



180 East Broad Street  
Columbus, Ohio 43215

# ohio securities bulletin

JAMES A. RHODES  
Governor

J. GORDON PELTIER  
Director of Commerce

JAMES S. REECE  
Commissioner of Securities

December 31, 1975

## COMMENTS OF THE COMMISSIONER

All rules governing the administration of the Division of Securities, securities registrations, credit unions, small loans, pawnbrokers, second mortgage companies and insurance premium finance companies were readopted pursuant to the Administrative Procedures Act and became effective December 31, 1975.

A number of changes were made at the recommendation of the industries affected. These changes were incorporated in the filing with the Ohio Secretary of State and also became effective December 31, 1975.

The Division is in the process of printing the readopted rules which hopefully will be available for distribution to the public in the first part of February at a cost of \$3.00 for all of the rules governing the industries regulated by the Division of Securities, i.e., securities, small loan, credit unions, etc. The price for the set of rules governing securities registrations and the licensing of broker dealers and salesmen is \$2.00, while the price for a set of the remaining industries is \$1.00. Those persons desiring printed copies should request an order form from the Division.

James S. Reece  
Commissioner of Securities

## THE SECTIONS

### BROKER-DEALER

With the 1976 renewals all licensed Broker-Dealers will receive an order for a statement of financial condition as of December 31, 1975 due no later than March 31, 1976.

You will receive another order for a statement as of June 30, 1976. Either one or the other must be audited, depending on your fiscal year-end reporting.

Some points to remember in filing applications:

An application received without appropriate fees attached is not properly filed under Ohio Securities Law.

Proof of Publication is not valid without license application already on file.

Tests are administered only to those individuals that have applications properly filed. Releases to take our test at a NASD testing center will originate at this office. Results of testing will be valid only when received by us from the NASD. A test fee and application must be on file here before a release to take a test will be issued. An additional test fee must be received prior to taking test a second time.

A policy statement is contained in this issue of the Ohio Securities Bulletin referenced as 75-4-BD, which defines "salesman" and provides guidelines as to when a salesman's license is required.

Gordon A. Stott, Supervisor  
Broker-Dealer Section

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## CONSUMER FINANCE

### Conflict of State Laws with F.R.S. Equal Credit Opportunity Act

The Board of Governors of the Federal Reserve System implemented the Equal Credit Opportunity Act, P.L. 93-495, with thirteen sections of regulations designated as Regulation B, Section 202.1 to 202.13. Regulation B has created conflicts with the lending laws in most of the states and we find that Reg. B, Section 202.8 is in conflict with Sections 1321.13(E) and 1321.15 of the Ohio Small Loan Act as well as Section 1321.59 of the Ohio Mortgage Loan Act.

Historically, such conflicts have resulted in the Federal law pre-empting the State law. In this case the promulgation of Reg. B has raised several constitutional questions which are expected to be eventually resolved through the Federal Judiciary.

Under both the Ohio Small Loan Act and Mortgage Loan Act it would appear that, effective October 28, 1975, the Ohio acts are pre-empted to the extent that licensees and registrants would make a separate loan to either spouse, at a maximum rate, as though it were a single loan. Such a separate loan must originate from a voluntary request on the part of either spouse and the amount of the separate loan must not exceed the Ohio ceiling less the net principal owed on an existing joint loan, if any.

Reg. B, Section 202.7(c), permits the creditor to accept the signature of an applicant's spouse on such instruments as are necessary, or believed by the creditor to be necessary, to waive property rights, pass clear title or create a valid lien. A signature to waive property rights should have no effect on that spouse's own loan rate or ceiling.

Several inquiries have been received for a policy statement on Small Loan Rule COs-7-09(A)2 [Formerly COs-6-01(B) and Regulation 2] and Mortgage Loan Rule COs-9-55(A)2 [Formerly COs-9-02A-F]. Both rules formerly stated in part: "A ledger record shall be kept for each borrower . . . etc." Both rules were changed to read: "A ledger record shall be kept IN INK for each borrower . . . etc." The Division has attached statements of policy regarding "IN INK" to this issue of the Bulletin which are referenced as 75-5-CF-SL (Small Loan) and 75-6-CF-SM (Second Mortgage)

Robert P. Fickell, Supervisor  
Consumer Finance Section

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## CREDIT UNIONS

### Recent Enactments to Chapter 1733

A recent change in the Credit Union Act, R.C. §1733.05, effective October 29, 1975, allows for credit unions to take into their field of membership small groups that cannot support a credit union on their own.

In order for any credit union to engage in this enlargement of the membership field, it must first have its present membership vote on an amendment to its articles of incorporation, granting authority for enlargement of the membership field.

The amendment, if approved by the membership, is not valid until such time as the proper forms are filed with the Supervisor of Credit Unions, and then filed by the Supervisor with the Secretary of State.

It is imperative that any credit union which has obtained the foregoing forms read R.C. §1733.05(D)(2). This section instructs the credit union in what it must do in order to take small groups into the field of membership.

The credit union must request approval of the Supervisor in writing. Your request for approval should include the size of the group, the description of the group, the location of the group in regard to the credit union office, and whether or not payroll deduction is to be allowed.

The Division feels that expanding the field of membership is beneficial to the credit union and the group to be taken in; however, a credit union in quest of expansion should not overlook the fact that the potential of the present membership should not be ignored. You should consider if the expansion will be of real benefit to the credit union and whether you have the means and the program to handle the new members.

Legislative intent was not to raid existing fields of membership.

### Year End Financial Reports

The year end financial reports for credit unions (CU-2) are being sent out at this time. Be certain the original and one copy are returned to the Supervisor of Credit Unions no later than January 31, 1976. This report reflects the "after closing" of your books. We are sending four (4) copies. The original and a copy are returned to this office. The third is your work copy, and the fourth is used for filing your intangible tax in 1976.

All credit unions treasurers should be certain the figures are correct on the report, and the figures are legible. This report is required by law, R.C. §1733.32(C), and your cooperation is necessary. Should you have any questions regarding the report, or if you have not received your forms by December 31, 1975, contact this office immediately.

Included with the forms is a copy of the current Credit Union Law with all amendments to October 29, 1975. This is the new law and should be preserved by the credit union.

## ENFORCEMENT

### Action Taken by Division of Securities Under Ohio Take-Over Statute

State of Ohio vs. Imetal, a French Corporation, Copperweld Corporation, Copperweld Steel Company, and Ohio Steel Tube Company, Defendants. 75-CV-09-3868, Court of Common Pleas, Franklin County, Ohio.

On September 2, 1975, Imetal filed a Schedule 13-D with the Securities and Exchange Commission in Washington, D.C. containing an offer to purchase any and all outstanding shares of common stock of Copperweld Corporation, and any and all outstanding 5% convertible subordinated debentures of Copperweld Corporation.

On September 4, 1975, Imetal published their "Tombstone."

Although it was aware of the Ohio Take-Over Statute, R.C. §1707.041, Imetal failed to make a filing with the Division of Securities.

On September 12, 1975, the Division issued a cease and desist advisory and on September 17, 1975, the Division filed suit asking for a preliminary and permanent injunction in the Court of Common Pleas of Franklin County, Ohio, which on the same date, issued a temporary restraining order.

In order for the Ohio statute to apply it is necessary that the target company be a corporation organized under the laws of this State or having its principal place of business and substantial assets within this State. Copperweld Corporation is a Pennsylvania corporation which has two wholly owned subsidiaries in Ohio, namely Copperweld Steel Company, with a plant in Warren, Ohio, and Ohio Steel Tube Company, with a plant in Shelby, Ohio. Both Copperweld Steel Company and Ohio Steel Tube Company are organized under the laws of Ohio. The two Ohio corporations represent 66.4% of the total assets of Copperweld, 58.3% of its total income and 76.7% of its employees.

The case was tried before the Honorable Judge Paul W. Martin of the Common Pleas Court of Franklin County, Ohio. On November 8, 1975, general counsel for Copperweld informed the Division that Copperweld wished to resolve the Ohio issue and waived any right it would have to a hearing under §1707.041. The following entry was signed on November 12, 1975, "The Court finds that R. C. §1707.041 is a valid and constitutional statute of the State of Ohio and further finds that, for the purposes of this litigation, R. C. §1707.041 is applicable to the tender offer in question, and the temporary restraining order is hereby made permanent."

On the 19th day of September, 1975, Imetal submitted to the Division various materials as a part of discovery and subsequently during the week of November 10th, at the request of the Division, Imetal submitted various other documents which taken as a whole would constitute a fair, full and effective disclosure under §1707.041.

Imetal, having made the filing required by §1707.041 and Copperweld having waived its right to a hearing, the Division found that Imetal's filing constituted a fair, full and effective disclosure. Since more than twenty (20) days had expired since the filing was commenced, the Division dispensed with further hearing and vacated its cease and desist advisory issued September 12, 1975. Thereafter, upon application to court, the permanent restraining order was vacated and case dismissed subject to reopening by the Division if any material representations were not accurate.

James Maxwell, Jr.  
Attorney - Inspector

## ADMINISTRATIVE ACTIONS

### Summary of Enforcement Activity for October, November, and December, 1975

#### October, 1975

Inquiries Received	65
Complaints Received	8
Complaints Closed	12
Broker-Dealer Suspensions	0
Salesman Suspensions	0
Salesman License Revocations	0
Salesman License Refusals	0
Registration Suspensions	0
Hearings Held	0
Court Actions	1
Prosecutions Recommended	0
In-Depth Investigative Interviews	6
Subpoenas Issued	1
Matters Referred to Atty. General	2
Matters Referred to SEC	0

#### November, 1975

Inquiries Received	82
Complaints Received	7
Complaints Closed	14
Broker-Dealer Suspensions	2
Salesman Suspensions	0
Salesman License Revocations	0
Salesman License Refusals	0
Registration Suspensions	2
Hearings Held	1
Court Actions	1
Prosecutions Recommended	2
In-Depth Investigative Interviews	8
Subpoenas Issued	0
Matters Referred to Atty. General	0
Matters Referred to SEC	1

December, 1975

Inquiries Received	78
Complaints Received	6
Complaints Closed	5
Broker-Dealer Suspensions	0
Salesman Suspensions	0
Salesman License Revocations	0
Salesman License Refusals	0
Registration Suspensions	3
Hearings Held	3
Court Actions	0
Prosecutions Recommended	0
In-Depth Investigative Interviews	8
Subpoenas Issued	3
Matters Referred to Atty. General	0
Matters Referred to SEC	0

**Summary of Credit Union Activity for months of October, November, and December, 1975**

October, 1975

Suspensions	3
Hearings	1
Mergers	0
New Charters Granted	0

November, 1975

Suspensions	1
Hearings	1
Mergers	0
New Charters Granted	0

December, 1975

Suspensions	0
Hearings	4
Mergers	0
New Charters Granted	0

**Summary of Consumer Finance Activity for months of October, November, and December, 1975**

October, 1975

	<u>Issued</u>	<u>Cancelled</u>	<u>Suspended</u>
Small Loan Licenses	8	18	0
Second Mortgage Licenses	11	13	0
Premium Finance Licenses	0	0	0
Pawnbroker Licenses	0	1	0

Financial Examinations Made: 15  
Compliance Examinations Made: 178

November, 1975

	<u>Issued</u>	<u>Cancelled</u>	<u>Suspended</u>
Small Loan Licenses	9	4	0
Second Mortgage Licenses	25	4	0
Premium Finance Licenses	1	1	0
Pawnbroker Licenses	0	0	0

Financial Examinations Made: 19  
Compliance Examinations Made: 88

December, 1975

	<u>Issued</u>	<u>Cancelled</u>	<u>Suspended</u>
Small Loan Licenses	10	6	0
Second Mortgage Licenses	6	3	0
Premium Finance Licenses	0	0	0
Pawnbroker Licenses	1	1	0

Financial Examinations Made: 22  
Compliance Examinations Made: 81

**STATISTICS**

**REGISTRATIONS**  
October, 1975

<u>Registration</u>	<u>Certificates</u>
2(B)	46
3-O	552
5(A)	2
6(A)(1) & 6(A)(2)	202
6(A)(3)	25
6(A)(4)	12

**Form 9 Applications Received**      **Orders**

Interstate Corporate	36	38
<u>Stock Option &amp; Purchase Plan</u>	1	5
<u>Intrastate Corporate</u>	5	2
Investment Companies	28	29
R.E.I.T.	0	8
Real Estate Ltd. Partnerships	26	20
Cattle Funds	1	0
<u>Other Non-Corporate</u>	0	0
Oil & Gas Offerings	44	16
Form 39	18	16

November, 1975

<u>Registration</u>	<u>Certificates</u>
2(B)	27
3-O	448
5(A)	1
6(A)(1) & 6(A)(2)	178
6(A)(3)	23
6(A)(4)	5

	<u>Form 9 Applications Received</u>	<u>Orders</u>
Interstate Corporate	22	28
Stock Option & Purchase Plan	1	1
Intrastate Corporate	0	0
Investment Companies	27	24
R.E.I.T.	0	1
Real Estate Ltd. Partnerships	27	15
Cattle Funds	0	0
Other Non-Corporate	0	2
Oil & Gas Offerings	16	15
Form 39	15	13

December, 1975

<u>Registration</u>	<u>Certificates</u>
2(B)	42
3-O	412
5(A)	1
6(A)(1) & 6(A)(2)	190
6(A)(3)	45
6(A)(4)	6

	<u>Form 9 Applications Received</u>	<u>Orders</u>
Interstate Corporate	14	19
Stock Option & Purchase Plan	3	1
Intrastate Corporate	0	1
Investment Companies	22	27
R.E.I.T.	0	2
Real Estate Ltd. Partnerships	13	13
Cattle Funds	1	2
Other Non-Corporate	0	0
Oil & Gas Offerings	20	8
Form 39	14	11
Form 04	1	0
Form 041	2	0

License Applications Received in October, November, and  
December, 1975

<u>Broker-Dealer Section October, 1975</u>	
Securities Broker-Dealer (Form 15)	13
Foreign Real Estate Broker-Dealer (Form 331-A)	1
Securities Salesman (Form 16)	225
Foreign Real Estate Salesman (Form 331-B)	54

<u>November, 1975</u>	
Securities Broker-Dealer (Form 15)	8
Foreign Real Estate Broker-Dealer (Form 331-A)	3
Securities Salesman (Form 16)	252
Foreign Real Estate Salesman (Form 331-B)	26

<u>December, 1975</u>	
Securities Broker-Dealer (Form 15)	18
Foreign Real Estate Broker-Dealer (Form 331-A)	0
Securities Salesman (Form 16)	277
Foreign Real Estate Salesman (Form 331-B)	10



**SALESMAN DEFINED**

The General Partners of a partnership and the executive officers of a corporation or unincorporated association licensed as a broker-dealer are not salesmen within the meaning of this definition unless they engage in the solicitation or sale of securities.

This means we will accept Form 16, salesman application, from all officers selling securities. They will pay the appropriate test fee and license fee ordinarily paid for processing a Form 16 application.

It will be the responsibility of an applicant for a broker-dealer license to see that such officers dealing in the sale of securities, as defined in Section 1707.01(C)(1) of the Revised Code, be properly protected by licensing as well as all other employees employed as securities salesmen.

This statement is made to clarify a previous announcement which gave the erroneous impression that a Broker-Dealer was required to file a salesman application for everyone connected with the Broker-Dealer.

75-4-BD

POLICY STATEMENT

CONSUMER FINANCE  
(Section)



STATUTE OR RULE

RC §1321.09  
Rule CO-7-09(A)(2)  
12-31-75

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**ACCEPTABLE COMPLIANCE WITH "IN INK"**

Effective December 31, 1975, the Ohio Division of Securities will accept ledger records derived from ribbons and/or chemical carbons used in mechanical printing devices as complying with the words "in ink". Hand-written ledger records shall be entered and posted in ink from a pen.

75-5-CF-SL

POLICY STATEMENT

CONSUMER FINANCE

(Section)



STATUTE OR RULE

RC §1321.55

Rule CO-9-55(A)(2)

12-31-75

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**ACCEPTABLE COMPLIANCE WITH "IN INK"**

Effective December 31, 1975, the Ohio Division of Securities will accept ledger records derived from ribbons and/or chemical carbons used in mechanical printing devices as complying with the words "in ink". Hand-written ledger records shall be entered and posted in ink from a pen.

75-6-CF-SM