



Securities Bulletin

Ohio Department of Commerce, Division of Securities • 77 South High Street, 22nd Floor, Columbus, Ohio 43215

Ohio

Mike DeWine, Governor
Jon Husted, Lt. Governor

**Department
of Commerce**

Division of Securities
Sheryl Maxfield, Director

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Cover Story

The Warmest Welcome to 2021



Greetings from the Ohio Division of Securities. As I prepare my annual year-in-review for 2020, it would be easy to point out how chaotic and even painful the year has been at times. The truth is, I have never been more grateful than I am today serving as Ohio Securities Commissioner.

As I look back, I could not be prouder to be a part of Governor DeWine's administration, watching him firmly lead the country in protecting the health and safety of his citizens during this pandemic. In March, the Governor diverted the entire state workforce to new teleworking protocols that unquestionably saved employees' lives and helped flatten the curve. At the same time, his administration worked with the legislature to pass House Bill 197 and roll out emergency relief and extensions to members of our regulated community who were facing business disruptions occasioned by the virus.

For the Division's part, we have not let COVID-19 stand in our way. Thanks to Commerce Director Sherry Maxfield, the Division has been armed with all of the new virtual technologies

necessary to continue our mission-critical work of protecting Ohio investors. I'd like to highlight a few examples:

- If you peruse this past year's editions of the *Ohio Securities Bulletin*, you will see our Enforcement team has not missed a beat. They have conducted virtual depositions and hearings in both administrative and criminal cases this year. Notwithstanding court closures and numerous continuances in various cases, the team delivered a new criminal indictment, conviction, or sentence every single month of the year. What's more, knowing the proclivity of criminals to take advantage of a crisis, the Enforcement team joined their colleagues in other states to detect, disrupt, and deter more than 260 COVID-19 scams. Our team's case involving [Corona Billionaire was highlighted by NASAA](#) as one of the scams shut down during the sweep.
- Our Licensing and Examination team also made a seamless transition from on-site to remote operations and worked with NASAA and firms as they launched new remote competency testing. Early in the year, they participated in a NASAA national coordinated exam initiative focused on Regulation Best Interest implementation. Yes, regulations roll on, including the SEC's historic Reg BI compliance deadline taking effect this summer. The NASAA group collected critical data on more than 2,000 firms impacting more than 68 million retail investor accounts, which will be used in the coming year to measure industry progress on improving investor experiences. You can check out the NASAA Reg BI Report [here](#).
- Our Corporation Finance team has continued their review of registration filings and have engaged with industry stakeholders on policy matters through *Ohio Securities Bulletin* articles involving private indices, valuations, and advertising. Two of our attorneys also presented at NASAA's annual training conference for corporation finance examiners this fall, conducted virtually this year.
- Our outreach program kept pumping due to the tireless efforts of Outreach Director Dan Orzano. In addition to his great work as editor of the *Ohio Securities Bulletin*, Dan made sure our annual Ohio Securities Conference continued its 47-year tradition this year by developing a *free* virtual program using the Microsoft Teams platform. Dan also organized several important investor education events, most notably an AARP Ohio town hall, which drew nearly 6,000 attendees. Dan is busy working on a large multimedia campaign addressing the financial challenges of the Ohio opiate crisis in the coming year, so stay tuned for details on that front.

I am incredibly thankful to have such a stellar team here that consistently generates accolades like these year after year, even in times of a global crisis. I hope you and your teams have also made the best of a tough year and, in doing so, have found ways to grow and improve – personally and professionally. I look forward to seeing many of you *in person* later this year.

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Licensing & Examinations Update

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

Anne Followell
Licensing Chief
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Stephanie Talib
Licensing Program Administrator
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Glen Sgobbo
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No Change in IARD System Fees for 2021; NASAA Exam Enrollment Fee Increases

On Oct. 30, NASAA announced there would be no increase to the initial IARD set-up and renewal system fees for Investment Adviser Representatives (IARs) in 2021. The fee remains at the 2020 level of \$15 per IAR. There will be no IARD system fees for Investment Adviser (IA)/firm applicants. IARD system fees fund user and system support as well as system enhancements, including the ongoing redesign of the IARD system to improve its effectiveness and efficiency and to make it more user friendly for applicants and registrants.

NASAA is increasing the enrollment fees for the Series 63, 65, and 66 examinations by \$12 per test. Effective Jan. 1, 2021, fees for enrollment in these exams will be as follows:

- \$147 for the Series 63 exam
- \$187 for the Series 65 exam
- \$177 for the Series 66 exam

Question of the Month

What are the Division's fingerprinting requirements for Investment Adviser Representatives (IARs)?

Answer:

In Ohio, all applicants for an IAR license must submit fingerprints to the Division of Securities, unless he or she has filed a fingerprint card with the Division (directly or via CRD) in connection with a previous approval.

If an IAR applicant does **not** have fingerprints on file, and they:

1. Reside in Ohio - The applicant must have "BCI" fingerprinting completed at a WebCheck location. For a directory of WebCheck locations visit: <https://www.ohioattorneygeneral.gov/Business/Services-for-Business/WebCheck/Webcheck-Community-Listing>

The prints will be sent to and processed by the Ohio Attorney General's Bureau of Criminal Investigation (BCI). BCI then sends the results directly to the Division.

2. Reside outside of Ohio – The applicant must contact our office and request a proper fingerprint card be mailed to them with instructions. This request can be made by email to Stephanie.Talib@com.ohio.gov or by phone to (614) 981-6182.

The Division is aware of delays in the fingerprinting process due to the COVID-19 pandemic and is working with applicants to accommodate these delays as much as possible. If you have any questions regarding the fingerprinting requirement or process, please visit our [fingerprinting information page](#) or contact the Division at 614-644-7381.

Licensing & Examinations Update

Licensing Statistics (as of Dec. 14, 2020)

	December 2020	December 2019
Dealers	1,864	1,941
Investment Advisers	868	860
Investment Advisers (Notice Filers)	2,072	2,031
Investment Adviser Representatives	20,686	20,125
Securities Salespersons	199,197	194,531
Investment Officers	98	98
TOTAL	224,785	219,586

Enforcement Update

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

Janice Hitzeman
Attorney Inspector
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Administrative Hearings

Andrew Todd Roseberry, CRD No. 2589166
Consolidated Financial Management Group, LLC,
CRD No. 119695

Division Order Nos. 19-028 and 19-029
Hearing Date: TBD

Component Sourcing Group, Inc.
Patricia Tzannakos

Division Notice Order No. 19-019
Hearing Date: Jan. 26-28, 2021

Toto Phouthavantha
Bio Technology Laboratories, LLC

Division Order No. 20-036
Hearing Date: June 8-9, 2021

Christopher J. Henneforth, CRD No. 3157633
Level Partners Management, Inc., CRD No. 107072

Division Notice Order No. 20-014
Hearing Date: TBD

Daniel Rossi, CRD No. 1190774
FEIC Financial, Inc., CRD No. 25545
Business Equity Advisors, Inc. f/k/a FEIC Business Equity Solutions, Inc.

Division Order Nos. 19-024 and 19-034
Hearing Date: TBD

Elbert Lamont Hardiman, Jr., CRD No. 2051382
Hardiman Investment Management, Inc., CRD No. 169861

Division Order No. 20-028
Hearing Date: Feb. 22-23, 2021

John F. Griffin
Cannon Operating, LLC
Division Notice Order No. 20-017
Hearing Date: March 3-5, 2021

Administrative Appeals

TAP Management, Inc. et al.
Case No. 17 CV 006942, Franklin County Court of Common Pleas
Appeal from Division Final Order No. 17-022

Enforcement Update

On Aug. 21, 2020, the Franklin County Court of Common Pleas entered a Decision and Judgment reversing the Final Order to Cease and Desist issued by the Ohio Division of Securities. On Sept. 21, 2020, the Division filed a Notice of Appeal in the 10th District Court of Appeals.

Dock Douglas Treece, CRD No. 866947
Treece Investment Advisory Corp., CRD No. 110449
Treece Financial Services Corp., CRD No 23296
G-4801-CI 0202003770-000, Lucas County Court of Common Pleas
Appeal from Division Order No. 20-043

On Dec. 18, 2020, an appeal was filed in the Lucas County Court of Common Pleas Court on this matter.

Administrative Orders

Division Order No. 20-034
Justin D. Smith
Landes Capital Management, LLC
Landes and Compagnie Trust Prive KB
Beachwood, Ohio

On Oct. 1, 2020, the Division issued a Cease and Desist Order with Consent Agreement based on findings Justin D. Smith and his companies acted as securities dealers and/or salesperson and as investment adviser and/or investment adviser representatives by entering into an agreement to purchase and sale securities on behalf of another person in exchange for half of the profits generated in the trading account. The order further found Landes and Compagnie Trust Prive KB, one of Smith's companies with a principal place of business in Cuyahoga County, Ohio, was operating as an unlicensed securities dealer and/or investment adviser through its website, www.landestrust.se.

Division Order No. 20-035
Bankers Life and Casualty Co.
BLC Financial Services, Inc.
Chicago, Illinois

On Oct. 16, 2020, the Division issued an Amended Consent Order amending certain prohibitions set forth in a consent order previously issued on Dec. 4, 2012 in order number 12-027. Please review the order online for more specific information.

Division Order No. 20-036
Toto Phouthavantha
Bio Technology Laboratories, LLC
Columbus, Ohio

On Nov. 12, 2020, the Division issued a Notice of Intent to Issue Cease and Desist Order against Toto Phouthavantha and his company, Bio Technology Laboratories, LLC based on allegations they solicited an investor to invest \$12,000 in exchange for a 10% equity position

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and a share in profits from Bio Technology based on misrepresentations and fraudulent omissions related to the financial condition of the company and the use of proceeds.

The notice order alleges Phouththavantha deposited the investor funds into his personal bank account. The respondents requested a hearing in this matter, which is scheduled for June 8-9, 2021. Phouththavantha is the subject of a pending indictment in Franklin County Court of Common Pleas case number 20 CR 004984. See criminal updates below for additional information.

Division Order No. 20-037

Harry N. Albritton, Jr.
Safe Shipping Inspectors, LLC
Cleveland, Ohio

On Nov. 13, 2020, the Division issued a Cease and Desist Order with Consent Agreement based, in part, on findings Albritton and his company, Safe Shipping Inspectors, LLC placed advertisements on Craigslist, www.craigslist.org, which solicited individuals “willing to invest \$5,000” in exchange for ownership interest through common stock issued by Safe Shipping, which were not registered with the Division nor subject to an applicable exemption from registration.

Division Order No. 20-038

Scott H. Watters
aka Muddy Watters
aka Mudd Watters
Powers Water, LLC
Powers, LLC
Blacklick, Ohio

On Dec. 3, 2020, the Division issued a Cease and Desist Order with Consent Agreement based on findings Watters and his company engaged in the sale of securities issued or to be issued by Yellow Labs, Inc., Entrest Investments, LLC, and PK Industries, LLC in the reasonable expectation of receiving a commission or other remuneration and by receiving remuneration from PK Industries, LLC for these activities without proper licensure as a securities dealer or salesperson with the Division. The Division further found respondents engaged in the sale of unregistered securities issued by the same three entities.

Division Order No. 20-039

Gene Rodriguez
Powell, Ohio

On Dec. 3, 2020, the Division issued a Notice of Intent to issued Cease and Desist Order based on allegations Gene Rodriguez acted as an unlicensed securities dealer, salesperson, investment adviser and/or investment adviser representative by engaged in the sale of Secured Equity Betting Programs and Multi-Fold Contract Service contracts issued by Einstein Sports Advisory, operating from Las Vegas, Nevada.

The notice order alleges Rodriguez sent emails to potential investors which stated, in part, “It’s the perfect investment opportunity because it gives your investors the five qualities that they seek, but rarely, if ever find in one investment.” The notice order alleges those qualities include,

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“absolute security of funds,” “make money right away,” “quick access to funds,” “extremely low risk,” and “exceptionally high yield.” The notice order further alleges Rodriguez offered weekly returns of 5-10%.

Division Order No. 20-040

Aaron S. Pitman
Morrow, Ohio

On Dec. 14, 2020, the Division issued a Cease and Desist Order with Consent Agreement based on findings Aaron S. Pitman engaged in fraud in the sale of securities by soliciting at least two Meigs county resident to invest \$1,137,500 in various domain name companies, specifically Autoinsurancenow, LLC, Personalinjury.org, LLC, Fastcarloads.com, and Cool Country Group (Dependant.net) based on false statements and material omissions.

The order includes findings Pitman told his investors the websites would be purchased through a third-party intermediary, Digital Asset Brokerage Group, owned by George Roderick Hammons. The investor funds were sent to Digital Asset Group and Hammons, who funneled the money back to various accounts operated by Pitman. The investor funds were then used for personal expenses, including a down payment on a new home, payments to Mercedes Benz, golf club memberships, cash withdrawals, and thousands of dollars to high-end retail stores such as Dolce and Gabbana and Prada.

Pitman agreed to a lifetime ban on the sale of securities, with certain exceptions delineated in the consent agreement. This consent was part of the negotiated plea in the criminal case filed against Pitman in the Meigs County Court of Common Pleas in Case No. 19 CR 139. Hammons pled guilty to money laundering in Case No. 19 CR 141. Sentencing for Pitman is scheduled for Jan. 28, 2021.

Division Order No. 20-041

LA Stephenson and Company, CRD No. 167629
Lucien Austin Stephenson, CRD No. 3084925
Dover, Ohio

On Dec. 14, 2020, the Division issued Order Number 20-041 revoking the Ohio investment adviser license of LA Stephenson and Company and further revoking the investment adviser representative license of Lucian Austin Stephenson in accordance with the Report and Recommendation issued by the hearing officer in this case after an administrative hearing. The hearing officer found there was sufficient evidence to support the allegations issued by the Division in this matter and Respondents violated multiple Ohio Administrative Code (O.A.C.) rules and were not of good business repute.

Division Order No. 20-042

Steven Arthur Svetlick, CRD No. 2589535
Grove City, Ohio

On Dec. 14, 2020, the Division issued Order Number 20-042 revoking the Ohio investment adviser representative license of Steven Arthur Svetlick in accordance with, but with enumerated clarifications and corrections to the report and recommendation issued by the hearing officer in this case after an administrative hearing. The order includes findings Svetlick engaged in fraudulent and deceptive conduct as an investment adviser and breached his

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fiduciary duty to several clients who invested in The Stable Asset Fund, a fund managed and controlled by Svetlick and others.

Division Order No. 20-043

Dock Douglas Treece, CRD No. 866947
Treece Investment Advisory Corp., CRD No. 110449
Treece Financial Services Corp., CRD No 23296
Toledo, Ohio

On Dec. 14, 2020, the Division issued Order Number 20-043 revoking the Ohio investment adviser representative license and the Ohio salesperson license of Dock Douglas Treece, revoking the Ohio investment adviser license of Treece Investment Advisory Corp., and the Ohio dealer license of Treece Financial Services Corp. in accordance with, but with enumerated rejections, supplements, clarifications and corrections to the report and recommendation issued by the hearing officer in this case after an administrative hearing.

The order includes findings respondents violated their suitability obligations, breached their fiduciary duties, violated other applicable O.A.C. rules and are not of good business repute. On Dec. 18, 2020, an appeal was filed in Lucas County Clerk of Courts Case No. G-4801-CI 0202003770-000.

Division Order No. 20-044

Brian David Stark
Nuvida, LLC

On Dec. 14, 2020, the Division issued a Cease and Desist Order with Consent Agreement based on findings Stark and his company, Nuvida, LLC, engaged in the sale of securities based on misrepresentations and fraudulent omissions about the financial condition of the company and the intended use of investor proceeds.

The order includes findings Respondents told the two investors their funds would be used for real estate investment and flipping homes when the funds were actually used for loans to other insolvent companies and for other purposes. The order includes further findings Respondents failed to inform one investor that Nuvida was insolvent because its liabilities exceeded its assets.

Criminal Cases

State v. Kenneth M. Brugh

Case No. 19 CR 001382
Lake County Court of Common Pleas
Sentencing Hearing: Jan. 4, 2021

On Jan, 4, 2021, Lake County Judge Eugene Lucci sentenced Kenneth M. Brugh to 150 days in jail, plus five years of community control and 200 hours of community service after completing incarceration. He also was ordered to pay restitution of \$186,675 to the five victims, and pay the costs of prosecution, confinement, supervision, treatment and court costs.

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Brugh pleaded guilty in November 2020 to attempted securities fraud and theft, both fourth-degree felonies, for soliciting the funds based on false and fraudulent information. Brugh instead used the money for his personal expenses.

He was indicted in January 2020 by a Lake County grand jury following a criminal referral by the Ohio Department of Commerce's Division of Securities. This case was prosecuted by the Office of the Ohio Attorney General Dave Yost, and presented by Assistant Attorney General Christian Sticken with the Special Prosecutions Unit

State v. John Case

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

U.S. v. Raymond A. Erker, Tara M. Brunst, Kevin M. Krantz

Case No. 1:20 CR 478
U.S. District Court for the Northern District, Ohio
Pre-trial/Change of Plea Hearing: Feb. 25, 2021

State v. John Moody

Case No. CR-20-651121-A
Cuyahoga County Court of Common Pleas
Pre-Trial Hearing: Jan. 21, 2021

On Nov. 5, 2020, the Division announced John Moody, 73, of Westlake was indicted by a Cuyahoga County grand jury on three counts each of securities fraud, misrepresentation in the sale of a security, and sale of unregistered securities; eight counts of theft and two counts of aggravated theft, all felonies under Ohio law.

The indictment, handed down Nov. 3, 2020, alleges Moody, a licensed insurance agent at the time, solicited his clients by offering a guaranteed annual return in amounts ranging from 5-11%. At least two of the clients were led to believe their funds would be invested into accounts with a known insurance company. Instead of forwarding the investment funds, the indictment alleges Moody deposited the funds, totaling \$473,000, into a bank account he controlled and used the proceeds to pay back earlier investors and personal expenses.

Moody is currently serving a three-year prison term for theft, aggravated theft and passing bad checks. This case is being prosecuted by the Office of the Cuyahoga County Prosecutor Michael O'Malley and Assistant Cuyahoga County Prosecutor Edward Brydle.

State v. Judith O. Nagy

Case No. CR18631581-A
Cuyahoga County Court of Common Pleas
Pretrial Hearing Date: TBD

State v. Shaneal Yogesh Patel

Case No. B1901113
Hamilton County Court of Common Pleas

On Dec. 15, 2020, Shaneal Yogesh Patel of Lebanon, Tennessee, was sentenced for his role in defrauding investors from several states out of more than \$97,000 through an illegitimate

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investment program. Hamilton County Judge Thomas Heekin sentenced Patel to five years of community control, 500 hours of community service, and ordered him to pay \$97,400 in restitution to the victims. Patel could be sentenced up to 4½ years in prison if he violates the terms of community control.

Patel, 28, pleaded guilty in November to multiple felonies for taking the money from residents of Ohio, Kentucky, California and Washington who invested in his illegitimate investment program. Patel told the investors he was a successful stockbroker although he never held a securities license. He laundered the investment money through third-party accounts and used the funds for his personal expenses.

He was indicted by a Hamilton County grand jury in May 2019 after a criminal referral by the Division. This case was prosecuted by the Hamilton County Prosecutor's Office of Joseph Deters and presented by Assistant Prosecutor Bill Anderson.

State v. Toto Phouthavantha

Case No. 20 CR 004984

Franklin County Court of Common Pleas

Trial Date: Feb. 24, 2021

On Oct. 21, 2020, Toto Phouthavantha was indicted for allegedly concocting an investment scam to defraud a fellow Ohioan out of \$12,000. He was charged with one count of securities fraud and one count of misrepresentation in the sale of securities, both third-degree felonies, and one count of theft by deception, a fourth-degree felony.

The indictment alleges Phouthavantha, a Columbus resident, solicited an Ohio resident to invest \$12,000 in his company, Bio Technology Laboratories, LLC (Bio Tech), based on statements the funds would be used for Bio Tech's business purposes. The indictment further alleges Phouthavantha deposited the funds into his personal account. The indictment was returned by a Franklin County grand jury, and the case is being prosecuted by the Office of the Franklin County Prosecutor Ron O'Brien and presented by Assistant Prosecuting Attorney, Robert Lang.

State v. Aaron S. Pitman

Case No. 19CR139

Meigs County Court of Common Pleas

Sentencing Hearing: Jan. 28, 2021

Aaron S. Pittman pleaded guilty on Oct. 14, 2020 to charges related to the theft of more than \$1.8 million from two Meigs County residents. He previously pled guilty to one count of securities fraud and one count of misrepresentations in the sale of securities, both first-degree felonies, and four counts of money laundering, all third-degree felonies. He agreed to pay \$300,000 to the victim in the case on or before sentencing, which is scheduled for Jan. 5, 2021.

The plea comes after a criminal referral by the Division and the Ohio Attorney General's Bureau of Criminal Investigation, in which Pitman, a Mason resident, and George "Roderick" Hammons, of Denver, Colorado, were indicted in June 2019 by a Meigs County grand jury for crimes related to theft of more than \$1.8 million from two Meigs County victims between Sept. 16, 2013, and July 21, 2014. Pitman solicited two Meigs County residents to invest in several businesses engaged in the purchase and development of website domains.

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Pitman laundered investor money through accounts held in the name of a business owned and operated by Hammons, and money then was funneled to various businesses and personal accounts maintained by Hammons and Pitman. This case was prosecuted by the office of Meigs County Prosecutor James Stanley.

State v. Jeffery Luke Westerman

Case No. 18 CR 006309/20 CR 004696
Franklin County Court of Common Pleas
Pretrial Date: Jan. 14, 2021 (18 CR 006309)
Trial Date: Feb. 3, 2021 (20 CR 004696)

On Oct. 5, 2020, a second indictment was returned by a Franklin County grand jury with additional charges including theft, misrepresentations in the sale of securities and fraud.

State v. Michael D. Wood

Case No. 19 CR I 11 0776
Delaware County Court of Common Pleas

On Oct. 30, 2020, Michael D. Wood was sentenced for taking more than \$70,000 from five Ohio investors in a scheme in which Wood told the victims their investment with him would earn them “millions of dollars.” Wood instead used the funds for his personal use. Delaware County Judge David Gormley sentenced Wood to 30 days in jail and four years of community control, with 15 years in reserve should he violate the terms of his community control. He must serve 40 hours of community service within the first year of his community control. Wood was also ordered to pay \$81,300 in restitution to the five victims, plus payment of court costs and fees. He was scheduled to report to the jail Nov. 9 to begin serving his sentence.

Wood was indicted by a Delaware County grand jury in Nov. 2019. Wood told his victims the investments were in Vietnamese Dong, Iraqi Dinar and Zimbabwe Zim, which would be revalued at more favorable rates and would generate significant returns. Wood falsely told his victims he had a relationship with a high-level official in the U.S. Treasury Department who provided inside information, including information that Presidents Bill Clinton, Barack Obama and then-candidate Donald Trump had personal stockpiles of these foreign currencies.

This case was prosecuted by the Delaware County Prosecutor’s Office of Melissa A. Schiffel and presented by Assistant Prosecuting Attorney Christopher Ballard.

For further information on these cases, visit:

https://www.com.ohio.gov/documents/secu_Bulletin2020ThirdQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2020SecondQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2020FirstQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2019FourthQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2019ThirdQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2019SecondQuarter.pdf
https://www.com.ohio.gov/documents/secu_Bulletin2019FirstQuarter.pdf



2020 Ohio Securities Conference Review

Given the impact of COVID-19, the 2020 Ohio Securities Conference theme – “What’s Next?” – revolved around the changes the industry experienced and will continue to experience due to the pandemic, both from an operational as well as legal standpoint.



“More than 200 people registered to attend our 47th annual conference, continuing the tradition of providing our industry stakeholders with a quality experience,” said Ohio Securities Commissioner Andrea Seidt. “We had an excellent lineup of presenters and topics, which tied into our theme of ‘What’s Next?’. We covered several important topics, including Regulation Best Interest, the potential increases in securities litigation due to the pandemic, how financial firms adapted their business operations, and our section leaders provided their annual updates.”

Conference Presentation Materials Available Online

If you missed the annual conference, you can access the available presentation materials at: <https://www.com.ohio.gov/secu/ConferencePresentation.aspx>.

Section Updates

Representative from the Enforcement, Licensing and Corporate Finance sections reported on activities from the previous fiscal year. Here are the highlights from each section:

Enforcement

The Enforcement section provided an overview of its program during the 2020 Securities Conference. Topics included the top threats facing retail investors during the prior year based on investigations and Division actions initiated throughout the previous year. These included actions taken related to the sale of securities issued by Woodbridge Group of Companies, LLC, 1 Global Capital, LLC, Future Income Payments, LLC, and various fraudulent websites.

The Division was involved in 17 criminal cases during the prior year, which were filed in 10 different counties throughout Ohio, impacting 173 victims and more than \$16 million in victim losses. During the presentation, Enforcement provided an overview of a sampling of those

criminal cases. During the past year, the Division also initiated administrative actions which led to 27 final orders involving violations of the Ohio Securities Act.

The Enforcement section also discussed their initiatives throughout the past year, which included active participation in the NASAA COVID-19 Enforcement Task Force. Members of the Task Force initiated 220 actions across 44 jurisdictions throughout the U.S., Canada and Mexico to stop fraudulent schemes, which attempted to capitalize on the COVID-19 pandemic. Four of those actions were initiated by the Division.

The PowerPoint presentation shown during the conference can be viewed on the [conference website](#).

Licensing & Examinations

The Division was unable to host its traditional Advisory Committee meetings in the same format as the conference, but each section chief gave their respective updates. Anne Followell gave a brief update for the Licensing section.

Followell gave an update on Licensing section staff members, a snapshot of licensee statistics, and changes to section operations and procedures due to the COVID-19 pandemic. She also discussed the examination program's accomplishments over the past year, common exam deficiencies, and recent administrative actions involving licensee non-compliance.

The following additional topics were discussed:

- Mandatory Reporting Laws for Ohio-licensed Dealers, Salespersons, Investment Advisers, and Investment Adviser Representatives of suspected elder abuse, including: the immunity provision, potential penalties and consequences for non-compliance, and reporting methods;
- The Division's participation in and findings from NASAA's Regulation Best Interest Exam Initiative;
- Cybersecurity Update, including new checklist and guidance tools;
- Updates to the Ohio Investment Adviser and IAR Handbook (March 2020); and
- Section contact information due to continued teleworking arrangements.

All written materials are available on the [Division's conference website](#).

Corporate Finance / Registration

The Registration section provided an overview of policy developments, many of which were published in previous bulletin articles:

- The first article, entitled *Non-GAAP Financial Measures in Advertising* (Q4, 2019), required issuers to supplement any non-GAAP figures they use with the nearest GAAP figure and a reconciliation between the two.
- The second article, *Private Indexes in Advertising and Non-Traded REIT Valuations* (Q1, 2020), explained the Division's prohibition on private indexes in retail-use advertising material by non-traded REITs, and also on claims of low (or no) volatility in such pieces.
- The third article, *Registration Section Review of Issuer Advertising* (Q2, 2020), explained the Division's process for receiving, reviewing, and issuing comments on advertisement pieces, and also the principles the Division applies to its review.

- Lastly, the article, *Reg BI Now In Effect* (Q2, 2020), laid out the Division's requirements following the implementation of Regulation Best Interest.

The discussion then transitioned toward the impact of the COVID-19 pandemic and the differences between prospective, and materialized disclosure (and on the importance of interim financials in a pandemic). Finally, the update provided a brief discussion of Form D filings and on the impact of the SEC's Harmonization Release.

All materials related to this presentation are available on the [Division's conference website](#).

Division News

Terri Beardsley Named Commerce “Shining Star”

At the Commerce All-Staff meeting in October, Enforcement Administrator Terri Beardsley was honored with a Commerce “*Shining Star Award*,” which was created to celebrate exceptional employees who have made a significant and positive impact on their respective divisions.

Terri was recognized for covering the work for two open staff positions to ensure the Division of Securities continued to produce professional, timely, and accurate work during a staffing shortfall and the COVID-19 teleworking period.



Terri Beardsley, SEC

Enforcement Investigator Laura Littlejohn submitted the following nomination for the award:

“You stepped up when you were needed most and took on the work of three people, while continuing to provide a high level of service. Somehow you have been able to incorporate the additional work into your already packed to-do list. Without you, the Enforcement section would have come to standstill.

You also have excelled in finding innovative and efficient ways to manage your work, including developing a new way of tracking internal processes. You are respected for your keen attention to detail. Your co-workers know they can count on you to provide a direct assessment of the effectiveness and efficiency of proposed changes.

You are a great representative of the Securities Division and you ensure that everything you touch presents the division in professional manner.”

Congratulations to Terri for her exceptional work and commitment to the Division!

Outreach and Education Update

Due to the pandemic and the associated state-imposed travel restrictions, Division staff sought virtual presentation opportunities during the past several months and will continue to do so for the foreseeable future. Follow us on Twitter [@OHSecuritieDiv](https://twitter.com/OHSecuritieDiv) to find out when presentations are scheduled. Here’s a list of presentations made this quarter:

- Sept. 22 – Licensing Chief Anne Followell presenting on licensing requirements during a Cincinnati Better Business Bureau staff training. The webinar was also watched by staff from several other Ohio BBB offices.
- Oct. 6 – Outreach Manager Dan Orzano presented on how consumers and businesses can protect against investment fraud during a podcast hosted by the Cincinnati BBB.
- Nov. 18 – Enforcement Attorney David Biemel presented on how the Division is protecting seniors from investment fraud as part of the Cleveland Veterans Administration virtual conference on protecting seniors from financial exploitation.

Division News

PLEASE NOTE – The Division of Securities continues to follow state guidelines to keep our staff and our stakeholders as safe as possible due to COVID-19. In-person presentations are postponed for the time being, with the goal to reschedule all previously scheduled presentations and participate in other planned events when the time is right to do so. Outreach Manager Dan Orzano is pursuing opportunities to host virtual presentations with community organizations using available technology options such as Webex, Zoom, Microsoft Teams and other available platforms. Contact Dan if you would like to schedule a presentation. Updates will be posted on the division’s Twitter page, so be sure to follow us.



Follow Us On Twitter

Be sure to follow us [@OHSecuritieDiv](#). We post news and information about the Division, plus tips to help Ohioans become more savvy investors and avoid getting scammed.

NASAA News

NASAA Outlines Opposition to SEC’s Proposed Federal Broker-Dealer Exemption for Private Placement Finders

In a November comment letter to the U.S. Securities and Exchange Commission (SEC), The North American Securities Administrators Association (NASAA) said the agency’s proposal - Release No. 34-90112 - threatens to harm investors by withdrawing oversight from individuals and situations known to be prone to abuse.

NASAA urged the agency to not to move forward with its proposal to order a new federal broker-dealer exemption for private placement finders amid concerns the proposal lacks adequate investor protections. “Finders” are individuals who are hired by private companies to locate potential investors.

“NASAA opposes the proposal because it seeks to expand the private markets without providing any commensurate effort to protect investors from the enhanced risk of fraud in an unregulated environment,” said Lisa A. Hopkins, NASAA president and West Virginia’s senior deputy securities commissioner. “NASAA believes the limited controls proposed by the SEC would be inadequate because they cannot ensure finders would solicit sophisticated investors only, they are too vague to enforce, they cannot be monitored for compliance, and they are susceptible to abusive practices that could harm small business capital formation.”

You can read the entire comment letter [here](#).

NASAA COVID-19 Enforcement Task Force Takes 250 Actions to Protect Investors From Pandemic Fraudsters

On Dec. 17, NASAA reported its COVID-19 Enforcement Task Force, consisting of state and provincial securities regulators, has taken action to disrupt 250 schemes fraudulently seeking to profit from the pandemic and will continue its work to protect investors in the coming year as the pandemic response shifts into the vaccination phase.

Division News

“Through the task force, state and provincial securities regulators successfully raised awareness of how fraudsters can use the pandemic to cloak schemes to steal money from unsuspecting investors,” said NASAA President Lisa A. Hopkins. “Fraudsters should know the work of the task force is not over, and state and provincial securities regulators will continue to take decisive action to shut down their schemes.”

With 111 investigators representing 44 jurisdictions in the United States, Canada, and Mexico, the COVID-19 Task Force represents the largest coordinated enforcement initiative undertaken by state and provincial securities regulators. The task force was formed in April and is led by NASAA’s Enforcement Section and its Enforcement Technology Project Group.

To date, state and provincial securities investigators have detected 262 schemes to defraud investors and consumers, including 168 investment-related schemes and 94 non-investment schemes, Hopkins said. To disrupt these schemes, task force members have taken 250 distinct actions, including administrative actions, cease-and-desist orders, referrals to other regulators and to social media and hosting companies.

Fraudulent offers disrupted by the task force include those pitching investments in medical technology or healthcare companies by purchasing membership units in general or limited partnerships, penny stocks, or through other investment vehicles, including private placement offerings, initial coin offerings or other cryptocurrency-related investments, and crowdfunding.

Additional information about the COVID-19 Enforcement Task Force and COVID-related investment schemes can be found on [NASAA’s website](#).

Industry News

FINRA Releases Study Suggesting Financial Knowledge Overconfidence Among Older Investors May Lead to Excessive Financial Risk

New research released in September from the FINRA Investor Education Foundation, in collaboration with researchers from Duke University and Rush University Medical Center, found America’s older investors – many facing diminished financial knowledge and overconfidence in their ability to make sound investment decisions – may engage in more risky financial behaviors as they continue to age.

Researchers surveyed 1,200 adults between the ages of 58 and 101 about their financial decision making, financial literacy and ratings of confidence in their financial knowledge.

You can read more about the study and download a copy on [FINRA’s website](#).

Jay Clayton will leave the SEC at the end of 2020

Jay Clayton, chairman of the Securities and Exchange Commission, confirmed in November he will conclude his tenure at the end of this year. Clayton was sworn in May 4, 2017, and will leave the SEC as one of its longest-serving chairs. You can read the entire news release on the [SEC’s website](#).