

Securities Bulletin

Ohio Department of Commerce, Division of Securities

From the Commissioner, Andrea Seidt



Summer greetings! It has been awhile since I have had the opportunity to check in with our readers, and there is much to discuss at both the state and federal levels.

In Ohio, the division has consulted with state legislators, industry stakeholders and fellow state agencies on legislation involving elder exploitation and a new Intrastate Crowdfunding bill.

Our Licensing Counsel Kelly Igoe has done an excellent job communicating with stakeholders on the elder exploitation bills and representing the agency on Ohio’s Elder Abuse Commission, providing expertise and direct consumer outreach to help Ohio seniors targeted by investment schemes. For more information on the elder exploitation legislation and new mandatory reporting requirements for the securities industry, please see the pages 9 and 10 of this issue.

Ohio’s Intrastate Crowdfunding bill (Sub.HB 10) recently passed the Senate. This bill would allow small businesses to bypass full state registration requirements in local crowd-investing campaigns seeking to raise up to \$5 million. While the fate of this legislation is unclear following late amendments focused on state oversight of one of Ohio’s chief economic development engines, JobsOhio, the crowdfunding portions align with existing federal requirements and, if passed, would require agency rulemaking prior to implementation.

On the federal front, there are two major initiatives pending that could have a substantial impact on the division’s enforcement authority and Ohio’s securities industry as a whole.

The first item is H.R. 5037, entitled “The Securities Fraud Act of 2018,” which would preempt states from civil enforcement of their antifraud authority against publicly traded companies and require states to adhere to federal securities fraud laws in state criminal actions involving publicly traded companies. (See “NASAA Urges Congress to Reject the Securities Fraud Act” on page 7.)

This is the first time I have ever seen federal legislation directly attacking states’ antifraud police power in the securities arena. Constitutional considerations aside, it takes every ounce of the combined resources of both the federal and state governments to keep bad actors – large and small – out of our securities markets. If you follow the Enforcement Updates section of this publication every quarter, you know exactly what I am talking about. I personally cannot understand why any of our leaders on the Hill would seek to curtail state enforcement in an effort to insulate any fraudster from justice. I am pleased that Alabama Commissioner and NASAA President Joe Borg was invited to testify on behalf of the North American Securities Administrators Association (NASAA) in opposition to this legislation, and I encourage you to take a close look and communicate your own views to our Ohio delegation. You can read [Joe’s written testimony on NASAA’s website](#).

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The second federal initiative is a set of three rule proposal and interpretive guidance releases the U.S. Securities and Exchange Commission (SEC) issued back on April 18. The first of the three releases, known as Regulation Best Interest, centers on a new standard of care that would apply to broker-dealers and representatives who provide recommendations to retail investors. The other two releases are related measures that clarify the competing standard of care applicable to investment advisers, the fiduciary duty standard of care, as well as proposed requirements for a new Client Relationship Summary Form (Form CRS) to be provided by both dealers and advisers.

The SEC's April 18 releases, collectively, solicit comment on hundreds of questions that could influence the rights and protections all retail investors enjoy for many years to come. I am currently participating on a NASAA Working Group that has met with SEC Chairman Jay Clayton and the SEC's rulemaking team to explore the contours of these proposals and identify opportunities to revise or enhance them to better achieve the SEC's worthy goal of advancing investor protection.

The current deadline for submitting comments in response to the SEC proposals is Aug. 9, so if you have any questions or thoughts about how these releases might impact your investment advice or business here in Ohio, please do not hesitate to reach out to me directly before then.

As always, thank you for taking time out of your busy schedules to review the *Ohio Securities Bulletin* and I hope you enjoy some down time with family and friends this summer.

Protecting Ohio's Seniors from Fraud

By *Jacqueline T. Williams, Director, Ohio Department of Commerce*



Keeping people and their assets safe, sound and secure is a key role of the Ohio Department of Commerce. Through the divisions of Financial Institutions and Securities, Commerce works to protect the savings and investments of all residents, especially older Ohioans who cannot afford to lose any of their money earned over a lifetime.

Seniors are often targeted by scammers, which is why we focus on education and prevention efforts to help stop these thieves before they strike. The Division of Financial Institutions ensures Ohioan's money is safe by regulating state-chartered banks, credit unions and other financial-related businesses. The Division of Securities licenses those who sell securities, registers securities products for sale, and investigates alleged violations of the Ohio Securities Act; they can pursue administrative actions, civil injunctive actions and criminal prosecutions.

Guard Yourself Against Financial Scams

To avoid becoming a victim of identity theft and scams related to financial institutions:

- Request a free annual credit report from each of the three credit reporting agencies to ensure someone hasn't stolen your identity by submitting credit requests.

Ohio Securities Bulletin

Issue 2018:2

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- Review bank and credit card statements each month to ensure there are no unauthorized withdrawals or fraudulent charges.
- Never provide personal or payment information to anyone calling to collect a payment. Ask for the request to be mailed instead.
- Shred documents with identifying account numbers if they are not needed, including old, unwanted and unused blank checks.
- Pay attention to alerts from financial institutions indicating when unfamiliar charges or withdrawals occur. Requests to confirm address changes also signal possible fraud.
- Protect personal and financial account data including a Social Security number, birth date, credit and debit card numbers, and bank account numbers. Keep debit card PIN information private.
- Use preprinted personal checks, not blank checks that arrive unsolicited through the mail.

Contact the Division of Financial Institutions Consumer Affairs office at 866-278-0003 to get tips to protect yourself from fraud or to file a complaint.

Check Before You Invest

Across the country, older Americans are being encouraged to take part in activities that promote wellness and social interaction. While remaining socially engaged can improve the quality of life for older adults, at the same time, scammers will steal seniors' money through affinity fraud, which exploits relationships built through common interests and activities.

These scams exploit the trust and friendship that exists in groups, including religious and ethnic affiliations, sports and other leisure activities, and business and professional groups. Because of the tight-knit structure of these groups, the scammer – who is a member or pretends to be a member – counts on the trust factor that develops among group members. Often, the leader of the group is the first unsuspecting victim and unwittingly spreads the word among other members that the investment is legitimate when, in reality, it's a scam. Also, don't fall for investments promising little or no risk, "guaranteed" returns or unusually high profits. These are classic warning signs of fraud.

Before investing, research the person's background and the investment itself, even if you know the person. The person telling you about the investment may have been fooled into believing the investment is legitimate when it is not.

Get additional information and tips to avoid affinity fraud online at <https://www.com.ohio.gov/documents/AffinityFraud.pdf>.

If you or someone you know suspects they may be a victim of fraud, call the Division of Securities' Investor Protection Hotline at 877-683-7841.



Follow Us on Twitter

Follow us [@OHSecuritesDiv](https://twitter.com/OHSecuritesDiv) for news and information about the division, as well as tips to help Ohioans become more savvy investors and avoid getting scammed.

Division News

Division Participates in “Operation Cryptosweep”

In mid-May, the Ohio Division of Securities issued a Notice of Opportunity for Hearing and a Notice of Intent to Issue a Cease and Desist Order to Dubai-based USI-TECH Limited, as part of an international crackdown on fraudulent Initial Coin Offerings (ICOs) and cryptocurrency-related investment products. “Operation Cryptosweep” was coordinated by the North American Securities Administrators Association (NASAA), of which the Ohio Division of Securities is a member.

The division order, which specifically references USI-TECH’s website, <https://www.usitech-int.com>, contains 41 allegations. The entire order can be read at: https://www.comapps.ohio.gov/secu/secu_apps/FinalOrders/Files/2018/18-017%20USI-TECH%20LTD%20NOH.pdf.

The Notice Order alleges that in April 2017, a resident of Ohio, using a New York-based sales partner, invested \$22,000 to purchase 385 Bitcoin Packages with USI-TECH Limited. Despite a statement on USI-TECH’s website that the account would be accessible 24/7, the Ohio investor has been unable to liquidate his investments. The order further alleges that USI-TECH engaged in unlawful activity by offering unlicensed sales partners up to 35-percent commission to bring in more investors.

Both the Texas State Securities Board and North Carolina’s Securities Division issued cease-and-desist orders against USI-TECH based on findings that the company engaged in fraud in the sale of unregistered securities through unlicensed sales partners, and made offers through its website containing statements that were materially misleading or otherwise likely to deceive the public.

“Ohioans need to be on heightened alert for fraudulent activity involving ICOs and cryptocurrency-related investment products,” said Ohio Securities Commissioner Andrea Seidt. “Cyber criminals need to know that there is no place for these scams in Ohio and that the division has dedicated resources on tap to bring bad actors in this area to justice.”

Operation Cryptosweep

Ohio joined more than 40 other state and provincial securities regulators in the United States and Canada in “Operation Cryptosweep,” resulting in nearly 70 inquiries and investigations and 35 pending or completed enforcement actions since the beginning of May. NASAA members are conducting additional investigations into potentially fraudulent conduct that may result in additional enforcement actions. These actions are in addition to more than a dozen enforcement actions previously undertaken by NASAA members regarding these types of products.

In April 2018, NASAA organized a task force of its member state and provincial securities regulators to begin a coordinated series of investigations into ICOs and cryptocurrency-related investment products. Regulators identified many cryptocurrency-related products and, as part of its work, the task force identified hundreds of ICOs in the final stages of preparation before being launched to the public.

These pending ICOs were advertised and listed on ICO aggregation sites to attract investor interest. Many have been examined and some were determined to warrant further investigation. A number of these investigations are ongoing and others resulted in enforcement actions.

Client Testimonials

 <p>Mark Robert United Kingdom</p> <p><i>I am so excited about Wind Wide Coin investment company. I am so glad I found it and wished I would have found it sooner. This is life changing for me. Thank You!!</i></p>	 <p>Kate Jennifer Chicago, United State Of America</p> <p><i>I invested 4 BTC at Thursday and I received 8 BTC at Friday. It's great to have extra money for weekend shopping - like they say- easy come, easy go. Thank you WindWideCoin</i></p>	 <p>Niinistö Ann Russia</p> <p><i>I've been a member of windwidecoin.com for only 34 days. But my life has already changed! Not only have I made my first \$82K, but I've also met some of the most incredible people in the process. Thanks, Charles!</i></p>
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Screen capture of Wind Wide Coin’s fake website with images of Prince Charles, Jennifer Aniston, and former Finnish Prime Minister Matti Vanhanen. The Texas State Securities Board issued a cease and desist order against the company as part of Operation Cryptosweep.

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“The actions announced in May are just the beginning,” Seidt said. “NASAA’s task force uncovered approximately 30,000 crypto-related domain name registrations, the vast majority of which appeared in 2017 and 2018.”

A critical component of “Operation Cryptosweep” is raising public awareness of the risks associated with ICOs and cryptocurrency-related investment products.

“Not every ICO or cryptocurrency-related investment is fraudulent, but there has been enough fraud in this space to warrant extreme caution by investors approaching any initial coin offering or cryptocurrency-related investment product,” Seidt said.

For more information about ICOs and cryptocurrencies, the division issued two investor alerts: “What to Know About ICOs” and “Be Cautious of the Crypto Investment Craze.” Both are available on the division’s website at <https://www.com.ohio.gov/secu/investoralerts.aspx>.

Staff Members Reach Service Milestones; PEER Award Winners Announced



Commerce Director Jacqueline T. Williams honored division employees who reached significant service milestones. From left: Director Williams, Steve DeFrank, 25 years; Melissa Wood, five years; David Biemel, five years; Ray Glenn, five years; Ryan Rodgers, 10 years; Superintendent Andrea Seidt; Janice Hitzeman, 10 years. Not pictured: Joyce Cleary, 40 years; David Melito, 30 years; and Don Taylor, 20 years.



The 2018 PEER Awards recognized staff members by acknowledging and showing appreciation for what they do. Employees were nominated by their co-workers. This year’s award winners were, from left, Tanez Jackson, Professionalism Award; Anne Followell, Professionalism Award; Julie Blaisdell, Rising Star Award; Laura Littlejohn, Extra Mile Award; Ryan Rodgers, Personal Achievement Award. Tanez Jackson also received the Commissioner’s Award. Not pictured: Roger Patrick, Partnership Award.

Outreach and Education Update

Presentations at churches, community forums and law enforcement conferences dominated our outreach efforts since the last issue of this newsletter.

In April, St. Mary’s Catholic Church in Vermillion and Ethan Temple Church in Dayton hosted forums for their senior parishioners to learn how to avoid scams. In May, we participated in senior-oriented community forums in both Mahoning County and Guernsey County. In mid-June, we presented at the Senior Exploitation Prevention training at the senior center in Cambridge. Later that month, we joined with other community organizations at the Central Ohio Area Agency on Aging offices in Columbus as part of World Elder Abuse Awareness Day. Finally,



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we partnered with the Elder Abuse Commission and the Ohio Department of Job and Family Services at the Ohio Elder Abuse Awareness Day event, which included a training session on the updated mandatory reporting law.

Another key audience we connected with was law enforcement. In mid-April, we presented at the Ohio Crime Prevention Association’s annual conference in Dublin, teaching attendees how to identify securities fraud and demonstrating how we work with law enforcement and prosecutors. Later that month, we were at the Ohio Association of Chiefs of Police annual conference in Columbus, presenting its board meeting and exhibiting at the trade show.



Coming Up - Senior Day at the Ohio State Fair



If you’re planning to attend the Ohio State Fair, consider coming July 31 for Senior Day when we join with the Ohio Department of Aging for its annual “Well Beyond 60!” Health and Wellness Expo. The event provides an opportunity for organizations to connect with seniors, from conducting health checks to educating them on programs to enhance their lives. Our focus will be on keeping seniors safe, sound and financially secure by providing information and literature on how to avoid becoming a victim of financial fraud. Joining us this year are our Commerce partners, the Division of Financial Institutions and the State Fire Marshal.

Industry News

CFTC, NASAA Sign Agreement for Greater Information Sharing Between Federal Commodities and State Securities Regulators

In May, the Commodity Futures Trading Commission (CFTC) Chairman J. Christopher Giancarlo and NASAA President Joseph Borg signed a mutual cooperation agreement to establish a closer working relationship between the federal commodity regulator and individual state securities agencies.

The agreement signed by the CFTC and NASAA is intended to provide a framework for the sharing of confidential information between the CFTC and state securities regulators in the United States.

The purpose of the information-sharing agreement is to assist participants in enforcing the Commodity Exchange Act, which state securities regulators and state attorneys general are statutorily authorized to do alongside the CFTC. Information shared under the MOU also could generate enforcement actions under state securities laws, commodity codes or other areas of law. [Read the news release](#) for details of the agreement.



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SEC Names Caryn Kauffman as Chief Financial Officer

In mid-May, the Securities and Exchange Commission named Caryn Kauffman as the agency's chief financial officer. Kauffman had served as acting CFO since February 2017. In her new role, she is responsible for leading the agency's Office of Financial Management, which handles the SEC's financial reporting and accounting operations, coordinates the development of agency budgets and budget requests, and monitors the use of the dollars entrusted to the agency.

Kauffman previously served as deputy chief financial officer since 2013, where she led the agency's financial accounting and reporting, controls and accounting operations. She first joined the SEC in 2011, in the role of chief accounting officer. Before joining the SEC, she spent 12 years in the audit practice of PricewaterhouseCoopers.

Valerie Szczepanik is the New SEC Senior Advisor for Digital Assets and Innovation

In early June, the SEC named Valerie Szczepanik as associate director of the Division of Corporation Finance and senior advisor for Digital Assets and Innovation. In this newly created advisory position, she will coordinate efforts across all SEC divisions and offices regarding the application of U.S. securities laws to emerging digital asset technologies and innovations, including Initial Coin Offerings and cryptocurrencies.

Szczepanik joined the SEC in 1997 and most recently served as an assistant director in the Division of Enforcement's Cyber Unit. She is the head of the SEC's Distributed Ledger Technology Working Group, co-head of its Dark Web Working Group, and a member of its FinTech Working Group. She received her J.D. from Georgetown Law and her B.S. in Engineering from the University of Pennsylvania.

Senior Safe Act Signed into Law

In late May, President Donald Trump signed into law the Senior Safe Act, which is designed to help protect American seniors from financial exploitation and fraud by providing support for regulators,

financial institutions and legal organizations to educate their employees about how to spot and stop suspected senior financial exploitation.

"The Senior Safe Act is a significant step forward in the ongoing fight against senior financial exploitation," said NASAA President Joseph Borg. "The Senior Safe Act addresses barriers financial professionals face in reporting suspected senior financial exploitation or abuse to authorities. The legislation also complements similar legislation passed by 16 states based on the NASAA Model Act to prevent vulnerable adults from financial exploitation"

The Act allows financial institutions to report suspected exploitive or fraudulent activity to authorities when they notice unusual activity in the accounts of their clients over the age of 65. Further, it provides immunity to banks, credit unions, broker-dealers and investment advisers who in good faith report potential incidents of exploitation of a senior to state or federal financial regulatory agencies, law enforcement agencies or a state's adult protective services agency. To qualify for immunity, the financial professionals raising these red flags would be required to undergo training to identify potential financial exploitation.

Federal Legislative Update

NASAA Urges Congress to Reject the "Securities Fraud Act"

In mid-June, Joseph Borg, NASAA president and Alabama Securities Commission director, urged Congress to reject legislation that would tie the hands of states in policing fraud by publicly traded companies.

Borg testified before the House Subcommittee on Capital Markets, Securities and Investment on H.R. 5037, calling it a "misguided and dangerous bill."

"In more than 24 years as a securities regulator, I don't believe that I've ever seen a legislative proposal that so alarms and offends me," Borg testified. "Should Congress pass this bill, my office's efforts, as well as those of my colleagues, to protect investors from serious violations of the securities laws would be eviscerated. Real investors and real people will suffer as a result of this misguided and irresponsible legislation."

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H.R. 5037 would undercut the long-standing authority of state securities regulators by preempting their civil antifraud authority for certain violations of state securities law, as well as hampering or preventing state prosecutions of criminal securities fraud. Borg said H.R. 5037 specifically would force state regulators, state courts and state prosecutors to comply with federal legal requirements applicable to securities fraud cases. This requirement, he said, "would have a chilling effect" on the ability of states to bring criminal securities fraud prosecutions if not halt all such actions altogether. "I imagine that the fraudsters, including the ones my office has prosecuted, would be pleased with such a result," Borg testified.

Borg also noted the legislation poses a direct threat to state pension funds by depriving defrauded investors of a choice in forum in seeking recourse for their claims. For example, the legislation would prevent all private litigants from seeking relief in state courts for securities fraud claims involving covered securities, requiring them to litigate in federal courts.

"Enacting policies that would make it more difficult, and in some cases impossible, for state regulators – the regulators closest to Main Street investors – to hold accountable the most powerful companies on Wall Street serves no valid interest," Borg testified. "While state regulators are judicious in exercising their enforcement authority against publicly traded companies, states' authority to pursue enforcement activity against issuers of securities, and to do so independently when appropriate, is a major deterrent to fraud and one of many reasons investors have confidence in America's capital markets."

Borg said H.R. 5037 would shift policies in a direction "diametrically opposed" to those encouraged by the current Administration, which favors states' rights, and encourages the exercise of state authority with regard to enforcement activity.



2018 Ohio Securities Conference - "Protecting the Main Street Investor"

Ongoing changes in both state and federal regulations, the aging of Americans, and a 10-year look back from the Great Recession are all reasons for the theme of this year's Ohio Securities Conference, "Protecting the Main Street Investor." The conference is Friday, Oct. 26, at the Westin Hotel in downtown Columbus.

Sponsored by the University of Toledo College of Law, the conference is geared around issues that impact both the investor as well as the financial professional.

As of this publication date, our topics and confirmed speakers are:

The Impact of Revising the Best Interest Standard

- Barbara Roper, Director of Investor Protection, Consumer Federation of America
- Robin Traxler, VP of Regulatory Affairs, Associate General Counsel, Financial Services Institute

Protecting Vulnerable Adults via Mandatory Reporting Laws

- Marin Gibson, Managing Director and Associate General Counsel, SIFMA
- Jeanette Wingler, Associate General Counsel, FINRA

The 2008 Financial Crisis – What's Changed in Ten Years?

- Eric Chaffee, Professor, University of Toledo College of Law
- Thomas Geyer, Attorney, Bailey Cavalieri LLC

Anatomy of an Ohio Enforcement Case; From Investigation to Prosecution

In addition, each division section will host its annual Advisory Committee regulatory update. Speakers include Registration Chief Counsel Mark Heurman, Licensing Chief Counsel Anne Followell, and Enforcement Chief and Attorney Inspector Janice Hitzeman.

The annual conference is the only continuing legal education program dedicated exclusively to Ohio securities law. We will apply for six hours of continuing education for Ohio attorneys, Certified Public Accountants, Certified Financial Planners and Certified Fraud Examiners.

Additional details including registration information will be available on the [division's website](#) in August, and updates will be provided through regular mailings and emails.

A to Z with L & E

Quarterly Question

What are the specific requirements for appointing – and maintaining – a designated principal in Ohio?

In accordance with [RC 1707.15\(C\)](#), the division requires all applicants for dealer licensing to comply with the following:

The division shall by rule require one natural person who is a principal, officer, director, general partner, manager or employee of a dealer to pass an examination designated by the division. Each dealer that is not a natural person shall notify the division of the name and relationship to the dealer of the natural person who has passed the examination on behalf of the dealer and who will serve as the designated principal on behalf of the dealer. (Emphasis added).

Further, by administrative rule, the division clarifies the “designated principal” requirement by requiring all of the following:

- That the firm’s designated principal be a natural person included on Schedule A of Form BD (“Direct Owner and Executive Officers”);
- The designated principal must have achieved a passing score on a qualifying exam (Series 4, 24, 26, 39, 53, or 66); and
- The designated principal must submit a Form U4 requesting Ohio salesperson licensure. (See [OAC 1301:6-3-15.](#))

Ohio Legislative Update

Protecting Seniors from Financial Exploitation

The division continues tracking Ohio SB 158, legislation introduced May 2017 in the Ohio Senate to “combat elder fraud and exploitation.” The legislation, which previously passed in the Senate, is currently pending before the House Aging and Long-Term Care Committee and is now known as [Sub. S.B. No. 158](#), as reported on June 7, 2018. A few key amendments incorporated into the substitute version of the bill include:

- Inclusion of SIFMA among the designated agencies and associations required to work together to develop best practices and provide education for preventing elder fraud and financial exploitation (ORC 173.95(A)).
- Allowance for a county department of job and family services to enter into agreements or contracts with a private entity to fulfill certain duties under ORC 5101.63 and 5101.65 (ORC 5101.652).
- Addition of the following agencies and organizations to be represented on the Ohio Elder Abuse Commission (ORC 5101.74):
 - State Medical Board
 - Community Bankers Association of Ohio
 - An organization representing the interests of senior centers
 - An organization representing the policy interests of seniors
 - A research-based academia conducting elder-based research
 - The Director of Commerce or their designee

Additional coverage of Ohio SB 158 is available in prior versions of the Ohio Securities Bulletin ([Issue 2017:3](#) and [Issue 2018:1](#)).

The division’s Licensing and Examination Section (L & E) provides timely and important information covering a wide-range of topics from “A to Z” that affects licensees.

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Elder Abuse and Financial Exploitation –

Ohio's New Mandated Reporters Effective Sept. 29, 2018

Ohio's new requirements for mandatory reporters, as codified in the Ohio adult protective services statutes, include investment advisers licensed with the division. Licensing section members recently attended a special event hosted by the Ohio Attorney General's Elder Abuse Commission and the Ohio Department of Job and Family Services titled "Be Part of the Solution: Addressing Elder Abuse and Exploitation" on June 25, 2018. The event covered topics including:

- Ohio Adult Protective Services (APS)'s updated responsibilities regarding mandated reporters
- Educational materials for spotting elder abuse and financial exploitation
- A physician's perspective on elder abuse and the role of the medical community, and
- An overview of the many agencies and public servants working to protect seniors around the state, from probate judges to health care fraud investigators.

Educational materials prepared by the Ohio Department of Job and Family Services will soon be available online and in print for the division's new mandated reporters. Once this information becomes available, the division will distribute copies through mass email alerts and mailings. In addition, the division is exploring opportunities available from Ohio's APS regional offices to offer in-person or web-based training to our licensees regarding the new mandatory reporting requirements.

Spotlight on Anne Followell



Anne Followell was recently honored with NASAA's 2018 Distinguished Service Award in recognition for her outstanding service and contributions to

investor protection in Ohio and throughout North America.

Anne has served a total of eight years on the CRD/IARD Forms and Process Committee, four of which she chaired. She also was a member of the CRD/IARD Steering Committee for four years, highlighted by her efforts to drive revisions to the Form U4 – the Uniform Application for Securities Industry Registration or Transfer Form.

In presenting Anne with her award, NASAA President Joe Borg said "NASAA is fortunate to have people such as yourself who volunteer their expertise to train regulators throughout the membership, and are willing to make personal sacrifices for the cause of state securities regulation."

Licensing Statistics - Fiscal Year 2018

	FY2016	FY2017	FY2018
Securities Dealers	2,053	2,024	1,987
Securities Salespersons	178,586	181,460	186,752
Investment Advisers - State Registered	814	837	865
Investment Advisers - Notice Filers	1,822	1,889	1,967
Investment Adviser Representatives	18,421	19,073	19,490
Bureau of Worker's Compensation Chief Investment Officer	1	1	1
State Retirement System Investment Officers	96	101	97
TOTALS	201,793	205,385	211,159

Enforcement Section

Administrative Hearings

Craig Alan Sutherland, CRD 2001873

Division Notice Order No. 17-018
Aug. 7-10, 2018 (cont.)

Jeffrey Allan Mohlman, CRD 4431845 (inactive)

Division Notice Order No. 17-024
On June 28, 2018, an administrative hearing was held. The case is pending a hearing officer's report and recommendation prior to the issuance of a final order.

Katrina Farmer a/k/a Katrina Seiter; A Voice 4 U, LLC

Division Notice Order No. 17-037
July 9-10, 2018 (cont.)

Administrative Appeals

TAP Management, Inc. et al.

Case No. 17 CV 006942
Appeal from Division Final Order No. 17-022
Filed Aug. 2, 2017

Administrative Orders

Division Order No. 18-014

Stevan P. Nenadov
CRD No. 4912342 (inactive)
Laguna Beach, California
Providential Asset Management Corporation
Wadsworth, Ohio

On April 30, 2018, the division issued a Cease and Desist Order with Consent Agreement against Stevan P. Nenadov and Providential Asset Management Corporation based on findings that they sold unregistered securities issued by Component Sourcing Group, Inc., a California corporation, through fraud and material misrepresentations. The Order included findings that Nenadov and Providential sold securities to at least eight Ohio residents, four of whom were elderly, for an aggregate amount of \$360,000 and failed to inform several investors that their investment would be used to pay prior investors.

The division's Enforcement Section is a criminal justice agency authorized to investigate and report on all complaints and alleged violations of the Ohio Securities Act and related rules. The Enforcement Section attorneys represent the division in prosecutions and other matters arising from such complaints and alleged violations.

Janice Hitzeman

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Harvey McCleskey

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Division Order No. 18-015

Michael Patrick Spolar
CRD No. 2192992 (inactive)
Lyndhurst, Ohio

On May 3, 2018, the division issued a Termination of Division Order No. 18-009, a Notice of Intent to Deny the Application for Salesperson License and Investment Adviser Representative License for Michael Patrick Spolar. As of April 19, 2018, Spolar withdrew his application for licensure.

Division Order No. 18-016

Jason Paul Nye
CRD No. 2394082 (inactive)
Centerville, Ohio

On May 8, 2018, the division issued a Cease and Desist Order with Consent Agreement against Jason Paul Nye based on findings that Nye borrowed \$40,000 from an elderly client in violation of the policies of his employing firm, ONESCO, and in violation of the Ohio Administrative Rule prohibiting such conduct. The Order included findings that Nye hid the loan from his firm and provided false information during firm audits.

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Division Order No. 18-017

USI-TECH Limited
Dubai, UAE

On May 18, 2018, the division issued a Notice of Opportunity for Hearing and Notice of Intent to Issue a Cease and Desist Order against USI-TECH, Limited, a Dubai-based company, which maintains a website at www.usitech-int.com. The Notice Order alleges that USI engages in the sale of bitcoin packages for investment through their website, which publishes statements such as “Our automated trading system provides access to the most liquid market in the world with excellent profits for anyone,” and “When you join USI-TECH, you’ll gain our entire team’s highly skilled expertise and decades of experience. Through our unique, highly complex algorithms the risk is effectively minimized, while the chances of profits are maximized.” The website also offers referral commissions of 35 percent over 12 levels for every new investor referred. The Notice Order alleges an Ohio resident invested \$22,000 in bitcoins with USI-TECH. North Carolina and Texas issued previous cease and desist orders against USI-TECH, Limited.

Division Order No. 18-018

Gary L. Rathbun
CRD No. 1084721
Douglas S. Miller
CRD No. 1946240
Toledo, Ohio

On June 13, 2018, the division issued a Final Order to Revoke the Ohio Investment Adviser Representative licenses of Gary L. Rathbun and Douglas S. Miller after a multi-day administrative hearing that began on Aug. 14, 2017. In approving the report and recommendation for revocation issued by the hearing officer, the division found that the Respondents had agreed to a permanent bar for their securities salespersons licenses with FINRA through a Letter of Acceptance, Waiver and Consent based, in part, on findings that Respondents had engaged in private securities transactions without prior firm approval. The FINRA AWC included findings that Respondents engaged in other misconduct in violation of FINRA rules, including findings that they concealed millions of dollars’ worth of undisclosed off-book private securities transactions from their dealer for years, all while taking in both advisory and monitoring fees on the same set of assets.

Division Order No. 18-019

Craig Alan Sutherland
CRD No. 2001873
Columbus, Ohio

On June 14, 2018, the division issued a Notice of Opportunity for Hearing and Notice of Intent to Suspend or Revoke the Ohio Investment Adviser Representative and Ohio Securities Salesperson License of Craig Alan Sutherland. This is the second Notice Order issued by the division against Sutherland based on new activity and newly discovered evidence since the first Notice Order was issued in Division Order No. 17-018. The second Notice Order alleges that Sutherland is not of good business repute, in part, based on three new customer complaints, a recently filed FINRA AWC imposing a 10-day suspension and other violations of the Ohio Administrative Code and the Ohio Securities Act. The Notice Order further alleges that Sutherland sent false, exaggerated and misleading statements to clients via his personal e-mail account, that he failed to update his U-4 filings to disclose the pending Division Notice Order, and that he failed to inform a FINRA expungement panel that a complaint and settlement for which he was seeking expungement was the subject, in part, of the pending Notice Order issued by the division. An administrative hearing is scheduled to begin Aug. 7, 2018.

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Division Order No. 18-020

Greymountain Management, Ltd.
Glenridge Capital
Dublin, Ireland

On June 14, 2018, the division issued a Notice of Opportunity for Hearing and Notice of Intent to Issue Cease and Desist Order naming Greymountain Management, Ltd. and Glenridge Capital based, in part, on allegations they were acting as securities dealers without proper licensure. The Notice Order further alleges that the Respondents engaged in material misrepresentations and fraud in the sale of securities through their websites and through communications with and cold-calls to an elderly Ohio investor, who invested over \$85,000 through withdrawals from his credit and debit cards.

Division Order No. 18-021

Garry N. Savage, Sr.
CRD No. 1195330
Advanced Strategies Agency, Inc.
CRD No. 121343
Huron, Ohio

On June 29, 2018, the division issued an Amended Notice Order against Garry N. Savage and his firm, Advanced Strategies Agency, Inc., which amended a previous notice order issued under Division Order No. 18-011 based on newly obtained information. The Amended Notice order alleges Savage and his firm failed to properly disclose multiple civil judgements and an administrative enforcement order issued by the Ohio Department of Insurance. The Notice Order further alleges Savage and his firm are not of good business repute based on several violations and a recently filed FINRA AWC which resulted in a five-month suspension from association with any FINRA registered firm, a three-month suspension from association with any FINRA registered firm in a principal capacity (to be served consecutively with the five-month suspension) and a \$30,000 fine.

Criminal Trials and Hearings

State v. Lovell Jones

Case No. 16 CR 004770/16 CR 004772
Franklin County Court of Common Pleas
Date: Aug. 15, 2018 (trial)

State v. Jeffrey B. Hall

Case Nos. 17 CR 004124/18 CR 001232
Franklin County Court of Common Pleas
Date: July 23, 2018 (cont. trial)

State v. Ronald Lee Jennings

Case No. CR 2017 12 1975
Butler County Court of Common Pleas
On May 17, 2018, a *capias* warrant was issued when Jennings failed to appear for trial.

State v. Wayne C. Moore, Jr. and Jarrich K. Fowlkes

Case No. 18 CR 000989
Franklin County Court of Common Pleas
Date: Aug. 1, 2018 (trial)

State v. John Case

Case No. 18 CR 000991
Franklin County Court of Common Pleas
Date: TBD (warrant outstanding)

State v. Kimm Hannan

Case No. 2018CR0520 Stark County Court of Common Pleas
Date: Aug. 16 Pre-Trial

For further information on these cases, visit:

http://com.ohio.gov/documents/secu_Bulletin2018FirstQuarter.pdf

http://com.ohio.gov/documents/secu_Bulletin2017FourthQuarter.pdf

http://com.ohio.gov/documents/secu_Bulletin2017ThirdQuarter.pdf

http://com.ohio.gov/documents/secu_Bulletin2017SecondQuarter.pdf

http://com.ohio.gov/documents/secu_Bulletin2017FirstQuarter.pdf

http://com.ohio.gov/documents/secu_Bulletin2016ThirdQuarter.pdf

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Criminal Cases and Appeals

State v. Jeffrey W. Johnson

Case No. 17 CR 020

Holmes County Court of Common Pleas

On May 17, 2018, Jeffrey W. Johnson entered a plea of guilty to two counts of theft, both felonies of the fourth degree. A sentencing hearing is scheduled for Aug. 9, 2018.

State v. Michael David Mathew

Case No. CT2017-0051

Fifth District Court of Appeals

On Aug. 3, 2017, counsel for Michael Mathew filed a Notice of Appeal from his criminal case filed in Case No. CR2016-0415 in Muskingum County, Ohio. Oral arguments took place on June 28. An overview of the case can be found at: http://com.ohio.gov/documents/secu_Bulletin2017ThirdQuarter.pdf