



OHIO SECURITIES BULLETIN

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88:4 December 1988

New Developments in SEC Regulation D (Rules 501—506)

by Howard M. Friedman¹

The SEC's Regulation D has been an important planning tool for lawyers in structuring exempt transactions under federal law and in coordinating such offerings with state blue sky law exemptions (such as Ohio Revised Code Secs. 1707.03(Q) and (W)). Also, certain offerings which are registered by description or qualification under Ohio law may be coordinated with SEC Rule 504 and be sold without federal registration, yet free of general advertising and of resale restrictions otherwise applicable under Regulation D.

Effective April 11, 1988, the SEC adopted several amendments to Regulation D which generally expanded its availability (53 FR 7866 (March 10, 1988)).

Rule 504

The dollar limit under Rule 504 has been increased so that the rule may now be used for offerings of up to \$1 million, so long as no more than \$500,000 of the offering price is attributable to offers and sales without registration under a state blue sky law.

Another amendment facilitates the use of Rule 504 in multistate metropolitan areas where the central jurisdiction has no registration process, but surrounding jurisdictions do (such as New York City and Washington, D.C.). In order to make offers and sales under Rule 504 without limits on the manner of offering and without resale limitations, instead of requiring that they be made only in states which mandate registration and delivery of an offering circular, now up to \$500,000 can be offered and sold in states without such provisions if (1) the securities have been registered in at least one state with such requirements; (2) offers and sales are made in the state of registration in accordance with its law; and (3) the offering circular used in that state is also delivered before sale to all purchasers in states which do not require registration and offering circular delivery.

Definitions and Procedures for Rules 505 and 506

The SEC's amendments have expanded the definition of "accredited investor" (Rule 501(a)). The accredited

investor concept is important under both Rule 505 and Rule 506 in determining permissible purchasers of securities. Traditionally "accredited investor" has included various institutional investors; directors, officers and general partners of the issuer; and natural persons meeting certain wealth requirements. The new amendments have added several categories.

Perhaps the most important addition is any corporation, partnership or business trust with total assets exceeding \$5 million, if not formed for the specific purpose of acquiring the offered securities. Also added is any trust meeting these requirements whose purchase is directed by a sophisticated investor.

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Other additions include any savings and loan association, and any employee benefit plan with a savings and loan association as plan fiduciary making investment decisions; any federally registered broker-dealer; any self-directed employee benefit plan if its investment decisions are made solely by accredited investors; and any natural person whose joint income with his or her spouse exceeds \$300,000 in the two most recent years and who has a reasonable expectation of reaching that same joint income level in the current year.

The amendment has deleted as an "accredited investor" a person who purchases \$150,000 or more of the securities, but does not meet the Rule 501(a) income or net worth tests for natural persons, or the total assets test for business entities.

When issuers offer securities under Rules 505 or 506 to any non-accredited investors, certain information must be furnished to investors. The new amendments to Rule 502(b) give additional options as to the type of disclosure which is made by issuers which are not subject to the continuous reporting requirements of the Securities Exchange Act of 1934. In particular, when the offering does not exceed \$2 million, the issuer may furnish the same kind of information as would be required in a Regulation A offering circular, except that the issuer's balance sheet must be audited.

Proposed Amendments to Regulation D

When the new amendments to Regulation D were adopted in March 1988, the SEC also proposed several additional controversial amendments. (53 FR 7870 (March 10, 1988)).

First, a revision to eliminate the mandatory nature of the specified policing requirements (legend, written disclosure of resale restrictions, inquiry to determine if purchases are for others) was proposed. Instead, the issuer would be required to exercise reasonable care to assure that the purchasers are not underwriters. The specified precautions would merely be one way, and not the exclusive way, of demonstrating that the issuer has exercised such reasonable care.

Second, the failure to file Form D would no longer automatically cause the loss of an exemption under Rules 504, 505, and 506, if the other conditions of the rules were met. Rule 503 would continue to require the filing of Form D; however, filing would not be a condition of an exemption under Rules 504, 505, and 506. Instead, subject to waiver by the SEC, future use of Regulation D would be prohibited if the issuer or any of its predecessors or affiliates had been enjoined by a court for failure to comply with Rule 503.

Finally, new Rule 508 would provide that an exemption under Rule 504, 505, or 506 would not be lost because of an insignificant, i.e., an isolated and minor, deviation, so long as the issuer can show a good faith and reasonable attempt to comply with all the provisions of Regulation D. The failure to comply must be insignificant with respect to both the particular offer or sale in question and the offering as a whole. The proposal gives several examples of insignificant deviations.

The North American Securities Administrators Association (NASAA) has objected to proposed Rule

ASSOC-
508 A

resolution, passed by its membership on October 12, 1988, suggested as a compromise that minor non-compliance with Regulation D still should be considered a violation, but should not give rise to a private damage action on behalf of all purchasers in the Regulation D offering. Rather, such a violation should give rise to potential governmental enforcement (including state enforcement for violation of state provisions that incorporate Rules 505 or 506), and to a private action only on behalf of the particular investor who was directly affected by the issuer's technical noncompliance. See, "NASAA Endorses Compromise on Reg D Defense for Minor Violation," 20 BNA Sec Reg & L Rep 1669 (1988).

¹Professor of Law, University of Toledo; Author of *Ohio Securities Law and Practice*; Of Counsel to the firm Eastman & Smith, Toledo.

Commissioner's Letter

1988 OHIO SECURITIES CONFERENCE/ADVISORY COMMITTEE MEETINGS

The Division is proud to have sponsored the 1988 Ohio Securities Conference which was held in Columbus on Thursday, November 17, 1988. Response to the idea of holding a conference seemed very favorable after a several-year hiatus. Approximately 175 practitioners and industry representatives attended the program, which was held at the Hyatt On Capital Square.

Thursday's agenda consisted of panel discussions presented by the registration, broker-dealer, corporate governance, and Division of Securities panels. The various panels covered items of interest to the industry and practicing bar through discussion formats led by panel moderators. The Division was pleased to welcome as luncheon speakers Leigh Trevor, partner of the law firm Jones, Day, Reavis & Pogue in Cleveland, and Kenneth Lehn, Chief Economist with the SEC in Washington, D.C. Mr. Trevor and Mr. Lehn presented their respective thoughts in a well-received discussion on the topic "Takeovers and Public Policy."

On Friday, November 18, 1988, initial meetings of the five Division of Securities Advisory Committees were held, also at the Hyatt On Capitol Square. The committees are as follows: Takeovers, Exemptions, Registration, Enforcement, and Licensing. Each committee is co-chaired by a representative from the Division and a representative from the bar/industry. Committees have set their own agendas and are developing topics for discussion based on input from members at the first meetings. The *Ohio Securities Bulletin* will be available as an additional forum for committees as issues continue to be identified and addressed. As with the Conference, the Division was very pleased with the interest generated by the Advisory Committees.

DIVISION RELOCATES TO NEW STATE TOWER

On Monday, December 5, 1988, the Division relocated its offices to facilities in the new state tower, the

Vern Riffe Center for Government and the Arts. The building, located at the northwest corner of State and High Streets in Downtown Columbus, houses several other state agencies and departments. Transition during the move went smoothly and we hope without too much inconvenience for those persons dealing with us at the time.

Telephone numbers for Division information and personnel have remained unchanged. Our new address is as follows:

Ohio Division of Securities
77 South High Street, 22nd Floor
Columbus, Ohio 43266-0548

BULLETIN NUMBERING SYSTEM CHANGE

Beginning with the next issue, the *Ohio Securities Bulletin* will employ a new numbering system to designate volume number/issue. The next issue will carry volume number 89:1, consistent with past practices. The issue will be designated "Winter Quarter 1989," however, in place of the monthly designations previously used. This new system is intended to emphasize the quarterly publication schedule for the Bulletin.

In Memoriam

The Division was recently saddened by the death of Bob Bibler, former Registration Section Supervisor. Bob had retired this past July after 24 years of service to the state. He will be missed by his many friends and co-workers at the Division.

Personnel

Mark Heurman joined the Division's Enforcement Section in September. Mark is a 1988 graduate of the University of Toledo where he earned his juris doctorate and masters in business administration degrees.

Outstanding Employee Award

Norman Essey, staff attorney in the Division's Enforcement Section, was the recipient of the inaugural Outstanding Employee Award for the quarter ending September 30, 1988. This award was established to recognize employees who have contributed to the work of the Division in some special way. The recipient is selected from nominations based on "initiative, creativity, excellence and achievement in the overall performance on the part of the employee."

The award's first recipient has been with the Division since 1986. In addition to his duties as an enforcement attorney, Norman serves as editor of the *Ohio Securities Bulletin*. He is also a member of the Division's Licensing Advisory Committee. He is a 1986 graduate of Capital University Law School.

Interesting Reading

Symposium: Current Issues in Securities Regulation, 49 Ohio State Law Journal No. 2 (1988).

Buying Options on Futures Contracts: A Guide to Their Uses and Risks, National Futures Association (1988).

Articles

OHIO CORRUPT ACTIVITIES ACT AND ENFORCEMENT OF THE OHIO SECURITIES ACT

Introduction

The Enforcement Section of the Ohio Division of Securities has a long and successful history of criminal prosecutions under the Ohio Securities Act. The deterrent and penal potentials of the Ohio Securities Act are sometimes limited, however. Within the past two years, a new prosecutorial tool has become available in the Ohio Corrupt Activities Act (OCAA).¹ The OCAA is patterned after the federal Racketeer Influenced Corrupt Activities Act (RICO), 18 U.S.C. §§1962, *et seq.* The OCAA is codified in R.C. §§2923.31 through 2923.36, and was passed in 1986.² The possibility of using the OCAA in securities enforcement is generating substantial interest among law enforcement authorities, including county prosecutors, the Ohio Attorney General, and, of course, the Division. Although the concept behind criminal organized crime cases may be familiar to the securities bar and industry, a brief review of the Ohio statute in a criminal securities law enforcement context seems warranted.

In exploring the provisions of the OCAA, the Division interviewed Ohio Assistant Attorney General Robert F. Smith.³ Mr. Smith was formerly a Franklin County assistant prosecutor who was the head of the Organized Crime Unit. While there, he worked closely with the Division, and prosecuted over a dozen securities cases. The discussion below is based on the Division's understanding of the information obtained in the interview with Mr. Smith.

Discussion

The OCAA does not create new types of crimes; rather, it is a statutory scheme which institutes a new series of violations when "corrupt activity" is engaged in by a person associated with an "enterprise."⁴ "Corrupt activity" is the commission of two or more of the criminal acts specified in the OCAA.⁵ The "enterprise" can be any "licit" or "illicit" group of people working together in some organized fashion.⁶ The enterprise, however, need not be one of the potential defendants; it may also be the victim or an unwitting tool. Nonetheless, in each case the "enterprise" element of a violation of OCAA is satisfied.

The Ohio securities violations which constitute corrupt activity as specified by the OCAA are as follows:

R.C. §1707.042(A)(1) or (2): Fraud or misrepresentation in a control bid;

R.C. §1707.44(B): Fraud or misrepresentation when registering or qualifying a security, obtaining a dealer's license, or *selling securities*;

R.C. §1707.44(C)(4): Fraud or misrepresentation regarding endorsement of a security by the Division;

R.C. §1707.44(D) and (F): Failing to disclose an issuer's insolvency when selling a security;

R.C. §1707.44(E): Misrepresentation and unauthorized representations regarding an issuer.⁷

Purely technical violations, such as sales of unregistered securities and sales by an unlicensed person, are not crimes which can serve as the basis for "corrupt activity." Note, however, that the OCAA defines "corrupt activity" to include attempts, conspiracies, and solicitations to commit the crime. Thus, making misrepresentations in an attempt to register securities satisfies one requirement of the OCAA.

In proving an OCAA criminal case, the "pattern" of corrupt activity must include proof of at least two crimes committed within six years of each other; at least one crime must be a felony. The state must also satisfy the additional requirements of the OCAA, such as the "enterprise" element. Obviously, in a felony action, a defendant must be found guilty beyond a reasonable doubt.

Enforcement of the OCAA is the responsibility of a variety of law enforcement authorities. When the Act was passed, the General Assembly also created the "Organized Crime Investigations Commission," which consists of the Ohio Attorney General, two prosecuting attorneys, two county sheriffs, and two municipal chiefs of police.⁸ The Commission is empowered to investigate any complaint filed with it. To conduct investigations in a particular county, the Commission may appoint an "organized crime task force," which includes, among others, the county's sheriff and prosecutor.⁹ When indicated, the Attorney General is authorized to have direct access to a county grand jury or special grand jury if a prosecutor declines to go forward with a case.¹⁰ The task force has independent subpoena power, and any investigative materials are confidential and not disclosable under the public records act.¹¹

In order to initiate a case under the OCAA, the Division may file a complaint with the Commission, or, as in the Division's typical criminal case, it may refer a matter to a county prosecutor, who may initiate an action under general prosecution provisions.¹² A particularly interesting aspect of the statute is that the prosecutor may confiscate treble the amount of proceeds of corrupt activity, which may then be used to reimburse victims who thereafter bring a successful civil suit against the violator.¹³ This capability may go a long way in helping people to recoup losses, as the length of time and high cost of bringing a civil suit should be greatly reduced.

Conclusion

The availability of a cause of action under the OCAA is a potent enforcement tool which the Division will

carefully consider in the appropriate situations. Responsible use of the OCAA in securities fraud cases should increase the level of investor protection, which is the *raison d'être* of the Division.

S.B. Robbins-Penniman
Attorney Inspector

¹See, e.g., A. Celebrezze, Jr., *Turning the Tables on White-Collar Crime: Ohio's Corrupt Activities Act*, OHIO LAWYER, March-April, 1987, at p. 9.

²In passing the statute, the General Assembly specifically sought to curb some of the perceived abuses of the federal civil RICO actions. Of prime concern to the Division, however, are the provisions in these sections governing state criminal actions.

³Mr. Smith is a 1978 graduate of The Ohio State University College of Law, and was with the Franklin County Prosecutor's Office for ten years. He became an assistant attorney general in October, 1988.

⁴R.C. §2923.32(A).

⁵Generally, the Ohio crimes specified in the OCAA are murder, assault, kidnapping, extortion, usury, arson, robbery, burglary, safecracking, promoting prostitution, child pornography, theft, passing bad checks and credit cards, receiving stolen property, gambling, bribery, perjury, obstruction of justice, theft in office, possessing concealed weapons, drug trafficking, tax evasion, fixing horse races, and securities fraud. R.C. §2923.31(I)(2)(a) and (b). Violations of comparable state law, or the certain crimes specified in the federal RICO statute, can also constitute "corrupt activity." R.C. §2923.31(I)(1) and (3). In addition, many securities violations will also satisfy the elements of a theft violation. See, e.g., R.C. §2913.02(A)(3).

⁶R.C. §2923.31(C).

⁷R.C. §2923.31(I)(2)(a) (emphasis added).

⁸R.C. Chapter 177; R.C. §177.01(A). Assistant Attorney General Smith is legal counsel to the Organized Crime Commission and the Bureau of Criminal Identification and Investigation.

⁹R.C. §177.02. The statute also makes provision for multi-county investigations, and contingency appointments if the statutory task force members are implicated in the investigation.

¹⁰R.C. §177.03(D)(2)(a).

¹¹R.C. §177.03(A) and (D)(4)-(5).

¹²R.C. §1707.23(E).

¹³R.C. §§2923.32(B) and 2923.35.

Registration

CORRECTION OF STATEMENT ON STANGER RATINGS

The October 1988 issue of the *Bulletin* (Volume 88:3) incorrectly contained a statement approving the use of Stanger ratings in disclosure documents. The Division has *not* adopted a formal policy on the use of Stanger ratings and will await the results of a NASAA study of this issue prior to making a determination.

REGISTRATION FILINGS

Form Type	Fourth Quarter 1988	Year to Date 1988
2(B)	340	1,067
3-O	2,469	11,376
3-Q	369	1,498
3-W	44	188
04	0	2
041	0	3
041(B)(4)	0	1
5(A)	0	1
6(A)(1)	62	306
6(A)(2)	29	127
6(A)(3)	14	64
6(A)(3)OG	1	3
6(A)(4)	16	90
09	290	1,317
09OG	2	5
091	481	1,880
10	0	0
39	34	162
391/09	3	14
391/3-O	209	772
391/3-Q	54	198
391/3-W	4	10
391/6(A)(1)	0	2
391/6(A)(2)	0	1
391/6(A)(3)	0	2
391/6(A)(4)	1	2
TOTAL	4,422	19,091

Broker-Dealer

AUDITED FINANCIALS REQUIRED FROM ALL LICENSED BROKER-DEALERS

O.A.C. 1301:6-3-15(I) requires that every licensed dealer must annually file audited statements of financial condition within ninety days of the end of its fiscal year, or an NASD Focus II report. *This filing requirement applies to all licensees, even those who have executed surety bonds pursuant to O.A.C. 1301:6-3-15(E)(3)(a).* Please be advised that dealers who do not timely file audited statements or the Focus II report risk possible suspension or revocation of their license.

DEALER AND SALESMAN LICENSES AS OF DECEMBER 31

	1988	1987
Broker-Dealer	1,729	1,688
Salesman	56,043	52,962

Enforcement

ADMINISTRATIVE ORDERS

The following are summaries of recent enforcement administrative orders of note. The orders have been issued by the Division after notice of the parties' oppor-

tunity for an administrative hearing in accordance with Ohio Revised Code Chapter 119. Orders which have been appealed to Common Pleas Court are so noted.

David H. Siegel; Comstock Investment, Inc.; Rothschild Equity Management Group, Inc.

On September 1, 1988, the Division issued a Cease and Desist Order against David Siegel, Comstock Investment, Inc., and Rothschild Equity Management Group, Inc., all of Fort Lauderdale, Florida. The Division found that the parties sold unregistered securities totalling \$28,000 to an Ohio resident while they were unlicensed to sell securities, in violation of Ohio Revised Code §§1707.44(A) and 1707.44(C)(1).

Fitzgerald, DeArman & Roberts, Inc.

On September 15, 1988, the Division revoked the Ohio broker-dealer license of Fitzgerald, DeArman & Roberts, Inc., of Tulsa, Oklahoma. The Division found that Fitzgerald, DeArman & Roberts, Inc., failed to remain solvent, in violation of Ohio Revised Code §1707.19(C). A Securities Investment Protection Corporation trustee was appointed on June 29, 1988, after Fitzgerald, DeArman & Roberts, Inc., became insolvent.

Killarney Breeding Sales, Inc. d.b.a. Killarney Farms

On September 27, 1988, the Division issued a Cease and Desist Order against Killarney Breeding Sales, Inc. d.b.a. Killarney Farms, of Cincinnati, Ohio. The Division found that Killarney Breeding Sales, Inc. d.b.a. Killarney Farms, while General Partner of Falina Angel Partners, caused limited partnership units to be sold through a dealer unlicensed with the Division and paid commissions to the unlicensed dealer. Ohio Revised Code §1707.44(A) was found to have been violated.

Thomas Andrew Adams

On October 11, 1988, the Commissioner found that securities salesman Thomas Andrew Adams of Canton, Ohio was of good business repute and was granted a license to sell securities in the State of Ohio. The Division had alleged that Thomas Adams was not of good business repute. The Commissioner, however, found that although violations of stated policies designed for the protection of investors did occur, the actions taken by the applicant did not indicate an intent to harm investors but suggested just the opposite.

LSAP II Limited Partnership

On November 16, 1988, the Division issued a Cease and Desist Order against LSAP II Limited Partnership of North Jackson, Ohio. The Division found that incorrect dates of sale were reported on a Form 3(Q) filing made with the Division on behalf of LSAP II Limited Partnership. Ohio Administrative Rule 1301:6-3-03(K) determines the date of sale to be the earlier of the date a subscription agreement or its equivalent is signed by the purchaser or the date the purchaser transfers or loses

control of the purchase funds. Ohio Revised Code §§1707.44(A) and 1707.44(C)(1) were found to have been violated. The Division also declared null and void the units sold in noncompliance on Form 3(Q), File Number 340130.

Gwen Hendershot

On November 29, 1988, the Division issued a Cease and Desist Order against Gwen Hendershot of Dublin, Ohio. The Division found that Gwen Hendershot made a false representation concerning a material and relevant fact in the connection with the sales of certificates of deposit to Ohio clients. In addition, the Division found that she executed transactions on behalf of a client without authority to do so. Ohio Revised Code §§1707.44(B) and 1707.44(G) and Ohio Administrative Rule 1301:6-3-19(B)(3) were found to have been violated.

SUSPENSION ORDERS

Wayne F. Lang; Daniel S. Tyler; Equities International, Inc.

On June 21, 1988, the Division issued a Suspension Order, pursuant to Ohio Revised Code §1707.13, to Wayne F. Lang, Daniel S. Tyler, and Equities International, Inc., all of North Royalton, Ohio. The Division alleged that the respondents issued and sold promissory notes to Ohio residents without proper registration or licensure, in violation of Ohio Revised Code §§1707.44(C)(1) and 1707.44(A).

Prior to the scheduled hearing on the confirmation or revocation of the Suspension Order, the Division entered into consent agreements on October 7, 1988, with all of the parties whereby it was stipulated that the Suspension Order be confirmed and their rights to sell or deal in the promissory notes be suspended.

Littlefield Oil Co.; Littlefield Oil Co. Shareholders Committee; Edward Little; Alvin A. Michaelson and James Maxwell, Jr.

Pursuant to Ohio Revised Code §1707.13, the Division issued a Suspension Order to Littlefield Oil Co., Littlefield Oil Co. Shareholders Committee, Edward Little, Alvin A. Michaelson and James Maxwell, Jr., on July 8, 1988. The Division alleged that the respondents solicited and obtained money promising a ten percent return without proper registration, licensure, or disclosure, and engaged in illegal and fraudulent acts and practices, in violation of Ohio Revised Code §§1707.44(C)(1), 1707.44(A), 1707.44(B)(4), and 1707.44(G).

Prior to the scheduled hearing on the confirmation or revocation of the Suspension Order, a consent agreement was entered into on November 22, 1988, with all the parties and the Division, whereby it was stipulated that the Suspension Order be confirmed and their rights to buy, sell, or deal in the interests be suspended.

OTHER FINAL ADMINISTRATIVE ORDERS

<u>Respondent</u>	<u>Date Issued</u>	<u>Order No.</u>	<u>Action Taken/ Type of Order</u>
The Hamiltonian, Ltd., Cincinnati, Ohio	09/08/88	88-141	Cease & Desist
Edgar T. Horsey, Chagrin Falls, Ohio; E.T. Horsey & Co., Incorporated South Euclid, Ohio	09/14/88	88-146	Cease & Desist
Wacker Marketing, Inc. Michael A. Patten, Pres. Golden, Colorado	10/11/88	88-155	Cease & Desist
Fred A. Steele Cambridge, Ohio	10/11/88	88-158	Cease & Desist
AFI Capital Corporation B/D License No. 16462 Cleveland, Ohio	10/14/88	88-160	Suspension of Broker/Dealer License
All Seasons Resorts, Inc. d.b.a. Lake France Resort New Paris, Ohio	10/27/88	88-167	Cease & Desist
Columbine Securities, Inc. B/D License No. 16350 Denver, Colorado	10/27/88	88-169	Revocation of Broker/Dealer License
Lite-Tronics, Inc. Fairview Park, Ohio	11/15/88	88-176	Cease & Desist
D & J Mobile Wash, Inc. Union, Ohio; Daniel P. Sell Troy, Ohio	11/16/88	88-178	Cease & Desist
William R. Ellis Dallas, Texas; Semco Energy Duncanville, Texas	11/23/88	88-184	Cease & Desist

CRIMINAL CASES

<u>Case Names</u>	<u>Jurisdiction/ Referring Staff Person</u>	<u>Action Taken</u>	<u>Comments</u>
Edward Little	Franklin County/ Referred by Melanie Braithwaite	1. Pled guilty on 9/26/88 to 108 counts of securities vio- lations. 2. Sentenced on 11/22/88 to 5 years imprisonment.	Edward Little, former president of Littlefield Oil Co., was indicted on 1/5/88 on 108 counts of securities violations. Over \$200,000 was raised from over 50 investors for 3 oil and gas re- lated projects. It was found that the funds were spent for personal interests and other losing projects. Littlefield Oil filed for protection under Chapter 11 in the United States Bankruptcy Court in March, 1987.
Lyle Loughry	Portage County/ Referred by Corey Crognale	Indicted on 10/6/88 on 10 counts of selling unregistered, non-exempt securities.	Lyle Loughry was previously in- dicted on 2 counts of securities violations on 7/3/88. He alleged- ly sold investors shares of an un- incorporated trust association lo- cated in California.

CRIMINAL CASES—continued

<u>Case Names</u>	<u>Jurisdiction/ Referring Staff Person</u>	<u>Action Taken</u>	<u>Comments</u>
Mel J. Hartwell	Montgomery County/ Referred by Corey Crognale	1. Pled guilty on 10/17/88 to the following: a. 29 counts of unlicensed sales of securities; b. 29 counts of selling unregistered, non-exempt securities; and c. 20 counts of theft.	Mel J. Hartwell was indicted on 78 counts of securities violations and theft on 3/4/88. He sold shares of Aerospace Management Sales, Inc., totalling approximately \$360,000 to Ohio investors, and misappropriated the funds by placing the money in his personal account.
Richard Underwood	Montgomery County/ Referred by Karen Terhune	1. Pled guilty on 10/19/88 to the following: a. 7 counts of theft; b. 1 count of unlicensed sale of securities; and c. 1 count of forgery.	Richard Underwood was indicted on 25 counts on 7/26/88 relating to securities violations, theft, and forgery. He was found to have sold stock in his company, First Security of Dayton, by promising monthly dividends of \$200 per share on shares purchased for \$100 per share.
Michael J. Burke	Franklin County/ Referred by Karen Terhune	Criminal complaint filed 11/23/88 alleging 4 counts of securities violations.	Michael J. Burke allegedly sold securities illegally in his own company, AMM Investments, to an Ohio investor.

PLEASE HELP US UPDATE OUR MAILING LIST

Please detach and return the following slip to us in order that we might update our present mailing list. If your address is correctly listed and you wish to continue receiving the *Bulletin*, it is not necessary to return this slip.

My address has been incorrectly recorded by the *Bulletin*. Corrections are written below.

My address has changed. My new address is written below.

I no longer wish to receive the *Ohio Securities Bulletin*.

Address as now listed:

Name(s) _____

Firm Address _____

New Address:

Name(s) _____

New Address _____

Please return to: Ohio Division of Securities, Attn: Joanne E. Hunt, 77 South High Street, 22nd Floor, Columbus, Ohio 43266-0548.