

# OHIO SECURITIES BULLETIN

Ted Strickland  
Governor of Ohio

Kimberly Zurz  
Director of Commerce

Andrea Seidt  
Commissioner of Securities

## Ohio Securities Act Stands the Test of Time

### OHIO DEPARTMENT OF COMMERCE DIVISION OF SECURITIES

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#### Ohio Securities Bulletin

Issue 2010:1

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**Department of Commerce**  
Division of Securities

As adopted in 1929, the Ohio Securities Act articulated the current framework for the regulation of securities and broker-dealers in Ohio. Although Ohio has amended the Ohio Securities Act frequently since its adoption, the primary objectives as approved in 1929 remain unchanged; namely:

- Registration of securities sold in Ohio;
- Licensing of broker-dealers and other securities professionals selling securities or providing investment advice to Ohio investors; and
- Enforcement through investigation and audit.

Notably, Ohio adopted the Ohio Securities Act prior to the stock market crash of 1929. The Act resulted from a concerted effort of several organizations and government officials to create effective securities regulation in Ohio.

In a colorful article that appeared in the October 1929 edition of The Journal of The Cleveland Bar Association, J.C. Little, an Ohio attorney, described the overarching intent of the Ohio Securities Act as follows:

“The result, we hope, is a law which will not only throw the crooks for a loss but will, at the same time, cut away the entangling meshes of red tape and allow legitimate business to swoop gracefully down the field for a touchdown.”

In addition to celebrating this milestone last year, several staff changes occurred at the Ohio Division of Securities in 2009, including the following:

- **Registration.** Mark Heuerman, who has served the Division since 1988, was recently appointed Registration Chief Counsel. Mr. Heuerman oversees the Registration Section, which he described as assisting “the parties to the contract of an investment with clear disclosure and fair terms.” In addition, Clyde Kahrl, who was previously an attorney with the Division from 1980 to 1990, has returned as control bid attorney for the Division within the Registration Section.
- **Licensing.** Newly-appointed Licensing Chief, Anne Followell, directs and manages the licensing functions of the Division pertaining to securities dealers, salespeople, investment advisers, investment adviser representatives, and investment officers. The Licensing Section is responsible for the review of all licensing applications and disclosure occurrences. With assistance from the Division’s new Examination Supervisor Richard Pautsch, Ms. Followell oversees the Division’s field examination program, which conducts onsite examinations of state-licensed investment advisers.

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## Ohio Securities Act continued...

- **Enforcement.** Steve Ballard re-joined the Division as Deputy Attorney Inspector. Mr. Ballard reports to Attorney Inspector Harvey McCleskey and serves as the first-line supervisor of the investigative staff of the Enforcement Section of the Division.

With respect to these recent changes at the Division and the outlook for the future, Commissioner Seidt stated:

“The Division is fortunate to have such a talented, experienced management team to lead it into the next decade. While each manager brings a unique perspective and his or her own strengths, together they remain focused on one singular goal – protecting Ohio investors. The recent fall of Wall Street giants and the unprecedented Bernard Madoff fraud have impressed upon us all the need for strong securities regulation and greater collaboration between state and federal regulators. The Division is committed to working with other state and federal regulators as well as the securities industry, the bar, and the investing public to find ways to enhance regulatory oversight in 2010.”

For more information on the Ohio Division of Securities, visit [www.com.ohio.gov/secu](http://www.com.ohio.gov/secu).

## Con Artist Campaign Warns of Con Artists Who Will “Take You for Everything You’ve Got”

In February, Ohio Department of Commerce Director Kimberly Zurz announced the launch of the Division of Securities Con Artist public awareness campaign. The multi-media campaign is designed to warn Ohioans to be on guard for potential con artists in their life.

“Con artists will lie, cheat and steal from anyone, especially those who trust them the most -- their family, longtime friends and neighbors,” Director Zurz said. “Before you invest your hard-earned money, it is vitally important to call the Division of Securities to investigate both the promoter and the investment.”

The “Con Artist” campaign is running from February through May and is featuring radio and television spots, billboards, newspaper and Internet advertisements, and print materials.

The ads encourage Ohioans to call the Division of Securities Investor Protection Hotline at **1-877-N-VEST-411 (1-877-683-7841)** to ask if the seller is licensed and if the investment product is registered. Ohioans can also visit [www.conartist.ohio.gov](http://www.conartist.ohio.gov) for additional information.

“While investor research should start with a call to the Division, it should not end there,” Securities Commissioner Andrea Seidt said. “Investors need to take the time to understand their investments by reading the prospectus or offering circular in full before they invest. Ohioans should understand that ‘high return’ investments often carry high risk, including the risk that the investment may yield no return or, worse, a substantial loss to the investor.”

Investors can learn more about the licensing of investment professionals, search registration filings, file a complaint, or report suspicious investment activity by visiting the Division’s website at [www.com.ohio.gov/secu](http://www.com.ohio.gov/secu) or by calling the Investor Protection Hotline at 1 877-N-VEST-411 (1-877-683-7841).



## Conflicting Demands on Advisors of Unlisted Public Real Estate Investment Trusts

The Division currently considers it grossly unfair for an unlisted public real estate investment trust to disclose in its prospectus that its advisor may face competing demands from other affiliated programs and, accordingly, may not devote sufficient time and resources to manage the operations of the issuer. The Division's standard of review for registration states that securities may be registered by coordination if the Division finds that the proposed offer or disposal is not on grossly unfair terms and that the plan of issuance and sale of securities would not defraud or deceive or tend to defraud or deceive purchasers. Ohio Revised Code ("R.C.") Sections 1707.01(Q) (3), 1707.09, 1707.091 and 1707.13.

The Division is concerned that advisors may breach their fiduciary duties to the issuer and shareholder. The North American Securities Administrators Association Statement of Policy for Real Estate Investment Trusts ("NASAA Guidelines") requires that an advisor owe a fiduciary duty to the issuer and shareholders. NASAA Guideline II. E. The failure of the advisor to devote sufficient time and resources due to competing demands from other programs may result in a breach of fiduciary duty, particularly if the performance of the issuer suffers. Furthermore, such disclosure suggests that an issuer may not be in compliance with the NASAA Guidelines.

The Division recognizes the inherent conflict created by its assertions. The NASAA Guidelines require that sponsors have three years of relevant experience. An advisor demonstrates its experience by disclosing previous programs and then necessarily discloses the potential conflict of competing demands. However, the Division asserts that, while an advisor may

need experience from prior programs and disclosure of such programs is necessary, the advisor is obligated by its fiduciary duty not to take on more programs than it can reasonably expect to devote sufficient time and resources. Public unlisted REIT offering amounts range from \$200 million to \$5.5 billion. Thus, these issuers raise significant offering amounts from large numbers of public investors. The Division expects these entities to manage these sizable operations with due care and attention.

The issuers also pay substantial fees and expenses to the advisor and its affiliates to all three stages of the issuer's existence: 1) offering, 2) acquisition and operating, and 3) listing or liquidation. The total fees and expenses payable to the advisor could add up to hundreds of millions of dollars. It is grossly unfair for advisors to receive full payment of fees if they are not devoting adequate time and resources to perform the disclosed tasks.

Currently, the Division will not register an offering containing this disclosure unless the issuer undertakes to include various additional disclosures in the prospectus. First, the issuer must disclose that the failure to devote sufficient time or resources due to competing demands of other programs may result in a breach of the fiduciary duty owed to the shareholders, and the issuer. Second, the issuer must describe the ramifications of the failure to devote sufficient time and resources, including disclosure of potential adverse effects on the operations and profitability of the issuer. Third, the advisor must have a reasonable belief that it can currently undertake the responsibilities of the advisor for

the issuer in accordance with its fiduciary duty. The advisor must justify to the Division why this belief is reasonable based upon its current resources and other programs.

The Division welcomes the views of all participants (investors, advisors, regulatory counsel, due diligence firms, managing and selected dealers, and other state jurisdictions) with respect to the following matters:

- Whether the Division should deny offerings with this disclosure;
- If denial is not warranted, whether such disclosures should be more prominent in the prospectus and/or sales literature and what, if any, additional information should be addressed;
- Whether the other competing affiliated programs have similar disclosures;
- Whether the Division should require advisors to forgo fees and expense reimbursement if they can not devote adequate time and resources to the issuer.

Comments may be sent to **securitiesgeneral.questions@com.state.oh.us** or the Ohio Division of Securities, 77 South High Street, 22nd Floor, Columbus, Ohio, 43215. Attention: Registration Section.

## Notes from the Field: Investment Adviser Examinations

The Ohio Revised Code Chapter 1707.23 grants the Division of Securities the authority to examine investment advisers and requires investment advisers to produce books and records that the Division deems to be material or relevant to the examination.

The Division routinely conducts examinations of investment advisers (I.A.). Investment advisers licensed in Ohio can expect to be examined every one to three years. The frequency of our examinations is based on our evaluation of the risk inherent in the activities of the investment adviser and the degree of responsiveness of the adviser to our requests.

The examination process begins with a phone call from the Division to establish a date and time for the examination. Once a date and time for the examination has been established, the adviser will receive a letter to confirm. Please read the letter and let the Division know immediately if there is a reason the examination cannot be conducted as scheduled. In addition, someone who is authorized to answer questions on behalf of your firm should be available until 5:00 p.m. on the day of the exam. Due to the professional nature of these examinations, our examiners will need to have access to an exit and restroom facilities. The examination space should be free from small children, pets, or other distractions.

A list of items the Division expects to see during the examination is included with the scheduling letter and is also available on the Division's website. Please note that the Division will need copies of some of items on the list, while other items simply need to be available for review. In addition, since the list of records is not all inclusive, we may request items not identified on the list. The list of documents that we require on

examinations is based on Ohio Administrative Code 1301:6-3-15.1(E). Cooperation in maintaining and providing accurate records works to benefit the I.A., since the examination process will go more smoothly if the required records are ready for us when we arrive.

Some common problems our examiners encounter on examinations include the following:

- Failure to update ADV Part I and Part II on the IARD system.
- Failure to maintain an up-to-date compliance manual that includes a business continuity plan and a disaster recovery plan. Some advisers provide an off-the-shelf compliance manual that has not been customized. This is not acceptable. Compliance manuals should be customized to reflect only the activities of your firm;
- Failure to maintain a written record of the offer of ADV Part II to your clients.
- Failure to maintain written contracts with clients.
- Failure to maintain current financial statements and other financial records.

Often, the on-site portion of our examination will be completed in one day. The firm should prepare in advance and fully cooperate with the examination process. This cooperation will help to insure that the process goes smoothly and results in minimal disruption to the Investment Adviser business.

Once the examination is complete, our examiner will return to the office and write the report. During the report writing phase of the examination, our examiner may need to contact the I.A. to obtain additional information before the report can be completed. Our examiner then submits the report for review and a deficiency letter is created based

on the findings of our examiner.

If a deficiency letter is received, please read the letter carefully and respond by the due date, in writing, answering each of the items in the letter. Should your client or I.A. elect to ignore or provide incomplete or incorrect responses to the deficiency letter, the matter will be forwarded to the Division's Enforcement Section. Should your client or I.A. have questions about the items in the letter, please contact the person who wrote the letter. E-mail is preferred.

The Division views part of the role of the examination process as educational, helping you to comply with rules established to protect investors. Protecting investors benefits everyone. We are happy to work with your client or I.A. to bring them into compliance, so please, contact us if you have questions.

## ENFORCEMENT SECTION REPORTS

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### **David Lee Colwell and James D. Powell**

Following a complaint filed by the Ohio Division of Securities, the Butler County Court of Common Pleas granted a preliminary injunction against James Powell and his businesses, Capital Investments, Great Miami Real Estate LLC, and Great Miami Debenture on February 4, 2009. The Court also granted the Division's request for the appointment of a receiver to operate the businesses and marshal assets on behalf of the aggrieved investors.

Powell and his businesses sold promissory notes to Ohio investors, promising high returns and falsely guaranteeing that the notes were backed by the FDIC or otherwise insured. Upon Colwell's death, investors stopped receiving payments. The notes were not

registered with the Division, and neither Colwell nor Powell held an Ohio securities license.

### **Westhaven Group LLC, Haven Holdings, and John F. Ulmer**

In March of 2009, the Lucas County Court of Common Pleas sentenced John Ulmer to 10 years in prison, Scot Ulmer and Roger Morr to four years each, and Anthony Garzony to five years of community control due to their participation in a huge real estate scheme in the Toledo area. John and Scot Ulmer were ordered to pay nearly \$15.1 million in restitution and Roger Morr was ordered to pay \$1.5 million to their investor victims. The convictions follow an 84-count indictment in 2008 against the parties, which included 28 counts of selling unregistered securities.

The Westhaven Group LLC, which included John Ulmer, Scot Ulmer, Anthony Garzony, and Roger Morr, sold unregistered promissory notes, made misrepresentations in the sale of securities, and engaged in fraudulent practices by failing to secure the notes with a mortgage as represented. 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 the businesses.

### **Joanne and Alan Schneider**

Joanne and Alan Schneider committed a \$60 million Ponzi scheme in the Cleveland area, involving the sale of promissory notes ostensibly guaranteed by the profits of their real estate development business. Following a 163-count indictment, the Cuyahoga County Court of Common Pleas sentenced Joanne Schneider on March 12, 2009 to three years in person for her role in the long-term securities scam. She pleaded guilty to 13 charges, including securities fraud, misrepresentations in the sale of securities, money laundering, theft, and engaging in a pattern of corrupt activity. Two weeks earlier, on February 26, 2009, Joanne's husband Alan Schneider received five years' probation and 5,000 hours of community service for his role in the scheme.

The convictions represent the culmination of a five-year effort by the Ohio Division of Securities and the Cuyahoga Prosecutor's Office against the Schneiders. The Division issued a Cease and Desist Order against Joanne Schneider in May 2004 based on the sale of the unregistered promissory notes. The Division later obtained a preliminary injunction against Schneider in December 2004 after she violated the Cease and Desist Order. In February 2005,

## U.S. Attorney for the Southern District of Ohio Creates Financial Crimes Unit

In a recent interview with the Division, the Honorable Carter M. Stewart, U.S. Attorney for the Southern District of Ohio, stated that his primary goal is to protect the public. One of the ways Stewart intends to do so is by focusing additional resources on investigating and prosecuting financial crimes.

Stewart recently created a financial crimes unit within his office which, among other things, will pursue securities fraud claims. Although Stewart notes that terrorism is still at the forefront of the Office's priorities, he would like to devote additional resources to crimes that have not received as much focus in the recent past, including financial crimes.

Stewart's staff indicated that they believe the number of cases involving financial crimes is rising. This increase may be due to greater awareness caused by the media attention surrounding the Bernie Madoff scandal as well as investors reviewing their monthly statements more carefully and finding discrepancies regarding their accounts.

In addition to the prosecution of crimes, Stewart indicated that the Office will also begin outreach and education programs to proactively alert the public to potential dangers, including investment scams and fraud.

For additional information about the Office of the U.S. Attorney for the Southern District of Ohio, please contact Fred D. Alverson at 614.469.5715.

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the Division discovered that Joanne Schneider violated the injunction by continuing to sell securities without the permission of the court and the court-appointed Special Master. The Division then sought the appointment of a Receiver, who took possession of the Schneider's assets. The Cuyahoga County Prosecutor's office later indicted both Joanne and Alan Schneider in November of 2005, alleging a variety of securities offenses as well as theft, racketeering, and money laundering.

### **Richard C. Clarke**

In April of 2009, the Fairfield County Common Pleas Court sentenced Clarke, a former Columbus stockbroker, to 11 months in prison and five years of community control for securities violations arising from the sale of a promissory note. Clarke admitted to one count of making false representations in the sale of securities and one count of receiving stolen property. Following a criminal referral from the Division, Clarke was indicted in September 2006 on four felony counts. He was not located until July of 2008, and was then returned to Fairfield County to face the charges.

Before the indictment, in April of 2006, the Division of Securities had issued a Cease and Desist Order to Clarke finding that he sold promissory notes in an investment called the "Marine Inventory Investment." The Order found that Clarke committed securities fraud by failing to give true disclosures about the investments, that he made misrepresentations in the sale of securities by falsely guaranteeing the investments, and that he engaged in "selling away" by selling securities not authorized by his employer.

### **Lawrence Nallie**

In May of 2009, the Franklin County Common Pleas Court sentenced Nallie to four years of community control and 400 hours of community service after he was convicted of investment adviser fund mishandling and acting as an investment adviser without a license. Nallie pleaded guilty to the six charges, after having been indicted on 35 separate counts. He admitted mishandling approximately \$187,070 of his clients' funds and was ordered to pay restitution to those investors.

Nallie's guilty plea involved six clients, primarily African-Americans from Central Ohio. He had hosted a program on WVKO Radio in Columbus titled "Financial Moment" and presented seminars at predominantly African-American churches in Columbus. He failed to disclose the fact that he no longer held a securities license with the Division of Securities.

### **Evergreen Investment Corp., Evergreen Homes, and Evergreen Builders**

On June 29, 2009, the Summit County Court of Common Pleas sentenced David Willan, owner of Evergreen Investment Corp., to 16 years in prison for his role in a multi-million dollar mortgage fraud and securities scheme in the Akron area. Willan and 14 other individuals were indicted on a total of 147 criminal counts in connection with the complex scheme. Willan was convicted in two separate trials on a total of 70 counts, including 30 security crimes.

Evergreen lured their victims in with an advertisement in the Akron Beacon Journal offering investment certificates, ranging from 6-24 months with a 9.5 to 10.5 percent rate of

return. The scheme involved predatory borrowing and securities scams that cheated investors, homeowners, and lenders out of at least \$16 million. Evergreen's offering circular contained misrepresentations that no commissions were paid in the sale of the securities, when in fact Daniel Mohler was paid commissions in excess of \$187,000 despite being unlicensed to sell securities.

In June of 2006, the Division issued a final order suspending Evergreen's right to buy, sell, or deal in securities based on their violations of the Ohio Securities Act. The criminal indictment was later filed against the parties in 2007.

### **Bret Allen Swisher**

On July 8, 2009, a Richland County grand jury indicted Bret Allen Swisher of Mansfield on 128 counts, including securities fraud, false representations in the sale of securities, making false reports in securities transactions, telecommunications fraud, receiving stolen property, unauthorized use of property, securing writings by deception, forgery and aggravated theft. Swisher was accused of mishandling \$150,000 of investor funds from seven investors, primarily from northern and central Ohio.

Swisher, formerly licensed with Legg Mason and McDonald Investments, completed "letter of authorization" forms and forged clients' signatures to obtain funds from brokerage accounts without the clients' permission, transferred client funds into accounts he controlled, and converted client funds to his own personal use without their knowledge or authorization. He also informed some clients that he purchased insurance policies on their behalf to guarantee any losses they incurred in options trading.

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On January 11, 2010, the Richland County Court of Common Pleas sentenced Swisher to five years in prison after he pleaded guilty to and was convicted of 39 counts, including 25 securities offenses. He was also ordered to pay restitution and to write apology letters to his former clients.

### **James Stamp**

James Stamp of Summit County sold unregistered "membership certificates" in his company, Shema Capital Partners LLC, to three Ohio residents. The securities were not registered with the Division, and Stamp did not hold an Ohio securities license. Despite Stamp's promises that the investments were safe and secure, the investors never received a return on their investment.

Summit County Court of Common Pleas indicted Stamp on 13 counts, including securities fraud, misrepresentations in the sale of securities, unregistered sale of securities, theft by deception, and securing writings by deception. Stamp pleaded guilty to 10 counts, and in September of 2009 the Court sentenced him to three years of incarceration, suspended, on the condition that he complete three years of community service and make full and complete restitution to the three Ohio victims.

### **Larry Corna**

Larry Corna was in the business of "flipping" real estate by rehabbing properties in the Columbus area. He induced five people into investing money in his real estate business, promising their investment would be used as down payments for investment properties. In reality, Corna used investor funds for personal expenses.

The Franklin County Prosecutor's Office indicted Corna in 2006 and again in 2007 on a number of counts, including making false representations in the sale of securities, securities fraud, theft, forgery, money laundering, and engaging in a pattern of corrupt activity. On October 22, 2009, the Franklin County Court of Common Pleas sentenced Corna to four years and eleven months in prison after he pleaded guilty to a felony racketeering charge.

### **Phillip Ray Smith**

Following a criminal referral by the Division of Securities, on November 18, 2009, the Preble County Court of Common Pleas sentenced Phillip Ray Smith to six months in the Darke County Jail. He was sentenced moments after he pleaded guilty to crimes he committed relating to his sale of investment contracts of Wellspring Capital Group, Inc. Smith was an independent salesperson for Wellspring's founder Blake Prater who was sentenced in March 2007 and is currently serving a 10-year prison term.

Smith made presentations to various groups, including religious organizations, in and around Preble County, touting the Wellspring securities. Smith represented to investors that the risks associated with this investment were the same as the stock market and that the investment was guaranteed and even promised 1,000% returns on the investments. Smith received commissions from Wellspring based on his securities sales, earning hundreds of thousands of dollars, despite having no securities license with the Division.

Smith was indicted in March of 2009 on 20 counts related to his securities activities involving Wellspring. He pleaded guilty to 18 counts, including acting as an unlicensed dealer of securities, making representations in the sale of securities, and securities fraud. Smith was also ordered to pay \$15,000 in restitution to his victims based on his ability to repay.

### **Thomas Fair**

On July 2, 2009, Thomas Fair was indicted by a Montgomery County grand jury on one count of passing a bad check after a check he wrote for \$5,000 to a former client was returned for insufficient funds. Fair was released on a \$5,000 bond at his arraignment on July 30, 2009.

Fair had written the check pursuant to the terms of a court order obtained by the Ohio Division of Securities. In June of 2008, the Division of Securities obtained an agreed permanent injunction against Fair based on his sale of unregistered securities to several elderly clients. Fair had failed to disclose material information to those investors, such as his failure to repay earlier investors, a civil judgment against him, numerous tax liens filed against him by the Ohio Department of Taxation, and a 2005 Cease and Desist Order against him. The terms of the agreed injunction required Fair to make restitution to his victims.

### **Joseph McClain**

Joseph McClain of Newark, Ohio received a four year, eleven month sentence on December 22, 2009 after the Licking County Court of Common Pleas convicted him of 25 separate theft offenses. McClain ran a real estate business that purported to buy and sell real estate, especially for distressed properties. Many of McClain's

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## Enforcement Section Reports

were investors who were sold promissory notes secured by mortgages on properties without the owner's knowledge.

The criminal conviction followed a May 2008 Cease and Desist Order issued by the Division of Securities against McClain for securities fraud. Despite the closing of his business and his inability to pay prior investors, McClain continued to solicit new investors from his business website, with promises that the notes were "safe and secure" and would earn a "good, safe interest income" for investors.

### Roy Dillabaugh

Roy Dillabaugh of Dayton, Ohio committed a 13-year, \$12 million Ponzi scheme against nearly 150 people who considered him their trusted financial advisor. Dillabaugh was an insurance salesman and former securities salesman who was banned from the securities industry in 2003 after selling a false CD to a client and using the funds for personal purposes. Despite this, Dillabaugh continued to sell high-interest notes for "The Dillabaugh Group," which he promised would be invested in various businesses. Instead, Dillabaugh used the investments to fund his own lifestyle and to pay the premium on millions of dollars in life insurance.

Following his death in November 2007, Dillabaugh investors stopped receiving payments on their investments. Dillabaugh died without any assets in his estate, yet his insurance beneficiaries received more than \$9 million in life insurance proceeds.

In June 2008, the Division filed an action in the Montgomery County Court of Common Pleas against the Estate of Roy Dillabaugh, as well as

his insurance beneficiaries, seeking 1) an injunction freezing the disbursement of insurance proceeds, 2) an Order of Restitution for the Dillabaugh Group investors, and 3) the appointment of a receiver. Judge O'Connell approved the Division's request to temporarily freeze most of the insurance proceeds while the matter was awaiting its November 16, 2009 trial.

On December 23, 2009, Judge O'Connell signed an Entry finding that Roy Dillabaugh committed multiple violations of the Ohio Securities Act. The Court issued an Order of Restitution on behalf of the investors, and appointed Robert Hanseman of Sebaly, Shillito & Dyer as the Receiver in the matter. The matter was certified for immediate appeal on the issue of whether insurance proceeds inure to the benefit of the investors.

### Ferrell Carden

The Harrison County Court of Common Pleas charged Ferrell Carden, of Jacksonville, Florida, with two separate counts of securing writings by deception. He pleaded guilty to the 2008 charge on February 9, 2010 and the 2009 charge was dismissed. Carden was accused of persuading Ohio investors to invest \$225,000 in a water treatment plant and a beach restoration project without ever having invested the money. Sentencing is scheduled for April 27, 2010.

The indictment follows an April 2008 Cease and Desist Order by the Division of Securities that found that Carden sold unregistered securities, sold securities without a license, made misrepresentations in connection with the sale of securities, and engaged in fraudulent practices in his sale of the promissory notes.

The Ohio Securities Bulletin is a quarterly publication of the Ohio Department of Commerce, Division of Securities.

The Division encourages members of the securities community to submit for publication articles on timely or timeless issues pertaining to securities law and regulation in Ohio. If you are interested in submitting an article, contact Karen Bowman at [karen.bowman@com.state.oh.us](mailto:karen.bowman@com.state.oh.us) for editorial guidelines and publication deadlines. The Division reserves the right to edit articles submitted for publication.

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We have had a number of staffing changes. Please note our updated **REFERENCE GUIDE** to the staff at the Ohio Division of Securities:

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