feldman</u> , 97 Ohio St. 3d 473 (2002)
1707.02	Amendment of 1707.02(C) to add "or guaranteed by banks" to the provision that exempts bank securities from registration with the Ohio Division of Securities ("Division").	none; but matches §3(a)(2) of the Securities Act of 1933
1707.08	<ul style="list-style-type: none"> • Addition of a heightened signature/verification requirement for securities offerings registered by description with the Division • Amendment of the effective time of a registration by description to seven business days after the Division receives the filing (the Division may permit earlier effectiveness) 	§302(a)(1)-(3)
1707.09	Addition of a heightened signature/verification requirement for securities offerings registered by qualification with the Division	§302(a)(1)-(3)
1707.11	Amendment of 1707.11 to provide that notwithstanding any filing made with the Division that purports to appoint as agent for service of process a person other than the Secretary of State, the filing shall be considered to appoint the Secretary of State as agent for service of process.	none
1707.131	<p>Enactment of <i>new R.C. 1707.131</i>, which:</p> <ul style="list-style-type: none"> • requires the Division to refuse a registration of securities by an issuer that has no specific business plan or has indicated that its business is to merge with an unidentified company • permits the Division to refuse registration of securities by an issuer that does not disclose that any future transaction with an officer, director, five per cent shareholder, manager, trustee, or general partner will be on terms no less favorable to the issuer than could be obtained from an independent third party • permits the Division to refuse registration of securities by an issuer that does not disclose that: (1) any outstanding loan from the issuer to an officer, director, five per cent shareholder, manager, trustee, or general partner is required to be repaid within six months of the offering (except for a loan or extension of credit made by a bank); and (2) any future loan from the issuer to an officer, director, five per cent shareholder, manager, trustee, or general partner will be for a bona fide business purpose and approved by a majority of the disinterested directors, managers, trustees, or general partners, or will be a type of transaction involving 	<p>none; but based on SEC Rule 504(a)(3)</p> <p>none</p> <p>§402</p>

ORC Changes Contained in Sub. H.B. 7 and Analogous Provisions of Sarbanes-Oxley Act

ORC Section	Description	SOXA Analog
1707.131, cont.	a director or executive officer of the issuer that is permitted by section 13(k) of the Securities Exchange Act of 1934.	
1707.16	Amendment of 1707.16(A) to align the language of the salesperson licensing requirement with the language in the definition of salesperson in 1707.01(F)	none
1707.23	Amendment of the Division's enforcement provision to clarify that the Division's remedies are cumulative and concurrent, and the exercise of one remedy does not preclude or require the exercise of any other remedy.	none; but similar to §16(a) of the Securities Act of 1933
1707.261	<p>Enactment of new R.C. 1707.261, which provides that:</p> <ul style="list-style-type: none"> • if the Division obtains an injunction pursuant to R.C. 1707.26, the Division may ask the same court to order the defendant or defendants to make restitution or rescission to persons damaged by the defendant's or defendants' violation of the Ohio Securities Act • a court may order restitution or rescission upon proof of substantial violation of the Ohio Securities Act, or of the use of any act, practice, or transaction that operates to the material prejudice of a purchaser or holder of securities • no purchaser or holder of securities who is entitled to restitution or rescission under 1707.261 shall recover a total amount in excess of the person's purchase price of the securities sold in violation of the Ohio Securities Act 	§308
1707.28	Amendment of 1707.28 to lengthen the enforcement statute of limitations from three years to five years, and clarify that the limitations period applies to all enforcement actions	none; but similar to 18 USC §3282
1707.40	Technical amendment to recognize new 1707.261	none
1707.41	Amendment of statute of limitations from 2 years/4 years to 2 years/5 years	§804
1707.42	Amendment of statute of limitations from 2 years/4 years to 2 years/5 years	§804
1707.43	Amendment of statute of limitations from 2 years/4 years to 2 years/5 years	§804
1707.44	<ul style="list-style-type: none"> • Amendment of 1707.44(B)(6) to prohibit false representations in connection with submitting a filing to the Division under 1707.03(X) • Enactment of <i>new 1707.44(N)</i>, which provides that no person knowingly shall influence, coerce, manipulate, or mislead any person engaged in the preparation, compilation, review, or audit of financial statements to be used in the purchase or sale of securities for the purpose of rendering the financial statements materially misleading 	§303
2913.02	Amendment of the criminal theft statute to create first degree felonies for the theft of \$1,000,000 or more, and for the theft of \$100,000 or more from an elderly person or disabled adult	Titles IX and XI

Division Rule Initiatives

Throughout 2003, the Division has been involved in a number of administrative rule initiatives to ensure that the integrity and accuracy of our rules remains intact. The Division engages in rule initiatives for the purposes of: correcting typographical errors or oversights in the drafting process; making technical corrections in citing cross referenced material; making substantive changes; to parallel federal provisions for consistency and uniformity; and at times, to enhance clarity.

Proposed rule changes are posted on the Division's web site under, "*What's New?*" located at www.securities.state.oh.us, as well as the online Register of Ohio located at www.registerofohio.state.oh.us. Notice of proposed rule changes is also posted on the Register of Ohio. Oral or written comments may be made by the industry and public with regard to proposed rules and a public hearing is always held.

Generally, the rule making process takes approximately 90 days to complete, although the timeframe may be lengthened, but not shortened. Copies of final or effective rules can also be found on the Division's web site or by contacting the Division for an electronic version to be e-mailed to you.

Thus far during 2003, the following rules have been amended:

1301:6-3-01 This rule received minor revisions including updates to citations for cross referenced material and clarification to certain exceptions from the definition of the term "dealer" in Revised Code 1707.01(E).

1301:6-3-14 In conjunction with amendments to OAC 1301:6-3-01, paragraph (A)(6) of this rule was amended to comport with changes to the statutory definition of the term "dealer" by clarifying that banks may sell to institutional investors.

1301:6-3-14.1 Clarifying amendments were made to this rule with regard to the Investment Adviser Registration Depository (IARD) and the application for licensure.

1301:6-3-15 The Division made substantial revisions to this rule by including new provisions that parallel the federal record-keeping provisions contained in SEC rules 17a(3) and 17a(4) and separating those provisions applying to NASD-affiliated dealers and non-NASD-affiliated dealers.

1301:6-3-15.1 The changes made to this rule included re-arranging the rule for easier reading and clarity. All the terms are now defined at the beginning of the rule rather than the terms being defined throughout the rule. This makes for far easier reading as the rule is lengthy. The application process and minimum competency requirements follow the definitions, as do other requirements for investment advisers, including books and records and conduct standards.

Other rules currently "*pending*" in the rulemaking process, include:

1301:6-3-12 This new rule would allow the Division to share certain confidential documents with the National Association of Securities Dealers, Inc. and the New York Stock Exchange, as needed, for enforcement or other regulatory actions. It is anticipated this rule may become effective in September.

1301:6-3-06 The Division proposes changes to this rule to comport with H.B. 7 regarding corporate accountability and

securities reform, as signed by Governor Taft on June 17th of this year. It is anticipated this rule may become effective in September.

1301:6-3-08 As with the Division's proposed changes to OAC 1301:6-3-06, the Division proposes changes to this rule to comport with H.B. 7 regarding corporate accountability and securities reform, as signed by Governor Taft on June 17th of this year. It is anticipated this rule may become effective in September.

Registration of Transactions by Description: The Division's First Review

Registration by description will now be effective in seven business days after the filing of the appropriate form and fee. The statutory provision changes are contained in R.C. section 1707.08 as part of the corporate reform provisions of H.B.7. This revision changes the automatic effectiveness.¹ Issuers may no longer file by certified mail and sell the securities prior to the Division reviewing the application. Most applicants were not aware of "automatic effectiveness" and waited for Division approval before any offers and sales. These procedural changes will be effective for filers of Form 6(A)(1), 6(A)(2), 6(A)(3) and 6(A)(4).

New R.C. section 1707.08(D) states:

(D) A registration by description is effective seven business days after the division receives the description on applicable forms, together with a filing fee of fifty dollars, if no proceeding is pending under section 1707.13 or 1707.131 of the Revised Code. However, the division may permit an earlier effective date by rule or by issuing a certificate of acknowledgment for the registration by description.

The purpose of the provision is to permit the Division to have the first review of

the offering for statutory and rule compliance before any sales. If there are no comments by the Division or all comments are resolved, the Division may accelerate the effective date by issuing a certificate of acknowledgment. If comments remain outstanding, the Division may refuse or suspend the offering in accordance with R.C. sections 1707.13 and 1707.131.

The computation of the time will follow business days and rule 1301:6-1-05 of the Ohio Administrative Code.² Briefly, absent an acceleration of the seven business day period by the Division, the time is computed by counting the first day after filing for seven business days. The issuer may sell on the seventh business day if no proceeding is pending under R.C. sections 1707.13 or 1707.131. The Division will date the certificate of acknowledgment for the seventh business day.

The Division has prepared this question and answer article to assist issuers with these new procedures. Certain questions and answers may be helpful to all issuers.

Repeat Filer

Q. My client has filed Form 6(A)(1) for forty years. The Division often has few or no comments. How does new R.C. section 1707.08 apply to my client?

A. Many repeat filers seek continuous effectiveness for their offering. These issuers do not want any gap in the period of effectiveness. The Division suggests that the issuer file well in advance of the end of effective offering period. A seven-business day advance filing is preferable. The failure to file seven business days prior to the expiration of the offering period will not automatically result in a gap in the period of effectiveness. The Division has the authority to issue the certificate of acknowledgement up to the date of filing.

Q. My client has a continuous offering of debt securities in many jurisdictions and wishes to file at least 10 or more business days before the expiration of the last filing. This filing will be around

October 17, 2003 to all states. We respectfully request the Division to set the effective date for October 31, 2003. Is this a problem? Your answer above suggests that the filing should be on the seventh business day before the expiration of the offering period effectiveness.

A. The Division may not set the effective date for October 31, 2003. Please note that while the Division may accelerate the offering period up to the day of the filing, the Division may not delay the effective period beyond seven business days or in this example, October 28, 2003. The Division asserts that this should not be a problem. Registration by description has an offering period of 16 months pursuant to rule 1301:6-3-08 of the Ohio Administrative Code. This filing will have overlapping effective periods from different registration applications. You may still date your prospectus for October 31, 2003. The issuer will lose approximately 3 business days of effectiveness from the overlapping filings. Thus, the offering will be declared effective in 7 business days assuming no suspension or refusal proceeding pursuant to R.C. section 1707.13 or 1707.131.

A simple alternative will permit the Division to date the effectiveness on October 31, 2003 if the issuer delays payment of the fee for 3 or more business days but not later than October 31, 2003. The Division must receive the \$50 fee pursuant to R.C. section 1707.08(D).

Q. Are there any potential pitfalls for my client?

A. Yes. Another period of effectiveness is not automatic. An issuer that files and sells relying upon automatic effectiveness risks the sale of an unregistered security in violation of R.C. section 1707.44(C)(1) if seven business days have not passed from filing.

Q. The issuer's financial statements will go stale in seven business days. Does this cause a problem?

A. Rule 1301:6-3-06(D)(11) O.A.C. measures the financial statements from the date of filing, not effectiveness. Thus, the registration will not be suspended or denied as a matter of course. However, updated financial statements may be filed and included with the existing file and prospectus. The antifraud provisions of R.C. sections 1707.44(B) and (G) and the requirement to update the offering for any material change in the financial status of the issuer pursuant to rule 1301:6-3-06(F)(1) O.A.C. remain applicable.

New Filers

Q. My client intends to file and start selling in 1 week. Will this be okay?

A. The period of effectiveness commences in 7 *business* days. Sales in 1 week will be made prior to the 7 business day time period. Sales prior to that time may not be covered by the effective period of the new application unless the Division has accelerated the effectiveness by issuing a certificate of acknowledgment. It is advisable to check with the Division or wait for the certificate of acknowledgment.

Q. My client is making its first application. We are concerned that we need more time to resolve any comments by the Division. A seven business day time period is very short for the Division's review and comments, our client to respond to comments, and the Division to review our response. We are concerned that we will file, receive comments on the 4th, 5th or 6th business day and not have time to respond before effectiveness. Will the Division refuse or suspend the offering?

A. The refusal or suspension decision is on a case-by-case basis. An issuer who feels that this creates a time period crunch may proceed in one of two manners. First, an issuer that files a statement by an appropriate principal indicating that

offers or sales will not be made until all comments are resolved will not be suspended or refused within seven business days. This will provide sufficient time for the Division's review, comment and issuer's reply with any appropriate revisions.

Second, an issuer may also delay payment of the \$50 filing fee. The issuer and Division may work towards resolving comments. Upon the resolution of comments, the issuer may pay the \$50 filing fee. The Division may exercise its discretion and issue a certificate of acknowledgment for the effective date of the date of the payment of the fee.

Please note that many Division comments relate to incomplete forms. Always review and complete the form with exhibits in a thorough or complete manner. The Division will fax comments or the certificate of acknowledgment where fax numbers are made available to the Division.

Q. An issuer intends on filing for a public offering that contains facts and provisions justifying a refusal or suspension. Will the Division refuse or suspend?

A. Yes. The Division will likely refuse and suspend.

Q. When would such refusal and suspension action take place?

A. The Division will refuse and suspend prior to the expiration of the seven business day period. The Division will notify the issuer by its comment letter. This notification may take place at any time prior to the end of the seven business days. It is important to note that a suspension is made in accordance with R.C. section 1707.13 and may occur after the seven business day period.

Conclusion

The Division seeks to cooperate to the fullest extent with compliance oriented issuers. The Division suggests these best practices when filing:

- Remember the seven business day time period;
- Provide yourself with additional time by either: (1) providing a statement from the issuer that sales will not occur until the issuance of the certificate of acknowledgment, or (2) delay payment of the fee until all comments are resolved;
- Review the form to verify that all questions are answered and exhibits submitted;
- Verify the address for your correspondence and include a fax number to expedite communications;
- Communicate with the Division, verify our receipt of your filing, include a cover letter explaining any additional information concerning the timing of the offering or facts you wish the Division to consider;
- Expedite the Division review of responses by including marked copies of revised materials and directing the Division to page numbers that correspond to any comment; and
- Fax your responses to the Division. Our fax number is listed on our letterhead and currently is 614-466-3316.

We will routinely accelerate effectiveness if comments have been resolved and there is no detriment to purchasers in the offering. This question and answer article is intended to assist issuers that may file the registration by description forms with the Division. Issuers may also contact the Division if they have questions.

Endnotes

¹ The "automatic effectiveness" language that is deleted from R.C. section 1707.08 stated as follows:
"Registration by description is completed when the description, together with a filing fee of fifty dollars, in the form of cash, check, or United States postal money order, is delivered, or mailed by certified mail with postage prepaid, to the division."

² Rule 1301:6-1-05(B) O.A.C. states, "(B) When the time for making a filing or submission to the division is prescribed by

Chapter 1707. of the Revised Code, the time for making the filing or submission shall be computed by excluding the first and including the last day. . ."

Enforcement Section Reports

Thomas M. Gibson

On February 12, 2003, the Division issued Order No. 03-028, a Cease and Desist Order, against Thomas M. Gibson. Throughout 2000, Gibson sold limited partnership units to Ohio residents. These limited partnership units are securities under the Ohio Securities Act but were not registered with the Division. Furthermore, Gibson's conduct with respect to selling these limited partnership units constituted his acting as a dealer, as defined by Revised Code section 1707.01(E)(1), even though he was not licensed as such. Therefore, on January 9, 2003, the Division issued Order No. 03-003, a Notice of Opportunity for Hearing, against Gibson for allegedly violating Revised Code section 1707.44(C)(1), the unregistered sale of securities, along with Revised Code section 1707.44(A)(1), selling securities to an Ohio resident without being licensed as a dealer. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-028, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

William J. Burkett

On February 27, 2003, the Division issued Order No. 03-035, a Cease and Desist Order, against William J. Burkett. Throughout 2000, Burkett sold limited partnership units to Ohio residents. These limited partnership units are securities under the Ohio Securities Act but were not registered with the Division. Furthermore, Burkett's conduct with respect to selling these limited partnership units constituted his acting as a dealer, as defined by Revised Code section 1707.01(E)(1), even though he was not licensed as such. Therefore, on January 9, 2003, the Division issued Order No. 03-

005, a Notice of Opportunity for Hearing, against Burkett for allegedly violating Revised Code section 1707.44(C)(1), the unregistered sale of securities, along with Revised Code section 1707.44(A)(1), selling securities to an Ohio resident without being licensed as a dealer. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-035, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

Carl G. Fanaro

On February 12, 2003, the Division issued Order No. 03-027, a Cease and Desist Order, against Carl G. Fanaro. Throughout 2000, Fanaro sold limited partnership units and a convertible bond to Ohio residents. These limited partnership units and the convertible bond are securities under the Ohio Securities Act but were not registered with the Division. Furthermore, Fanaro's conduct with respect to selling these securities constituted his acting as a dealer, as defined by Revised Code section 1707.01(E)(1), even though he was not licensed as such. Therefore, on January 9, 2003, the Division issued Order No. 03-004, a Notice of Opportunity for Hearing, against Fanaro for allegedly violating Revised Code section 1707.44(C)(1), the unregistered sale of securities, along with Revised Code section 1707.44(A)(1), selling securities to an Ohio resident without being licensed as a dealer. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-027, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

Jack Wilson; Cab-tel Corporation

On February 13, 2003, the Division issued Order No. 03-029, a Cease and Desist Order, against Jack A. Wilson and Cab-tel Corporation. Throughout 2000,

the Respondents sold limited partnership units to Ohio residents. These limited partnership units are securities under the Ohio Securities Act but were not registered with the Division. In addition, the Respondents misrepresented that investors funds would be used to acquire an income producing system. Also, the Respondents did not disclose that an investor's money would be used to pay principal or interest due prior investors. Therefore, on January 9, 2003, the Division issued Order No. 03-006, a Notice of Opportunity for Hearing, against the Respondents for allegedly violating Revised Code Section 1707.44(C)(1), the unregistered sale of securities Revised Code Section 1707.44(B)(4), knowingly causing a false representation to be made, and Revised Code Section 1707.44(G), engaging in a fraudulent act in connection with selling securities. The Respondents did not timely request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-029, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

Israel Fagbemi; Top Business Associates Group

On January 24, 2003, the Division issued Order No. 03-017, a Cease and Desist Order, against Israel Fagbemi and Top Rank Business Associates Group. The Respondents offered, by way of their website, investment opportunities, including promissory notes and a partnership program, to Ohio residents. These investments are securities under the Ohio Securities Act but were not registered with the Division. Therefore, on November 22, 2002, the Division issued Order No. 02-343, a Notice of Opportunity for Hearing, against the Respondents for allegedly violating Revised Code Section 1707.44(C)(1), the unregistered sale of securities. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-017, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

Esther S. Carter; Advantage Telecommunications, Inc. aka Advantage Global Systems, Inc.

On January 15, 2003, the Division issued Order No. 03-011, a Cease and Desist Order, against Esther S. Carter and Advantage Telecommunications, Inc. The Respondents throughout 2000 and 2001 sold promissory notes to Ohio residents. These investments are securities under the Ohio Securities Act but were not registered with the Division. In addition, the Respondents did not disclose that an investor's money would be used to pay principal or interest due prior investors. Therefore, on October 31, 2002, the Division issued Order No. 02-332, a Notice of Opportunity for Hearing, against the Respondents for allegedly violating Revised Code Section 1707.44(C)(1), the unregistered sale of securities and Revised Code Section 1707.44(G), engaging in a fraudulent act in connection with selling securities. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-011, which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

Gary G. Grim

On February 11, 2003, the Division issued Order No. 03-025, a Cease and Desist Order, against Gary G. Grim. Grim sold web booth kiosks to Ohio residents. These web booth kiosks are securities under the Ohio Securities Act but were not registered with the Division. Therefore, on July 11, 2002, the Division issued Order No. 02-182, a Notice of Opportunity for Hearing, against Grim for allegedly violating Revised Code Section 1707.44(C)(1), the unregistered sale of securities. An administrative hearing was requested and held pursuant to Chapter 119 of the Ohio Revised Code. The Hearing Examiner's report and recommendation in the Division's favor was issued on January 22, 2003 and subsequently approved by the Division in its Cease and Desist Order No. 03-025.

David G. Ray

On May 22, 2003, the Division issued Order No. 03-071, a Cease and Desist Order, against David G. Ray. Ray sold payphones on behalf of ATC, Inc. to an Ohio resident. These payphones are securities under the Ohio Securities Act but were not registered with the Division. Furthermore, Ray's conduct with respect to selling these securities constituted his acting as a dealer, as defined by Revised Code Section 1707.01(E)(1), even though he was not licensed as such. Therefore, on April 18, 2003, the Division issued Order No. 03-067, a Notice of Opportunity for Hearing, against Mr. Ray for allegedly violating Revised Code Section 1707.44(C)(1), the unregistered sale of securities and 1707.44(A)(1), selling securities to an Ohio resident without being licensed as a dealer. The Respondent did not request a hearing pursuant to Chapter 119 of the Ohio Revised Code, thereby allowing the Division to issue its Cease and Desist Order No. 03-071 which incorporated the allegations set forth in the Notice of Opportunity for Hearing.

William J. Webb

On March 3, 2003, the Division issued Division Order No. 03-038, a Cease and Desist Order to William J. Webb of Fort Myers, Florida.

The Division found that Webb violated the provisions of Ohio Revised Code sections 1707.44(A)(1) and 1707.44(C)(1) by selling unregistered securities in the form of pay telephone and related service agreements for National Communications Marketing, Inc. and Communications Marketing Associates, Inc. while he was unlicensed as a securities salesperson. The Division found that he was paid commissions of 12% for selling the securities. ETS Payphones, Inc. was the exclusive supplier of the customer-owned coin-operated telephones.

The Division notified Webb of his right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code in a No-

tice of Opportunity for Hearing, Order No. 02-173, issued on July 1, 2002. After legal publication was completed on the Division Order, a hearing was not requested and the Cease and Desist Order was issued on March 3, 2003.

Martin Philip Koch

On May 5, 2003 the Division issued Division Order No. 03-069, a Revocation of Ohio Securities Salesperson License, Revocation of Ohio Investment Adviser Representative License and Cease and Desist Order to Martin Philip Koch of Canton, Ohio. Koch entered into a Consent Agreement with the Division for this Order wherein he also agreed in the future not to apply for any Ohio securities or investment adviser licenses.

The Division found that Koch, an Ohio-licensed insurance agent, violated the provisions of Revised Code sections 1707.44(A)(1) and 1707.44(C)(1), and he was found not to be of good business repute pursuant to Ohio Administrative Code 1301:6-3-19(D)(8) and (D)(9) and Ohio Revised Code Sections 1707.19(A)(1) and 1707.19(A)(4). Koch sold unregistered securities in the form of pay telephone and related service agreements for National Communications Marketing, Inc. and Communications Marketing Associates, Inc. The Division found that he was paid commissions of 10% to 14% for selling the securities and he was not licensed at the time of the sales. ETS Payphones, Inc. was the exclusive supplier of the customer-owned coin-operated telephones. The Division also found that Koch failed to update his Disclosure Reporting Page on his Form U-4 to disclose a civil lawsuit filed against him alleging securities violations.

On January 28, 2003, the Division issued a Suspension of Ohio Securities Salesperson License, Suspension of Ohio Investment Adviser License, Notice of Intent to Revoke Ohio Securities Salesperson License, Notice of Intent to Revoke Ohio Investment Adviser License and Notice of Opportunity for Hearing, Division Order 02-345, to Koch.

Koch waived his right to an adjudicative hearing pursuant to Chapter 119 of the Ohio Revised Code, and Division Order No. 03-069 was issued on May 5, 2003.

Neil T. Van Uum

On June 26, 2003, the Division issued Division Order No. 03-102, a Cease and Desist Order to Neil T. Van Uum of Brathenahl, Ohio, who entered into a Consent Agreement with the Division.

The Division found that Van Uum, an Ohio-licensed insurance agent, violated the provisions of Ohio Revised Code section 1707.44(C)(1) and Ohio Administrative Code 1301:6-3-19(A)(19) by selling unregistered securities in the form of pay-telephone and related service agreements for National Communications Marketing, Inc. and Communications Marketing Associates, Inc., and he did not receive prior authorization from securities dealer Vestax Securities Corporation whom he was licensed with at the time of the sales (i.e. "selling away"). The Division found that he was paid commissions of 12% for selling the securities. ETS Payphones, Inc. was the exclusive supplier of the customer-owned coin-operated telephones.

On April 16, 2003, the Division issued a Notice of Opportunity for Hearing, Division Order 03-066, to Van Uum. Van Uum waived his right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. The Consent Agreement was entered into and the Cease and Desist Order was issued by the Division on June 26, 2003.

Matthew H. Tucker

On June 26, 2003, the Division issued Division Order No. 03-103, a Cease and Desist Order to Matthew H. Tucker of North Canton, Ohio. Tucker entered into a Consent Agreement with the Division for this Order wherein he also agreed in the future not to apply for any Ohio securities or investment adviser licenses.

The Division found that Tucker violated the provisions of Ohio Revised Code

sections 1707.44(A)(1) and 1707.44(C)(1) by selling unregistered securities in the form of pay telephone and related service agreements for National Communications Marketing, Inc. and Communications Marketing Associates, Inc. while he was unlicensed as a securities salesperson. The Division found that he was paid commissions of ten to fourteen percent for selling the securities. ETS Payphones, Inc. was the exclusive supplier of the customer- owned coin operated telephones.

On December 11, 2002, the Division issued a Notice of Opportunity for Hearing, Division Order 02-351, to Tucker. Tucker waived his right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. The Consent Agreement was entered into and the Cease and Desist Order was issued by the Division on June 26, 2003.

Rudy Cyphert

On January 9, 2003, the Division issued a final Cease and Desist Order to Rudy Cyphert of Lisbon, Ohio.

The Division issued a Notice of Opportunity for Hearing, Division Order No. 02-322, to Respondent on October 21, 2002, pursuant to Revised Code Chapter 119. The Division alleged that Respondent violated Revised Code sections 1707.44(A)(1) and 1707.44(C)(1) by selling unregistered shares of stock in The Stonehenge Entities to several Ohio residents without a license to do so. The Division also notified Respondent of his right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. Respondent subsequently entered into a Consent Agreement with the Division and a Final Order to Cease and Desist was issued on January 9, 2003.

The Stonehenge Group Inc., The Stonehenge Group X Inc., The Stonehenge Group XI Inc., The Stonehenge Group XIII Inc. (“Stonehenge Entities”)

On April 10, 2003, the Division issued a Cease and Desist Order to the Stonehenge Entities, located in New York, New York.

The Division found that Respondents violated Revised Code section 1707.44(C)(1) by offering or selling unregistered shares of stock in The Stonehenge Entities to Ohio residents. The Division had issued a Notice of Opportunity for Hearing, Division Order No. 02-322, to Respondents on October 21, 2002, pursuant to Revised Code Chapter 119. The Division also notified Respondents of their right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. A hearing was not requested and a Final Cease and Desist Order was issued on April 10, 2003.

James Tiffiney Johnson

On February 10, 2003, James Tiffiney Johnson, individually and dba Snuckems Products, of Cleveland, Ohio entered into a Consent Agreement with the Division and consented to the issuance of a Cease and Desist Order, Division Order No. 03-024.

The Division found that James Tiffiney Johnson, individually and dba Snuckems Products, violated Revised Code section 1707.44(C)(1) by selling unregistered securities. Mr. Johnson waived his right to the issuance of a Notice of Opportunity for Hearing and his right to an administrative hearing pursuant to Chapter 119 of the Revised Code in the Consent Agreement. The Division issued a Cease and Desist Order in accordance with the Consent Agreement on February 10, 2003.

InvestorLife.com

On February 27, 2003, InvestorLife.com, Inc. of Lima, Ohio entered into a Consent Agreement with the Division and consented to the issuance of a Cease and Desist Order, Division Order No. 03-036.

The Division found that InvestorLife.com, Inc. violated Revised Code section 1707.44(C)(1) by selling unregistered securities. The Division found

that InvestorLife.com, Inc. was not entitled to an exemption under Revised Code 1707.03(X) since it did not meet the qualifications set forth in Rule 506 of Regulation D under the Securities Act of 1933. On January 30, 2003, the Division issued a Notice of Opportunity for Hearing, Division Order No. 03-022 to InvestorLife.com, Inc. pursuant to Revised Code Chapter 119. InvestorLife.com, Inc. waived its right to an administrative hearing pursuant to Chapter 119 of the Revised Code in the Consent Agreement. The Division issued a Cease and Desist Order in accordance with the Consent Agreement on February 27, 2003.

Brian E. Conn

On February 24, 2003, the Division issued a Cease and Desist Order, Division Order No. 03-032 to Brian E. Conn of Golden, Colorado.

The Division found that Brian E. Conn violated Revised Code section 1707.44(C)(1) by selling unregistered securities. On January 22, 2003, the Division issued a Notice of Opportunity for Hearing, Division Order No. 03-016, to Brian E. Conn, pursuant to Revised Code Chapter 119. The Division also notified Brian E. Conn of his right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. A hearing was not requested, and a final Cease and Desist Order was issued.

John F. Harck; Corporate Financial Services, Inc.

On April 10, 2003, the Division issued a Cease and Desist Order, Division Order No. 03-064, to John F. Harck and Corporate Financial Services, Inc. of Reno, Nevada.

The Division found that John F. Harck and Corporate Financial Services, Inc. violated Ohio Revised Code section 1707.44(C)(1) by selling unregistered securities. On January 17, 2003, the Division issued a Notice of Opportunity for Hearing, Division Order No. 03-013, to John F. Harck and Corporate Financial Services,

Inc., pursuant to Revised Code Chapter 119. The Division also notified John F. Harck and Corporate Financial Services, Inc. of their right to an adjudicative hearing pursuant to Chapter 119 of the Revised Code. A hearing was not requested, and a final Cease and Desist Order was issued.

Criminal Updates

On December 30, 2002, **Kevin Ostrowski** was sentenced in Lorain County after having pled guilty to five counts of making false representations in the sale of securities. Ostrowski was placed on three years probation, ordered to contribute 200 hours of community service, and pay restitution of \$92,212.44. Ostrowski, of Brunswick, Ohio, sold promissory notes of Pacific Air Transport and Lomas de la Barra to Ohio residents. The Division previously issued a Cease and Desist Order to Ostrowski in December 2000 for selling unregistered promissory notes and "selling away".

On January 30, 2003, **Paul L. Edwards** was indicted in Marion County on 28 felony counts, including nine counts each of selling securities without a license, selling unregistered securities, making false representations in the sale of securities, and one count of engaging in a pattern of corrupt activity. This indictment was the result of Edwards' involvement with **Vernon Shiflett** and the alleged sale of fraudulent promissory notes of Addmac Entertainment, a concert promotion company. (See Bulletin 02:4 article on Shiflett, p. 7). Edwards' trial is currently scheduled for September 15, 2003.

On February 26, 2003, **Carl Dellreco Moss** was indicted by a Summit County grand jury on 22 counts including forgery, theft, grand theft, passing bad checks, acting as an unlicensed investment adviser, engaging in fraud as an investment adviser, and mishandling funds as an investment adviser. The charges, in part, relate to an investment agreement entered into between Moss and an Ohio resident.

Theresa Stencil pled guilty in Lorain County Common Pleas Court on April

15, 2003, to 41 counts of selling unregistered securities. Stencil ran Merit Financial Services and admitted to the theft of over \$2 million in connection with the sale of securities of Augur Lane Development to Ohio residents. Stencil failed to inform investors that she owned Augur Lane and that Merit Financial and Augur Lane were failing financially. Stencil was sentenced to six years in prison and ordered to pay restitution.

On April 14, 2003, a Bill of Information was filed against **Christopher K. Ulinski** in U.S. District Court in Akron charging Ulinski with one count each of conspiracy to commit securities fraud, mail fraud, and wire fraud. Ulinski pled guilty to one count of conspiracy on April 30, 2003. This action arose in connection with assistance Ulinski provided to **Andrew P. Bodnar** and **Gregory Best** in their \$41 million ponzi scheme.

On May 6, 2003, **Gregory James Best** was sentenced in U.S. District Court in Akron to nine years in prison and three years probation in connection with his part in a scheme with **Andrew Paul Bodnar**, a former business associate currently serving seven years, to defraud hundreds of people out of over \$20 million. Best pled guilty on December 12, 2002, to 14 counts, including one count of conspiracy, nine counts of securities fraud, and four counts of interstate transportation of stolen property.

On May 7, 2003, **George J. Fiorini II** was indicted in U.S. District Court in Cincinnati on 79 counts, including 37 counts of engaging in a scheme to defraud money, 14 counts of scheming to defraud, 4 counts of radio fraud, 5 counts of money laundering, 15 counts of engaging in monetary transactions, and one count of making false statements. Fiorini's trial is currently scheduled for October 21, 2003. **Stephen R. Ventre**, a former associate of Fiorini, agreed to plead guilty to one count of scheming to defraud. Fiorini sold unsecured 10% promissory notes of IGW Trust and Ventre's company, Guardian Investments, to hundreds of residents of the tri-state area. Rather than investing the funds as represented, totaling about \$13.5 million, Fiorini allegedly

spent the money on himself, family members, and friends. Ventre pled guilty to one count of fraud on May 22, 2003, and will be sentenced on August 13, 2003.

On June 2, 2003, **William LaSelle** pled guilty in the Hamilton County Common Pleas Court to two first-degree misdemeanor counts of making misrepresentations and engaging in fraudulent practices in connection with the sale of securities to two Ohio residents. LaSelle was required to pay restitution to the victims in the amount of \$10,000 immediately and an additional \$10,000 within one year. The two \$10,000 payments will constitute full restitution to the victims.

On June 5, 2003, **James C. Dodge** pled guilty in Logan County Common Pleas Court to one felony count each of making false representations in connection with the sale of securities and of theft. Dodge was sentenced on July 23, 2003 to three years on the false representations count and ten months on the theft count, to be served concurrently. Additionally, he is required to pay more than \$300,000 in restitution and to resign his license to practice law.

OHIO SECURITIES CONFERENCE

2003

October 24, 2003

**Executive Conference and Training Center
Vern Riffe Center
77 South High Street, 31st Floor
Columbus, Ohio 43215**

WELCOMING REMARKS FROM LT. GOVERNOR JENNETTE BRADLEY

INVESTMENT ADVISER UPDATE: REGULATORY DEVELOPMENTS AND NEW COMPLIANCE ISSUES

Thomas E. Geyer, Assistant Director, Ohio Department of Commerce
Paul N. Edwards, McDonald Hopkins
Robert Moore, McDonald Investments

HEDGE FUNDS

Glenn E. Morriscal, Tucker, Ellis & West
Howard J. Bobrow, Kahn Kleinman

THE IMPLEMENTATION OF SARBANES-OXLEY: AN IN-DEPTH EXAMINATION OF SELECTED ISSUES

Howard M. Friedman, University of Toledo, College of Law
John P. Beavers, Bricker & Eckler
Jeffrey A. Smith, Thompson, Hine & Flory

RECENT DEVELOPMENTS AT THE OHIO DIVISION OF SECURITIES AND AN OVERVIEW OF AM. SUB. H.B.7

Robert K. Lang, Attorney Inspector
Michael P. Miglets, Control Bid Attorney

Presented by The Ohio Division of Securities & The Cybersecurities Law Institute at the University of Toledo College of Law

- This course has been approved by the Ohio Supreme Court Commission on Continuing Legal Education for 5.50 total CLE credit hours, with 0.00 of ethics, 0.00 hours of professionalism and 0.00 of substance abuse instruction. This course has also been approved for 5.50 hours of CPE credit by the Accountancy Board.
- The meetings of the Ohio Division of Securities Advisory Committees will be held in conjunction with this Conference during the lunch break. Box lunches will be available for those attending a Committee meeting.
- The Conference brochure and registration form will be available at www.securities.state.oh.us on or about August 15, 2003 or you may call (614) 466-3440 to request a copy.

Division of Securities Publications

The following is a list of publications available from the Division regarding the importance of saving and investing. The Division primarily distributes this material to investors of all ages, including grade school and high school age students, college students, and retirees, during presentations made to schools and community groups. Securities professionals and legal staff should also promote financial literacy and investor protection through education. These materials are available for viewing on the Division's web site located at www.securities.state.oh.us. Paper copies may be ordered using the order form available on the web site.

- Affinity Fraud
- An Introduction to the Ohio Securities Laws for Start-Up and Small Business
- Avoiding Fraud in Your Securities Investments brochure
- Before You Buy a Callable CD, Take Notes brochure
- Billy and the Basketball Coloring Book
- Bogus "IRA Approved" Investment Schemes
- Bulletin for Older Investors brochure
- Cold Calling
- Cyberspace Fraud and Abuse brochure
- Financial Literacy Investor Quiz brochure
- Financial Quiz for High School Students brochure
- Foreign Currency Trading Frauds
- How to Check Out Your Stockbroker or Brokerage Firm
- How Older Americans Can Avoid Investment Fraud and Abuse
- How to Save a Million for Retirement
- How to Select and Work with a Securities Salesperson brochure
- How to Spot a Con Artist brochure
- How to Spot Boiler Room Scams
- Information Superhighway
- International Investment Fraud
- Investigate Before You Invest telephone reminder sticker
- Investor Bill of Rights
- Micro Cap Fraud
- Mutual Funds brochure
- Preying on the Faithful brochure
- Promissory Notes: Promises, Problems brochure
- Questions for the Informed Investors brochure
- Securities Hotline Bookmark
- Swindlers are Calling brochure
- 10 Tips for *Online* Investors
- THINK: Considerations Before You Invest
- Understanding your Brokerage Account Statements
- What Every Investor needs to Know brochure
- When Selecting an Investment Adviser Remember A...B...C...brochure
- When Your Broker Calls, Take Notes - Investor Notepad
- Who's Who in the Financial Planner and Investment Adviser Field brochure

Capital Formation Statistics*

Because the Division's mission includes enhancing capital formation, the Division tabulates the aggregate dollar amount of securities to be sold in Ohio pursuant to filings made with the Division. As indicated in the notes to the table, the aggregate dollar amount includes a value of \$1,000,000 for each "indefinite" investment company filing. However, the table does not reflect the value of securities sold pursuant to "self-executing exemptions" like the "exchange listed" exemption in R.C. 1707.02(E) and the "limited offering" exemption in R.C. 1707.03(O). Nonetheless, the Division believes that the statistics set out in the table are representative of the amount of capital formation taking place in Ohio.

*Categories reflect amount of securities registered, offered, or eligible to be sold in Ohio by issuers.

**Investment companies may seek to sell an indefinite amount of securities by submitting maximum fees. Based on the maximum filing fee of \$1100, an indefinite filing represents the sale of a minimum of \$1,000,000 worth of securities, with no maximum. Consequently, for purposes of calculating an aggregate capital formation amount, each indefinite filing has been assigned a value of \$1,000,000.

Filing Type	2nd Qtr 2003	YTD 2003
Exemptions		
Form 3(Q)	\$125,842,961	\$188,948,349
Form 3(W)	6,300,000	13,775,500
Form 3(X)	39,775,322,728	96,866,573,195
Form 3(Y)	775,000	824,000
Registrations		
Form .06	448,507,284	663,749,762
Form .09/.091	7,390,208,721	33,528,846,127
Investment Companies		
Definite	100,712,073	205,134,573
Indefinite**	498,000,000	1,016,000,000
TOTAL	\$48,345,668,767	\$132,483,851,506

Registration Statistics

The following table sets forth the number of registration, exemption, and notice filings received by the Division during the second quarter of 2003, compared to the number of filings received during the second quarter of 2002. Likewise, the table compares the year-to-date filings for 2003 and 2002.

Filing Type	2nd Qtr '03	YTD '03	2nd Qtr '02	YTD '02
1707.03(Q)	32	64	34	68
1707.03(W)	3	10	4	12
1707.03(X)	235	511	275	524
1707.03(Y)	2	1	1	5
1707.04/.041	1	0	1	3
1707.06	25	48	17	48
1707.09/.091	46	76	49	85
Form NF	1060	2194	1144	2225
1707.39/.391	6	12	11	24
Total	1410	2916	1536	2993

Licensing Statistics

License Type	YTD 2003
Dealer	2,309
Salespersons	122,123
Investment Adviser/Notice Filers	1,640
Investment Adviser Representative	9,442



Bulletin Designated as a Pilot Project—

The Division is honored that the *Ohio Securities Bulletin* will serve as a pilot project in the State of Ohio for purposes of a paperless periodic publication issued by a State agency. Consequently, the last “paper” version of the *Bulletin* to be mailed to subscribers will be volume 2003:4. (*Readers will note that due to circumstances beyond the Division’s control, volumes 2003:1 and 2003:2 are combined in this issue. The Bulletin will, as a result, only be issued three times during calendar year 2003, rather than its routine four issues.*)

Beginning with volume 2004:1, the *Bulletin* will be available in electronic format only from the Division. Readers may, of course, download the *Bulletin* or print the *Bulletin* from the Division’s web site.

In conjunction with this opportunity to enhance the use of “information technology” in the State of Ohio, the Division will create a list serv for purposes of e-mailing the electronic issue of the *Bulletin*. Therefore, the Division will be compiling a list of e-mail addresses for this purpose. If you would like to be added to this list serv, please send your e-mail address to MEKeller@com.state.oh.us.

OHIO SECURITIES BULLETIN

Ohio Department of Commerce
Division of Securities
77 South High Street
22nd Floor
Columbus, Ohio 43215-6131