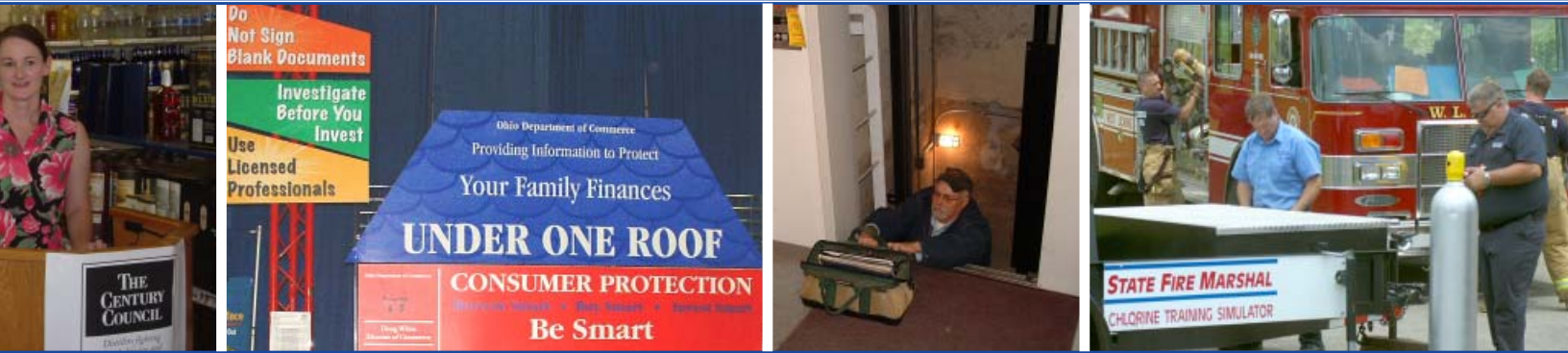


Ohio Department of Commerce Annual Report 2005



Ohio Department of Commerce
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Bob Taft
Governor

Doug White
Director



Governor Taft, Members of the Ohio General Assembly, Citizens of Ohio:

As Director, it is my great pleasure to present the Fiscal Year 2005 Annual Report of the Department of Commerce, chronicling the year's achievements and the many ways Department employees serve the citizens of Ohio.

With responsibility for issuing over 300,000 licenses and regulating more than two dozen industries, the Department is one of the state's chief regulatory agencies. Our employees take seriously their charge of executing fair and efficient regulation of a wide variety of industries impacting the daily lives of Ohio's citizens.

During Fiscal Year 2005, the Department built on its efforts to protect Ohio consumers, while fairly and efficiently regulating business and industry to promote healthy commerce in the state. Among the accomplishments:

- The Division of Industrial Compliance established a four-person, walk-in team for plan review and same-day approvals, and also began the development of a new process to allow customers to electronically mail applications and payments to the Division through a password-protected website.
- With another record year in dollars paid, claims paid, and funds reported, the Division of Unclaimed Funds launched a new toll-free telephone number, 1-877-OHIO UCF(644-6823), and purchased a new automatic call distribution phone system to improve customer service.
- The Division of Liquor Control's record level of spirituous liquor sales during Fiscal Year 2005 enabled the Division to transfer \$115 million in sales revenue to the state's General Revenue Fund.
- The Division of State Fire Marshal completed work on the new 2005 Ohio Fire Code, paving the way for the state's adoption of updated, detailed and comprehensive rules addressing all aspects of fire safety.
- The Division of Financial Institutions conducted examinations for almost 2,800 consumer finance companies.

These and other achievements made Fiscal Year 2005 one of marked progress. Commerce employees look forward to serving the citizens of Ohio and building on these accomplishments in the years ahead.

Doug White

Doug White, Director
Ohio Department of Commerce



Doug White
Commerce Director

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The Division of Financial Institutions regulates Ohio's state-chartered financial institutions and consumer finance companies. The Division charters depository institutions, licenses non-depository financial services, and conducts on-site examinations. All examinations, supervision, and regulatory activities are performed by Division staff who specialize in the operations of each of the specific industries. The Division's Office of Consumer Affairs works to provide education to Ohioans regarding borrowing and related financial topics.

Streamlined Branch Procedure

In July 2004, the Division introduced a new procedure for branch applications for banks and savings institutions that reduces the paperwork burden and shortens the response time for approval. The new process permits applications to be submitted in the form of a notice letter, which is generally processed within 30 days.

Battling Money Laundering

With the increased focus on money laundering activities, the Division has entered into a Memorandum of Understanding (MOU) with the U.S. Department of Treasury, Financial Crimes Enforcement Network (FINCEN), to access FINCEN's database of large currency transaction reports and suspicious activity reports. Access to this information will improve the Division's ability to examine anti-money laundering programs for regulated entities. Five Division employees attended training provided by FINCEN representatives on the money laundering database.

Consumer Finance Examinations

During Fiscal Year 2005, the Division's Consumer Finance Section conducted compliance examinations which uncovered 2,493 violations of Ohio law and resulted in more than \$41,000 in restitution to Ohio consumers. Examinations were conducted for almost 2,800 registrants licensed under the Check-Cashing Act, the Check-Cashing Loan Act, the Mortgage Broker Act, the Pawnbroker Act, the Small Loan Act, and the Mortgage Loan Act.

Ohio Pawnbroker Act Revisions

On May 6, 2005, Amended Substitute House Bill 209 took effect, changing the licensing period for Ohio pawnbrokers from one year to two years. Effective with the 2006 renewal, pawnbroker licenses will cost \$600 and will be valid until June 30, 2008. The legislation also increases the permissible monthly storage charge from \$3 to \$4. The increase in storage charges applies only to pawn loans made on or after May 6, 2005.

Check-Cashing Loan Act Revisions

Licensees under the Check-Cashing Loan Act are now able to make loans up to \$800 pursuant to legislation that took effect on May 18, 2005. In addition, the legislation permits licensees to charge loan origination fees of \$3.75 per \$50 on portions of loans that are over \$500. The loan origination fees and interest charges that may be collected on loans of \$500 or less remain unchanged.



Director Doug White met with the Ohio Credit Union System employees. From left to right: Director White, Judy Middendorf and Ken Roberts of the Division of Financial Institutions and Paul Mercer, President of the Ohio Credit Union System.

Safe and Sound Financial Institutions

Ohio's state-chartered financial institutions continue to remain in stable condition. The conditions of the institutions are based on their Capital, Asset Quality, Management, Earnings Liquidity and Sensitivity to interest rate risk (CAMELS) ratings. Eighty-six percent of the 381 depository institutions regulated by the Division continue to operate as strong (25%) or satisfactory (61%). Only 12% are considered fair, and 3% are poorly rated. Compliance with the Bank Secrecy Act continues to receive attention as part of the Division's risk-focused examination process.

CAMELS Ratings - All Depository Institutions

| | 6/30/2002 | 6/30/2003 | 6/30/2004 | 6/30/2005 |
|------------------|-----------|-----------|-----------|-----------|
| 1 – Strong | 25% | 22% | 24% | 25% |
| 2 – Satisfactory | 55% | 58% | 58% | 61% |
| 3 – Fair | 17% | 16% | 14% | 12% |
| 4 – Poor | 3% | 4% | 4% | 3% |
| 5 | 0% | 0% | 0% | 0% |

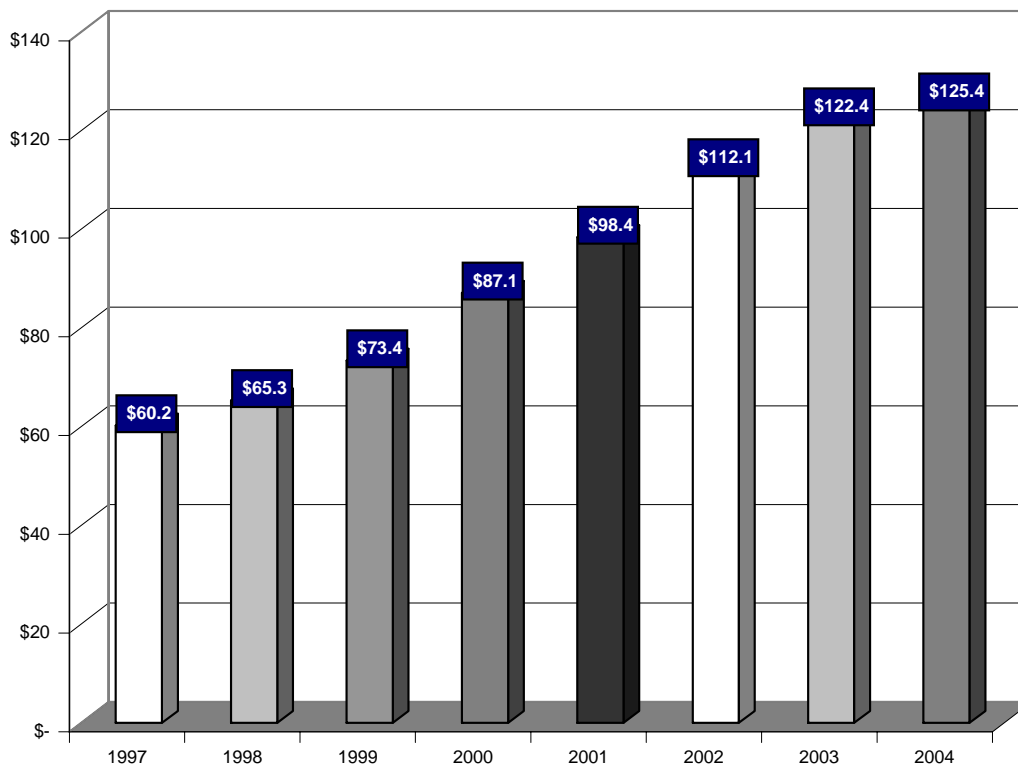
Regulation of Banks and Savings Institutions Combined

Consolidation in the bank and thrift industries during recent years has significantly reduced the number of state-chartered institutions, leaving 100 banks and 58 savings institutions. As a result, the Division acted to combine the supervision and regulation of these two industries, to be effective July 1, 2005. Under the new structure, five regional supervisors will have oversight of a mixture of banks and savings institutions.

Increase in Money Transmitter Licensees

Over the past year, the number of foreign and domestic money transmitter operations applying to be licensed by the Division has steadily increased. As of June 30, 2004, there were 18 domestic and 24 foreign money transmitters licensed by the Division. This increased to 23 domestic and 29 foreign licensees as of June 30, 2005. The growth in the money transmission industry has resulted in the Division's updating its application procedures. The Division is working with the legislature to modernize Ohio's money transmitter statutes.

**Total Assets Depository Institutions
As of 12-31 (In Billions)***



* Years indicated are calendar years

Office of Consumer Affairs

The Division's Office of Consumer Affairs received complaints and inquiries from over 1,200 individuals, resulting in the filing of 569 formal complaints. Of these, 131 were referred to other agencies that had proper jurisdiction over the entities about which complaints were received. The Office resolved more than 600 complaints, some of which were filed in the previous year. In addition, the Office received 4,046 other inquiries where the issues were resolved or questions were answered over the telephone.

Consumer Affairs staff also participated in numerous housing fairs sponsored by local agencies in Springfield, Akron, and Youngstown. The "Buy Smart, Borrow Smart" series continued with sessions in Cincinnati, Cleveland, Akron, and Dayton. The Office promoted its "Borrow Smart" message, in cooperation with the Ohio departments of Aging, Job and Family Services, and the State Auditor's office. Staff participated in the Federal Reserve Bank's Foreclosure Forum, discussing the Division's education focus as a way to help consumers avoid foreclosure. The Office published two new brochures: "20 Questions to Ask Your Lender or Mortgage Broker" and "Payday Loans." Both brochures are available on the Division's website.

Ohio Bankers' Day

"Banking Today: It's Still Image, Value and Service" was the theme for the 2005 Ohio Bankers' Day Conference, held April 20, 2005, in Columbus. Approximately 290 bank officers and directors, consultants, and attorneys joined staff from the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the Division.

The program featured presentations on developing long-term relationships with customers, the economic recovery and how it affects banking in Ohio, the Midwest banking environment, and federal legislative issues. Keynote speaker, Dr. Richard Herrmann of The Ohio State University, shared his views on America's role in world affairs.

CEO Roundtables

Six regional roundtables were held around the state. Approximately 30 bankers attended each of these breakfast meetings which provided a forum for senior bank management and directors to discuss current issues and relevant banking topics with Division staff persons.



The Office of Consumer Affairs provided consumer publications during a "Buy Smart, Borrow Smart" presentation. The publications are available on the Division's website.

SUMMARY OF INSTITUTIONS REGULATED

| Types of Institutions | <u>FY 02</u> | <u>FY 03</u> | <u>FY 04</u> | <u>FY 05</u> |
|---|---------------|---------------|---------------|---------------|
| <u>Depository Institutions</u> | | | | |
| Banks | 114 | 108 | 106 | 100 |
| Trust-only Banks | 2 | 2 | 2 | 2 |
| Credit Union | 261 | 248 | 234 | 223 |
| Savings and Loan Associations | 41 | 36 | 36 | 32 |
| Savings Banks | 25 | 27 | 27 | 26 |
| Total Depository Institutions | 443 | 421 | 405 | 383 |
| <u>Money Transmitters</u> | | | | |
| Domestic Money Transmitters | 17 | 16 | 18 | 23 |
| Foreign Money Transmitters | 18 | 19 | 24 | 29 |
| Total Money Transmitters | 35 | 35 | 42 | 52 |
| <u>Non-Depository Financial Services Organizations</u> | | | | |
| Check Cashers | 903 | 1,060 | 1,294 | 1,352 |
| Check Casher Lenders | 816 | 983 | 1,209 | 1,226 |
| Credit Service Organizations | 5 | 5 | 5 | 8 |
| Insurance Premium Finance Lenders | 47 | 52 | 51 | 57 |
| Mortgage Brokers | 1,543 | 2,021 | 2,107 | 2,107 |
| Mortgage Broker Licensed Loan Officers | 4,960 | 7,444 | 7,715 | 7,767 |
| Mortgage Loan Registrants | 2,733 | 2,435 | 2,428 | 2,471 |
| Pawnbrokers | 177 | 173 | 165 | 160 |
| Precious Metals Dealers | 23 | 21 | 20 | 23 |
| Small Loan Licensees | 65 | 80 | 83 | 49 |
| Total Non-Depository Licensees | 11,272 | 14,274 | 15,077 | 15,220 |
| Total Regulated | 11,750 | 14,730 | 15,524 | 15,655 |

The Division of Industrial Compliance (DIC) reviews and approves the building plans for the construction and renovation of commercial and public building projects. The Division also provides regulatory certification and inspection of boiler and elevator systems essential to public welfare and safety. DIC staff members conduct inspections of plumbing, electrical and structural systems; elevators; boilers; bedding and upholstered products. DIC provides testing, certification, licensing and continuing education services for numerous skilled trades in Ohio's building industry. During Fiscal Year 2005, DIC implemented organizational and technological initiatives to improve efficiency and customer service in providing these regulatory services.

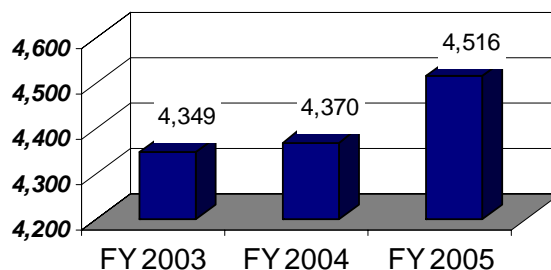
New Bureau of Building Code Compliance

The Division consolidated the bureaus of Plans & Specifications and Construction Compliance into the new Bureau of Building Code Compliance. This merger will increase efficiency by providing a single manager of construction services for state projects and projects in areas not served by a certified building department. The Division's other bureau, the Bureau of Operations and Maintenance, oversees the regulation and inspection of boilers, elevators, bedding, upholstered furniture and stuffed toys. It also administers the licensing of roller rinks, ski lift equipment, steam engineers, boiler operators, and elevator and boiler inspector commissions.

Electronic Applications, Payments

The Division began development of a new process that will allow customers to electronically mail applications and payments to the Division through a password-protected website for projects under state jurisdiction. The process also will enable customers to submit building plans electronically for review and approval by an examiner. The examiner can then return the approved plans electronically, allowing customers to print an unlimited number of copies.

DIC PLANS RECEIVED



Walk-ins and Same Day Approvals

The Division established a four-person walk-in team for plan review and same-day approvals. This approach came as a result of customer surveys favoring appointments that provided a guaranteed time of review with no extended waiting. The teams establish communications with the parties in advance to coordinate all required paperwork and supporting documents to conduct the review. The process has provided a higher percentage of same-day approvals due to the improved procedures and ability to discuss project requirements prior to meeting in the Division offices.



DIC Employee Robb Coventry (right) processes a walk-in plan review for same-day approval.

Using Technology, Making Changes to Enhance Efficiency

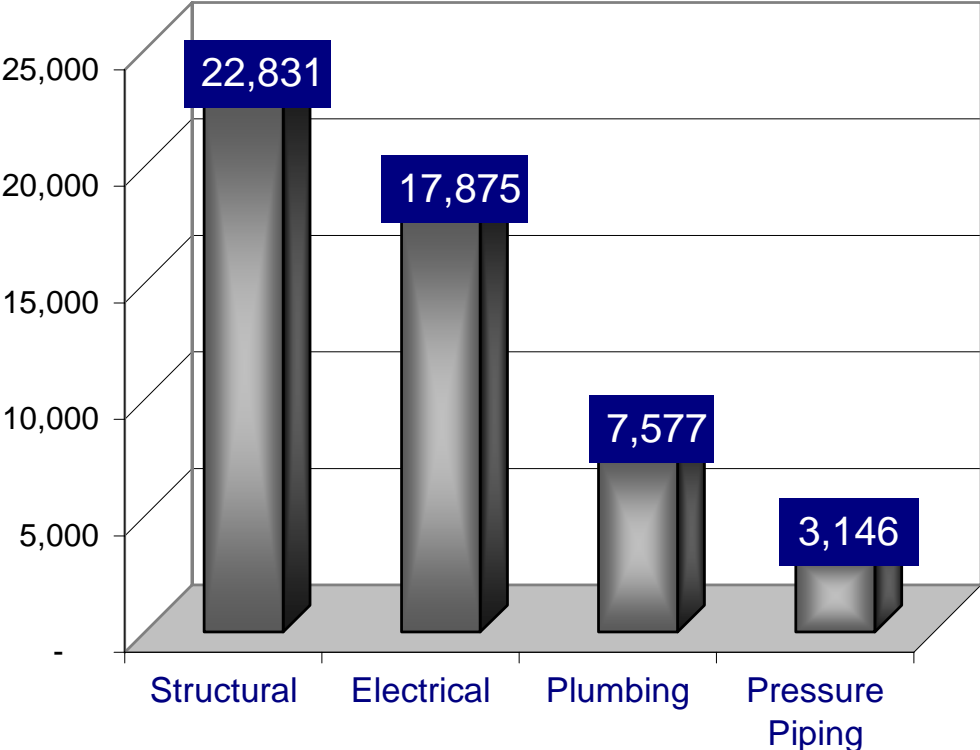
The Boiler Section implemented changes to make it possible for insurance industry inspectors to send in reports electronically. Electronic submission is expected to save time and money by reducing reliance on paper and facsimile transmissions. It will enable inspectors to complete more inspections in a specified time period and improve the ability to follow-up on previous inspection results that require corrective action. The Division began a study to determine the viability of having elevator and boiler inspectors submit electronic reports.

The Division started a project to balance the annual recurring inspection workload among all inspectors to reduce drive time and fleet and personnel costs, and to support the timely completion of inspections. Staff revised and updated the computer database for the Bedding Section to provide inspectors with improved access to the customer's inspection history prior to a scheduled inspection.

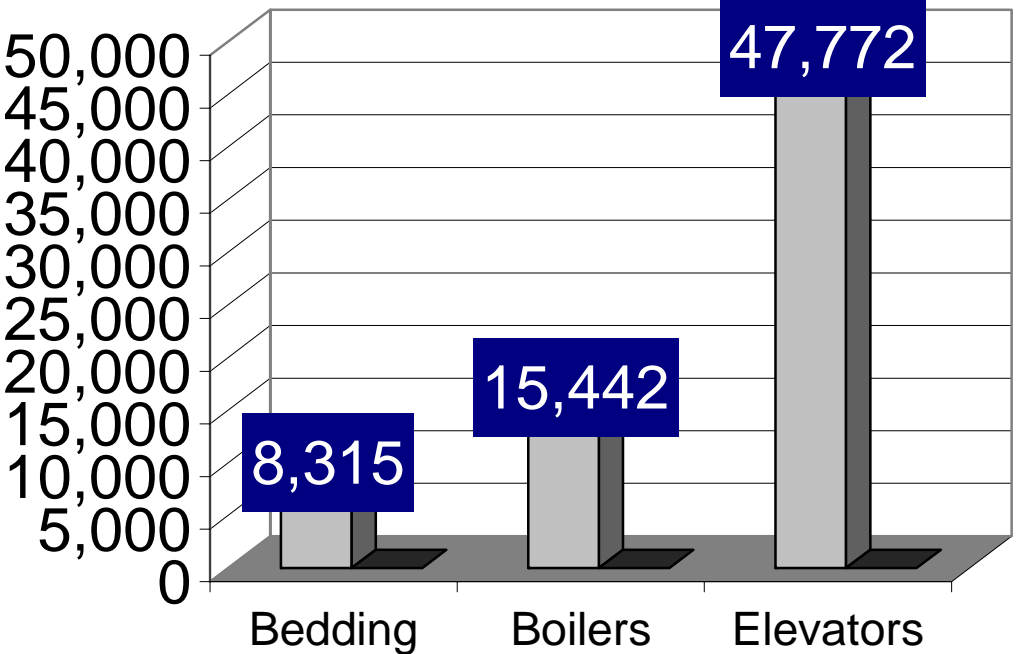


Above: Bedding inspector Laurie Lyles inspects an item at a toy store; Top Right: Elevator Field Inspector Doug Watkins inspects an elevator; and Bottom Right: Boiler Inspector Don Frymyer checks a boiler.

Building Code Compliance Inspections - FY 05
Total Number - 51,429



Operations and Maintenance Inspections Performed FY 05



The Division of Labor and Worker Safety administers and enforces Ohio's prevailing wage, minimum wage, overtime and minor labor laws. Ohio's prevailing wage law requires public authorities to pay the locally prevailing rate of wages to workers performing under public construction contracts. Ohio's overtime law requires employers to pay 1½ times their regular rate of pay for all hours worked over 40 hours in a work week. Ohio's minimum wage law sets state minimum wage rates for employers with a gross dollar volume of sales per year of less than \$500,000. Employers with business over \$500,000 per year must comply with the minimum wage rate set by the U.S. Department of Labor and the federal Fair Labor Standards Act. The Division's field staff conducts routine inspections of workplaces throughout the state. The Division educates employers and employees about their rights and responsibilities, ensures compliance with the labor laws, investigates complaints and consults with both employers and employees.

PERRP, OSHA ON-SITE Move To Ohio Bureau of Workers' Compensation

Before the end of Fiscal Year 2005, the Ohio General Assembly passed legislation (Am. H.B. 67) transferring the operation and administration of the Public Employment Risk Reduction Program, or PERRP, and the Occupational Safety & Health Administration (OSHA) On-Site Program from the Ohio Department of Commerce to the Ohio Bureau of Workers' Compensation.



Wage & Hour Activities FY 2005

| ENFORCEMENT ACTION | EMPLOYEES AFFECTED | DOLLAR AMOUNT |
|--------------------------------|---------------------------|----------------------|
| Prevailing wage determinations | 457 | \$953,004.67 |
| Prevailing wage collections | 1,289 | \$754,415.04 |
| Minimum wage determinations | 216 | \$187,167.09 |
| Minimum wage collections | 414 | \$138,839.04 |
| Penalty fund collections | 158 | \$26,193.55 |

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 more than 420 private businesses, known as contract liquor agencies, which are contracted by the Division to serve as its sales agents. Revenues are used to help fund a variety of programs offered by various 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 with the laws pertaining to the manufacture, importation and distribution of beer, wine and mixed beverages containing 21 percent or less alcohol by volume.

Record Dollar Sales

Spirituous liquor sales reached a record \$587.5 million in Fiscal Year 2005. This was an increase of \$34.7 million, or 6.68 percent, compared to sales in Fiscal Year 2004. The increase in dollar sales is due to supplier price increases, a greater increase in retail sales as compared to discounted wholesale sales, and an increase in consumption.

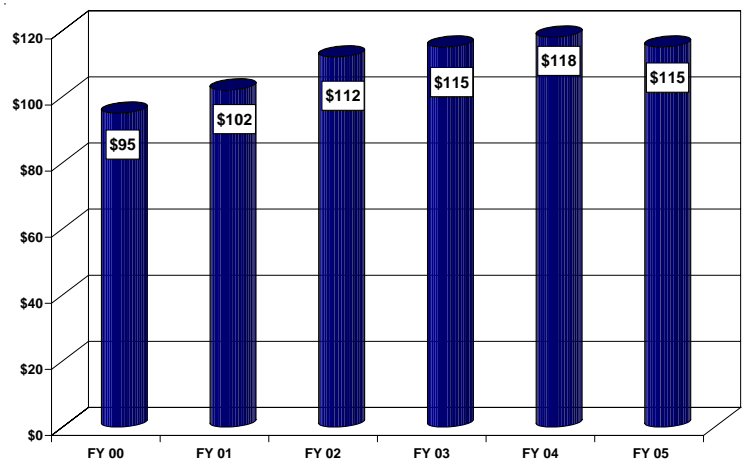
| Fiscal Year | Dollar Sales | Gallons Sold |
|-------------|-----------------|--------------|
| 2000 | \$455.9 million | 8.5 million |
| 2001 | \$482.4 million | 8.6 million |
| 2002 | \$498.6 million | 8.6 million |
| 2003 | \$518.5 million | 8.8 million |
| 2004 | \$552.8 million | 9.2 million |
| 2005 | \$587.5 million | 9.6 million |

Gallonge sales of spirituous liquor in Fiscal Year 2005 totalled 9.6 million gallons, an increase of 368,299 gallons, or 4.01 percent, compared to Fiscal Year 2004.

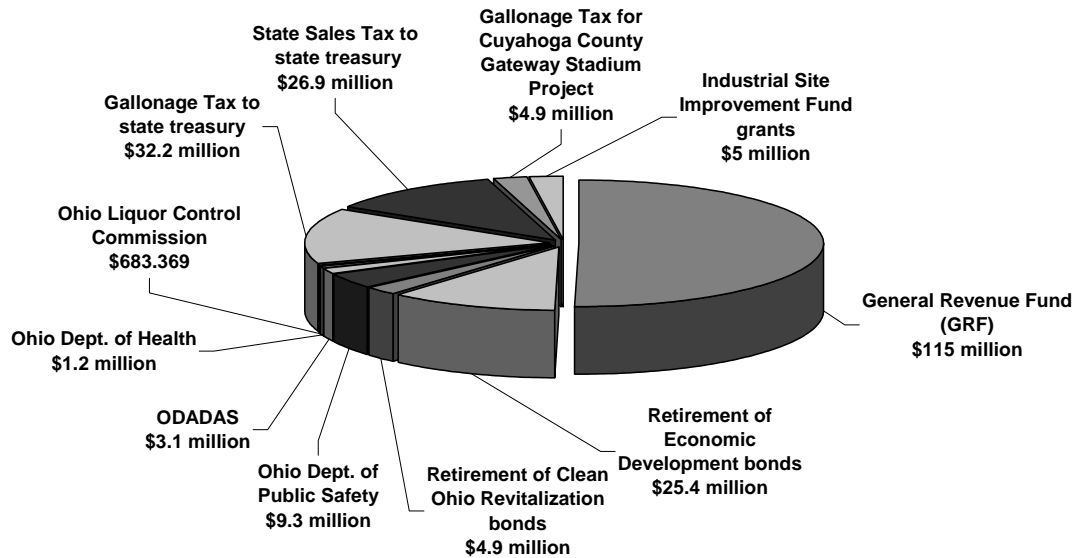
General Revenue Fund Transfer

The main financial goal of the Division is to maintain profitability of liquor sales through efficient management and operations. In Fiscal Year 2005, the Division exceeded its goal by contributing \$115 million to the state's General Revenue Fund (GRF). This year's GRF transfer was \$3 million less than last year's transfer, due to a 35% increase in the amount of revenue dedicated to the retirement of economic development and environmental bonds, and an additional \$5 million earmarked for a new Industrial Site Improvement Fund grant program.

Annual GRF Transfers (in millions)



**Liquor Sales Revenue Distribution
Fiscal Year 2005**



In addition to the GRF transfer, liquor revenues also are earmarked for the following other state services: The Ohio Department of Development for the retirement of economic development bonds and Clean Ohio revitalization bonds; 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.

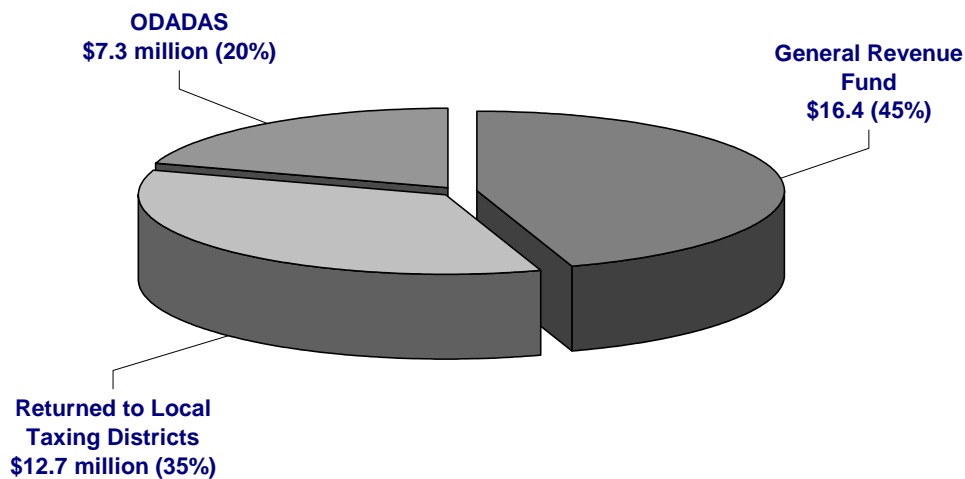
beverages. This includes the issuance of new permits, permit renewals and transfers, and the investigative and hearing requirements associated with permit issuance. In Fiscal Year 2005, this section issued 8,897 permits, including 2,087 transfers, 1,452 new and 5,358 temporary permits. In addition, 23,316 permits were renewed.

Liquor Permit Activity

In Fiscal Year 2005, the Licensing Section was responsible for licensing the operations of over 24,000 privately owned and operated manufacturers, distributors and retailers of alcoholic

The Division distributed \$36.4 million from liquor permit fees in Fiscal Year 2005. This was an increase of \$5.6 million over Fiscal Year 2004. Out of this total, \$12.7 million was returned to the local taxing districts for liquor law enforcement, \$16.4 million was deposited in the state's GRF, and \$7.3 million was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts statewide.

**Permit Fee Distribution
Fiscal Year 2005**



Education and Compliance

In a continuing effort to help ensure compliance with Ohio's liquor laws and to help prevent the sale of alcoholic beverages to persons under the legal drinking age of 21, the Division has implemented a comprehensive server training program for the employees of the more than 420 contract liquor agencies.

The goal of this program is to train the employees of new contract agency locations and to re-train employees of all existing locations on their responsibility to comply with Ohio law when selling alcohol. The classes are conducted by the Division's compliance officers who are well versed in Ohio's liquor laws and administrative rules.

As part of this training, employees are briefed on the current laws and regulations related to the retail sale of alcohol. In addition, each agency is provided with a copy of the Division's newly revised booklet, *"Responsible Alcohol Sales Through Employee Awareness."* The booklet is a guide and resource for understanding Ohio's liquor laws and the two priority concerns: individuals under the age of 21, and individuals who are intoxicated. A major focus is placed on avoiding sales to underage customers. Classes also focus on the problem of sales to intoxicated customers and how to deal with this issue in a professional and safe manner. In Fiscal Year 2005, the Division provided training to 26 contract liquor agencies, and a total of 112 employees of those agencies.



Investigative Services Assistant Supervisor Elaine Moore participates in a media event promoting The Century Council and Glazer's of Ohio initiative to prevent alcohol sales to underage persons.



Crown Royal International Race of Champions (IROC) "Social Responsibility" show car is displayed at Corners Beverage Shoppe in Gahanna.

As part of this effort, the Division has implemented a tracking system to identify any liquor agency locations that receive citations for selling to underage individuals. These locations are targeted for additional training within days of receiving a citation.

Social Responsibility

The Division partnered with The Century Council and Glazer's of Ohio to help educate the public and promote efforts to prevent alcohol sales to underage persons. One such collaborative effort was the displaying of the Crown Royal International Race of Champions (IROC) and NASCAR "Social Responsibility" show cars at 11 contract liquor agency locations throughout Ohio. In addition, the Division participated in several media events at contract liquor agencies throughout Ohio to help promote this important message.

Division of Liquor Control's Profit and Loss Statement

| <u>SPIRITUOUS LIQUOR SALES</u> | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|--|----------------------|----------------------|
| Retail Sales | \$352,791,301 | \$376,659,580 |
| Wholesale Sales | \$228,620,431 | \$241,007,921 |
| GROSS SALES | \$581,411,732 | \$617,667,501 |
| Less Wholesale Discount @ 12.5% | \$28,577,554 | \$30,125,990 |
| TOTAL SALES | \$552,834,178 | \$587,541,511 |
| Less Cost of Goods Sold | \$321,739,111 | \$344,608,925 |
| State Gallonage Tax | \$31,065,061 | \$32,309,912 |
| TOTAL COST OF GOODS | \$352,804,172 | \$376,918,837 |
| GROSS PROFIT | \$200,030,006 | \$210,622,674 |
| Percentage of Gross Profit | 34.40% | 34.10% |
| OPERATING EXPENSES | | |
| Less Operating Expenses - Agencies | \$29,919,848 | \$31,826,656 |
| Less Operating Expenses - General | \$13,443,427 | \$14,021,619 |
| TOTAL OPERATING EXPENSES | \$43,363,275 | \$45,848,275 |
| NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS | \$156,666,731 | \$164,774,399 |
| PERCENT NET PROFIT TO GROSS SALES | 26.95% | 26.68% |

The Division of Real Estate and Professional Licensing licenses real estate brokers and salespersons. In addition, the Division licenses and certifies general and residential appraisers. Applicants are screened by Division staff to ensure that legal qualifications for licensure are met. After licensure, the Division conducts audits to ensure compliance with Ohio law. When allegations of misconduct, fraud or unlicensed activity are made against licensees or registrants, the Division is charged with investigating such allegations, holding hearings, and imposing discipline when 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.

SB 106 - The New Agency Law

The Division offered six regional training classes following the passage of SB 106. This bill primarily changed agency law to require disclosure of an agent's duties to the client for each possible type of relationship formed during the transaction -- buyer's agent, seller's agent, dual agent, split agent or one party unrepresented. The classes were designed to instruct and prepare brokers and their associates on the changes brought about by SB 106. Those attending the free classes sponsored by the Division and the Ohio Real Estate Commission earned three hours of core law continuing education.



The Division held six training sessions across the state to highlight the new agency law.

Number of Licensees (FY 2000 - FY 2005)

| | <u>2000</u> <u>COUNT</u> | <u>2001</u> <u>COUNT</u> | <u>2002</u> <u>COUNT</u> | <u>2003</u> <u>COUNT</u> | <u>2004</u> <u>COUNT</u> | <u>2005</u> <u>COUNT</u> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| NUMBER OF LICENSEES | | | | | | |
| REAL ESTATE APPRAISERS | 2,989 | 3,016 | 3,135 | 3,216 | 3,522 | 3,577 |
| ACTIVE REAL ESTATE BROKERS | 7,836 | 6,741 | 7,495 | 6,038 | 5,965 | 5,749 |
| ACTIVE REAL ESTATE SALESPERSONS | 31,424 | 31,261 | 36,465 | 31,765 | 33,198 | 35,239 |
| CEMETERY REGISTRATIONS | 3,372 | 3,370 | 3,365 | 3,360 | 3,354 | 3,356 |

Enforcement Statistics for FY 05

| | Real Estate | Appraiser | Cemetery |
|------------------------|-------------|-----------|----------------|
| Complaint Cases Filed | 500 | 153 | 48 |
| Pending Cases | 200 | 185 | 15 |
| Closed Cases | 141 | 86 | 46 |
| Cease & Desist Orders | 0 | 0 | N/A |
| Referred to Prosecutor | 0 | 0 | 11 |
| Hearings Held | 66 | 23 | 64 |
| Suspensions | 18 | 10 | N/A |
| Revocations | 10 | 5 | 0 |
| Compliance Audits | 77 | N/A | 8 trust audits |

WebSite Consumer Section

The Division launched an easy-to-access area for consumers with information in English and Spanish. Information includes both the “*Home Buyer's Guide*” and “*Home Seller's Guide*,” self-guided presentations on the home-buying process and helpful handouts with tips for home buyers and sellers.

The “*Home Seller's Guide*”

The Division completed the “*Home Seller's Guide*” to complement the “*Home Buyer's Guide*.” This publication includes an extensive glossary of terms used in the real estate and lending industry and is available under the Division’s “Buy Smart” icon on the web.

On-Line Course Lookup

The Division implemented a tool for on-line lookup of available approved continuing education courses. The search engine includes local, statewide, interstate and national course offerings. Visitors can search course offerings by date, region or type of course at www.com.state.oh.us/real.

Updated Division Forms

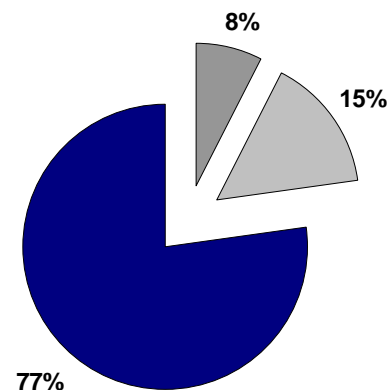
The Division completed a comprehensive review of its forms. Twenty-two were revised to become more user friendly and comply with all legal requirements.

“*Ohio Cemeteries: A Consumer Guide*”

The Division created a brochure to help citizens understand how cemeteries in Ohio are regulated, to explain what to do if experiencing a problem with a cemetery, and to provide tips to consider before making a purchase of merchandise or services. It is available in paper and electronic formats.

3,356 Registered Cemeteries - FY 05

| | |
|----------------------|------|
| Association/Company | 253 |
| Religious/Benevolent | 511 |
| Government | 2592 |



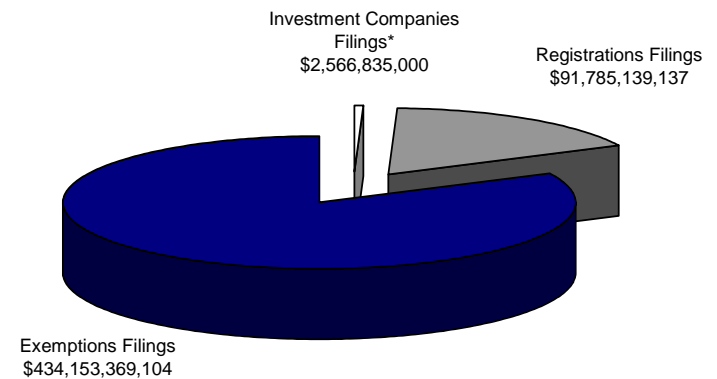
The mission of the Division of Securities is to maintain a balance between enhancing capital formation and providing investor protection. This balance is achieved by administering and enforcing the Ohio Securities Act. The Act requires the licensing of those who sell securities or give advice about investing in securities; provides for the registration or exemption of securities sold; and prohibits certain conduct in connection with the sale of securities and the giving of advice about investing in securities.

Administrative Rules

The Division's administrative rules were amended so all securities dealer, salesperson, investment adviser and investment adviser representative license applications and renewals can now be filed electronically via the Internet. All paper filings by securities dealers, salespersons, investment advisers and investment adviser representatives have been replaced with the Internet filing. All licensing applications and renewals are now filed with the Division on either the Central Registration Depository (CRD) or Investment Adviser Registration Depository (IARD) systems maintained by the National Association of Securities Dealers, Inc.

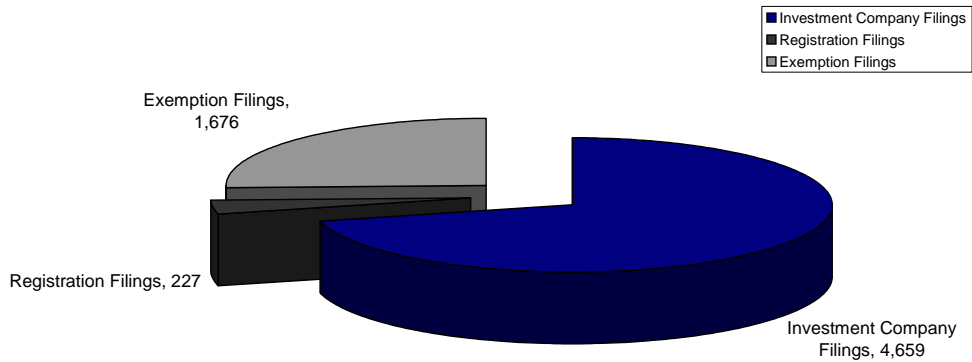
The Division adopted rules requiring investment advisers to develop a written compliance manual and procedures reasonably designed to prevent violations of the Ohio Securities Act and related administrative rules by the adviser or its supervised persons. Each adviser also is required to appoint a chief compliance officer who is responsible for administering the compliance policy and procedures. The compliance manual and the adviser's policies must be kept current and reviewed annually.

Dollar Amount of Securities Sold or to Be Sold in Ohio Pursuant to Filings Made with the Division in FY 05 (\$528,505,343,241)



**Investment companies may seek to sell an indefinite amount of securities by submitting maximum fees. Total maximum fee filings of 4,700 (including those with a definite and indefinite dollar amount) were assigned \$1 million each for the capital formation totals.*

Number of Filings for Sale of Securities in Ohio FY 05 (6,562)



Licensing Procedures

The Division developed licensing procedures for investment officers employed by each of the five Ohio public pension funds. Each investment officer was required to meet detailed education and experience requirements, attain a specific professional designation or pass a recognized securities examination. All of the investment officers managing assets on behalf of the five Ohio public pension funds were licensed by December 14, 2004. The state retirement system investment officer licenses must be renewed annually by June 30.

annual Ohio Securities Conference. The Cyber Securities Law Institute of the University of Toledo College of Law co-sponsored the October conference. The conference covered investment adviser regulations, the changing role of corporate directors after Sarbanes-Oxley, a review of the Division's merit guidelines for public securities offerings and an update of the Division's enforcement proceedings.

Number of Licensees

| | |
|------------------------------------|---------|
| Securities Dealers | 2,399 |
| Securities Salespersons | 126,196 |
| Investment Advisers | 553 |
| Investment Adviser Representatives | 10,960 |
| Notice Filers | 1,286 |

The Division continued to publish its “*Ohio Securities Bulletin*” to provide updates on the Ohio Securities Act and related rules, summaries of enforcement actions, statistics and articles on current securities topics. The quarterly publication and is available online or by e-mail.

Investor Education and Outreach

The Division continues to strengthen its educational program in an effort to combat investment fraud. During Fiscal Year 2005, the Division participated in 110 events. These events included those held at senior centers, retirement groups, civic organizations and schools. The Division presented material regarding how to prevent investment fraud, investment vehicles that are considered risky and basic financial literacy information for Ohioans of all ages. In Fiscal Year 2005, the Division made presentations in 23 counties before more than 4,260 Ohio citizens.



Commerce Director Doug White speaks with an Adams County resident attending a community outreach program in May 2005.

The Division continued its educational outreach to attorneys, accountants and members of the securities industry with the

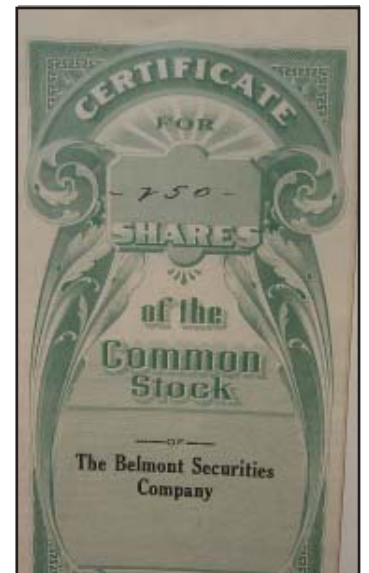
Civil and Criminal Cases

| | FY 04 | FY 05 |
|--------------------|-------|-------|
| Injunctions | 0 | 2 |
| Criminal Referrals | 11 | 9 |
| Indictments | 12 | 8 |
| Convictions | 7 | 10 |

Investor Protection Through Enforcement Activity

The Division also carries out its mission to protect investors through vigorous enforcement of Ohio's securities laws. The Division investigates alleged violations of the securities laws and initiates criminal, administrative and injunctive action as appropriate. During Fiscal Year 2005, the Division made nine criminal referrals to Ohio prosecutors. During the same time period, Division criminal referrals resulted in eight indictments/informations totaling 102 felony counts. Also in 2005, criminal referrals led to 10 convictions including a collective 156 counts and sentencing of 34 years. These criminal cases also resulted in orders to return \$24 million in restitution to investors. In furtherance of the Division's mission to protect investors, the Division held a day-long Securities Law Seminar for Ohio prosecutors to educate prosecutors and law enforcement officials throughout the state.

The Division's injunctive actions included two cases, one of which totaled \$60 million in investor funds, involving hundreds of Ohio investors. The Division obtained the following remedies: two temporary restraining orders; three separate preliminary injunctions against a total of four individuals and 15 companies; two freeze orders of assets; appointments of two special masters and one receiver; and restitution to investors from injunction actions of \$9.1 million.



The State Fire Marshal's Office (SFM) is the oldest established office of its kind in the United States. It consists of eight bureaus and one unit: Administration, Fire & Explosion Investigations, Forensic Laboratory, Bureau of Underground Storage Tank Regulation (BUSTR), 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.

Arson Investigations

The State Fire Marshal's Fire & Explosion Investigation Bureau filed 504 felony arson criminal charges during calendar year 2005, the result of aggressive enforcement and thorough investigation. The work of Bureau investigators protects Ohio citizens and impacts the Ohio economy by helping to keep down insurance costs.

New 2005 Fire Code

The first major overhaul of the Ohio Fire Code in six years was finalized and presented to the Ohio General Assembly's Joint Committee on Agency Rule Review (JCARR) after extensive collaboration among State Fire Marshal's office staff, various industry representatives, state officials and Ohio's fire service. The new 2005 Ohio Fire Code took effect on September 1, 2005, giving state and local fire officials updated and comprehensive rules addressing all aspects of fire safety. The new code is based on the 2003 International Fire Code, a model code created by the International Code Council. For the first time, the entire text of the Ohio Fire Code will be available to the fire service, regulated parties and the general public on the Internet.



State Fire Marshal investigators receive training on post-blast equipment at SFM headquarters in Reynoldsburg. The equipment and training are part of a \$53,000 Homeland Security grant. The post-blast equipment is used to pinpoint the exact location of evidence in an explosion. Pictured left to right are: Post Blast Equipment trainer Thad King from Anderson Instruments, Asst. Chief for Investigations Mike Simmons, Investigator Steve Southard, Investigations Bureau Chief Tom Huston, Investigator Keith Lorenzo and Investigator Brian Peterman.

First In Ohio

The State Fire Marshal's office became the first government agency in Ohio to receive a Bureau of Alcohol, Tobacco, Firearms and Explosives Accelerant Canine through the ATF Canine Academy in Front Royal, Virginia. Investigator Steve Southard returned with Alex, a Labrador Retriever, after an extensive five-week training program. Southard and Alex join two other Accelerant Canine Teams that are available to provide support to Ohio's fire departments.



SFM Investigator Steve Southard and Alex conducted a demonstration for the fifth graders at Hoffman Trails Elementary in Hilliard.

Analysis

Ohio fire and law enforcement investigators submitted 686 cases consisting of 2,360 pieces of evidence requiring 7,831 exams in Fiscal Year 2005. At least 25 of the cases submitted involved fatalities. Analysis was conducted on ignitable liquids, fire debris, explosive devices, and other physical evidence from suspicious fire scenes, explosions, hazardous situations and other criminal activities.

FBI Contract

The State Fire Marshal's Forensic Laboratory performed contracted research for the Federal Bureau of Investigation relating to the survivability of latent fingerprints on improvised explosive devices. The research phase, conducted with the assistance of the Columbus Fire Department Bomb Squad, consisted of print deposition, device detonation, print development and latent interpretation. The results were presented to FBI Laboratory and Research staff in April 2005.

Safe Fireworks

Approximately 1,369 professional fireworks exhibitions were conducted in Ohio in Fiscal Year 2005, with no incidents or injuries reported at these displays for the first time in seven years.

The Bomb and Fire Investigators continued to make Ohio safe by investigating the illegal sale of fireworks. Violations resulted in the individual or individuals being turned over to the criminal justice system and the product being seized and destroyed.

Fire Prevention Bureau

During Fiscal Year 2005, the State Fire Marshal's Fire Prevention Bureau conducted more than 3,600 fire safety programs for over 82,000 Ohioans at schools, senior centers, health care facilities, businesses and events such as the Ohio State Fair. The Bureau also distributed 647,000 pieces of fire safety literature.

Updating Underground Storage Tanks

The Bureau of Underground Storage Tank Regulation (BUSTR) implemented a comprehensive rule revision, updating rules regulating the installation, operation, maintenance and upkeep of underground storage tank (UST) systems as well as rules regulating the assessment and cleanup of releases of petroleum into the environment.

FY 2005 BUSTR Accomplishments

- ☒ Completed 935 cleanups of petroleum released into the environment.
- ☒ Completed 1,170 inspections of regulated UST systems to ensure proper operation and maintenance.
- ☒ Resolved 84 enforcement actions for violations of UST regulations.
- ☒ Secured federal funding for the development of a Geographic Information System that will map all regulated UST systems and known or suspected releases of petroleum into the environment, along with geographic features and protected ground water sources.

Fire Academy Trains Responders

The Ohio Fire Academy enrolled more than 11,000 emergency or first responders in over 700 classes conducted in Fiscal Year 2005. The classes were taught on campus and through the Academy's Direct Delivery Program. The resource center reached an audience of over 4,000 by providing 395 videos for fire safety and public education programs. The Academy issued 1,129 International Fire Service Accredited Certificates.



The Ohio Fire Academy purchased a new 2005 Pierce Contender triple combination pumper. The new engine will allow the Academy to continue to offer the cadets the state-of-the-art training needed to become the best firefighters in Ohio.



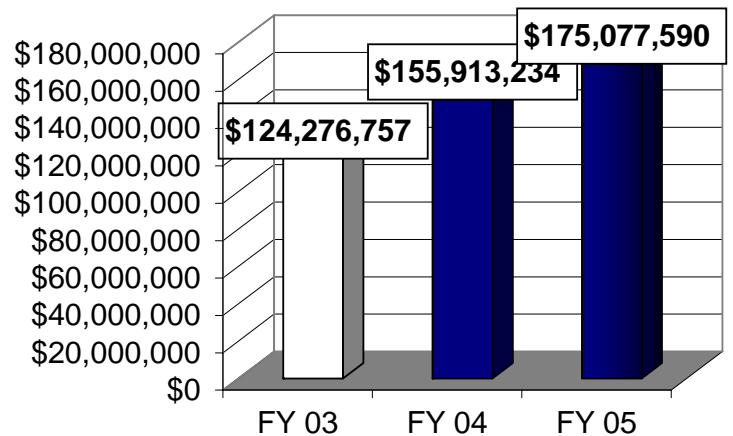
West Licking firefighters prepare to simulate chlorine leaks in order to practice mitigating these leaks during a simulation exercise with the Ohio Fire Academy. (Photo by Chris Kasson - Ohio Dept. of Development)

The Division of Unclaimed Funds is responsible for the safekeeping and return of monies designated as "unclaimed." Each year, due to death, inadvertence or forgetfulness, thousands of people and organizations lose track of monies and intangible personal property in Ohio. Common examples of unclaimed funds are: dormant checking and savings accounts, forgotten rent and utility deposits, uncashed checks, undelivered stock certificates, and uncashed insurance policies.

Record Returns to Ohioans

The Division paid a record \$53.9 million in unclaimed funds to Ohioans during Fiscal Year 2005, a 9.1 percent increase over the previous fiscal year's payment of \$49.4 million. The Division also paid a record 40,975 claims in Fiscal Year 2005, a 4.5 percent increase over the 39,209 claims paid in Fiscal Year 2004. The average size of the payments rose to a record \$1,316, an increase of \$56 from the previous year.

Unclaimed Funds Reported FY 03-FY 05



Popularity of Online Treasure Hunt

The Division's Online Treasure Hunt, www.unclaimedfundstreasurehunt.ohio.gov, continues to be the most common means of returning unclaimed funds to their rightful owners. The site provides current and former Ohioans with the opportunity to check for unclaimed funds at their convenience, 24 hours a day, seven days a week. The website is updated monthly and contains the listing of all named account owners. When an account is identified, users can print a claim form to begin the claims process. In Fiscal Year 2005, 73.6 percent of the claims paid by the Division were initiated through the Online Treasure Hunt.



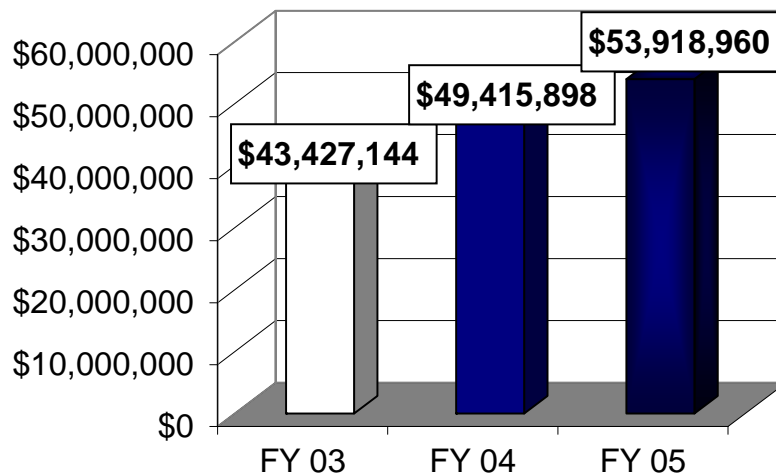
Record Reporting Year

In Fiscal Year 2005, the Division also posted its highest total of funds reported by holders with \$175.1 million reported -- a 12.3 percent increase over the \$155.9 million reported in the previous fiscal year. In Fiscal Year 2005, 75 percent of the holder reports were filed electronically. Holders include financial institutions, businesses, insurance companies, public utilities, and other entities. The Division's Professionals Education Program educates attorneys, certified public accountants and others about the unclaimed funds reporting requirements.

New Toll-Free Telephone Number

To assist current and former Ohioans in answering their questions about unclaimed funds, the Division introduced a new toll-free telephone number in Fiscal Year 2005. The new number is **1-877-OHIO UCF (644-6823)**. This upgrade was made in connection with the Division's purchase of a new automatic call distribution phone system to assist with the increased number of calls received and to improve the Division's customer service.

Unclaimed Funds Returned FY 03-05



Fairgoers who visited the Department of Commerce booth at the 2005 Ohio State Fair were able to search to see if they had any unclaimed funds.

The following boards and commissions are associated with the Ohio Department of Commerce:

Division of Financial Institutions

Banking Commission - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

Credit Union Council - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Credit Unions on any matters submitted to it by the Division related to credit union laws and rules, and confirms the annual schedule of assessments.

Savings and Loan Associations and Savings Banks Board - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Savings and Loan Associations and Savings Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

Division of Industrial Compliance

Board of Building Appeals - Reviews appeals made to adjudication orders issued by the Division of Industrial Compliance's bureaus of Building Code Compliance and Operations and Maintenance, or any certified local or county enforcement agency and also reviews appeals made to fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector.

Board of Building Standards - Formulates and adopts rules governing the Ohio Building Code. The Board also certifies municipal corporations, county, and township building departments to enforce the Ohio Building Code.

Electrical Safety Inspector Advisory Committee - Reviews the National Electrical Code for the compatibility with the Board of Building Standards' other rules. The Committee reviews rules relating to the certification of electrical safety inspectors and receives input from the electrical industry, contractors and inspectors.

Ohio Construction Industry Licensing Board (OCILB) - Issues licenses to qualified electrical, Heating Ventilating and Air Conditioning (HVAC), plumbing, hydronics and refrigeration contractors who successfully pass the International Code Council (ICC) licensing examination.

Ohio Historic Boiler Licensing Board - Oversees the testing, licensing and inspection of historic boiler operators and equipment.

Residential Construction Advisory Committee - Conducts research and makes recommendations in developing a new model residential construction building code.

Ski Tramway Board - Oversees the registration and inspection of ski/tram systems.

Liquor Control

Liquor Control Commission - Ensures compliance with Ohio's liquor laws and regulations, working with both the Division of Liquor Control and the Ohio Department of Public Safety's Investigative Unit. Conducts hearings and issues orders on the state's liquor laws and regulations.

Real Estate & Professional Licensing

The Ohio Real Estate Commission - Reviews hearing examiner reports each month regarding alleged real estate license law violations and its consideration of licensee appeals on licensure issues. If a licensee is found to have violated licensing law, the Commission can revoke or suspend a license, assess a fine or order additional continuing education. The Commission also hears cases against persons without a license performing activities that require a license.

The Real Estate Appraiser Board - Oversees the operation of Ohio's real estate appraiser licensure and certification program. If a licensed or certified appraiser is found to have violated appraiser law, the Board can revoke or suspend a license or certification, assess a fine or order additional continuing education.

The Cemetery Dispute Resolution Commission - Assists in resolving complaints against registered cemeteries by using informal techniques of mediation, conciliation and persuasion. The Commission hears complaints brought by individuals who are experiencing a problem with a cemetery.

State Fire Marshal

The State Fire Commission - Conducts research and publishes reports on fire safety. The Commission makes recommendations to the Governor, the General Assembly and other state agencies of any needed changes in laws, rules or administrative policies relating to fire safety. The Commission also may recommend revision of the rules in the State Fire Code adopted by the State Fire Marshal.

Petroleum Underground Storage Tank Release Compensation Board - Administers the Ohio Financial Assurance Fund, created in response to federal regulations mandating that all owners and operators of petroleum underground storage tanks (USTs) demonstrate the financial ability to pay for potential damages caused by releases from their USTs.



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 Department of Commerce is an equal opportunity employer and service provider.