

# ohio securities bulletin

State of Ohio  
John J. Gilligan, Governor

Department of Commerce  
Dennis Shaul, Director

Division of Securities  
William L. Case III, Commissioner

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## COMMENTS OF THE COMMISSIONER

1. *Administrative Changes:* A number of executive-level administrative changes involving four of the six operating Sections of the Division have been completed during the months of January and February in a continuation of the administrative reconstruction program initiated during the summer of last year and reported in the August, September, and October issues of the **Bulletin**.

Jack D. Jester was appointed Supervisor of the Foreign Real Estate Section to complete the restaffing of that Section with all new personnel. Mr. Jester is a graduate of the Ohio State University (B.A., Bus. Admin., 1968), the Ohio State University College of Law (J.D., 1971) and the University of Missouri Law School (LL.M., 1972). He has had experience in the practice of law relating to the field of real estate, in real estate development and consulting activities and in public administration (as Special Counsel to the City of Kansas City in connection with zoning and urban development matters). It will be his rather challenging responsibility to lead the Division's efforts to redirect the course of development and marketing activities of foreign real estate companies operating in Ohio.

Four new assistant-supervisors have been appointed. Richard S. Garson is the new Assistant-Supervisor of the Foreign Real Estate Section. He has been handling complaints and property inspections in that Section for the past six months. James Warneka is the new Assistant-Supervisor of the Broker-Dealer Section following four years with that Section as a financial examiner. It will be his responsibility to take charge of the Division's new program of intensified regulation of intrastate broker-dealers during 1974 and the implementation of new Division Regulations now being prepared for that Section. Richard Burdick is the new Assistant-Supervisor of the Consumer Finance Section and Paul Casper is the new Assistant-Supervisor of the Credit Union

Section following two years and one year as financial examiners in their respective Sections.

The retirement of certain other Division personnel (primarily from various field-examiner positions) has made possible a further redirection of the financial resources of the Division to areas of more critical need. Three new attorneys will be hired to conduct enforcement and policy development activities in the Enforcement Section and on the Commissioner's staff. The Division is still interviewing applicants for these three positions from among many practicing attorneys and third year law students. Several excellent prospects have indicated an interest in joining the Division and appointments will be made hopefully before the end of April.

All of these administrative changes augur well for the future of the Division. The promotion of many capable and aggressive new people to positions of responsibility is serving to reinforce the positive and constructive attitude toward regulation which is essential to the progress of this agency's administrative program.

2. *Senate Bill 338 Becomes Dead Issue for 1974:* Following the series of discussions regarding S.B. 338 with representatives of the Ohio State Bar Association reported in the December, 1973, issue of the **Bulletin**, a further attempt was made by the Division to resolve the dispute concerning the regulation of small offerings. In a letter to Senator Cook dated January 31, 1974, I proposed further modifications to the provisions governing registration by notification designed to facilitate compliance with the Division's regulatory requirements by placing limitations upon the level of complexity which might be involved in obtaining approval for an offering.

Specifically, the Division's proposal contained the following elements: 1) the addition to Section .12(A)(6) of the requirement that rules governing fairness which are to be

made applicable to offerings registered pursuant to Section .08(A)(3) must be set forth on the application forms provided by the Commissioner (with the expectation that only the most relevant rules would be made applicable to these offerings and that they would be set forth concisely on the forms); 2) the addition to Section .08(C) of a requirement that a signed representation be made by a representative of the applicant that to the best of his knowledge the terms of the offering comply with the rules set forth on the form except as specifically indicated otherwise (to allow a determination of compliance without the necessity of filing all of the documentation required for a full registration by qualification); 3) a modification of Sections .08(D) and (E) to increase the period after which a registration by notification becomes automatically effective from 5 to 10 full business days following the filing of a registration statement or an amendment (to provide adequate time for an analysis of the documentation which is filed); 4) a modification of Section .11(L) to enable the Commissioner to require an offering circular in connection with offerings limited to 25 or fewer persons if in an amount exceeding \$100,000 (to assure more adequate disclosure where financial practicalities allow).

We considered this to be a constructive approach to the problem since it was compatible with both the jurisdictional requirements of the Division and its continued willingness to incorporate into the Bill disciplinary mechanisms designed to assure efficient and responsive operations and since it would serve to alleviate some of the concerns expressed by members of the Bar and legislature regarding the oppressive impact upon small businesses of an overabundance of administrative red tape.

In my letter of January 31, I requested that Senator Cook not proceed with further consideration of S.B. 338 until after a satisfactory resolution of the differences dividing the Division and the Bar Association had been achieved. Representatives of the Association have since that time indicated that the Division's most recent proposal does not represent a position that they are prepared to support. Since this issue is considered to be rather fundamental by both the Division and the Bar Association and since no other alternatives have appeared which might lead to a speedy resolution of the issue, I have asked Senator Cook to table the Bill for the remainder of the current session.

The Division is greatly appreciative of the assistance which it has received in the preparation of this legislation from the Securities Advisory Board, the Securities Subcommittee and the Corporation Law Committee of the Ohio State Bar Association, and from Senator Cook and the other members of the Senate Commerce and Labor Committee. We presently intend to reintroduce this proposal, with modifications resulting from our discussions with various parties during the past twelve months, into the 111th General Assembly next year. Hopefully by that time we will have been able to persuade those from whom we expect to be seeking support that the features of the proposed new law which we consider essential are in the best interest of the citizens of Ohio.

*3. Progress Achieved on Foreign Real Estate and Intrastate Broker-Dealer Regulation Projects:* This issue of the **Bulletin** contains a third installment of the summary of proposed regulations governing the registration and sale of foreign real estate in Ohio. This summary is designed to serve two purposes: 1) to set forth in rough form for the benefit of the Bar and industry the current thinking of the Division with respect to principles of both fairness and disclosure as they are generally being applied to applications for registration of foreign real estate in connection with current substantive determinations required by statute to be made by the Division on a file-by-file basis; and 2) to construct a general framework for the development during the course of this year of more refined regulatory standards which will ultimately when completed be implemented in the form of Foreign Real Estate Regulations. It is expected that this summary will be completed by a fourth installment in the next issue of the **Bulletin**.

Applications for registration of foreign real estate are currently being examined in light of problems of fairness and disclosure of the kind highlighted by the published summary. When those problems exist and where no other solutions are being applied by the developer to remedy them, the specific remedial requirements contained in the published summary are being considered by the Division as conditions of registration. Since many of the abusive practices historically associated with this industry are not being eliminated by many developers and replaced by disciplinary mechanisms designed to assure public protection, a result of the Division's current implementation of a more responsive attitude toward determinations of fairness and of the adequacy of disclosure is that many pending land registrations are not likely to be approved without a considerable reform and restructuring of the applicants' development and marketing practices. The same can be said for the registration of additional lots within previously registered developments, the reregistration of developments with price increases, and the approval of advertising for currently registered developments. Each of these administrative actions by the Division requires a new substantive determination of fairness and of the adequacy of disclosure which will be made in accordance with the Division's current conception of these principles as indicated by the published summary.

On Wednesday, March 20, a two day meeting with a number of representatives of the foreign real estate industry and of the Bar, including representatives of the National Land Council and the American Land Development Association, was convened by the Division in Columbus to discuss the Division's proposed new regulatory standards. The objective of this meeting was to thoroughly analyze the nature and extent of the abuses which each section of the Division's summary is designed to combat and to evaluate the feasibility of applying the suggested remedial measures to curb these abuses so that a substantial refinement of the proposed regulatory standards can be achieved as soon as possible. This first meeting was very productive and the industry representatives who were present indicated their intention to take a constructive approach toward dealing with the Division's determination to bring about long overdue reforms. Additional meetings with various persons are being scheduled to discuss specific matters in greater detail and

this policy development process will be substantially benefited by input which the industry is able to make through a meaningful two-way dialogue. Corrective measures which are being considered by the Division will not, however, be eliminated or watered down merely because the industry protests that they are incompatible with widespread current practices. In addition to the concern about specific abuses, there are some very basic questions which need to be answered regarding the economic soundness of this industry and its ability to profitably deliver to the public a useful product at a price which is reasonable in terms of values created without the use of sales methods which create artificial demand. The regulations which result from this project will have a considerable impact upon the industry's future role in Ohio, since it is our intention to apply the proposed regulations, when promulgated, to developments previously registered by the Division as well as to new applications, to the extent that to do so is consistent with the requirements of administrative law and due process.

Progress is also being made on the project to improve the regulation of intrastate broker-dealers. A new information system is being prepared which will consolidate all relevant information regarding each broker-dealer (including information gained from license applications, financial statements, field examinations, complaints, and special investigations) into a single control file to be maintained by the Assistant-Supervisor of the Section, who is now in charge of the direction of all informational and compliance functions involving intrastate broker-dealers.

A recent breakdown of the Division's inventory of currently licensed broker-dealers as of January 1, 1974, discloses the following information (in approximate figures): of the 925 broker-dealers licensed with the Division, there are 550 which are interstate dealers regulated by the S.E.C. pursuant to the Securities Exchange Act of 1934. 80 of these are based in Ohio. 270 of the remaining 470 are general dealers (65 with offices in Ohio) and the other 200 are operating under restricted licenses (mutual funds, company stock plans, mergers, oil and gas offerings, real estate programs, etc.). 160 of the 375 licensees who are not federally regulated are foreign real estate dealers including 85 licensed developers located outside Ohio and 75 independent Ohio brokers, the majority of whom are also domestic real estate brokers licensed by the Ohio Real Estate Commission. Of 215 licensed intrastate securities broker-dealers, 50 are general dealers and the remaining 165 hold licenses restricted to the sale of real estate limited partnerships (35), miscellaneous other real estate-oriented securities (25), oil and gas securities (45), specific issuer offerings (40), and other miscellaneous restrictions (20). It is this group of 215 broker-dealers, that are not federally regulated, and in particular the 50 general broker-dealers, who will be the object of the Division's intensified compliance and enforcement efforts this year. Many of these dealers are subject to the rules of the S.E.C. pursuant to Section 15 of the Securities Exchange Act of 1934 and are not in compliance. The Division intends to coordinate its enforcement activities with the S.E.C. to bring these dealers into compliance with the law.

A recent review of the records of all intrastate broker-dealers has disclosed that large numbers of these licensees have failed to comply with requirements contained in the existing regulations (1) that certified financial statements be submitted to the Division annually and (2) that net capital be maintained at a minimum level of \$10,000. Notices are currently being sent to all broker-dealers who the Division believes to be not currently in compliance with these two requirements and the licenses of those who fail to bring themselves into compliance within the period of time allowed will be suspended.

Work has begun on the preparation of a comprehensive set of new regulations governing the activities of all Ohio broker-dealers. Many provisions from the S.E.C., N.A.S.D., and California rules will be incorporated into these regulations. Enforcement will be keyed to the substantive as well as financial requirements of these regulations and the result will be a considerable strengthening of the Division's regulation of broker-dealers. The greatest impact of these regulatory changes will be felt by the intrastate broker-dealers who have heretofore been virtually unregulated. The Division intends to receive some input in the development of new regulations from the recently formed Ohio Association of Intrastate Broker-Dealers as well as from other industry groups. We hope to have these regulations ready for promulgation before the end of the year.

**4. Changes in Bulletin Schedule:** You will note that this issue of the **Bulletin** is designated Volume II, No. 1 rather than the January, 1974 issue. Because a number of delays, mechanical and otherwise, have resulted in a backlog of approximately sixty to ninety days in our intended publication schedule and because similar delays are likely to occur in the future, we have decided to remove our ties to a regular monthly publication schedule and publish the **Bulletin** on a more flexible basis during the remainder of this year. We expect that this change will result in the publication of six to eight issues of the **Bulletin** per year, or approximately one every six to eight weeks. We hope through this change to maintain the quality of content of this publication and to avoid being forced to release any issue because of time requirements when the material available for inclusion does not warrant our doing so. For similar reasons, the publication of a comprehensive description of the Division program for 1974, originally intended for this issue of the **Bulletin**, will be rescheduled for issue No. 3, to be released probably in June or July of this year. The publication schedule of the **Bulletin** will closely parallel the rate of progress of our policy development effort which will, in turn, be related to the level of human resources which can be applied to that particular function during the course of the year.

William L. Case, III

**POLICY DEVELOPMENTS****Foreign Real Estate (cont.)**

I. *Disclosure.* (continued) Included within the Ohio offering circular shall be a list of all costs and expenses which the purchaser of the property will be required to pay including amounts necessary for the completion of utilities and other improvements to service a residential structure on the property.

The offering circular shall contain a summary of all past and pending complaints, litigation, and criminal proceedings involving the developer or broker-dealer.

A brief summary of the risk factors involved in the offering shall be prominently displayed on the cover page of the offering circular. This summary must be read verbatim to every prospective purchaser and after being so read, the purchaser must then acknowledge both the reading and concomitant explanation of the so-called risk factors and specifically acknowledge and assume those risks therein enumerated by signing a statement to that effect.

The offering circular shall indicate that the developer will provide to all interested persons upon request current information regarding lots previously sold which have been listed with the developer for resale. Such information shall include the names and addresses of prospective sellers, and the location and offering price of the properties being offered by those persons through this secondary marketing mechanism.

II. *Unfair and Deceptive Practices.* (continued) It shall also be considered to be an unfair and deceptive practice to effect the sale of a lot with the expectation that the purchaser will later discover the particular lot to be unsuitable, and as a result, be induced to purchase another lot in the same development with a resulting increase in the purchase price or other material change or alteration in the purchaser's interest or position. This is the practice commonly known as the "bait and switch" technique. Any exchange of lots for the convenience of the developer or as a result of the developer not having performed on his commitments to make improvements will give rise to an additional rescission period of thirty days during which the purchaser may rescind either the original or subsequent contract or both. The burden of proof shall be on the developer to show that it had properly attempted to ascertain the needs of the purchaser and his intended schedule for the use of his property.

III. *Contract Restrictions.* (continued) Also, certain clauses and provisions properly the subject of, or includable in such contracts of sale or purchase, shall be considered to be so basic to any determination as to the "fairness" of an individual transaction and thus the offering of which it is a part, that in their absence, the said offering will be deemed to be, absent other mitigating evidence or circumstance, on grossly unfair terms. An example of such provisions which must be specifically included in the contract to vitiate the presumption above referred to is one providing that any such contract signed by Ohio residents, either entered into, executed or originally solicited within the state shall be

governed and controlled by the law of the State of Ohio as to any problem or question of construction of any of the terms or conditions of the said contract, the resolution of any ambiguity, or in the event of any dispute or litigation arising thereunder. Also, any attempted obviation of the applicability of the "standard warranties" of covenants of title, quiet enjoyment, seizin, etc. shall in no way be permitted, and the same must be included both in the contract and ultimately the instrument of transfer. In addition, if the developer attempts to reserve an absolute and unqualified right to effect certain material changes in the property rights or interests acquired by a purchaser, such as the often employed guise of "Deed Restrictions", or other similar device, e.g., "The Developer hereby expressly reserves the right in its absolute discretion at any time to annul, waive, change or modify any of the restrictions, conditions, covenants, agreements and provisions contained in these Deed Restrictions . . .," then the Division will require the inclusion in the instrument of transfer, a specific reverter clause wherein, upon the occurrence of certain specific conditions subsequent, such as a modification as above indicated, the land would revert, at the option of the purchaser, to the transferor.

In any event, the installment contract must not in any way unduly prejudice the rights or interest of purchasers. The occurrence or existence of any of the following enumerated items or other similar situations shall constitute prima facie evidence of the existence of such "undue prejudice";

(i) the existence of prior liens or blanket encumbrances and/or the actual or attempted subrogation of the purchaser's interest thereto;

(ii) the retention of mineral rights by the developer or by any other party;

(iii) the utilization of an acceleration clause in the contract which would cause the entire balance to become immediately due and payable upon a default by the purchaser;

(iv) the forfeiture of payments already made by the purchaser in excess of 40% of the purchase price of the property upon default; and

(v) the actual or attempted waiver of any obligations of performance or alteration or modification thereof by the developer or the attempted obviation of any and all claims or defenses against the said developer with respect to the original purchaser or his assignee, whether by an overt action taken in that regard by the developer or upon or as a result of the assignment or transfer of the contract, note, or other obligation to a third party.

The developer shall also be required to pay all taxes upon and assessments levied against the property during the effective life of an installment contract and prior to the actual passing of title. In addition, it is felt that in such an installment contract situation, where title has not yet become vested in the purchaser, and under which he is obligated to pay and/or incurs certain interest charges or liability, and where the developer has promised or is obligated to provide specific improvements on or to the subject prem-

ises, then, to the extent the said improvements are not currently in existence or available, the purchaser's obligation or liability with respect to such interest shall be either abated or reduced until the improvements so promised have reached some substantial state of fruition.

**IV. Minimum Investment and Suitability.** (continued) In addition to consideration of net worth and annual gross income, a determination of the suitability of a particular property for a prospective purchaser must be based on other factors such as the purchaser's intended use of the property, his plans for constructing a residence, his schedule for completion of the structure, the existence of other real estate holdings of a similar nature by the same person, his financial needs and investment objectives, and a general evaluation of a prospective purchaser's motivation for the purchase of the property.

Developers must pay particular attention to the financial requirement of elderly persons whose financial situation and needs for primary housing may differ significantly from other segments of the population and upon whom a major financial obligation may have a substantial adverse impact.

**V. Advertising.** (continued) The foregoing provisions regarding the approval procedure and content of advertising shall apply equally to movies and slide presentations which are to be used in connection with the marketing process.

The Division shall prescribe a format which shall be used for printed advertising and additional specific requirements governing the inclusion of legends, the disclosure of basic information about the development, and the use of photographs and sketches. No pictures or other representations of property other than that being developed under the particular registration shall be used in such advertising. The developer shall be prohibited from using advertising that suggests improvements or facilities which are not included in the list of improvements to which the developer is contractually committed.

Upon submission of any advertising material, the Division shall request and require that such be accompanied by and/or contain a certification signed and acknowledged by an executive officer of the registrant, and sworn to before a person authorized by law to administer oaths, to the effect that a) all photographs or pictures utilized or depicted have either been taken on or are of scenes on site; b) if not on site, the said photographs, pictures or materials must be appropriately identified and captioned as to location, subject matter, and actual distance from the subject site, or c) if artist's or architect's renderings are used and the facility or improvement depicted or represented is not actually in existence in the form in which it is depicted, then the said renderings or representations must be appropriately captioned as to the actual status, or condition and date of completion. No such depletions or renderings will be permitted of any amenities not scheduled for completion by a specific date, or which the developer is not absolutely and unequivocally required to provide within a certain time. Xerox copies of such photography, pictures or renderings, or copies similar thereto are not acceptable. Finally, as a procedural matter, each piece of advertising submitted for

review, must be submitted in duplicate, must be accompanied by a nominal filing and advertising registration fee, such as twenty dollars (\$20) per piece, and must indicate this effective Ohio Registration number to which said advertising pertains. Upon receipt whereof the Division will assign a reference number to each item so submitted, and which should be used in any and all future references or inquiries regarding the submission. An acknowledgement of receipt of advertising will be sent upon compliance with submission policies of the Division. Upon review and examination of submitted advertising by our advertising staff, the Division will issue a Notice of Advertising Approval or a Notice of Rejection of Advertising. The Notice of Advertising Approval will contain an Ohio Advertising Number, designated by the prefix OAD, which has been assigned to the specific piece of advertising granted Approval, and which must appear on each printed or disseminated item. An Approval will be granted for a period of one year from date of said notice, or until expiration of the effective Ohio Registration to which said advertising pertains, whichever is first, and that said advertising may be published or disseminated within the State of Ohio for the period of Approval. Upon expiration of this Approval, said advertising must be resubmitted for approval de nova and new OAD number, if the applicable registration is still effective.

**VII. Selling and Marketing Methods.** (continued) The developer must assume responsibility for claims or misrepresentations made by dealers and salesmen who are selling its property. The developer must, in the exercise of this obligation, institute a compliance program which is directed by an officer or employee of the developer who does not depend on direct sales commissions for any portion of his income and who shall be responsible for auditing the performance of dealers and salesmen. The compliance program shall include instruction of dealers and salesmen in the following areas: company policy regarding selling techniques, specific commitments to be made by the developer, responsibilities and liabilities under applicable statutes and regulations of the federal and state governments, requirements of disclosure and rights of rescission and specific performance to which purchasers may be entitled.

Traditional marketing methods which have increasingly become the object of great abuse, including but not limited to dinner parties, meetings, gatherings, contests, awards of so-called free or low cost gifts or vacations and sightseeing tours, or any other gift, good or service, event or activity will be closely scrutinized and controlled, if at all permitted. In any event or situation, involving any of the hereinabove referred marketing methods or techniques and prior thereto, or contemporaneous therewith, such as in the initial invitation, correspondence, or communications, there must be a statement appearing, occurring, or in some satisfactory manner indicating clearly and conspicuously that the purpose, intent or import of the event or activity is, as a prerequisite to qualification for such gift, trip or other inducement, that the individual must also consent or be subjected to a land sales presentation. There should also be additional safeguards where, prior to the execution of the contract of sale, a so-called "free trip" or "vacation" is offered or proposed, and which in reality merely is or could serve as an additional high pressure sales opportunity.

Such precautions or safeguards may, depending on the operative facts of each situation, necessitate additional disclosure in absolute and unequivocal terms of the primary import of the "trip", i.e., to sell land, the imposition of an additional unqualified rescission period extending at least fourteen (14) days beyond the consumers return, or in some cases an absolute ban on such inspection trips or vacations, prior to the execution of the purchase agreement.

**VIII. Financial Responsibility** (continued - formerly entitled **Escrow Performance Bond**) In addition to providing assurance of the completion of improvements, the escrow and performance bond requirements shall be utilized to establish the financial responsibility of the developer and its capacity to meet contingent obligations arising through the exercise of rescission rights by purchasers. Financial responsibility shall be demonstrated by the escrow of a reserve fund in an amount to be determined as follows:

- (i) 100% of the purchase price of all contracts for which there are existing unqualified rescission rights, as prescribed by the contract (i.e., not less than 210 days following the contract date), plus
- (ii) 60% of the purchase price of all other contracts for which the promised improvements have not been completed, plus
- (iii) 10% of the purchase price of the remaining contracts which are still in effect, i.e., title to the property has not passed.

The above escrow requirement may be waived by the Division upon a showing by the developer of sufficient net worth to assure the continuing capacity to meet all future contract obligations.

The developer shall demonstrate the financial feasibility of the entire development by means of a financial plan including a cash flow projection and analysis. The impact upon such plans of performance bonds, escrow arrangements, net worth and other factors shall be considered critical to a determination of feasibility.

**IX. Prices; Price Increases.** (continued) The request for a price increase will be treated as a change or alteration in the substance of the registration and as such will necessitate a new registration application and fairness review. While much of the original registration material can be incorporated by reference, the developer must be able to justify the need for a price increase by furnishing additional information regarding changes in circumstances. In connection with such registration, the Division will review the basic fairness of all the basic characteristics of the offering.

In reviewing such price increase requests the Division will, in addition to other indicia and criteria, employ basically a cash flow-type of analysis with some emphasis, where applicability to considerations such as internal rate of return, which, when applied to future cash flows either approximates or equates the discounted value of those flows to their initial cost of the property and improvements.

The initial offering price of lots may not exceed 125% of the average price of lots of the same development in the resale market, as determined by those lots listed with the developer, pursuant to the provisions of Section XI.

**X. Development Pattern.** (new section, former Section X, Miscellaneous, is now Section XV) As a condition of registration, the Division will examine the feasibility of an orderly pattern of growth for the proposed development.

A feasibility study, certified by an independent land planner and/or an environmental impact statement sufficient to comply with applicable federal statutes and standards, dealing with factors generally associated with the introduction of a dense population into a previously undeveloped area, must be submitted to the Division. This study must include an opinion as to the growth potential of the area by reason of the likelihood of introduction of new industry or commercial activities into the area or the development's proximity to a metropolitan area, an established recreational area, another residential community of a similar nature or some other significant feature.

Offerings will generally be considered totally infeasible where there is no likelihood that the property can be converted into productive use in the near future without an inordinate expenditure of funds and no reasonable appearance of growth potential for the area.

The developer must be able to demonstrate the availability to purchasers at reasonable rates of construction services and construction and permanent financing for residential buildings.

Applications proposing to register additional lots in a development subject to a previous registration will not be approved unless the Division is satisfied that significant progress is being made in the materialization of the development in terms of sales of the lots registered and construction starts on the lots previously sold. Such registrations will not be approved unless the number of lots sold less the number of lots listed with the developer for resale exceeds 75% of the total lots included in the original registration.

In addition, no such registration will be approved unless there has been established a pattern of orderly development in terms of the number and location of residential construction starts. For properties which are Immediately Available or those that are Developmental (to be improved within 3 years) construction must be shown to have commenced on a proportion of the total number of lots originally registered equal to at least 10% per year elapsed after an initial 3 year period following registration.

The Division will not approve requests for registration of additional lots when there exists a substantial resale market. When more than 75% of the lots previously sold are listed with the developer for resale, a substantial market will be deemed to exist.

The development plan must include some mechanism which will enable a purchaser who is prepared to build a residence to trade his lot for another in a more fully developed area of the project.

The Division will require the developer to establish a resident's association to supervise the maintenance of essential services normally provided to homeowners by a municipality or other government organization. This requirement is designed to assure that at some future point a logical transition will take place to self-government by the residents of the development.

**XI. Resales; Market Stability.** (new section). The Division will be establishing a means for creating a stable secondary market in registered properties by requiring the developer to act as a broker and/or dealer in such properties.

The developer will be required to assist in the resale process by exercising a "clearing house" function and by informing purchasers of its properties and the public of the availability of this service. Existing property owners shall be entitled to list their lots with the developer for resale. The availability of this list of resale properties upon request shall be disclosed in the offering circular. The developer shall be entitled to a reasonable commission in return for this service, payable upon sale of the property.

In addition, the developer shall be required to make a standing offer for a limited period of time (e.g., 5 years after the contract date) to repurchase the property at a price substantially below the original contract price of the property (e.g., 60% of the contract price).

Such market-making activities will tend to eliminate a certain amount of the risk assumed by a property owner who may decide at some later date to sell his property.

In this way the purchaser will not be completely locked in with no possible recourse in unloading the property.

**XII. Licensing.** (new section) The licensing of both dealers and salesmen for transactions in foreign real estate will be administered by the Division through the Foreign Real Estate Section. That Section will be responsible for making determinations regarding the qualifications of all applicants. The Division will, in this manner, be able to coordinate its authorization and enforcement activities in the areas of both marketing and registration.

The Division will review the qualifications of both dealers and salesmen in terms of an applicant's knowledge of the types of development he is licensed to sell, his knowledge of applicable statutes, rules, regulations, etc., and his financial responsibility. Dealers and salesmen will be required to gain a first-hand knowledge of the specific properties which they are licensed to sell by actually visiting the site. They shall be required to maintain their primary vocational experience in the field of real estate.

**XIII. Remedies.** (new section) The foregoing provisions of these guidelines are designed to prohibit what the Division considers to be misleading, deceptive or "grossly unfair"

features and practices related to the registration and sale of foreign real estate. The Division will exercise its statutory power to deny or suspend registrations and to deny, revoke, or suspend licenses of dealers and salesmen upon findings that such offerings or persons are operating in a manner which violates the requirements of these Guidelines. In addition, the Division will use its powers to enforce compliance by developers and dealers with contractual obligations assumed by such persons including completion of improvements and rescission requirements and with general standards of ethical business practice. While these proposals have not specifically included any discussion of statutory sanctions or liability, suffice it to say the Division will specifically incorporate any of the hereinbefore mentioned standards or requirements as a part of and precondition of continued effectiveness of any and all Division Orders, and to the extent the same may be violated or ignored, the appropriate civil and criminal remedies and liabilities will be available and invoked.

**XIV. Applicability.** These guidelines shall be applied in the course of determinations made by the Division in the following circumstances:

- (i) The review of applications for registration of new developments;
- (ii) The review of applications for registration of additional lots in developments currently registered;
- (iii) The annual requalifications of previously registered developments;
- (iv) The disposition of requests for price increases;
- (v) The review of effective registration in light of material changes in circumstances or on the basis of new information gained from quarterly reports;
- (vi) The examination of advertising.

These guidelines shall be used as general policy in all sales, leases, and other disposition of foreign real estate, including transactions involving condominium units. However, the Division will treat transactions in more highly developed properties, having existing residential units, as involving less risk to the public.

**XV. Miscellaneous.** (continued) In order to adequately demonstrate progress being made in the construction of improvements the developer must submit as an exhibit to the Quarterly Statistical Report a schematic representation of the status and location of improvements, certified by an independent architect or engineer.

Jack D. Jester

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## THE SECTIONS

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### ENFORCEMENT SECTION

#### Enforcement Actions

During the months of January and February eight individuals were denied licenses pursuant to 1707.19. Two Broker/Dealer licenses were revoked as well as two salesmen's licenses. Other administrative actions were the suspension of two broker/dealer licenses.

#### National Finance Company Welfare Finance Corporation

On February 5th, the State of Ohio made application to dismiss and transfer these two companies from Chapter XI to Chapter X proceedings. This action was taken in the United States District Court of the Southern District of Ohio, Western Division.

Basically the application was requested for the following reasons:

1. The interposition of a disinterested trustee to protect the public interest of the 18,000 Ohio certificate holders with an investment in excess of \$67,000,000.
2. To allow the disinterested trustee to have the powers and authority provided under Chapter X necessary to investigate and resolve inherent deficiencies in the present Chapter XI proceedings.
3. The needs of the Ohio certificate holders can only be served under Chapter X since much of the business of the subsidiaries are in foreign jurisdictions and are beyond the jurisdiction of the Bankruptcy Court in Chapter XI. A trustee needs the authority afforded him by the Chapter X provisions to best protect the creditors.

On February 5, 1974, the State of Ohio filed a motion to dismiss for mootness and want of prosecution in the Court of Appeals in Appellate District Hamilton County, Ohio. This motion is in response to an action filed by Welfare and National appealing the Hamilton Court of Common Pleas decision November 2nd which dismissed and dissolved actions filed by the applicants regarding administrative action taken by the Division.

Veronica Dever

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### BROKER/DEALER SECTION

#### "New Developments"

James Warneka has been appointed Assistant Supervisor of the Broker/Dealer Section with direct responsibility for all intrastate broker/dealers, including all foreign real estate broker/dealers and their salesmen. Gordon Stott will retain

responsibility for all interstate broker/dealers and their salesmen. This delineation of responsibility is in keeping with the Commissioner's statement in the December **Bulletin** towards accelerated enforcement activity to be directed at the approximately 250 general, intrastate broker/dealers who are not regulated by the S.E.C. or the N.A.S.D. Broker/Dealer financial examinations and investigations will be concentrated almost entirely on these licensees.

In connection with the regulation of intrastate broker/dealers and the regulation of all licensed broker/dealers, the Division has undertaken a rule-writing project for a complete revision of its existing DS Regulations concerning the licensed broker/dealers in Ohio. Further articles in this **Bulletin** will discuss the proposed revisions of the existing regulations and the new areas of regulation which the Division will be entering into this year.

All licensed broker/dealers, particularly the member firms, are reminded of Division Regulations regarding salesmen transfers and renewals. The Division intends, in the near future, to send a reminder letter to all licensed broker/dealers about this subject and their relationship and responsibility to their salesmen. All licenses expire December 31 and renewals are to be received in the Division offices no later than December 15. Due to the computerization of Division files and the influence of the Treasurer's office, the Division suggests that these renewals be sent no later than December 1.

It has been the Division's policy that dealings with salesmen are to be limited in content and at all times it is to be deemed appropriate that salesmen are to contact the Division only through their licensed broker/dealer. Salesmen changing jobs should have their new employer fill out a new application and have their present employer file a notice of termination to effect notice to the Division. Salesmen should note that Division Regulations DS-12 through DS-17 contain the details in effecting such a transfer.

Gordon A. Stott

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### CONSUMER FINANCE SECTION

#### Clarification of Mortgage Act Rules as applied to certain Operational Procedures

Section 1321.55(A), Ohio Revised Code, pertaining to the Second Mortgage Act states in part: "Such records shall be segregated from records pertaining to transactions which are not subject to said sections of the Revised Code."

Our examinations of branches which operate under the Second Mortgage Act and also the Small Loan Act and/or the Retail Installment Sales Act disclose various and inconsistent interpretations of records. We believe clarification is necessary to better standardize certain procedures which should result in better service to the borrowers, provide more efficient operational control and expedite the examination process.



Necessary records are specified in the rules which the Division has promulgated for the Second Mortgage Act and I will refer to the particular rules where the inconsistencies have occurred:

## RULE 2

### a. *Loan Register*

Provided the specific information is disclosed as required, the same register used for small loans may be used for second mortgage loans provided the loan numbers are coded by a prefix or suffix identifying the mortgage loan from the small loan.

### b. *Individual Accounts with Borrowers*

Ledger cards representing a small loan, second mortgage loan or retail sales account can be filed in the same container and filings system provided they are segregated by color coding as well as account numbers. Color coding would consist of a uniform color for accounts acquired under each act and could be accomplished by color tabbies or cards. An example would be: white small loan cards (tabbies), blue mortgage loan cards (tabbies), and yellow retail cards (tabbies). If the branch uses uniform color cards for each type of loan, the cards should then be completely separated by type of loan.

### c. *File of all Original Papers*

If a borrower has more than one type of loan, the legal papers pertaining to each loan may be filed in one pouch under the borrower's name provided all papers referring to each type of loan with the borrower are separately and securely fastened.

### d. *Index of Borrowers, Endorsers, Comakers, etc.*

One index card should be used and filed alphabetically for each borrower in one container. The type of loan would be indicated by the prefix or suffix code on the account number(s) recorded on the index card.

We would further request that all registrants review the requirements in Rule 3. We have reason to believe the notices of transfer are not always being given to the Division.

The National Association of Consumer Credit Administrators has developed a code of Ethics which reflects closely our Division policies. I should like to submit this code for the benefit of those who have not already seen it.

1. "To enforce the spirit as well as the letter of the law without favoritism or prejudice to anyone.
2. "To cooperate with other law enforcement agencies in our jurisdictions.
3. "To work with the various consumer finance trade associations in their efforts to better serve the consumer credit public.

4. "To assist each other in the exchange of information concerning laws and the enforcement of same.
5. "To accept no favors which would, in any manner, prejudice our decisions and policies.
6. "To conduct ourselves, at all times, in a manner befitting that of our offices.
7. "To be fair and just in all decisions and dealings with those we supervise.
8. "To support no legislation which is not in the best interest of the consumer credit public."

Robert P. Fickell

## CREDIT UNION SECTION

### "Review of 1973 Examinations"

Reflecting on the achievements of this section during 1973 a summation of results could be termed "attention getting."

Examination of 696 credit unions produced the following evaluations: 32 rated excellent; 512 rated as satisfactory; 124 rated unsatisfactory; and, 28 judged to be unsound. It is significant to note that only 4% were judged unsound. The basis for the rating is a combination of individual examiner judgment and financial analysis. Unsatisfactory reports are generally given when the operation of the credit union appears to be one of disorganization with less than clear-cut procedures and less than acceptable daily operating standards. An unsound rating is given where it appears that a credit union is unable to provide sufficient reserves to cover potential losses on its loans, where a credit union is unable to pay its expenses or where conditions are such as to present real jeopardy to members' share deposits.

The normal operations of 37 credit unions were suspended as a result of our examinations. Of these, 20 were subsequently permitted to resume normal operations after preparing for our review plans of corrective action which were directed to the allegations in the Division Suspension Order and provided what appeared to be viable controls to prevent reoccurrence of those conditions which led to the original suspension.

Nine credit unions were unable to offer viable plans to continue operations on their own. However, they were successful in negotiating mergers with other operating credit unions. These mergers were effected at par in most cases and appeared to be mutually beneficial to members of the merging credit unions as well as the surviving credit unions.

Four credit unions have been found to be so deficient in the operation that even merger was out of the question. These were ordered into liquidation and are currently in process of restoration of records and in various stages of conversion of their assets to cash prior to effecting pay-out.

The remaining credit unions under suspension are in process of restoration and preparation of plans of corrective action for our review either via the formal hearing process or via review of their written plans where hearings have been waived.

It appears the coming year will have more in store for credit unions and this section. The status of the economy, closer regulatory activity, declining profits, increasing expense, unemployment — all these separately or together present overwhelming hurdles for credit unions to overcome.

Rules of the Division for governing credit unions became effective February 1, 1974. We anticipate strict enforcement under these rules will lead to more administrative actions against unsound operation in the coming year.

John Gouch

## OTHER DEVELOPMENTS

On Monday, December 31, Ken Royalty terminated his relationship with the Division as full-time Special Counsel in charge of legislation and regulatory standards after one year's service in that capacity and as a member of the Division staff. Ken's contributions to the rebuilding program of the Division during the past year have been immeasurable. Without his assistance it would not have been possible to produce new published standards of very high quality covering a broad range of the Division's regulatory activities. We all very much appreciate the work that Ken has done toward helping us to achieve the basic objectives of our administrative program.

On Friday, February 15, Joseph P. Bellino left the Division to take a management position with the Mead Corporation in Dayton. As the chief expert on financial analysis in the Registration Section during 1973, Joe contributed an added dimension to the Division's ability to evaluate the effects of intricate corporate structural arrangements of various issuer applicants. His presence on our staff demonstrated the importance of maintaining this kind of capability, and the Division will seek to attract as a replacement an individual with a strong educational background in financial management. We all wish Joe continued success in his management career.

On Saturday, March 2, Robert L. DeLambo was married to Rebecca Smith in Ashland, Ohio. Both Bob and Becky will remain with the Division and we are extremely fortunate to have two such genuine, capable, and dedicated people as friends and members of our agency.

William L. Case III

## ADMINISTRATIVE ACTIONS

### Summary of Credit Union Section Administrative Actions for December, 1973; January, February, and March, 1974

#### Suspensions of Normal Activities

Akron Model Cities Credit Union	12-11-73
Cut-Rite Credit Union	1- 4-74
Bowling Green State University Employees	1-21-74

#### Vacations of Suspensions

Calvary Baptist Credit Union	12- 5-73
Lorain County Employees Credit Union	12-19-73
B-C Cleveland Employees Credit Union	12-18-73
Anchor Fasteners Credit Union	1- 4-74
Cut-Rite Employees, Sandusky, Ohio	3-11-74
Bowling Green State University Employees, Bowling Green, Ohio	3-11-74

#### Mergers Approved

Ohio Color Photography merged with Ohio Central	1- 2-74
Cleveland Westinghouse Employees merged with White Motor	1- 3-74
Canton Packers merged with T&C Canton	1- 7-74
Stark Credit Union merged with T&C Canton	1-14-74
Gentel Southern with Gentel Marion	1-18-74
Richland County Employees merged with Mansfield Municipal Employees	2- 1-74

#### Other Action

Retail Clerks 1059 Credit Union. Charter Cancelled — Inactive	12- 1-73
Orders Amended to Extend Suspension:	
Title Workers	1-16-74
Perry Rubber	1-28-74
Charter Issued:	
United Church Credit Union, Leetonia, Ohio	3- 8-74

### Summary of Enforcement Activity for December, 1973; January, February, and March of 1974

#### Broker/Dealer Suspensions

Ohio Tourist Center	2-25-74
Key Properties, Inc.	3-28-74
G.A.C. (Arizona)	3-29-74
G.A.C. (Ohio)	3-29-74
Select Realty, Inc.	3-28-74

#### Broker/Dealer License Revocations

Abbott & Associates	2- 1-74
J. E. Hinton & Co.	2- 1-74
William O'Callahan	2- 1-74

Salesman License Revocations		6-A-2	71
		6-A-3	33
Robert Ashworth	2- 1-74	6-A-3 OG	3
William O'Connor	2- 1-74	6-A-4	5

## Broker/Dealer License Denials

February, 1974

Jim Gardner & Associates	1-14-74	2-B	17
E. J. Plott	3-14-74	3-0	439

## Salesman License Denials

		5-A	0
		6-A-1	75
		6-A-1 with offering circular	1
		6-A-2	71
Joseph Kovar	1-22-74	6-A-3	17
Mary Nicholas	1- 9-74	6-A-3 OG	0
Emil Elias	2-14-74	6-A-4	4
Jack L. Bruno	2- 7-74		
Thomas V. Hellrung	2-19-74		
Dalton Bixler	3- 5-74		

March, 1974

		2-B	24
		3-0	495
		5-A	1
		6-A-1	116
		6-A-1 with offering circular	2
		6-A-2	80
		6-A-3	29
		6-A-3 OG	2
		6-A-4	3

## Hearings

First Universal Realty (1707.23)	1-24-74
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## Indictments Sought and Returned

21st Century Foods (Franklin Co.)	3-22-74
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## Injunctions (Court Actions)

December, 1973

Welfare Finance, Inc. — Motion to intervene in Bankruptcy Court	12-17-73
Welfare Finance, Inc. — Motion for 328 Removal	2- 6-74
Exciting Life, Inc. — Preliminary Injunction	3-25-74
Cathedral of Tomorrow, Inc. — T.R.O.	3-29-74

Applications  
Received

Orders

Interstate Corporate	19	15
Stock Option & Purchase Plan	4	5
Intrastate Corporate	1	1
Investment Companies	11	12
R.E.I.T.	3	3
Real Estate Ltd. Partnerships	31	17
Oil & Gas Offerings	19	19
Cattle Funds	2	4
Other Non-Corporate	5	7
Form 39	30	0

Note: 9 Requests for Cursory Review  
21 Withdrawals

January, 1974

Interstate Corporate	32	23
Stock Option & Purchase Plan	3	4
Intrastate Corporate	3	6
Investment Companies	11	40
R.E.I.T.	2	2
Real Estate Ltd. Partnerships	13	23
Oil & Gas Offerings	16	22
Cattle Funds	2	4
Other Non-Corporate	5	10

## STATISTICS

December, 1973

Registration	Certificates
2-B	27
3-0	324
5-A	0
6-A-1	110
6-A-1 with offering circular	0
6-A-2	55
6-A-3	29
6-A-3 OG	6
6-A-4	4

January, 1974

2-B	15
3-0	532
5-A	2
6-A-1	96
6-A-1 with offering circular	1

Form 39 15 9

Note: 5 Requests for Cursory Review  
19 Withdrawals

February, 1974

Interstate Corporate 19 0  
Stock Option & Purchase Plan 2 0

Intrastate Corporate 1 1

Investment Companies 16 0  
R.E.I.T. 2 0  
Real Estate Ltd. Partnerships 16 0  
Oil & Gas Offerings 13 0  
Cattle Funds 1 0  
Other Non Corporate 3 1

Form 39 12 0

Note: 5 Requests for Cursory Review  
14 Withdrawals

March, 1974

Interstate Corporate 30 21  
Stock Option & Purchase Plan 2 10

Intrastate Corporate 3 6

Investment Companies 44 30  
R.E.I.T. 1 1  
Real Estate Ltd. Partnerships 16 17  
Oil & Gas Offerings 16 11  
Cattle Funds 1 3  
Other Non-Corporate 4 12

Form 39 22 4

Note: 4 Requests for Cursory Review  
19 Withdrawals

**Securities Broker/Dealer (Form 15) Received in December, 1973; January, February, and March, 1974**

Mid-Ohio Securities Corporation 12- 3-73  
Edward D. Jones & Co. 12- 4-73  
Michael S. Cook 12- 4-73  
Thomas A. Grogan 12- 4-73  
Production Measurements Corporation 12- 3-73  
LTV Wilson II Corporation 12- 5-73  
Robert E. Manley 12- 6-73  
Chill Can Industries, Inc. 12- 6-73  
Gulf Island Investment Co. 12- 7-73  
Tom Mattox & Company, Realtors 12-10-73  
Will Ross, Inc. 12-10-73

United Aircraft Corporation 12-10-73  
CECO, Inc. 12-11-73  
The Otterbein Home 12-14-73  
A. E. Masten & Co., Inc. 12-18-73  
Apple Lake Village, Inc. 12-18-73  
Capital Investors Company 12-20-73  
Day-Vest, Inc. 12-24-73  
Anderson Jacobson, Inc. 12-24-73  
Ritter Financial Corporation 12-27-73  
Underwood, Neuhaus & Co., Inc. 12-31-73  
Centennial Corporation 12-31-73  
Gulf Resources & Chemical Corp. 1- 4-74  
Ohio Underwriting Group, Inc. 1- 7-74  
OFSC Securities, Inc. 1- 8-74  
Ohio Realty Securities Corporation 1-10-74  
Vollin E. Ensor - Withdrawn 2/6/74 1-14-74  
REPCO Securities, Inc. 1-14-74  
Union Pacific Corporation 1-21-74  
Ambassador Church Finance/Development Group, Inc. 1-23-74  
West Terrace, Inc., an Ohio Corp. 1-25-74  
Worthington Investments, Inc. 1-28-74  
USLIFE Corporation, New York Corp. 1-28-74  
Continental Diversified Corp.-Withdrawn 2/6/74 1-29-74  
Burger Chef Systems, Inc. 1-30-74  
Marietta Petroleum, Inc. 2- 1-74  
Pedco Computer Services, Inc. 2- 1-74  
Crescent Finance Co., Inc. 2- 1-74  
All American Life & Financial Corp. 2- 1-74  
Intrastate Investment, Inc. 2- 4-74  
Greater Ohio Corporation 2- 5-74  
The River Niger Associates 2- 8-74  
Diversified Finding, Inc. 2- 8-74  
Steven M. Kahn 2- 8-74  
Chief Petroleum, Inc. 2-11-74  
Trans-National Investment Co. 2-14-74  
Cyrus J. Lawrence, Inc. 2-15-74  
Johnson Ranch Investment Co. 2-19-74  
Eden Securities, Inc. 2-21-74  
William O'Neil & Co., Inc. 2-26-74  
Michigan National Corp. 3- 1-74  
Kings Lafayette Corporation 3- 4-74  
Republic New York Corporation 3- 4-74  
Seattle-First National Bank 3- 4-74  
Pittsburgh Brewing Company 3- 4-74  
Seabreeze Company Limited 3- 5-74  
A. B. Dick Company 3- 6-74  
Chelsea Industries, Inc. 3- 7-74  
American Fidelity Investments 3- 7-74  
Hamilton F. Biggar, III 3-11-74  
Credithrift Financial, Inc. 3-11-74  
Boothe Computer Corporation 3-11-74  
IDS Marketing Corporation 3-20-74  
American Express Investment Management Co. 3-22-74  
The Hancock Group, Inc. 3-22-74  
First Bancshares of Florida, Inc. 3-22-74  
James V. Lekan 3-25-74  
Lustre Corporation 3-25-74  
Johnson Plastic Corporation 3-25-74  
Energy Securities Corporation 3-28-74  
Warner-Lambert Company 3-28-74  
St. Regis Paper Company 3-29-74

### Foreign Real Estate Broker/Dealer Applications (Form 331-A) Received in December, 1973; January, February, and March of 1974

505 Inc.	12-13-73
American Design & Development Corp.	1-14-74
Irwin J. Weinberg	1-14-74
PlanCom Limited	1-14-74
Highlands Park, Inc.	1-17-74
Treasure Lake of Pennsylvania, Inc.	2-25-74
Gene R. Brockmeyer and Co.	3- 4-74
Russell T. Adrine	3- 4-74
Hal Partenheimer, Inc.	3-15-74
Jim Thomas, Inc.	3-15-74
Amelia Island Company	3-18-74
Land Consultants, Inc.	3-28-74

### January, 1974

Small Loan Licenses	3	5	0
Second Mortgage Licenses	0	2	0
Premium Finance Licenses	0	0	0
Pawnbroker Licenses	0	6	0

Compliance Examinations Made - 330  
Financial Examinations Made - 9

### February, 1974

Small Loan Licenses	5	5	0
Second Mortgage Licenses	5	0	0
Premium Finance Licenses	1	0	0
Pawnbroker Licenses	0	0	0

Compliance Examinations Made - 296  
Financial Examinations Made - 4

### March, 1974

Small Loan Licenses	5	10	0
Second Mortgage Licenses	2	2	0
Premium Finance Licenses	1	0	0
Pawnbroker Licenses	0	0	0

Compliance Examinations Made - 314  
Financial Examinations Made - 4

### Salesman Applications Received in December, 1973; January, February, and March of 1974

Form 16 - Securities	231
Form 331-B - Foreign Real Estate	48

Total Salesmen for December 279

Form 16 - Securities	290
Form 331-B - Foreign Real Estate	93

Total Salesmen for January 383

Form 16 - Securities	193
Form 331-B - Foreign Real Estate	73

Total Salesmen for February 266

Form 16 - Securities	223
Form 331-B - Foreign Real Estate	67

Total Salesmen for March 290

### Summary of Consumer Finance Activity for December, 1973. January, February, and March of 1974

#### December, 1973

	Issued	Cancelled	Suspended
Small Loan Licenses	2	2	0
Second Mortgage Licenses	11	0	0
Premium Finance Licenses	1	0	0
Pawnbroker Licenses	1	1	0

Compliance Examinations Made - 283  
Financial Examinations Made - 7

### Hearings Held Pursuant to Section 1321.04

#### December

Capital Financial Services, Inc.  
Broadway Shopping Center  
90 Southwest Boulevard  
Grove City, Ohio  
December 3, 1973 10:30 a.m.

Capital Savings and Loan Company  
Broadway Shopping Center  
90 Southwest Boulevard  
Grove City, Ohio  
December 3, 1973 11:30 a.m.

Capital Savings and Loan Company  
50 N. Fifth Street  
Zanesville, Ohio  
December 17, 1973 10:30 a.m.

#### January

Dial Finance Co. of Toledo No. 1  
Store "C", 135 South Byrne Road  
Byrnegate Plaza Shopping Center  
Toledo, Ohio  
January 4, 1974 10:30 a.m.

March

Household Consumer Discount Company  
55 Ghent Road  
Fairlawn, Ohio  
March 4, 1974 10:30 a.m.

Midland-Guardian Company  
Tower East Building Suite 280  
24500 Chargin Boulevard  
Shaker Heights, Ohio  
March 14, 1974 10:30 a.m.

#### Status of Division Personnel for 1974

Commissioner — William L. Case, III  
Deputy Commissioner — Bernard G. Boiston  
Chief Counsel — Alan P. Baden  
Counsel for Policy Development — Nelson G. Genshaft  
Attorney-Inspector — Veronica M. Dever

#### Supervisors:

Registration Section — Robert J. DeLambo  
Broker-Dealer Section — Gordon A. Stott  
Foreign Real Estate Section — Jack D. Jester  
Credit Union Section — John Gouch  
Consumer Finance Section — Robert P. Fickell  
Enforcement Section — Veronica M. Dever  
Administration Section — Nicholas J. Caraccilo

#### EDITOR'S NOTE:

Because of its experience over the last year with the myriad of problems in publishing the **Bulletin**, there will be a change in the publication schedule.

Issues identified as May, 1973 through December, 1973 will constitute Volume I, Issues 1 through 8. All further issues will be identified by volume and issue number.

All subscribers whose subscriptions run for one year from the May, 1973 issue will be entitled to Issues 1 through 4 of Volume II. All new subscribers who do not elect to begin their subscriptions with the May, 1973 issue will receive a complete Volume for \$25. For example, a subscriber who does not pay for nor request back issues will automatically receive back issues in the current volume as well as future issues in that volume.

This overlap procedure for subscribers to Volume I is to fulfill a contractual promise of "one year of the **Bulletin**."

Alan P. Baden

#### REFERENCE INDEX

##### KEY

(References here are to specific sections of the **Bulletin**.)

CC — Comments of the Commissioner

PD — Policy Development

IO — Interpretive Opinions

IR — Illustrative Rulings

SP — Statement of Policy

WPG — Written Policy Guidelines

RS — Registration Section

CUS — Credit Union Section

CFS — Consumer Finance Section

FRES — Foreign Real Estate Section

ES — Enforcement Section

BDS — Broker-Dealer Section

S. B. 338 — Senate Bill 338 (New Ohio Securities Act)

#### ADMINISTRATION SECTION

##### I. Administration and Procedure

Introduction (May, P. 1)

The Division's Program for 1973 (May CC, P. 2)

"Plan of Administrative Reorganization" (May CC, P. 3)

- (A) Reallocation of Administrative Resources
- (B) Reordering of Regulatory Priorities
  - (1) Development and Publication of Regulatory Standards
  - (2) Conformity with A.P.A.
  - (3) Significant Innovations
    - (a) Registration Section — Cursory Review
    - (b) Enforcement Section — Framework for Decision-Making
    - (c) Foreign Real Estate Section — Primary Responsibilities of Developers and Development of Regulatory Standards
    - (d) Credit Union Section — Significant New Policies concerning Unsafe and Unsound Practices — New Credit Union Rules
    - (e) Consumer Finance Section — New Format for Offering Circulars — Annual Reregistrations

"Important Weeks Ahead" (June CC, P. 1)

- A. Integrity of the Division — Realty National Investigation (June CC, P. 1)
  - 1. Security Measures (June CC, P. 1)
  - 2. Ultimate Solution (June CC, P. 2)
- D. Three Important Cases (June CC, P. 3)
  - Tcherepnin v. Franz*
- F. Division's Administrative Plan — Broker-Dealer Section
- H. Institutionalization of the Division Program (June CC, P. 4)

"Organization and Operation of the Registration Process" (June SP 1973-3, P. 8)

IV. Internal Appeals

"Line & Staff Organization" (July CC, P. 2)

"Resources" (July CC, P. 2)

"Possible Spinoff of Non-Securities Sections" (July CC, P. 3)

"Phase II: Consolidation" (Aug. CC, P. 1)

"Oral Approvals Discontinued" (Aug. PD, P. 3)

"Proposed Rescission of Certain Administrative Rulings" (Aug. PD, P. 3)

"Budgetary Constraints" (Sept. CC, P. 1)

"Inspection of Division Records" (Sept. ES, P. 10)

"Recent Lawsuits Directed Against State Administrators" (Oct. CC, P. 1)

"Preview of Division Program for 1974" (Dec. CC, P. 4)

## II. Policy Development

"Policy Development and Implementation" (May SP 1973-1, P. 8)

"Classification, Development and Application of Regulatory Standards"

"Important Weeks Ahead" (June CC, P. 1)

G. Regulatory Standards (June CC, P. 4)

"Fairness Hearings" (June PD, P. 4)

"Regulatory Philosophy" (July CC, P. 1)

"Alternatives for Regulatory Standards" (July CC, P. 4)

"Request for Comments - Written Policy Guidelines - 1973-2" (Sept. PD, P. 3)

"Rules Project for 1974" (Nov. CC, P. 2)

## III. Sections

"Interim Registration Procedures" (May SP 1973-2, P. 10)

"Important Weeks Ahead" (June CC, P. 1)

D. Three Important Cases (June CC, P. 3)

1. *State v Abdulla* (June CC, P. 3)

2. *Van Raalte v Ohio Department of Commerce* (June CC, P. 3)

E. Foreign Real Estate Section — Special Regulatory Efforts Needed (June CC, P. 3)

"Foreign Real Estate Licensing" (July CC, P. 3)

"New Approaches to Land Sales Regulation" (July CC, P. 8)

"Refusal of Licenses Under Section 1707.19" (July IO, P. 8)

"Revision of the Field Examination Process" (Aug. CC, P. 2)

"Redirection of Audit Function" (Sept. CC, P. 2)

"Public Hearing on New Credit Union Rules" (Nov. CC, P. 1)

"Cleanup Project Underway for Foreign Real Estate Registrations" (Dec. CC, P. 5)

"New Concerns About the Sale of Real Estate Securities" (Dec. CC, P. 6)

## IV. Senate Bill 338

"Important Weeks Ahead" (June CC, P. 1)

C. Role of New Securities Act (June CC, P. 2)

"Difficulties Facing New Securities Act" (July CC, P. 4)

"Progress on New Securities Act" (Sept. CC, P. 1)

"Securities Bill Faces Uncertain Future" (Dec. CC, P. 1)



**V. Miscellaneous**

"Securities Investigation" (May CC, P. 6)

"Important Weeks Ahead" (June CC, P. 1)

B. Impact upon the Division Staff (June CC, P. 2)

"Securities Conference" (Sept. CC, P. 2)

"Key Personnel Changes in Two Sections" (Oct. CC, P. 2)

"Securities Conference Well Received" (Nov. CC, P. 1)

**BROKER/DEALER SECTION**

**I. Licensing**

"Interim Registration Procedures" (May SP, 1973-2, P. 10)

IV. Applications for Restricted Dealers Licenses (May SP, P. 12)

"Refusal of Licenses Under Section 1707.19" (July IO, P. 8)

"Expedited Procedure for Corporate Reorganizations" (July BDS, P. 25)

"Mergers and Consolidations" (Sept. PD, P. 2)

"Merger and Consolidation" (Sept. IO, P. 4)

"Mergers and Acquisitions" (Nov. BDS, P. 10)

"Test Requirements" (Nov. BDS, P. 10)

"General Information" (Nov. BDS, P. 11)

"New Concerns About the Sale of Real Estate Securities" (Dec. CC, P. 6)

**II. Financial Responsibility**

"Brokers Cautioned on Excess Subordination" (May BDS, P. 15)

"Net Capital, Liquidity, and Broker/Dealer Compliance" (July BDS, P. 26)

"Capital Standards" (Aug. BDS, P. 29)

**III. Regulation of Licensed Dealers**

"Churning" and "Suitability" (June BDS, P. 20)

"Enforcement with Respect to Licensees" (June ES, P. 21)

"Formal Procedure Relative to Suspension Orders" (Aug. ES, P. 27)

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