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# 2008 ANNUAL REPORT

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**Governor Strickland, Members of the Ohio General Assembly  
and Citizens of Ohio:**

It is my pleasure to present the Ohio Department of Commerce Annual Report for Fiscal Year 2008, highlighting the year's accomplishments and the Department's initiatives to improve the quality of life for all Ohioans.

**Kimberly A. Zurz, Director  
Ohio Department of Commerce**

We are proud to carry out the important mission of protecting our state's consumers while regulating commerce in a reasonable, fair and efficient manner.

A primary focus in FY 2008 was foreclosure prevention. I was pleased to serve as Chair of the Foreclosure Prevention Task Force, which Governor Strickland created to provide a unified and coordinated statewide response to the dramatic increase in foreclosures in Ohio. The task force issued its report in September 2007 with 27 recommendations on how Ohio could stem the foreclosure crisis.

The task force's number one recommendation was for a public awareness campaign and borrower outreach events to encourage homeowners to contact their mortgage servicer if they are having trouble making their mortgage payment or are facing a reset of an adjustable rate mortgage. This recommendation led to the creation of the State of Ohio's Save the Dream campaign, which was introduced in March 2008. The campaign is a multi-media foreclosure prevention initiative aimed at helping Ohioans take action to save the dream of homeownership.

In addition, the Department's various Divisions have been working to enhance the services we provide to Ohio's citizens. The Division of Financial Institutions has been working diligently to provide quality supervision and guidance to Ohio's state-chartered financial institutions during challenging economic times. Through a criminal referral by the Division of Securities, Jerry R. Rose of Butler County was sentenced to a 20-year prison sentence for his role in a Ponzi scheme.

The Department continues to offer improved technology and efficient services. The Division of Industrial Compliance's electronic plan review process continues has been well received. In FY 2008, a total of 1,612 "e-plans" were received as compared to 760 projects in the previous fiscal year. The Online Treasure Hunt continues to be a popular means for Ohioans to initiate the unclaimed funds claims process with nearly 78% percent of all claims are initiated online. The Division of Real Estate & Professional Licensing reduced its overall caseload despite a 17% increase in the number of real estate complaints. The Division of Labor and Worker Safety collected more than \$2.1 million in prevailing wage, minimum wage and penalty cases. Efficient operations helped the Division of Liquor Control contribute \$167 million in FY 2008 to the General Revenue Fund – an increase of \$32 million from the previous fiscal year.

The Division of State Fire Marshal continued its commitment to fire safety education by performing more than 3,000 presentations to approximately 67,000 Ohioans in schools, nursing homes and other health care facilities.

The Department of Commerce began implementing the video service authorization program to replace the local cable television franchise agreements.

It has been a challenging and rewarding year and the staff of the Department of Commerce looks forward to continuing our service to the citizens of the State of Ohio

**Sincerely,**

*Kimberly A. Zurz*

**Kimberly A. Zurz, Director  
Ohio Department of Commerce**

# Financial Institutions

The Division of Financial Institutions regulates Ohio's state-chartered depository institutions and non-depository financial service providers. The Division also regulates trust companies and licenses domestic and foreign money transmitters. Examination, supervision, and regulatory activities are performed by Division staff specializing in the operations of each specific industry. The Division's Office of Consumer Affairs educates Ohioans on how to protect themselves in the mortgage lending process, receives complaints against lenders, and refers borrowers to other organizations that can assist them. Enforcement actions are initiated when lending laws have been violated, and cases are referred for prosecution.

## **Safe and sound operation of state-chartered institutions**

Ohio-chartered financial institutions have encountered their share of challenges during the past year. These adverse developments and market conditions mirror those of the banking industry across the country. The Ohio Division of Financial Institutions has worked diligently to continue to provide quality supervision and guidance to Ohio's 328 state-chartered banks, credit unions, and savings institutions during this difficult economic climate.

## **Closing of Miami Valley Bank leads to successful reopening as Citizens Banking Company**

On October 4, 2007, at 2:00 p.m., the Division of Financial Institutions closed The Miami Valley Bank, Lakeview, Ohio, and appointed the FDIC as receiver. This was the first bank failure in Ohio since 2002, and the bank had approximately \$86.7 million in assets. Depositors were able to access their insured deposits the next day as the institution reopened as branches of The Citizens Banking Company, Sandusky, Ohio.



## **Governor signs payday lending legislation**

On June 2, 2008, Governor Strickland signed into law House Bill 545, which placed restrictions on Ohio's short-term lending practices. The bill repealed current check-casher lender statutes and replaced them with a short-term loan license that caps the annual interest rate at 28%. The bill also set a borrowing limit of \$500 for consumers, limited borrowers to four loans per year, and extended loan terms to 31 days from 14 days.

## **Legislation modernizes state-chartered credit unions**

A bill which will help to modernize the administration, operation, and governance of Ohio's state-chartered credit unions was signed into law on June 11, 2008. Senate Bill 247 makes a number of changes that affect elections of boards of directors, ballot issues, records retention, records storage, merger requirements, and conditions for safes, safe deposit boxes, and use of safe deposit boxes by minors. The bill also grants the Division authority to conduct national background checks for persons who submit certain corporate applications to the Division, including applications to be licensed as money transmitters.

### Online renewals implemented for Consumer Finance licensees

In addition to offering online renewals for loan officers, the Division implemented an online renewal system for check cashers and check casher lenders for the December 2007 renewal. Over 74% of applicants utilized the online renewal option, which helped to reduce paperwork and streamlined the renewal process. Additional license types were added for the 2008 renewal, including mortgage brokers and credit service organizations.

### Division charts new financial institutions

As bank consolidation continued throughout the industry, albeit at a slower pace, the Division successfully opened two new financial institutions during the past year. In the Cincinnati area, Cbank opened for business on July 16, 2007, and in Franklin County, Columbus First Bank opened in Worthington on August 13, 2007. The Division also converted two federal charters to state-chartered institutions. The G E Evendale Federal Credit Union, Cincinnati, converted to a state-chartered credit union on September 19, 2007, and Riverhills Bank, N.A., Milford, converted to a state-chartered bank on December 31, 2007.

### Division hosts annual Ohio Bankers' Day

Over 300 senior officers, directors, industry consultants, attorneys, and regulators attended the 2008 Ohio Bankers' Day event, held on May 1, 2008. Sponsored by the Division for the past 25 years, the agenda included speakers from the Federal Home Loan Bank of Cincinnati, the FDIC Chicago Regional Office, the Ohio Department of Development, and the Fisher College of Business at The Ohio State University. An evening reception held before the meeting was jointly sponsored by the Ohio Bankers League and the Community Bankers Association of Ohio.

### CAMELS Ratings - All Depository Institutions

	6/30/2005	6/30/2006	6/30/2007	6/30/2008
<b>1 - Strong</b>	25%	27%	29%	30%
<b>2 – Satisfactory</b>	60%	61%	60%	58%
<b>3 – Fair</b>	12%	10%	9%	10%
<b>4 – Unsatisfactory</b>	3%	2%	2%	2%
<b>5 - Poor</b>	0%	0%	0%	0%

## SUMMARY OF REGULATED DEPOSITORY & MONEY TRANSMITTERS

Types of Institutions	6/30/2005	6/30/2006	6/30/2007	6/30/2008
<b><u>Depository Institutions</u></b>				
Banks	100	98	100	96
Trust-only Banks	2	2	2	2
Credit Unions	223	203	189	180
Savings and Loan Associations	32	29	28	26
Savings Banks	<u>26</u>	<u>27</u>	<u>25</u>	<u>24</u>
<b>Total Depository Institutions</b>	<b>383</b>	<b>359</b>	<b>344</b>	<b>328</b>
<b><u>Money Transmitters*</u></b>				
Domestic Money Transmitters	23	23		
Foreign Money Transmitters	<u>29</u>	<u>31</u>		
<b>Total Money Transmitters</b>	<b>52</b>	<b>54</b>	<b>59</b>	<b>53</b>

\*Consolidated into one license type, effective 4/06/2007

## AGGREGATE ASSETS – DEPOSITORY INSTITUTIONS

(Dollar Amounts in thousands)

Industry	As of	Number	Aggregate Assets
<b>Banks</b>	June 30, 2005	100	\$90,800,000
	June 30, 2006	98	\$92,259,429
	June 30, 2007	100	\$90,614,290
	June 30, 2008	98	\$86,473,996
<b>Credit Unions</b>	June 30, 2005	223	\$ 8,763,511
	June 30, 2006	203	\$ 8,941,070
	June 30, 2007	189	\$ 9,478,674
	June 30, 2008	180	\$10,879,022
<b>Savings &amp; Loans</b>	June 30, 2005	32	\$ 4,600,000
	June 30, 2006	29	\$ 4,139,681
	June 30, 2007	28	\$ 4,332,149
	June 30, 2008	26	\$ 4,100,000
<b>Savings Banks</b>	June 30, 2005	26	\$ 5,300,000
	June 30, 2006	27	\$ 5,598,201
	June 30, 2007	25	\$ 5,666,678
	June 30, 2008	24	\$ 5,600,000

## Non-Depository Financial Services Licenses

Types of Licensee	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Check Cashers	1,352	1,535	1,680	1,680
Check Casher Lenders	1,226	1,412	1,579	1,577
Credit Service Organizations	8	10	8	9
Insurance Premium Finance Lenders	57	55	57	61
Mortgage Brokers	2,107	2,155	1,802	1,156
Mortgage Broker Licensed Loan Officers	7,767	7,902	7,703	4,337
Mortgage Loan Registrants (OMLA)	2,471	2,797	2,290	1,175
Pawnbrokers	160	157	162	166
Precious Metals Dealers	23	22	19	23
Small Loan Licensees	49	50	48	50
<b>Total Licensees</b>	<b>15,220</b>	<b>16,095</b>	<b>15,348</b>	<b>10,234</b>



# Industrial Compliance

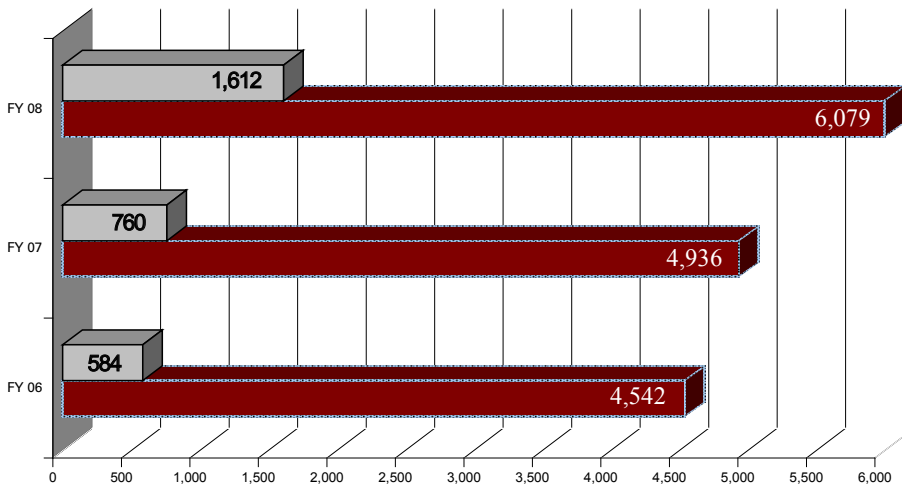
The Division of Industrial Compliance (DIC) reviews and approves building plans for the construction and renovation of commercial and public buildings. The Division also provides regulatory certification and inspections of boiler and elevator systems essential to public welfare and safety. DIC staff members also conduct inspections of plumbing, electrical and structural systems, as well as bedding and upholstered products. The Division provides testing, certification, licensing and continuing education for numerous skilled trades in Ohio's building industry.

## Building code electronic plan reviews increase

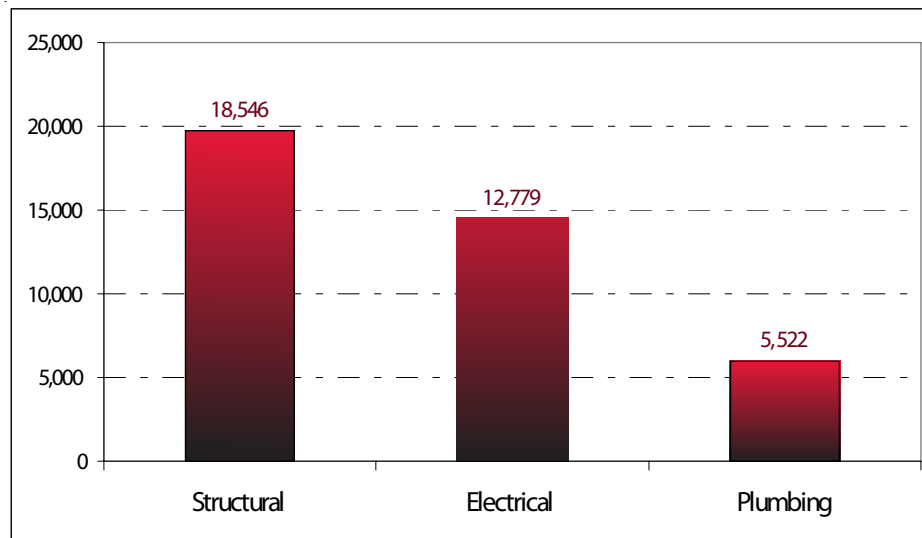
The Building Code Compliance Bureau's electronic plan-review process continues to gain in popularity. In FY 2008, a total of 1,162 "e-plans" were received, exceeding the total of 760 projects received in FY 2007.



DIC Plans Received

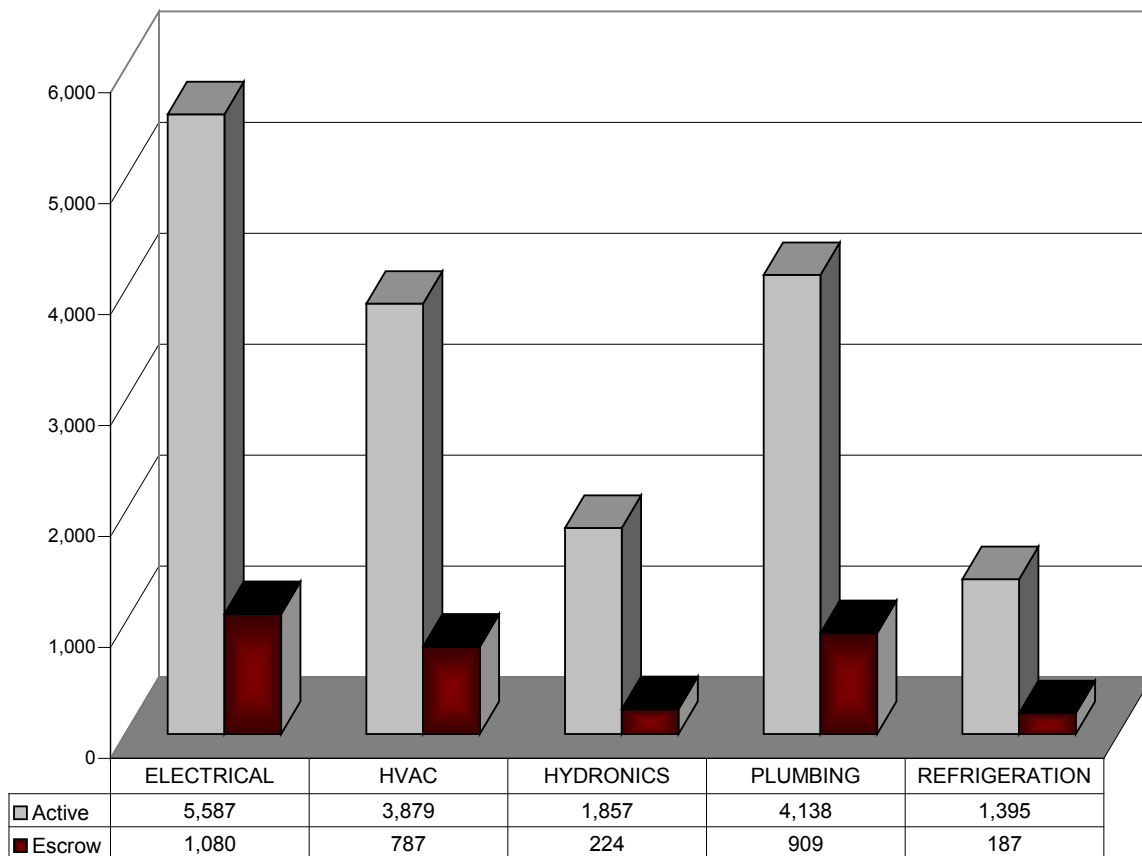


## Bureau of Building Code Compliance Inspections FY 2008



### Licensed Contractors

In 1993, when OCILB was first created, there were 2,400 certificates grandfathered. In 2000, the certificate became a license. At that time, there were 7,000 certificates. From 2001 to 2002, approximately 14,000 licenses were grandfathered. In 2008, there are approximately 20,000 commercially licensed contractors in the state of Ohio.

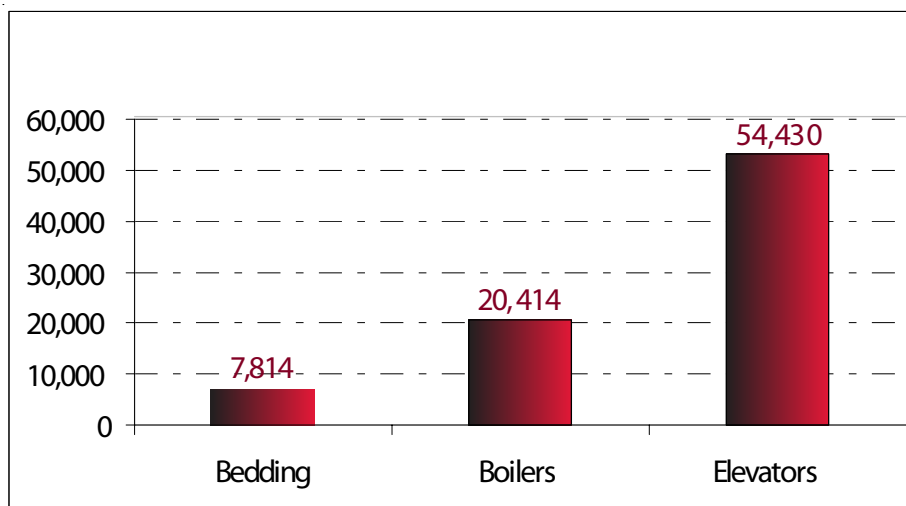


### Continuing Education courses

There are 260 training agencies approved to provide continuing education courses to OCILB licensees. These agencies offered over 128,000 hours of classes.



## Bureau of Operations & Maintenance Inspections FY 2008



### Bureau of Operations & Maintenance oversees critical systems

The Bureau of Operations & Maintenance is responsible for proper installations and maintenance of critical systems with Ohio's "built environment."

The Bureau oversees systems such as boiler operations and maintenance, elevators, and bedding and upholstered furniture. The Bureau also provides administrative oversight and support for Bureau's sections.

### Bedding Section pursues outreach

The Bedding Section continues to conduct industry round table events throughout the state. This is a component of our Outreach program, which serves as an educational tool for our regulated entities. The section also is represented on the Central Ohio Bed Bug Task Force. This organization has been assembled to develop methods of indentifying or eliminating occurrences of bed bug infestations. It also serves as an educational source for the citizens of Ohio.

Financially, the Bedding Section brought in just over \$2.6 million dollars in semi-annual, laboratory testing, renewal, and new registration payments.

The inspection staff, composed of seven field inspectors, conducted 7,814 compliance inspections. Additionally, laboratory scientists conducted 5,880 tests on products submitted by manufacturers located all over the world. The Revenue Recovery Section identified a total of 809 registration renewals. Identifying and updating these company records resulted in monies due to the state. Finally, the Bedding Section finished the year with approximately 6,900 active registrations. For the second consecutive year, our office achieved an all time high number of active registrations.



# Labor & Worker Safety

The Division of Labor & Worker Safety (LAWS) administers and enforces Ohio's prevailing-wage, minimum-wage, overtime and minor labor laws. The state's prevailing-wage law requires public authorities to pay the local prevailing rate of wages for work performed under public construction contracts. The minimum-wage law in Ohio sets state minimum wage rates, and Ohio's overtime law directs employers to pay one times their regular pay rate for all hours worked in excess of 40 hours in a work week. The Division's field staff conducts inspections of workplaces statewide for potential minor wage law violations. LAWS also educates employers and employees about their rights and responsibilities, administers labor laws with emphasis on employer compliance, investigates complaints, and consults with both employers and employees.

Minimum wage investigations completed	1001
Prevailing wage investigations completed	398
Prevailing wage collections	\$1,370,022.38
Minimum wage collections	\$543,332.84
Penalty fund collections	\$192,948.95
Handicapped-wage licenses issued	141
Minor wage investigations completed	23

## Minimum wage law changes

The minimum wage rose on January 1, 2007, to \$6.85 per hour, with the tipped employee wage rising to \$3.43. On January 1, 2008, the minimum wage rose to \$7.00 per hour, and the tipped wage to \$3.50.





# Liquor Control

The Division of Liquor Control (Division) 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 440 private businesses, known as contract liquor agencies, which contract with 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 High Dollar Sales

Spirituous liquor sales reached a record \$697.7 million in FY 2008. This was an increase of \$25 million, or 3.72 percent, compared to sales in FY 2007. The increase in liquor dollar sales can be attributed to increases in product prices, consumers purchasing premium priced products, an increase in the volume of retail sales, and a rise in the level of consumption. Gallonage sales of spirituous liquor in Fiscal Year 2008 totalled 10.3 million gallons, an increase of 143,424 gallons, or 1.41 percent, compared to FY 2007.

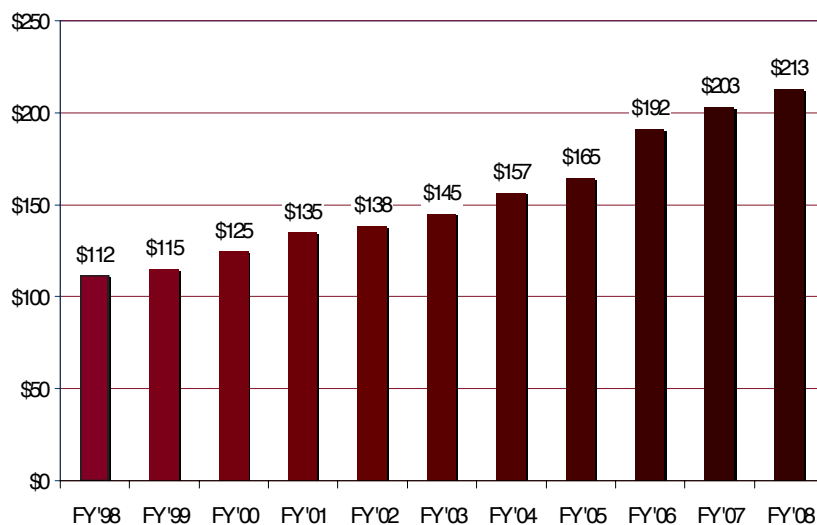
Fiscal Year	Dollar Sales	Gallons Sold
1998	\$407.8 million	8.1 million
1999	\$423.9 million	8.2 million
2000	\$455.9 million	8.5 million
2001	\$482.4 million	8.6 million
2002	\$498.6 million	8.6 million
2003	\$518.5 million	8.8 million
2004	\$552.8 million	9.2 million
2005	\$587.5 million	9.6 million
2006	\$638.8 million	9.9 million
2007	\$672.7 million	10.2 million
2008	\$697.7 million	10.3 million

## Increased Profit

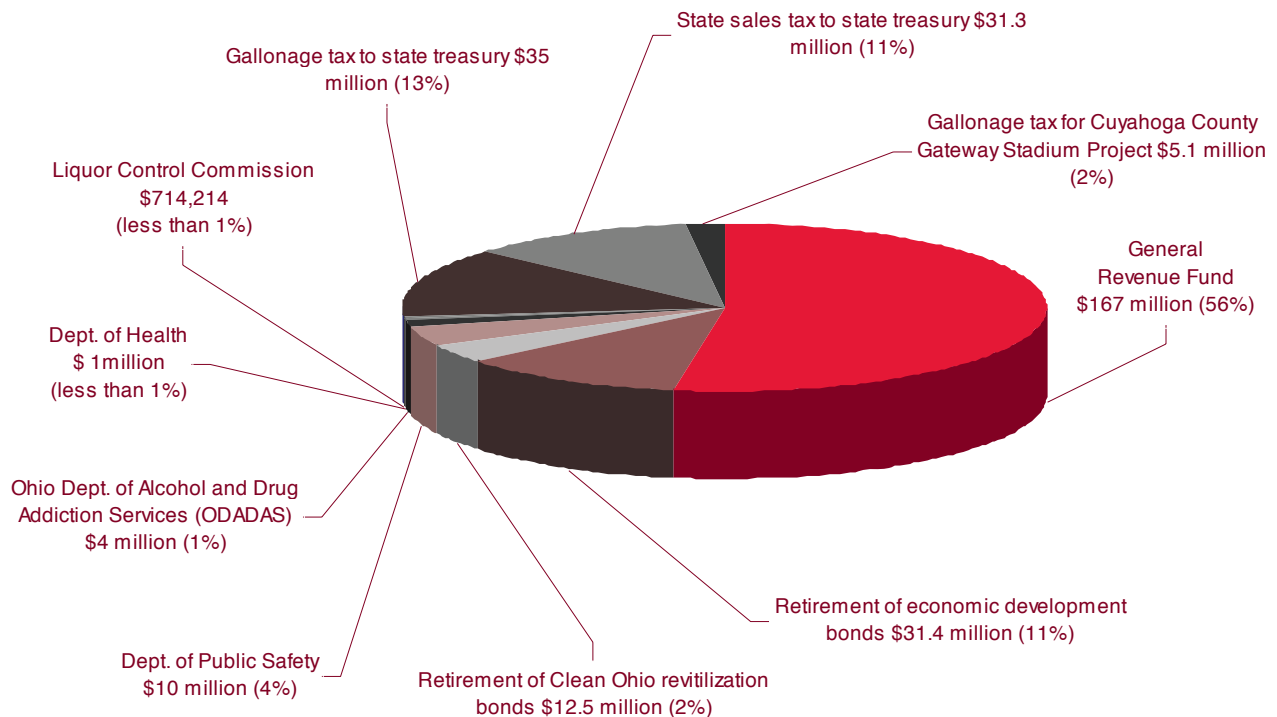
In addition to continued increases in dollar sales, the Division's total net profit has steadily increased, reaching a record high in FY 2008 of \$213 million. This was an increase of \$10 million over FY 2007. The Division's profit margin also increased in FY 2008 to 29.88%.

Increased profit and better profit margins can be attributed to the efficient operations of the Division in areas such as inventory control, product selection and shelf standardization, and placement of sales outlets in areas with increasing customer demand and economic viability.

Division's Net Profit (in millions)



## Liquor Sales Revenue Distribution Fiscal Year 2008

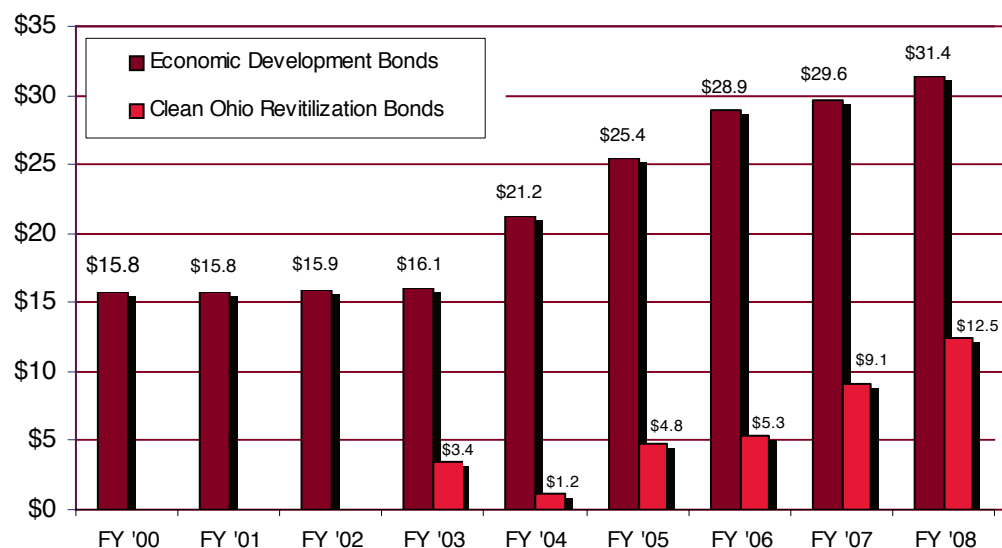


### Revenue Distribution

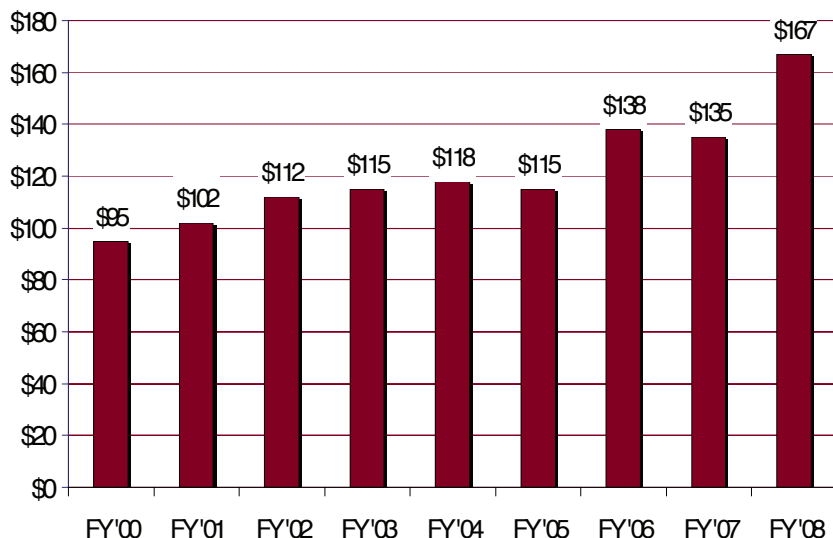
In addition to the Division's General Revenue Fund (GRF) transfer of \$167 million, another \$131 million in liquor sales and tax revenue was contributed by the Division to help fund a variety of state services. The Division's total contribution for FY 2008 was \$298 million.

Liquor revenues were earmarked for the following 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.

### Revenue Distribution for Bond Retirement (in millions)



## General Revenue Fund Transfers (in millions)



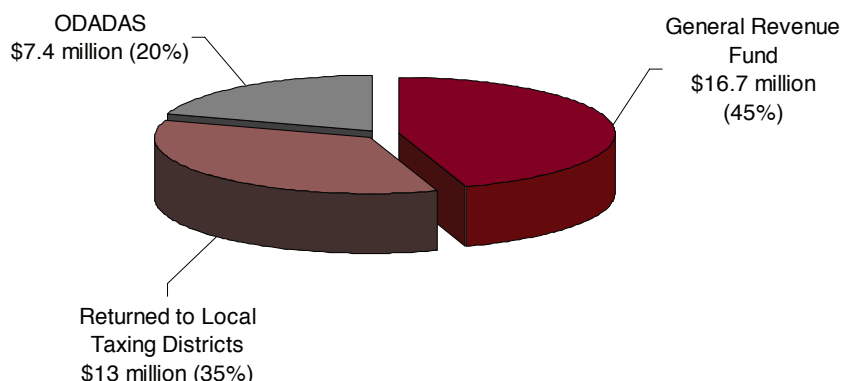
### General Revenue Fund Transfer

The main financial goal of the Division is to maintain profitability of liquor sales through efficient management and operations. In FY 2008, the Division contributed \$167 million to the state's General Revenue Fund (GRF). This year's GRF transfer was \$32 million more than last year's transfer.

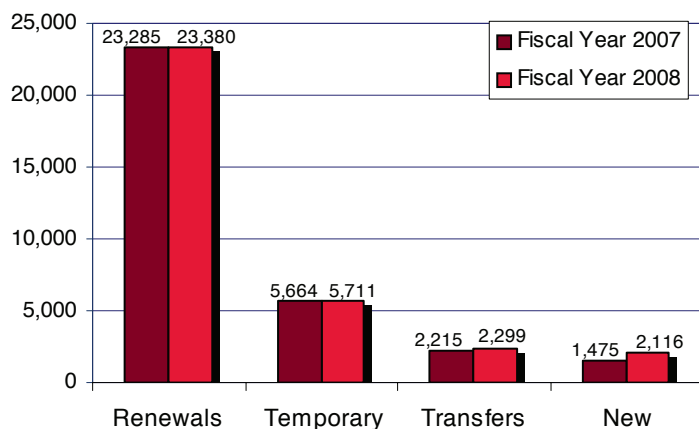
### Permit Fee Distribution

The Division distributed \$37.2 million from liquor permit fees in FY 2008. This was an increase of \$28,591 over FY 2007. Out of this total, \$13 million was returned to the local taxing districts for liquor law enforcement, \$16.7 million was deposited in the state's General Revenue Fund (GRF), and \$7.4 million was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts statewide.

### Liquor Permit Fee Distribution Fiscal Year 2008



### Liquor Permit Activity



### Liquor Permit Activity

In FY 2008, the Division's Licensing Section was responsible for licensing the operations of more than 24,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. This includes the issuance of new permits, permit renewals and transfers, and the investigative and hearing requirements associated with permit issuance. In FY 2008, this section issued 2,116 new permits and 5,711 temporary permits, and transferred 2,299 permits. In addition, 23,380 permits were renewed.

## Ohio Division of Liquor Control, Profit and Loss Statement

<u>SPIRITUOUS LIQUOR SALES</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>
Retail Sales	\$433,676,832	\$461,724,367
Wholesale Sales	\$254,319,940	\$251,071,449
GROSS SALES	\$687,996,772	\$712,795,816
Less Wholesale Discount	\$15,259,196	\$15,064,287
<b>TOTAL SALES</b>	<b>\$672,737,576</b>	<b>\$697,731,52</b>
Less Cost of Goods Sold	\$385,269,154	\$399,190,160
State Gallonage Tax	\$34,368,614	\$34,853,386
<b>TOTAL COST OF GOODS</b>	<b>\$419,637,768</b>	<b>\$434,043,546</b>
GROSS PROFIT	\$253,099,808	\$263,687,983
Percentage of Gross Profit	36.79%	36.99%
<b>OPERATING EXPENSES</b>		
Less Operating Expenses - Agencies	\$36,297,186	\$38,238,135
Less Operating Expenses - General	\$13,571,383	\$12,437,096
<b>TOTAL OPERATING EXPENSES</b>	<b>\$49,868,569</b>	<b>\$50,675,231</b>
<b>NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS</b>	<b>\$203,231,239</b>	<b>\$213,012,752</b>
PERCENT NET PROFIT TO GROSS SALES	29.54%	29.88%



# Real Estate & Professional Licensing

## Save the Dream Campaign

The Ohio Real Estate Commission supported the efforts of the Foreclosure Prevention Task Force by providing funding in FY 2008 from the Education & Research Fund for the Save the Dream campaign's radio and television advertisements. The radio and tv ads aired at least 33,750 times -- the radio spots aired on 138 stations in 41 markets, and the television spots aired on 26 stations reaching all of Ohio's media markets. The original investment of \$135,000 returned \$1,051,944 in air time -- realizing a nearly 8 to 1 return on the investment. The campaign resulted in a 90% increase in call volume to the Save the Dream hotline with thousands of Ohioans accessing assistance.



## Newsletter garners National Award

The Division's newsletter won the ARELLO 2008 Communications Award for excellence in providing information to licensees. Superintendent Davids accepted the award on behalf of the Division at the ARELLO annual convention in Indianapolis. ARELLO is an international association for regulators of real estate professionals with members from the United States, Canada, Guam, Puerto Rico, and South Africa.

## General Cemetery Program Overview

The Ohio Cemetery Dispute Resolution Commission attempts to resolve complaints against cemetery operators by using informal techniques of mediation, conciliation and persuasion. During the fiscal year, the Commission closed 28 complaints, reviewed audits of Endowment Care Trust and Preneed Merchandise and Services Trust Funds of 10 cemeteries, and referred registration violations under ORC Section 4767.02 of five cemeteries to local prosecutors.

Division personnel continued to educate the public about cemetery regulations and the Ohio Cemetery Dispute Resolution Commission by giving presentations at events sponsored by the Summit County Genealogical Society, Brownhelm Historical Society, Licking County Genealogical Society, District 10 of the Ohio Funeral Directors Association, the Ohio Association of Cemetery Superintendents and Officials, and Catholic Cemeteries of Ohio.

## Real Estate License Statuses Added

Based on input from constituents, Ohio's General Assembly updated real estate licensing law to allow for two new license statuses -- "resigned" and "voluntary hold." Prior to this, a broker or salesperson wishing to give up their license had to go through a process of suspension, then revocation -- two terms with negative connotations that often created angst for those simply wishing to leave the profession. With the change in law, a licensee wishing to permanently give up a broker or salesperson license may now immediately place it in a resigned status. A licensee who intends to permanently give up a broker or salesperson license, but wants up to 12 months before making it final, may place it in a voluntary hold status. A license in voluntary hold will automatically become permanently resigned in 12 months if the license is not reactivated. Resigned and voluntary hold statuses are in addition to the active and inactive statuses currently in existence for licensees who wish to retain their credentials.

## Enforcement Focuses on Consumer Protection:

In FY 2008, the Real Estate Enforcement Section saw a 17% increase in complaints filed against licensed real estate brokers, salespersons, and unlicensed entities. Nevertheless, the Section continued to reduce its overall caseload, closing 517 cases in FY 2008 as compared to 329 cases in FY 2007. During the year, the Real Estate Enforcement Section tackled many cases that involved considerable public harm, their efforts resulting in a rise in the number of licensees incurring a suspension (18 in FY 2008, up from 5 in FY 2007) or revocation (12 in FY 2008, up from 6 in FY 2007). The Section was also able to intensify its focus on unlicensed activity that involved foreclosure trust scams. To date, the Commission has assessed over \$1.4 million in unlicensed activity civil penalties. Continued collaboration with other Divisions and state-wide mortgage task forces magnifies the Real Estate Enforcement Section's efforts in protecting consumers and the public.

The results were equally impressive in the Appraiser Enforcement Section. In FY 2008, the Section completed a total of 327 cases -- an increase of 276 cases closed over the number completed the previous year. Upon review of the evidence, the Ohio Real Estate Appraiser Board suspended 30 appraisers and revoked 16. These efforts received recognition from the Appraisal Subcommittee (ASC), a federal entity which has regulatory authority over State Appraiser Programs.

The Division also continued to work closely with local prosecutors and the Ohio Attorney General's office in the prosecution of cases involving serious offenses.

### General Statistics:

Number of Licensees	2003	2004	2005	2006	2007	2008
<b>Real Estate Appraisers</b>	3,216	3,522	3,577	4,345	3,625	4,104
<b>Active Real Estate Brokers</b>	6,050	5,985	5,822	5,650	5,690	5,585
<b>Active Real Estate Salespersons</b>	31,891	33,561	34,953	35,468	35,360	33,056
<b>Cemetery Registrations</b>	3,360	3,354	3,356	3,382	3,418	3,487
<b>Licensed Brokers</b>	2003	2004	2005	2006	2007	2008
Active	6,050	5,985	5,822	5,650	5,690	5,585
Inactive	1,244	1,290	1,217	1,126	1,141	1,090
Total	7,294	7,275	7,039	6,776	6,831	6,675
<b>Licensed Salespersons</b>	2003	2004	2005	2006	2007	2008
Active	31,891	33,561	34,953	35,468	35,360	33,056
Inactive	5,616	6,117	6,122	6,400	7,443	8,764
Total	37,507	39,678	41,075	41,868	42,803	41,820

ENFORCEMENT STATISTICS	REAL ESTATE 2006	REAL ESTATE 2007	REAL ESTATE 2008	APPRAISAL 2006	APPRAISAL 2007	APPRAISAL 2008	CEMETERY 2006	CEMETERY 2007	CEMETERY 2008
COMPLAINT CASES FILED	585	753	881	315	241	243	30	48	33
PENDING INVESTIGATION OR HEARING	328	315	448	313	80	90	7	9	8
CLOSED CASES	333	329	517	66	51	327	38	48	28
REFERRED TO PROSECUTOR	N/A	N/A	0	0	16	23	4	3	5
SUSPENSIONS	7	5	18	27	6	30	N/A	N/A	N/A
REVOCATIONS	5	6	12	0	9	16	0	0	0

# Securities

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.

## Investor Education and Outreach

The Division continued its commitment to educate Ohioans by providing information and resources to assist investors in understanding the investment process and to help them to avoid investment fraud. Each year, con artists target investors with a variety of misleading sales tactics, or worse, outright fraud. In FY 2008, the Division's outreach program made investor education presentations to 3,900 Ohioans at senior centers, service organizations, libraries, high schools, colleges and county bar associations.

## Ohio Securities Conference

The 2007 Ohio Securities Conference on November 2, 2007 included a range of topics, such as, an update of state and federal securities litigation and discussions on proposed modernization of smaller company capital raising and disclosure requirements, the Revised Uniform Partnership Act and recent developments at the Division.

### Dollar Amount of Securities Sold or to Be Sold in Ohio Pursuant to Filings Made with the Division in FY 2008:

Mutual Fund Filings	\$3,104,810,000
Registration Filings	\$82,959,931,934
Exemption Filings	\$1,077,162,483,164
Total Filings	\$1,163,227,225,598

Licensing Statistics:	FY06	FY07	FY08
Securities Dealers	2,408	2,439	2,378
Securities Salespersons	133,193	140,876	147,931
Investment Advisers	570	631	621
Investment Adviser Representatives	12,526	10,145	12,449
Notice Filers	1,396	1,539	1,580
Bureau of Worker's Compensation			
Chief Investment Officer	N/A	1	1
State Retirement System			
Investment Officer	N/A	67	66

## Enforcement Activity FY 2008

The Division's Enforcement Section was involved in numerous civil and criminal investigations in FY 2008 and was responsible for the issuance of numerous administrative actions. The Enforcement Section resolved 62 cases involving violations of the Ohio Securities Act that resulted in the issuance of orders to 103 respondents. The most common violations found were sales of unregistered securities; selling securities without a license; misrepresentations made in connection with the sale of securities; and fraudulent practices involving the offer or sale of securities to Ohio residents. Some of the orders involved the denial, suspension, or revocation of licenses held by securities salespersons, investment adviser representatives, broker-dealer firms, and investment advisory firms.

In addition, the Enforcement Section referred and/or assisted in criminal cases that led to indictments of nine individuals on a total of 227 felony counts. During this period, six individuals were criminally convicted and were collectively ordered to serve 36 years in prison and pay restitution of over \$19 million.

The Division's Enforcement staff conducted an extensive investigation and provided assistance that led to the issuance of a preliminary injunction and the appointment of a receiver to manage the assets of Jerry R. Rose and 10 companies under his control in July 2007. Rose, an insurance agent in Hamilton, Ohio, ran a Ponzi scheme in the Butler County area by pooling over \$2 million from about 200 investors. Rose admitted that he was unable to reimburse investors by approximately \$4 to \$5 million. Rose entered a guilty plea on July 18, 2007 to a three-count Bill of Information including a first-degree felony count of selling unregistered securities, a third-degree felony count of forgery, and a third-degree count of perjury. He was sentenced on April 18, 2008 to 20 years in prison and ordered to pay \$17.7 million in restitution to residents of Ohio and other states.

The Enforcement staff also contributed a significant amount of effort in a civil case involving The Dillabaugh Group and the estate of Roy G. Dillabaugh. Mr. Dillabaugh had died in November 2007. Following a complaint filed by the Division in Montgomery County on July 23, 2008, a preliminary injunction was issued against The Dillabaugh Group, the estate of Roy G. Dillabaugh, Alice Jane Dillabaugh, Mary Johanna Long, Lorne Lee Dillabaugh, and Hartford Life and Accident Insurance Company. Roy Dillabaugh was the CEO of The Dillabaugh Group, a Dayton business that purported to offer investment services. The Division alleged that from 1994 to 2007 Dillabaugh sold \$12.4 million in "The Dillabaugh Group" securities to 146 investors, primarily from the Greater Dayton area and Indiana. None of the securities were registered with the Division. The Division alleged that Dillabaugh did not invest any of the investors' money and instead operated a Ponzi scheme which depended on new investments to pay the purported "interest" earned on earlier investments. The Division asserted that Dillabaugh used investor funds to pay for numerous life insurance policies for himself and named his wife, son, and secretary as beneficiaries of the policies.

<b>Enforcement Statistics</b>	<b>FY 07</b>	<b>FY 08</b>
<b>Notices of Opportunity for Hearing</b>	189	108
<b>No. of Respondents</b>	210	150
<b>Final Orders</b>	41	62
<b>No. of Respondents</b>	58	103
<b>Search Warrants</b>	0	2
<b>Injunctions</b>	0	2
<b>Criminal Referrals</b>	6	2
<b>Indictments</b>	8	9
<b>No. of Counts</b>	145	227
<b>Convictions</b>	9	6
<b>No. of Counts</b>	237	36
<b>Yrs. Sent to Prison</b>	53	36
<b>Restitution Ordered</b>	\$10.7m	\$19m



# State Fire Marshal

## Fire Prevention Bureau

Fire Prevention Week 2008 kicked off on October 2 as the Division of State Fire Marshal joined forces with the Ohio River Valley Chapter of the American Red Cross and the Portsmouth Fire Department. This initiative to distribute smoke detectors focused on an area that has one of the highest rates of fire fatalities in the State of Ohio. Acting Fire Prevention Bureau Chief Frank Conway presented 100 smoke detectors, which will be distributed by the American Red Cross to 28 volunteer fire departments for proper installation in homes throughout Southern Ohio.

Fire Safety Educators performed more than 3,000 in-service fire and life safety presentations to more than 67,000 attendees in schools, nursing homes and other health care facilities throughout the State of Ohio. The bureau also tracked more than 770,000 fire incident reports from Ohio's fire departments, distributed more than 340,000 pieces of fire safety literature and placed more than 10,300 public safety decals with Ohio's volunteer fire departments.



## BUSTR

The Bureau of Underground Storage Tank Regulations (BUSTR) issued 17 eligibility letters and 15 letters of support for 62 petroleum contaminated sites to various cities and municipalities throughout the state seeking Brownfield grants from U.S. EPA.

BUSTR also incorporated the "Kaizen" process to examine opportunities to increase efficiency, consistency and accountability in the regulatory and enforcement process. As a result, BUSTR identified and implemented new processes and procedures. Over the past year, BUSTR closed more than 750 petroleum release sites and issued "No Further Action" letters to tank owners.

The Bureau conducted 2,589 operational compliance inspections (36% of the total tank population) thereby meeting the first year of the Federal Energy Act of 2005 compliance inspection requirement for operational USTs in Ohio. BUSTR continued progress in meeting other aspects of the Energy Act: the drafting of administrative rules for secondary-containment, delivery prohibition and operator training requirements.

Registration Period	UST Registered Facilities Received	Paper-mailed Submitted UST Registrations	Electronically Submitted UST Registrations	Percentage Registrations On-Line
2005 – 2006	7,763	5,166	2,597	33%
2006 – 2007	7,648	3,616	4,032	53%
2007 – 2008	7,626	3,457	4,169	55%
2008 – 2009	7,576	3,297	4,279	56%

## **Fire & Explosion Investigation Bureau**

The State Fire Marshal Fire and Explosion Investigation Bureau (FEIB) responded to 1,275 total incidents, a 4% increase from 2007. Those incidents included 412 arson fires, 32 fireworks incidents and 13 bombings. The bureau investigated a total of 138 fatalities, a 68% increase from 2007, including 106 adults and 32 juveniles. Of the fatal fire deaths, a total of 32 were criminal homicides (18 adults and 14 children). There were 62 persons injured in fire / explosion incidents investigated by FEIB.

Investigators made 173 total arrests (119 adults and 54 juveniles) resulting in the filing of 719 total criminal charges and 37 convictions to date. Additional convictions are possible.

In 2008, the FEIB renewed the Memorandum of Understanding with the Federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), resulting in closer working relationships, joint training and excellent teamwork in the field between state and federal investigators.

The FEIB also entered into a contract providing police dispatching service through the Metropolitan Emergency Communications Center (MECC) at Mifflin Township, Franklin County. This service provides a 24-hour radio answering point for field investigators working on fires or explosions, plus a computer-aided dispatch system, tracking and full utilization of the MARCS radio system.

The FEIB staff is heavily involved in a variety of activities within their districts across the State of Ohio. FEIB members served as board members, coordinators and instructors for the following annual programs aimed at training local fire and police investigators:

- Northern Ohio Arson Seminar – Ashland
- Southern Ohio Fire Arson Investigation Association Seminar – Portsmouth
- ATF Post Blast Investigation course – Hamilton
- Ohio Chapter IAAI Annual Arson School – Zanesville
- Ohio Arson School – Columbus
- Northwest Arson Training seminar – Toledo
- Greater Cincinnati Fire Arson Investigation Seminar – Cincinnati

## **Code Enforcement Bureau**

The Division of State Fire Marshal's Code Enforcement Bureau completed 14,511 inspections in 2008. This increase from 2007 was mainly due to the need for inspections of elementary schools not being conducted by the local fire officials. In many instances, the field staff from the Bureau assisted local fire officials in a cooperative effort to complete the school inspections.

Also the Code Enforcement Bureau started a comprehensive update of the Ohio Fire Code. The Ohio Fire Code will be based upon the International Code Council's International Fire Code, the model fire code of 2009.



## Ohio Fire Academy

Fire and EMS personnel from the Wood County Fire Department attended their 15<sup>th</sup> annual weekend of training at the Ohio Fire Academy. This year, participants were offered hands-on EMS training that covered behavioral emergencies, domestic violence scenes, traffic scenes and violent patients. Students learned techniques to increase the safety of the citizens of Ohio as well as the safety of the responding crew. With hands-on training through a variety of scenarios, students learned from realistic on-the-job patient/situation encounters.

Ohio Fire Academy Courses / Students  
From July 1, 2007 through June 30, 2008

135 courses were held on the Academy grounds
656 direct delivery courses were held at the customer site
<b>Total courses 791</b>
2,546 students attended on Academy grounds
10,291 students participated through direct delivery courses
<b>Total student attendance 12,837.</b>



## Bureau of Testing & Registration

The Bureau of Testing and Registration continued to work with the Department of Commerce's information technology group to further develop electronic-license services that provide fast and secure online licensing capabilities for customers. In addition to providing better customer service, online business assistance provides savings for SFM and allows staff members to work more efficiently. Throughout the past year, the bureau has implemented online renewal capabilities for storage of explosives permits and hotel motel licenses.

### Online Renewals

License Type	Date Implemented	Total Received	Submitted Online	% Completed Online
Company	May 1, 2007	2,150	376	17%
Individuals	March 1, 2007	18,549	3,409	18%
Fireworks	June 22, 2007	1,636	811	50%
Hotel/motel	October 1, 2008	1,413	80	7%
Explosives	May 1, 2008	113	10	9%
UST annual	April 2005	7,576	4,279	56%

The bureau worked with SFM Code Enforcement and Legal Counsel to meet with the hotel & fireworks industries, introducing legislation updates and explaining the regulatory changes those updates will require. The bureau is working closely with stakeholders to provide better communication, customer service and efficiency.

The bureau has focused on implementing regional, off-site testing services for fire-protection licensing. By working with colleges, companies and union halls, the bureau is able to offer local testing that saves customers time and money.

### FY08 Revenue

License Type	# Issued in 2008	2008 Revenue
Fire Protection Individual	18,549	\$ 834,582
Fire Protection Company	2,150	\$ 268,465
Fire Protection Provisional	293	\$ 13,338
Fireworks/Pyro/ Flame Effect Exhibitors	496	\$ 24,800
Exhibitor's Assistants	1,140	\$ 28,500
Fireworks Manufacturers	8	\$ 22,100
Fireworks Wholesalers	42	\$ 112,767
Fireworks Shippers	18	\$ 49,500
Hotel / Motel	1,749	\$ 364,223
Storage of Explosives	110	\$ 8,250
UST Installers	651	\$ 97,125
UST Inspectors	24	\$ 600
UST Annual Registration	19,467 tanks	\$ 973,355
UST Permit	720	\$ 25,200

**Total Revenue Received     \$2,822,805**

### Forensic Laboratory

During FY 2008, investigative agencies submitted 742 cases to the Division of State Fire Marshal's Forensic Laboratory consisting of 3,284 pieces of evidence requiring 9,373 exams. At least 30 of the cases involved fatalities. Services were provided in the form of scientific examinations of ignitable liquids, fire debris, explosives, latent prints and general examination of physical evidence involved in a suspected arson fire, explosive incident or other criminal activity.

In FY 2008, a growing percentage of cases involved explosive related evidence. Analysts examined evidence for various state and federal agencies in circumstances such as possession of dangerous ordnance, pipe bombings; pressure bombings, house explosions and various fireworks related incidents.

Laboratory staff received 54 subpoenas in FY 2008. Examiners testified in Lake, Lucas (3), Tuscarawas, Cuyahoga (2), Wayne, Washington, Portage and Marion counties. Three of these cases involved the death penalty.



# Unclaimed Funds

The Division of Unclaimed Funds is responsible for safekeeping and returning money designated as “unclaimed.” Each year, thousands of Ohio citizens and organizations lose track of money and intangible personal property due to death, forgetfulness or other reasons. 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.

## Fewer Ohioans Check for Unclaimed Funds

In FY 2008, fewer Ohioans checked for unclaimed funds, which led to fewer claims being paid. During the fiscal year, the Division paid 44,377 claims, which was 28 percent fewer claims than the previous year. The Division paid \$57.8 million in claims in FY 2008, a 20 percent decrease from the previous year.

These decreases were anticipated as the influx of funds reported to the Division through insurance demutualization had declined in the past two fiscal years. Demutualization is the process when a mutual insurance company that was owned by its policy holders is converted into a stock company owned by its shareholders. In cases where the company could not locate the original policy holder, it forwarded to the Division the policy holder’s name and the amount due to them.

From FY 2002 – FY 2006, insurance companies that had completed the demutualization process reported many new accounts to the Division for safekeeping. As a result of the influx of the demutualization funds, the Division consistently paid a high number of claims associated with these accounts in recent years. However, many of these accounts have already been claimed since newly reported accounts are more likely to be claimed than older accounts.

## Outreach Efforts

The Division’s Online Treasure Hunt continues to be a popular means for Ohioans to initiate the claims process. In FY 2008, 77.8 percent of the Division’s claims were initiated online. The Division paid 34,537 claims that were initiated through the website for a total of approximately \$29.2 million.

Each year, in accordance with state law, the Division places an advertisement in the largest newspaper of general circulation in each county. The advertisement includes information on accounts of \$50 or more that were turned over to the Division within the past year for individuals whose last known address was in a particular county. The advertised names appear in alphabetical order by the owner’s last known city and then in alphabetical order by the owner’s last name.

At the 2007 Ohio State Fair, the Division had a prominent role in the Department of Commerce booth. Ohioans had the opportunity to check for unclaimed funds at two kiosks. If a match was found, a claim form was initiated and mailed to the claimant’s home address.

## VIDEO SERVICE REGULATION

The Video Service Authorization Section administers and enforces Ohio's Video Service Authorization Law. The law gave the Director jurisdiction over cable television providers who are granted state-issued authorizations. The law also gave the Director the authority to investigate and enforce customer service standards.

### Implementation of Senate Bill 117

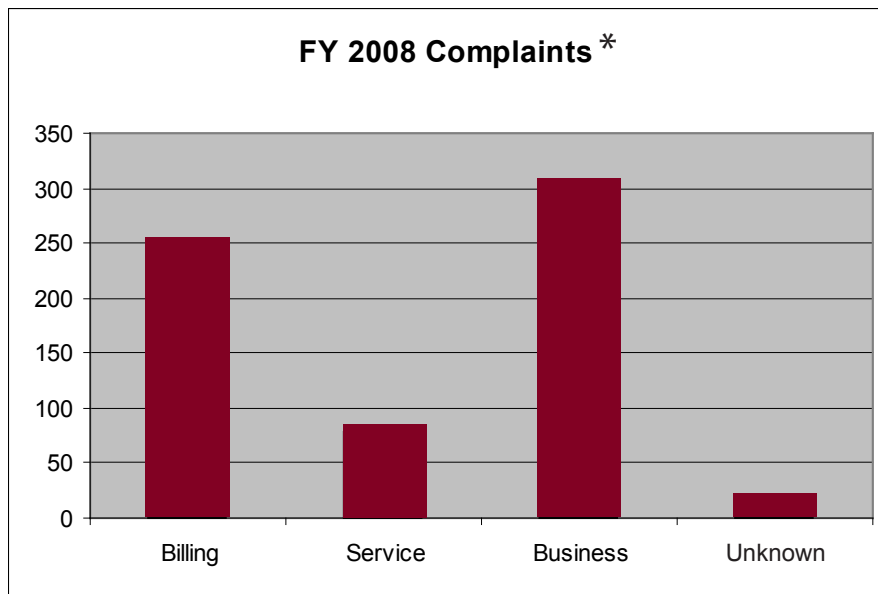
On June 25, 2007, Governor Ted Strickland signed Senate Bill 117 which created a new state-issued authorization process which replaced the local cable television franchise process. The authorization term is 10 years, but a cable television provider with a state-issued authorization is required during this period to file an application to amend its authorization to reflect changes in its service area and any other changes to the information provided in its original application. The Director does not have the authority to regulate satellite companies, internet or phone service provided by cable television providers. In FY 2008, the Director issued 32 authorizations to cable television providers and 8 amendments to state-issued authorizations.

### Cable TV Consumer Hotline

In FY 2008, the Director established the Cable TV Consumer Hotline 1-800-686-7826 to assist cable consumers in filing a complaint with the department. During FY 2008, the Section received 1,963 consumer complaints.

- 1,348 consumers sought assistance in obtaining the NFL Channel.
- 615 consumers sought assistance in resolving problems concerning their cable bills, service problems, and the business practices of their cable television provider.





\*Complaints may be coded in more than one category.

Senate Bill 117 requires cable television providers with a state-issued authorization to:

- Restore cable service within 72 hours after the customer reports the problem unless the problem was caused by a natural disaster.
- Credit the customer's account for a service interruption (depending on the cause and duration).
- Provide 30 days advance written notice before removing a channel.
- Provide 30 days advance written notice prior to a rate increase.
- Provide 10 days advance written notice before disconnecting service.





# Boards & Commissions

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. The Board also reviews appeals made to fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector.

**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 in and makes recommendations on 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 on 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 the tanks.

### **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.



**Department  
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