

# *Ohio Department of Commerce* Annual Report 2007

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Ted Strickland  
Governor

Kimberly A. Zurz  
Director

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Governor Strickland, Members of the Ohio General Assembly and Citizens of Ohio:

It is my pleasure to present the Ohio Department of Commerce Annual Report for Fiscal Year 2007, highlighting the year's accomplishments and many of the steps taken by the Department's employees to turn around Ohio.

We are proud to carry out the important mission of protecting the state's consumers at the same time as regulating commerce in a reasonable, fair and efficient manner.

The divisions of Financial Institutions and Real Estate & Professional Licensing have enforced the anti-predatory lending language contained in Ohio's Homebuyers' Protection Act that took effect January 1, 2007. The law contained many changes for the state's mortgage industry and for Ohio's licensed and certified appraisers. It also provided Commerce with more weapons to combat predatory lending, which has had a devastating impact on our communities and the financial lives of many Ohio citizens.

It was a year of record performances and improved efficiency across the Department, thanks to the hard work of the organization's more than 900 employees.

A record \$72 million in unclaimed funds were paid to Ohio citizens and others. Improved controls helped the Division of Liquor Control boost its profit margin to 29.5 percent during the year, while the Division of Industrial Compliance's Building Code Compliance Bureau saw a 27 percent jump in building plans filed electronically.

Many other strides were made. New dormitory facilities opened at the Ohio Fire Academy as part of the Division of State Fire Marshal's \$10 million renovation and expansion project. Labor & Worker Safety instituted the new minimum wage law, and the Division of Securities oversaw a significant increase in licensed salespeople.

In addition, planning began to implement Senate Bill 117, which requires the Department to administer statewide video-service authorization beginning in Fiscal Year 2008.

The employees at the Ohio Department of Commerce and I are proud that our efforts led to discernable progress during Fiscal Year 2007, and we remain committed to assisting the citizens and businesses of Ohio in the future.



*Kimberly A. Zurz*  
*Commerce Director*

*Kimberly A. Zurz*

Kimberly A. Zurz, Director  
Ohio Department of Commerce

The Division of Financial Institutions (DFI) regulates Ohio's state-chartered depository institutions and non-depository financial industries. The Division also regulates trust companies and licenses money transmitters. Examination, supervision and regulatory activities are performed by members of the Division's staff specializing in the operations of each specific industry. The Division's Office of Consumer Affairs educates Ohioans on ways to protect themselves in the mortgage-lending process, receives complaints against lenders, and refers borrowers to organizations that can provide assistance. Enforcement actions are initiated when lending laws have been violated, and cases can be referred for prosecution.

## Implementation of Senate Bill 185

Senate Bill 185 went into effect January 1, 2007, and made broad changes to the Division's regulation of the mortgage industry, including tougher licensing and testing requirements and additional disclosures designed to protect consumers from predatory lending. Under the new law, the Division shares enforcement responsibilities with the Ohio Attorney General. As mandated by the new law, the Division created a public database – available on its Web site – that includes enforcement actions taken against mortgage brokers and loan officers licensed in Ohio. The promulgation of rules related to implementing Senate Bill 185 was a primary focus for the Consumer Finance Section during FY 2007.

## Loan Officer license renewals made available online

As a result of the April 2007 conversion of the Division's Consumer Finance database to a Web-based system, the first phase of online license renewals for loan officers was completed. Not only can loan officers access and complete forms online, they are able to pay required fees. The initiative has been received positively by the industry, and it helped reduce the turnaround time significantly for processing renewals. Additional online license renewal projects for other types of registrants are planned for FY 2008.

## Division supports efforts of predatory-lending task forces

To address the increasing number of foreclosures and fraudulent lending activities, investigators and examiners from the Consumer Finance Section have been assisting with investigations and enforcement efforts of various foreclosure and predatory-lending task forces around the state. Examiners have spent significant time reviewing foreclosed mortgage loans to determine if there were improprieties in the lending process. In addition to assigning investigators and examiners to assist with these endeavors, the Consumer Finance staff is often called upon for its industry and legal expertise.



*Ohio Department of Commerce Director Kimberly A. Zurz (left) and State Treasurer Richard Cordray (right) participate in one of the meetings of the Ohio Foreclosure Prevention Task Force. Director Zurz served as the task force's chair.*

### Credit Union Section reaccredited by NASCUS

The Division's Credit Union Section was reaccredited on December 6, 2006, by the National Association of State Credit Union Supervisors (NASCUS). This prestigious accreditation is attained when an agency demonstrates that it meets standards in six areas that ensure the highest levels of regulatory proficiency. These areas include administration and finance, personnel, training, examination, supervision, and legislative powers. Although all of the states participate in the program, only about half are accredited. The accreditation is in effect for a five-year period.

### Alternate Examination Program adopted for savings and loan associations

In an effort to reduce the regulatory burden for the savings and loan industry and lessen regulatory costs, the Division entered into a cooperative working agreement with the Office of Thrift Supervision (OTS). The agreement permits examinations of institutions with CAMELS composite "1" or "2" ratings to be conducted on an alternate basis. CAMELS is an acronym for a six-factor rating system. By adopting this agreement, the Division is able to use exam resources more efficiently. Both the Division and OTS will continue to share exam-related materials, including reports and work papers, and they will work together to address supervisory issues.

### Legislation enacted to update money transmitter statutes

With the enactment of House Bill 454 on April 6, 2007, Ohio's money transmitter statutes were modernized to address 21<sup>st</sup> century electronic payments and transmission services. The bill also modified requirements for licensing, net worth, and business organization, and it changed general licensing from an annual to a continuing process. Companies that previously were required to obtain both a domestic and foreign license will now have one license for both types of operations. Additionally, quarterly financial reporting will be required, and the Division has the authority to establish safety and soundness standards, conduct examinations and require corrective actions.

### CAMELS\* Ratings - All Depository Institutions

	6/30/2004	6/30/2005	6/30/2006	6/30/2007
1 – Strong	24%	25%	27%	29%
2 – Satisfactory	58%	61%	61%	60%
3 – Fair	14%	12%	10%	10%
4 – Unsatisfactory	4%	3%	2%	2%
5 – Poor	0%	0%	0%	0%

\*An international bank-rating system in which bank supervisory authorities rate financial institutions on six factors: Capital adequacy; Asset quality; Management quality; Earnings; Liquidity; and Sensitivity to market risk.

**Aggregate Assets - Depository Institutions**  
(Dollar Amounts in Thousands)

<b>Industry</b>	<b>As of</b>	<b>Number</b>	<b>Aggregate Assets</b>
<b>Banks</b>	June 30, 2005	100	\$90,800,000
	June 30, 2006	98	\$92,259,429
	June 30, 2007	100	\$90,614,290
<b>Credit Unions</b>	June 30, 2005	223	\$ 8,763,511
	June 30, 2006	203	\$ 8,941,070
	June 30, 2007	189	\$ 9,478,674
<b>Savings &amp; Loans</b>	June 30, 2005	32	\$ 4,600,000
	June 30, 2006	29	\$ 4,139,681
	June 30, 2007	28	\$ 4,332,149
<b>Savings Banks</b>	June 30, 2005	26	\$ 5,300,000
	June 30, 2006	27	\$ 5,598,201
	June 30, 2007	25	\$ 5,666,678



### **Ohio Bankers' Day**

*John B. Reardon, Superintendent of Financial Institutions, thanks Sandra Thompson, Director of the Division of Supervision & Consumer Protection, Federal Deposit Insurance Corporation (FDIC), for her participation at the 2007 Ohio Bankers' Day Conference. As the Keynote Speaker, she discussed regulatory hot topics. The annual event was attended by approximately 250 bankers, consultants and regulators.*

### Summary of Regulated Depositories & Money Transmitters

<b>Types of Institutions</b>	<b>6/30/2004</b>	<b>6/30/2005</b>	<b>6/30/2006</b>	<b>6/30/2007</b>
<b><u>Depository Institutions</u></b>				
Banks	106	100	98	100
Trust-only Banks	2	2	2	2
Credit Unions	234	223	203	189
Savings and Loan Associations	36	32	29	28
Savings Banks	27	26	27	25
<b>Total Depository Institutions</b>	<b>405</b>	<b>383</b>	<b>359</b>	<b>344</b>
<b><u>Money Transmitters</u></b>				
Domestic Money Transmitters	18	23	23	26
Foreign Money Transmitters	24	29	31	33
<b>Total Money Transmitters</b>	<b>42</b>	<b>52</b>	<b>54</b>	<b>59</b>

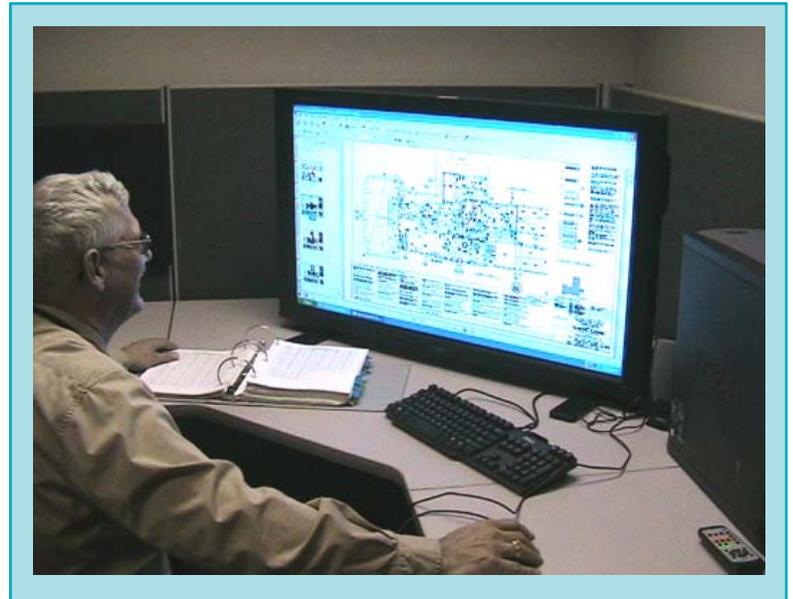
### Non-Depository Financial Services Licenses

<b>Types of Licenses</b>	<b>6/30/2004</b>	<b>6/30/2005</b>	<b>6/30/2006</b>	<b>6/30/2007</b>
Check Cashers	1,294	1,352	1,535	1,680
Check Casher Lenders	1,209	1,226	1,412	1,579
Credit Service Organizations	5	8	10	8
Insurance Premium Finance Lenders	51	57	55	57
Mortgage Brokers	2,107	2,107	2,155	1,802
Mortgage Broker Licensed Loan Officers	7,715	7,767	7,902	7,703
Mortgage Loan Registrants (OMLA)	2,428	2,471	2,797	2,290
Pawnbrokers	165	160	157	162
Precious Metals Dealers	20	23	22	19
Small Loan Licensees	83	49	50	48
<b>Total Non-Depository Licensees</b>	<b>15,077</b>	<b>15,220</b>	<b>16,095</b>	<b>15,348</b>

The Division of Industrial Compliance (DIC) reviews and approves building plans for the construction and renovation of commercial and public buildings. The Division also provides regulatory certification and inspections of boiler and elevator systems essential to public welfare and safety. DIC staff members also conduct inspections of plumbing, electrical and structural systems, as well as bedding and upholstered products. The Division provides testing, certification, licensing and continuing education for numerous skilled trades in Ohio's building industry.

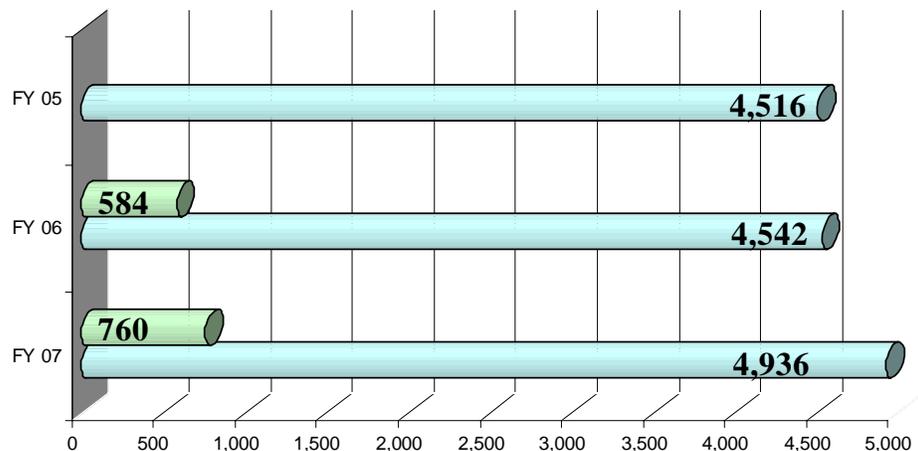
## Building code electronic plan reviews increase

The Building Code Compliance Bureau's electronic plan-review process continues to gain in popularity. In FY 2007, a total of 760 "e-plans" were received, exceeding the total of 584 projects received in FY 2006.



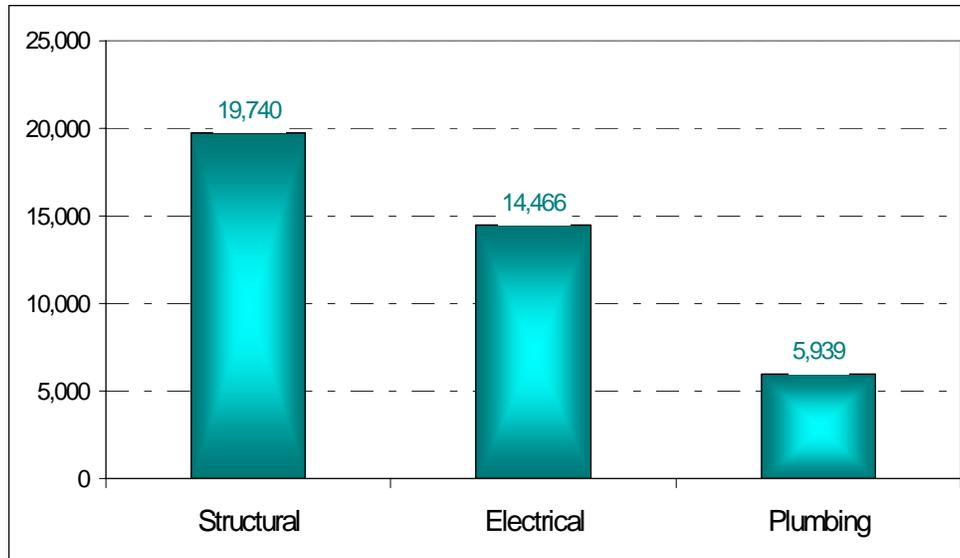
*Plans Examiner Gerald Burg reviews building plans submitted electronically.*

## DIC Plans Received



	FY 07	FY 06	FY 05
E-Plans	760	584	N/A
Total Plans	4,936	4,542	4,516

### Bureau of Building Code Compliance Inspections FY 2007



#### Licensing Board implements changes

The Ohio Construction Industry Licensing Board (OCILB) has put into effect new legislation and a number of new rule changes that were approved during the past year. In addition, Superintendent Gary Schaeffer has instituted changes within DIC to ensure compliance with the licensing law for contractors who are submitting plans and work in the state’s jurisdiction.

#### OCILB Licenses Issued in FY 2007

	<b>ELECTRICAL</b>	<b>HVAC</b>	<b>HYDRONICS</b>	<b>PLUMBING</b>	<b>REFRIGERATION</b>	<b>TOTAL</b>
<b>Total</b>	<b>7,212</b>	<b>4,721</b>	<b>2,229</b>	<b>5,249</b>	<b>1,708</b>	<b>21,119</b>

#### Continuing education courses for OCILB licensees

There are 253 training agencies that are approved to provide continuing education courses to OCILB licensees. These agencies offered 131,790 hours of classes.

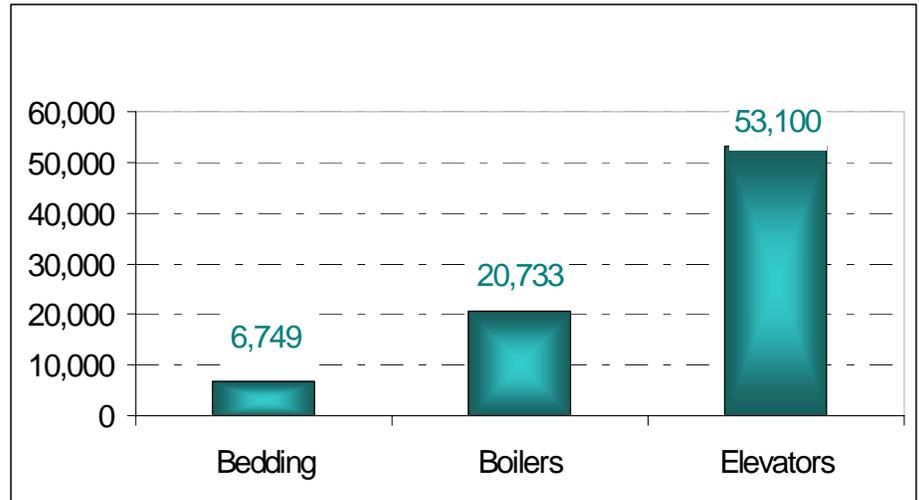
<b>SUBJECT</b>	<b>Hours Offered</b>
<b>Business</b>	24,479.0
<b>Code</b>	72,062.0
<b>Health &amp; Safety</b>	10,807.5
<b>Technology</b>	24,441.5
<b>Total</b>	131,790.0

## Bureau of Operations & Maintenance oversees critical systems

The Bureau of Operations & Maintenance is responsible for proper installations and maintenance of critical systems with Ohio's "built environment."

The Bureau oversees systems such as boiler operations and maintenance, elevators, and bedding and upholstered furniture. The Bureau also provides administrative oversight and support for the Bureau's sections.

## Bureau of Operations & Maintenance Inspections FY 2007



*William Bussler and Jerry Delong inspect a boiler firebox of a historic steam tractor.*



*Elevator Inspector Doug Watkins conducts an inspection.*



## Bedding Section pursues outreach

The Bedding Section continues to be an active participant in industry roundtable events statewide. As a component of the section's outreach program, this "teaming" effort serves as a valuable educational tool that has been well received by entities that the section regulates.

The section's inspection staff, comprised of seven field inspectors, conducted 6,749 compliance inspections during FY 2007. Additionally, the laboratory conducted 6,485 tests on products submitted by manufacturers located all over the world. The Revenue Recovery unit received more than \$210,500 that was due to the state. The Bedding Section completed the fiscal year with 6,805 active registrations, which represents an all-time high. Financially, the Bedding Section brought in more than \$2.5 million in semi-annual laboratory testing, renewal and new registration payments.

The Division of Labor & Worker Safety (LAWS) administers and enforces Ohio's prevailing-wage, minimum-wage, overtime and minor labor laws. The state's prevailing-wage law requires public authorities to pay the local prevailing rate of wages for work performed under public construction contracts. The minimum-wage law in Ohio sets state minimum wage rates, and Ohio's overtime law directs employers to pay 1½ times their regular pay rate for all hours worked in excess of 40 hours in a work week. The Division's field staff conducts routine inspections of workplaces statewide. LAWS also educates employers and employees about their rights and responsibilities, administers labor laws with emphasis on employer compliance, investigates complaints, and consults with both employers and employees.

### New minimum wage law is enacted

A constitutional amendment passed by voters in November 2006 increased the minimum wage on January 1, 2007, to \$6.85 per hour for employers that gross \$250,000 or more annually. For employers grossing less than \$250,000 per year, the state's minimum wage is the same as the current federal minimum wage, and that is also the case for employers who employ 14 and 15 year-olds. The minimum wage for a tipped employee rose to \$3.43 an hour.



### Wage & Hour Activities FY 2007

<b>ENFORCEMENT ACTION</b>	<b>EMPLOYEES AFFECTED</b>	<b>DOLLAR AMOUNT</b>
Prevailing wage determinations	408	\$856,689.64
Prevailing wage collections	2,010	\$1,844,358.20
Minimum wage determinations	114	\$208,622.58
Minimum wage collections	517	\$242,284.19
Penalty fund collections	200	\$139,181.55

The Division of Liquor Control is responsible for controlling the manufacture, distribution and sale of all alcoholic beverages in Ohio. The Division is the state's sole purchaser and distributor of spirituous liquor, which is intoxicating liquor containing more than 21 percent alcohol by volume. Spirituous liquor is sold through more than 430 private businesses, known as contract liquor agencies, which contract with the Division to serve as its sales agents. Revenue from the Division's sales is used to help fund a variety of programs offered by various state agencies. Regulatory functions include issuing permits to the state's approximately 25,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. The Division also regulates industry compliance with laws pertaining to manufacturing, importing and distributing beer, wine and mixed beverages containing 21 percent or less alcohol by volume.

### Dollar sales hit record high

Spirituous liquor sales reached a record \$672.7 million in FY 2007, an increase of \$33.9 million, or 5.3 percent, over sales in FY 2006. The increase in liquor dollar sales can be attributed to increases in product prices, more purchasing of premium-priced products, higher retail-sales volume and a rising level of consumption.

The volume of spirituous liquor sold in FY 2007 totaled 10.2 million gallons, which is an increase of 246,779 gallons, or 2.5 percent, compared with FY 2006.

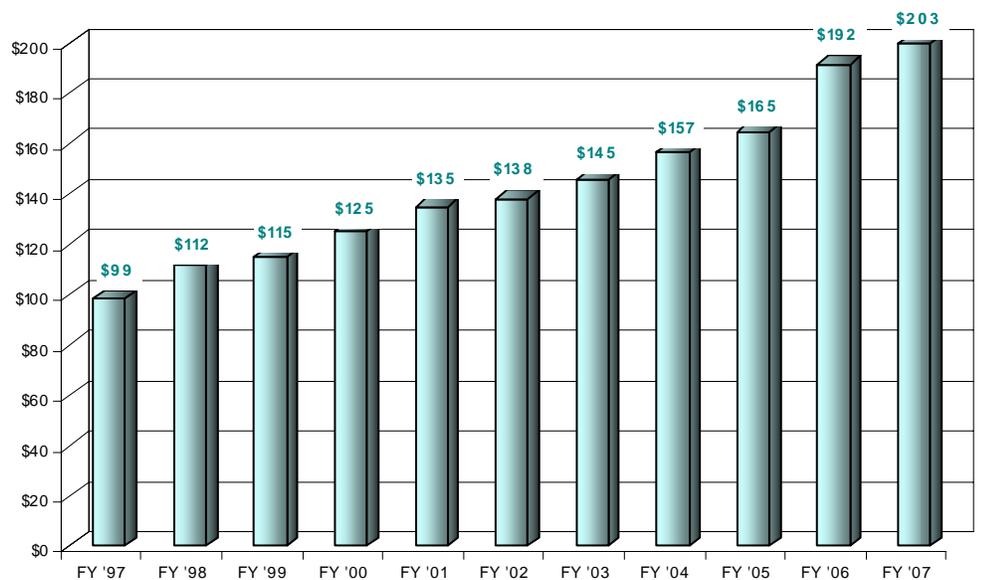
### Profit increases

In addition to continued growth in dollar sales, the Division's total net profit has been rising steadily, reaching a record high \$203.2 million in FY 2007. This was an increase of \$11.6 million over FY 2006. The Division's profit margin also rose to 29.5% in FY 2007.

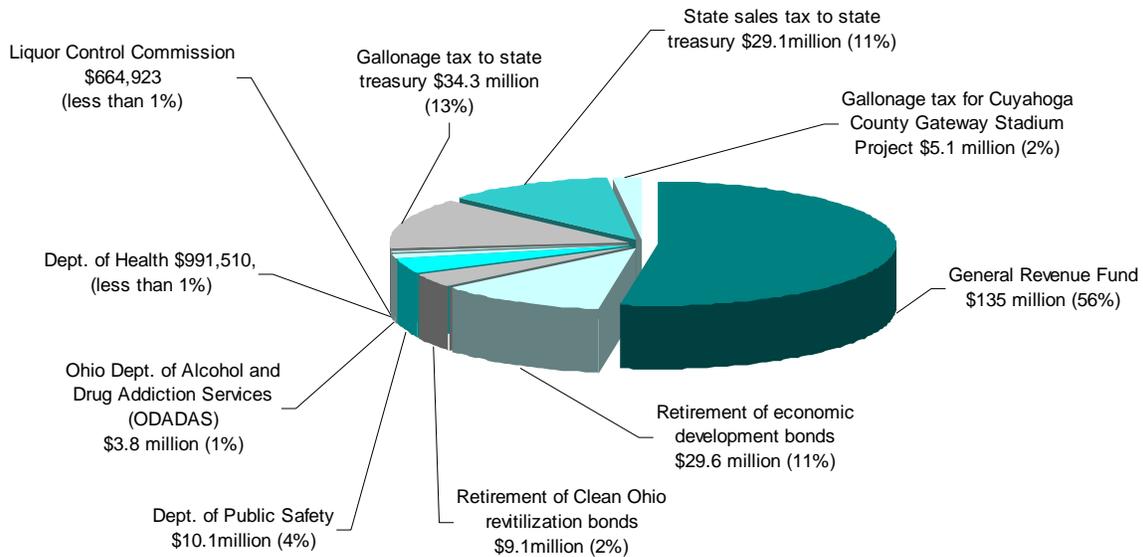
Increased profit and better profit margins can be attributed to the Division's efficient operations in areas such as inventory control, product selection and shelf standardization, and the placement of sales outlets in areas that feature increasing customer demand and economic viability.

Fiscal Year	Dollar Sales	Gallons Sold
1997	\$391.7 million	8.0 million
1998	\$407.8 million	8.1 million
1999	\$423.9 million	8.2 million
2000	\$455.9 million	8.5 million
2001	\$482.4 million	8.6 million
2002	\$498.6 million	8.6 million
2003	\$518.5 million	8.8 million
2004	\$552.8 million	9.2 million
2005	\$587.5 million	9.6 million
2006	\$638.8 million	9.9 million
2007	\$672.7 million	10.2 million

Division's Net Profit (in millions)



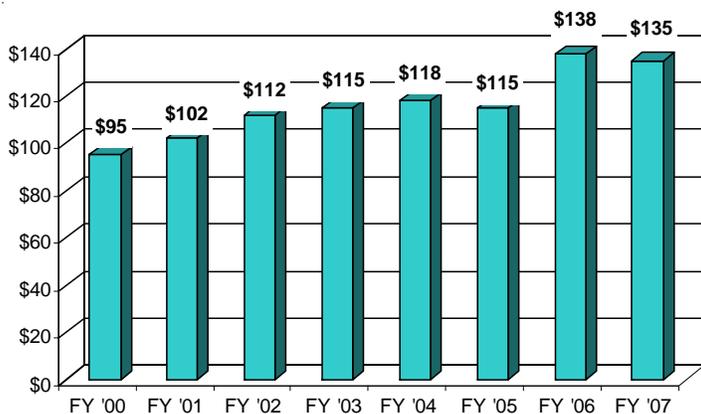
## Liquor Sales Revenue Distribution FY 2007



### Millions transferred to General Revenue Fund

The main financial goal of the Division is to maintain profitability of liquor sales through efficient management and operations. In FY 2007, the Division contributed \$135 million to the state's General Revenue Fund (GRF). This year's GRF transfer was \$3 million less than FY 2006 due to the deferred transfer of some funds until 2008 by the Office of Budget and Management (OBM).

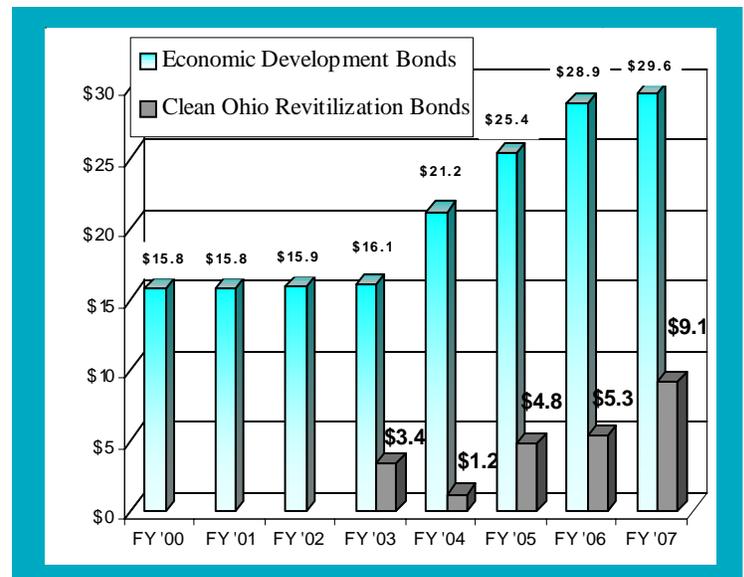
### General Revenue Fund Transfers (in millions)



### Other revenue distribution

In addition to the GRF transfer, another \$122.8 million in liquor sales and tax revenue was contributed by the Division to help fund a variety of state services. That means the Division of Liquor Control's total contribution for FY 2007 totaled \$257.8 million.

### Revenue Distribution for Bond Retirement (in millions)

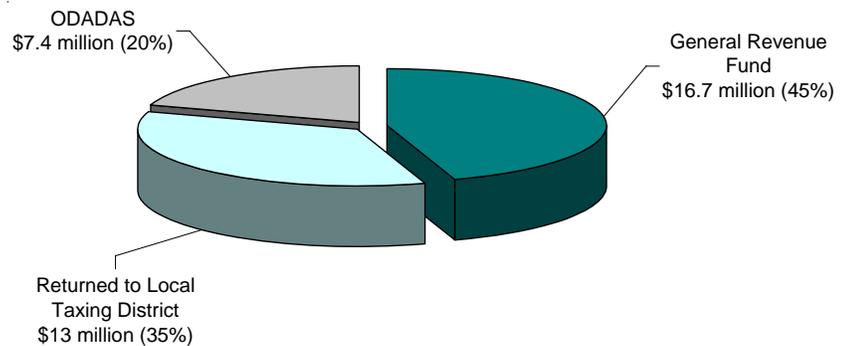


Liquor revenues were earmarked for the following state services: The Ohio Department of Development, to retire economic-development bonds and Clean Ohio revitalization bonds; the Ohio Department of Public Safety, for state liquor-law enforcement; the Ohio Department of Alcohol and Drug Addiction Services, to fund alcoholism treatment, education and prevention programs statewide; the Ohio Department of Health, to finance the Alcohol Testing Program; and the Ohio Liquor Control Commission, to fund its operations.

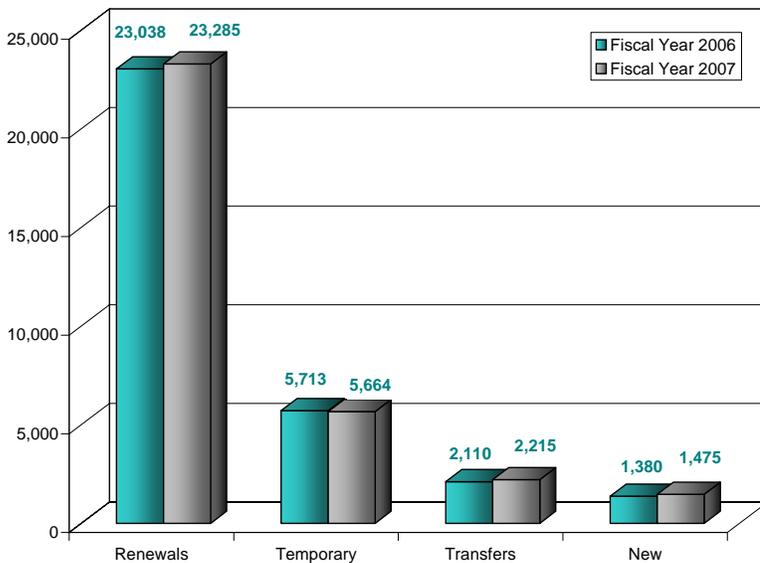
### Distributing permit fees

The Department of Commerce distributed \$37.2 million from liquor permit fees in FY 2007, an increase of \$557,695 over FY 2006. Of the FY 2007 total, \$13 million was returned to local taxing districts for liquor law enforcement, \$16.7 million was deposited in the state General Revenue Fund, and \$7.4 million was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts statewide.

### Liquor Permit Fee Distribution FY 2007



### Liquor Permit Activity



### Liquor permits grow

In FY 2007, the Division’s Licensing Section was responsible for licensing the operation of more than 25,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. This included issuing new permits, renewing and transferring permits, and handling investigative and hearing requirements associated with issuing permits. During the fiscal year, the section issued 1,475 new permits and 5,664 temporary permits, and it transferred 2,215 permits. In addition, 23,285 permits were renewed.

### Social Responsibility

The Division of Liquor Control demonstrated its continued commitment to helping retail permit holders fight underage drinking by working with The Century Council to support the distiller-funded not-for-profit organization’s new “We Don’t Serve Teens” campaign. The Division participated in campaign kickoff events at contract liquor agencies around the state.

This campaign is designed to deter underage drinking by reminding adults that providing underage drinkers with alcohol is unsafe, illegal and irresponsible.

It also seeks to educate adults on the severe legal consequences of providing alcohol to minors, which could include fines and jail sentences, through television and radio public-service announcements, lapel pins, cold case stickers, ceiling danglers and register signs.

The campaign provides tips to parents in an effort to prevent underage drinking and to highlight the strong influence that parents wield on their teens’ decisions to say “no” to alcohol.



## Division of Liquor Control Profit and Loss Statement

<u>SPIRITUOUS LIQUOR SALES</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
Retail Sales	\$403,499,329	\$433,676,832
Wholesale Sales	\$250,323,983	\$254,319,940
<b>GROSS SALES</b>	<b>\$653,823,312</b>	<b>\$687,996,772</b>
Less Wholesale Discount	\$15,019,439	\$15,259,196
<b>TOTAL SALES</b>	<b>\$638,803,873</b>	<b>\$672,737,576</b>
Less Cost of Goods Sold	\$364,399,267	\$385,269,154
State Gallonage Tax	\$33,534,499	\$34,368,614
<b>TOTAL COST OF GOODS</b>	<b>\$397,933,766</b>	<b>\$419,637,768</b>
<b>GROSS PROFIT</b>	<b>\$240,870,107</b>	<b>\$253,099,808</b>
<b>Percentage of Gross Profit</b>	<b>36.84%</b>	<b>36.79%</b>
<b>OPERATING EXPENSES</b>		
Less Operating Expenses - Agencies	\$34,401,355	\$36,297,186
Less Operating Expenses - General	\$14,879,191	\$13,571,383
<b>TOTAL OPERATING EXPENSES</b>	<b>\$49,280,546</b>	<b>\$49,868,569</b>
<b>NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS</b>	<b>\$191,589,561</b>	<b>\$203,231,239</b>
<b>PERCENT NET PROFIT TO GROSS SALES</b>	<b>29.30%</b>	<b>29.54%</b>

The Division of Real Estate and Professional Licensing licenses real estate brokers and salespeople. In addition, it licenses and certifies general and residential appraisers and registers appraiser assistants. Applications are screened to ensure that legal qualifications are met prior to approval. When allegations of misconduct, fraud or unlicensed activity are made against licensees and registrants, the Division investigates the allegations, holds hearings and imposes discipline as determined by the Ohio Real Estate Commission and the Ohio Real Estate Appraiser Board. The Division also registers all operating cemeteries in Ohio and supports the Ohio Cemetery Dispute Resolution Commission by investigating complaints or disputes involving registered cemeteries.

### Ohio Homebuyers’ Protection Act goes into effect

The Homebuyers’ Protection Act, which went into effect on January 1, 2007, is one of the nation’s strictest laws to protect consumers from predatory lending. The law is designed to curb the unscrupulous lending practices that contributed to Ohio having one of the highest foreclosure rates in the United States. The law brings many changes, including a requirement that appraisals for mortgage loans be conducted by a state licensed or certified appraiser. The law also requires criminal-background checks of new appraiser applicants, and it prohibits licensing or certifying anyone who has been convicted of or pleaded guilty to any crime that involved theft, receiving stolen property, embezzlement, forgery, fraud, passing bad checks, money laundering, drug trafficking, or an offense involving money or securities. The law makes it a fifth-degree felony for anyone to directly or indirectly coerce or improperly influence an appraiser’s independent judgment in a mortgage transaction.

### Number of Licensees (FY 2002 - FY 2007)

NUMBER OF LICENSEES	2002	2003	2004	2005	2006	2007
REAL ESTATE APPRAISERS	3,135	3,216	3,522	3,577	4,345	3,625
ACTIVE REAL ESTATE BROKERS	7,495	6,038	5,965	5,749	5,626	5,652
ACTIVE REAL ESTATE SALESPERSONS	36,465	31,765	33,198	35,239	35,317	35,378
CEMETERY REGISTRATIONS	3,365	3,360	3,354	3,356	3,382	3,418

### Minimum Services Bill implemented

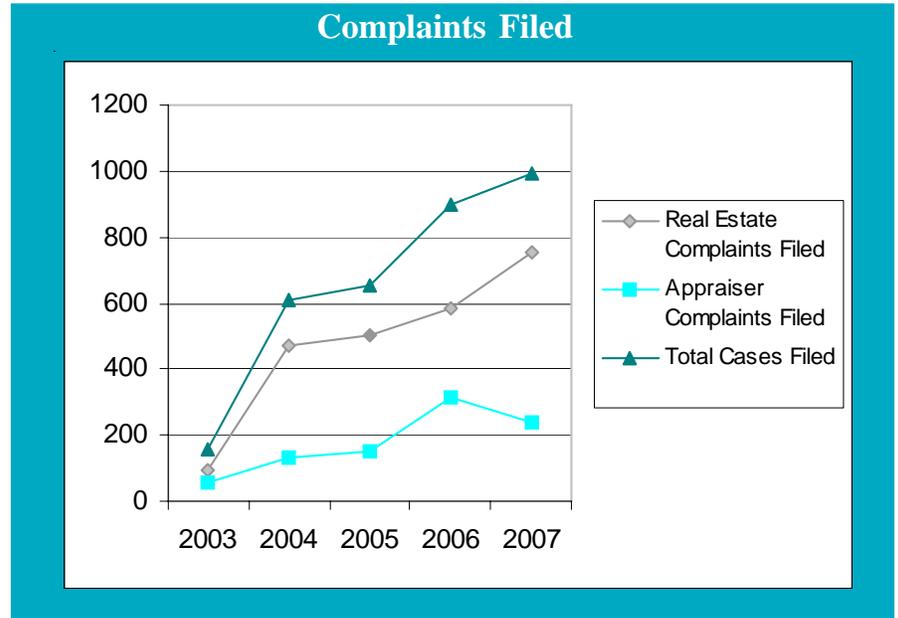
House Bill 150, which took effect October 6, 2006, defines a real estate licensee’s responsibilities and any of those duties that may be waived by buyers and sellers. The new law, called the Minimum Services Bill, requires that a Waiver of Duties Statement be signed when the buyer or seller elects to dispense with any licensee’s obligations, such as assisting in developing, communicating and presenting offers and counteroffers.

### Education and Research Fund Advisory Committee sponsors research projects

Two research reports that were funded by the Education and Research Fund Advisory Committee were accepted in FY 2007 by the Ohio Real Estate Commission. One report, “Loitering/Stranded Real Estate Trust Accounts and Release of Earnest Money,” was prepared at the University of Toledo. Another project, “Home Inspector Licensure: A Feasibility Study for the State of Ohio,” was prepared at Belmont Technical College. They provided much-needed background information for pending legislation. The E&R Committee was established by the Commission to provide education and information to all real estate licensees.

**Appraiser case backlog decreases**

With the hiring of five new investigators and the Real Estate staff's diligent efforts, the Division's appraiser case backlog has significantly decreased. At the end of FY 2006, the appraiser enforcement section had 313 cases pending investigation. At the end of FY 2007, the section had just 80 cases pending. The Division has also seen a significant increase in real estate complaints filed. In FY 2006, the Division received 585 real estate complaints and in FY 2007, that number soared to 753. With the appraiser case investigations under control, the Division is turning its focus to the real estate cases.



Fiscal year	2003	2004	2005	2006	2007
Real Estate Complaints Filed	96	473	502	585	753
Appraiser Complaints Filed	58	134	153	315	241
Total Cases Filed	154	607	655	900	994

<b>ENFORCEMENT STATISTICS</b>	<i>REAL ESTATE 06</i>	<i>REAL ESTATE 07</i>	<i>APPRAISAL 06</i>	<i>APPRAISAL 07</i>	<i>CEMETERY 06</i>	<i>CEMETERY 07</i>
<b>COMPLAINT CASES FILED</b>	585	753	315	241	30	48
<b>PENDING INVESTIGATION OR HEARING</b>	328	315	313	80	7	9
<b>CLOSED CASES</b>	333	329	66	51	38	48
<b>REFERRED TO PROSECUTOR</b>	N/A	N/A	0	16	4	3
<b>SUSPENSIONS</b>	7	5	27	6	N/A	N/A
<b>REVOCATIONS</b>	5	6	0	9	0	0

**New testing vendor selected**

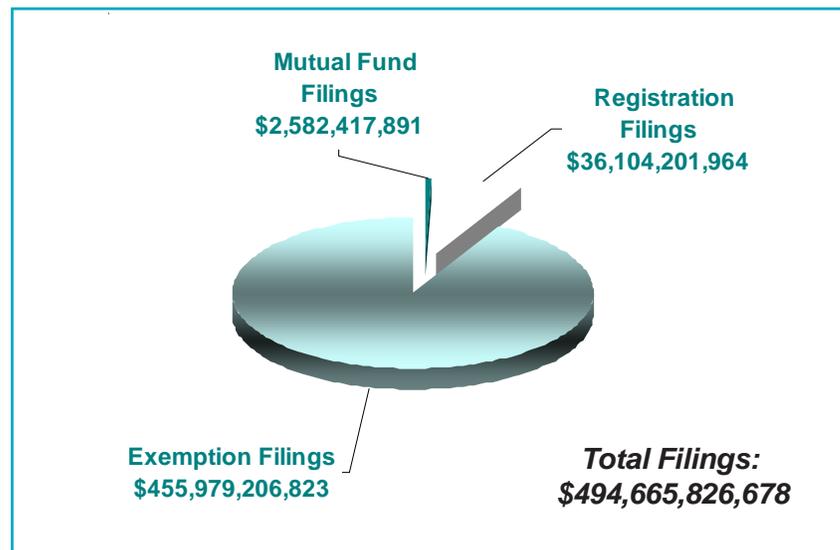
During FY 2007, the Division independently rated four testing companies to provide exams for real estate appraisers, salespeople and brokers. PSI, Inc. was chosen because of its many advantages, including a computer-based testing system, immediate onsite scoring and online registration.

The mission of the Division of Securities is to maintain a balance between enhancing capital formation and providing investor protection. This balance is achieved by administering and enforcing the Ohio Securities Act. The law requires licensing those who sell or give advice about investing in securities; provides for the registration or exemption of securities sold; and prohibits certain conduct in connection with selling securities and giving advice about investing in securities.

### Investor education and outreach informs citizens

The Division is committed to providing Ohioans with investor education and information to combat investment fraud. In FY 2007, the Division had the opportunity to take its message to many groups, including senior-citizen centers, senior fairs, service organizations, church groups, libraries and employer-training meetings across the state. The staff members' travels in FY 2007 have allowed them to reach more than 2,350 Ohioans with the Division's important message to investigate before investing.

### Dollar Amount of Securities Sold or to Be Sold in Ohio Pursuant to Filings Made with the Division in FY 2007



### Ohio Securities Conference held

The 2006 Ohio Securities Conference on October 13, 2006, included a range of topics, including an update of state and federal securities litigation and discussions of ethical issues for securities lawyers, corporate and securities law amendments, a range of corporate law changes in House Bill 301, and recent developments at the Division.



**Enforcement actions highlighted**

The Division’s Enforcement Section was involved in numerous criminal and administrative actions during FY 2007.

A joint investigation by the Division of Securities and other government and law enforcement agencies led to the convictions of Carl G. Fanaro and William H. Mayes. Both men were convicted in Licking County Common Pleas Court for their roles in an investment scam in which they sold more than \$650,000 in limited partnership interests and bonds to at least 13 central Ohio investors. Mayes, who pleaded no contest to 58 securities law violations, was sentenced to a 9 ½ - year person term. Fanaro, who was convicted on 99 counts, was sentenced to 19 years in prison.

In total, the Enforcement Section referred and/or assisted in criminal cases that led to convictions of nine individuals on a total of 237 counts. These nine people were collectively ordered to serve 53 years in prison and pay restitution of \$10.7 million.

The section also participated in the State and Federal Task Force investigation of alleged misconduct and other improprieties at the Ohio Bureau of Workers’ Compensation. That investigation led to indictments of two individuals and two convictions on securities-related issues in FY 2007. Since the task force’s work began in 2005, there have been five indictments and two convictions.

Enforcement orders were issued to 58 respondents found to have violated the Ohio Securities Act. The most common violations found were sales of unregistered securities, selling securities without a license, misrepresentations and/or fraudulent practices. Some of the orders also related to revocation or denial of Ohio securities salesperson, broker-dealer, investment-adviser representative or investment-adviser licenses.

<b>ENFORCEMENT STATISTICS</b>	<b>FY 06</b>	<b>FY 07</b>
Injunctions	1	0
Criminal Referrals	8	6
Indictments	15	8
Convictions	4	9

<b>LICENSING STATISTICS</b>	<b>FY 06</b>	<b>FY 07</b>
Securities Dealers	2,408	2,439
Securities Salespersons	133,193	140,876
Investment Advisers	570	631
Investment Adviser Representatives	12,526	10,145
Notice Filers	1,396	1,539
BWC Chief Investment Officer	N/A	1
State Retirement System Investment Officer	N/A	67

The Division of State Fire Marshal (SFM) is the oldest established operation of its kind in the United States and consists of eight bureaus: Administration, Fire & Explosion Investigation, Forensic Laboratory, Underground Storage Tank Regulation, Fire Prevention, Code Enforcement, Ohio Fire Academy, and Testing & Registration. Among SFM's responsibilities are modernizing and enforcing the Ohio Fire Code; designing and presenting fire prevention programs; analyzing fire-related criminal evidence; investigating the cause and origin of fires and explosions; training firefighters; providing fire-safety education to business, industry and the general public; regulating underground storage tanks; testing and training; and licensing and certification support services.

## Facilities are improved and expanded

Ohio Fire Academy students moved into new dormitory facilities at the SFM headquarters in October 2006. The dorm is one segment of the \$10 million renovation and expansion project going on at the Division. The comfortable environment includes private rooms for 70 students.



*A view of the dorm rooms*

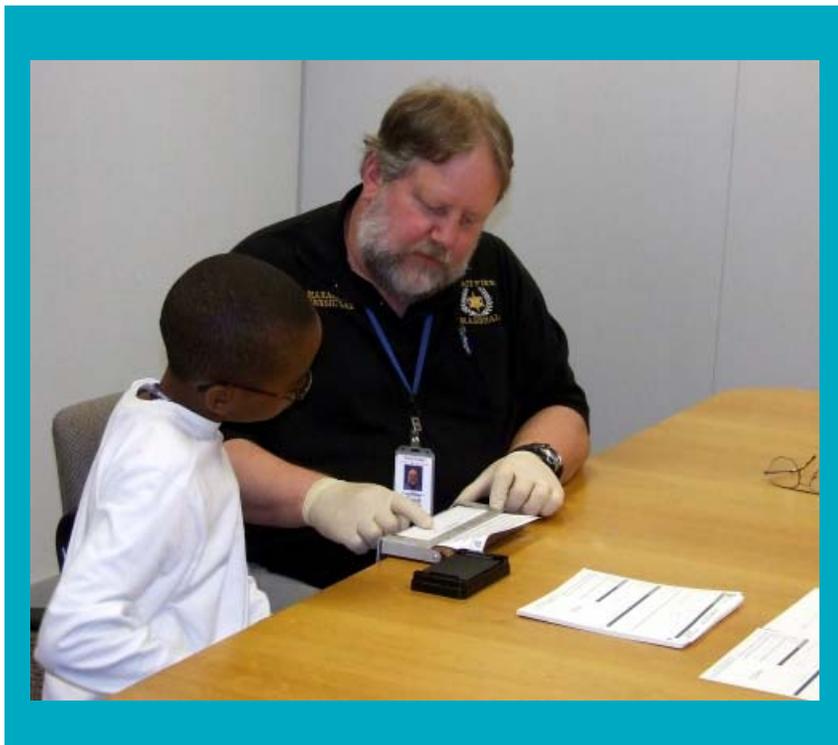


## Forensic laboratory receives accreditation

The SFM laboratory was accredited on April 28, 2007, by the American Society of Crime Laboratory Directors Laboratory Accreditation Board (ASCLB-LAB). To be accredited, the laboratory had to demonstrate that its management, operations, personnel, procedures, equipment, physical plant, security and health and safety procedures met recognized standards. The SFM laboratory demonstrated to ASCLD-LAB inspectors that the facility was compliant with 110 of the established criteria.

During FY 2007, Ohio fire and law-enforcement investigators submitted to the forensic laboratory a total of 775 cases, consisting of 3,147 pieces of evidence that required 9,327 exams. At least 34 of the cases involved fatalities. Services were provided in the form of scientific examinations of ignitable liquids, fire debris, explosives and latent fingerprints, and general examination of physical evidence involved in a suspected arson fire, explosive incident or other criminal activity.

Laboratory staff received about 50 subpoenas in FY 2007. Examiners testified in Ashland, Cuyahoga, Hamilton, Lorain, Ross, Trumbull and Union counties.



*Terry Marabito, SFM criminalist, demonstrates the fingerprinting process during "Take Your Child to Work Day" held in May at the Ohio Department of Commerce.*

## Fire & Explosion Investigation Bureau activity grows

The Fire & Explosion Investigation Bureau conducted 1,148 investigations during the 2006 calendar year, up from 1,083 the previous year. Of the 2006 investigations, 465 were ruled arson and 188 accidental. SFM investigators filed 411 charges.

The bureau added a canine trained by the Federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to detect accelerants. In January, canine Lacy joined the bureau and canine Ashes retired from service. In May 2007, investigator Steve Southard, with canine Alex, and investigator Brian Peterman, with canine Lacy, completed annual ATF certification requirements in Wisconsin.

## Ohio Fire Code is revised, updated

The SFM's Code Enforcement Bureau revised and updated the Ohio Fire Code for the 2007 edition. This collaborative effort with Ohio's fire service and representatives of state agencies offers a comprehensive set of fire-safety rules that are valuable in safeguarding Ohio's citizens. The 2007 Ohio fire Code, based on the International Code Council's model 2006 International Fire Code, is tightly integrated with the Ohio Building Code.

At the same time, the bureau's field staff completed 11,700 inspections.

### Online services help Bureau of Testing & Registration improve customer service

The Bureau of Testing and Registration continued to work with the Department of Commerce’s information technology group to develop electronic-license services that provide fast and secure online licensing capabilities for business customers. In addition to providing better customer service, online business assistance provides savings for SFM and allows staff members to work more efficiently. Throughout the past year, the bureau has implemented online renewal capabilities for fireworks exhibitors and fire-protection companies, individuals, and provisional licenses. It is anticipated that hotel/motel license renewals will be available online by December 31, 2007, and storage of explosives license renewals by spring 2008.

The bureau has focused on implementing regional, off-site testing services for fire-protection licensing. By working with colleges, companies and union halls, the bureau is able to offer local testing that saves customers time and money.

### Online Licenses

License Type	Date Implemented	Total Received	Submitted Online	% Completed Online
Company	May 1, 2007	1,756	301	17%
Individuals	March 1, 2007	10,522	1,431	14%
Fireworks	June 22, 2007	157	26	17%

### BUSTR assists communities’ efforts

The Bureau of Underground Storage Tank Regulations (BUSTR) issued letters of support to 24 different communities that were seeking up to \$1 million in Brownfield assessment grants from the U.S. Environmental Protection Agency. The awarded money is used by the communities to identify potential petroleum-contaminated properties and to formulate work plans on ways to properly investigate and clean up any contamination so that the properties can be returned to a positive economic state.

BUSTR also has spent the past year revising administrative rules to meet the new federal requirements in the Energy Policy Act of 2005. These new provisions include mandatory, secondary-containment (extra barrier) underground storage-tank systems for all new installations; mandatory on-site inspection of all systems every three years; preventing delivery of fuel to non-compliant systems; online public records capabilities will be enhanced; compliance reporting on all government-owned tanks; and mandatory operator training.



*Tim Lutz, release prevention enforcement coordinator for BUSTR, inspects a gas pump for potential leaks.*

### Bureau of Testing & Registration Data for Underground Storage Tanks (UST)

Registration Period	UST Registered Facilities Received	Paper-mailed Submitted UST Registrations	Electronically submitted UST Registrations	Percentage Registrations On-Line
2005 - 2006	7,763	5,166	2,597	33 %
2006 - 2007	7,648	3,616	4,032	53%
2007 - 2008	7,626	3,457	4,169	55%

### Fire Prevention Bureau offered programs

The Fire Prevention Bureau taught 865 school programs for 18,262 students, and 2,811 health-care programs educating more than 68,000 employees in calendar year 2006. As part of the bureau's efforts to assist in making the workplace safer, fire prevention educators also provided 48 safety programs for businesses and 117 general fire safety programs for 2,262 people through civic group presentations. The bureau distributed nearly 400,000 pieces of fire and life safety literature to Ohio's schools and fire departments, tracked 700,000 fire reports, and provided over 10,000 public-safety volunteer responder decals to fire departments.



*Dale Von Bergen, Fire Safety Educator, helps children point out potential kitchen fire hazards.*

### Ohio Fire Academy completes enhanced class

Recognizing the need to develop fire officer training with the same standards of firefighter training, the Ohio Fire Academy completed an enhanced Fire Officer I training class in September 2006. Based on the standard of National Fire Protection Association 1021 (professional qualifications for Fire Officer I), the performance-based course gives firefighters an opportunity

to experience the demands of serving as a fire officer under the tutelage of proven and experienced leaders and instructors. The intensive program reinforces content with writing, role playing and tactical simulations.

More than 65 Ohio Fire Academy instructors attended a training course in March aimed at reducing the number of line-of-duty deaths in Ohio and nationwide. *Courage to Be Safe ... So Everyone Goes Home* was offered to the instructors by the National Fallen Firefighters Foundation, and it focused on 16 life-safety initiatives. Ohio ranks seventh in the nation in firefighter fatalities, according to calendar 2006 statistics from the U.S. Fire Administration.

During FY 2007, the Ohio Fire Academy hosted 12,114 students in its 690 classes.



*Ohio Fire Academy Superintendent Frank Conway and Training Supervisor Frank Dalton, along with Forest Park's Chief Brooks and Captain Bryan, celebrate the completion of the Fire Officer Training.*

# Unclaimed Funds

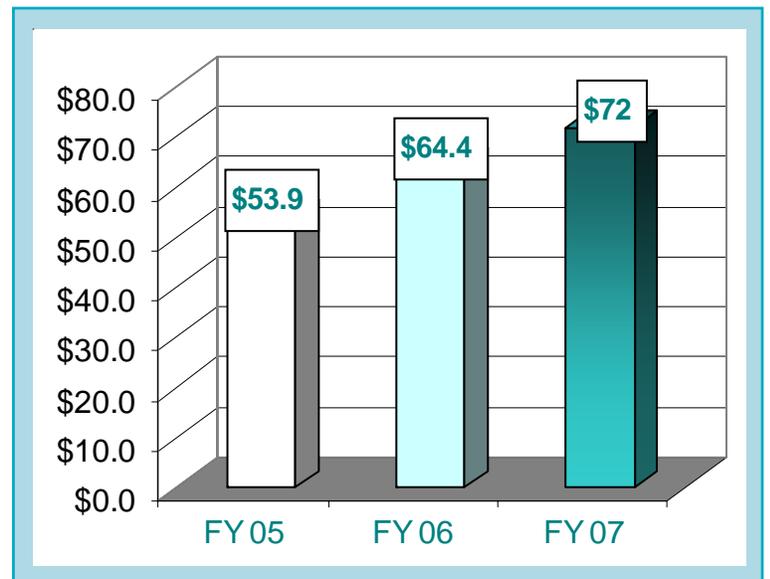
The Division of Unclaimed Funds is responsible for safekeeping and returning money designated as “unclaimed.” Each year, thousands of Ohio citizens and organizations lose track of money and intangible personal property due to death, forgetfulness or other reasons. Common examples of unclaimed funds are dormant checking and savings accounts, forgotten rent and utility deposits, uncashed checks, undelivered stock certificates, and uncashed insurance policies.

## Unclaimed Funds Returned FY 2005 - FY20 07

(in millions)

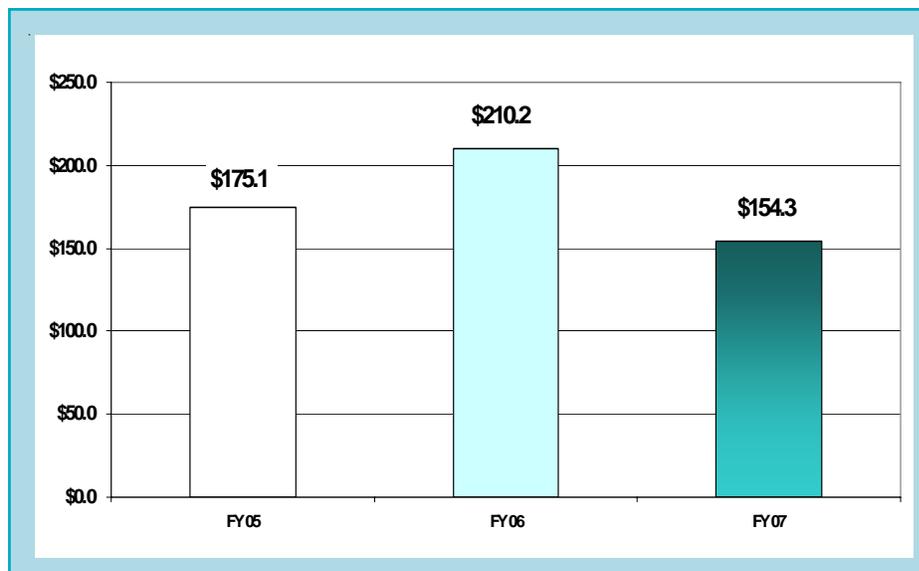
### Division has a record year

The Division paid a record \$72 million in unclaimed funds to current or former Ohioans during FY 2007, a nearly 12 percent increase over the previous fiscal year’s payment of \$64.4 million. The Division also paid a record 61,711 claims, which was a 41 percent jump over FY 2006’s payment of 43,714 claims. The Division also collected \$154.3 million in revenue.



## Unclaimed Funds Reported FY 20 05 - FY 2007

(in millions)



### Checking for unclaimed funds becomes easier

In June 2007, the Division made it much easier for Ohioans to check for unclaimed funds by joining MissingMoney.com. This Web site is a national online unclaimed-property database operated by Affiliated Computer Services, Unclaimed Property Clearinghouse. The Division does not pay MissingMoney.com for its services, and the Web site does not accept advertisements. In one, quick online visit, Ohioans can go to MissingMoney.com to find out if they have unclaimed funds waiting to be claimed in Ohio or 34 other states, and then initiate the claims process. In today's mobile society, this site makes it much easier for Ohioans who have lived in multiple states to check for unclaimed funds. Citizens searching for unclaimed funds now can go to two sites. In addition to MissingMoney.com, the Division's Online Treasure Hunt, which provides data on Ohio unclaimed funds accounts, is available on the Department of Commerce's Web site at [www.com.state.oh.us/unfd/treasurehunt.asp](http://www.com.state.oh.us/unfd/treasurehunt.asp). Individuals who visit the Treasure Hunt are connected to MissingMoney.com.



### New finder registration process started

The Division implemented a new registration process for professional finders as mandated by Senate Bill 223. The legislation that went into effect on March 23, 2007, strengthened the regulation of finders. Key provisions of the law mandated registration and criminal background checks for finders operating in Ohio. The law also created criminal penalties for engaging in finder activity without a state-issued finder's certificate of registration.

The following boards and commissions are associated with the Ohio Department of Commerce:

## Division of Financial Institutions

**Banking Commission** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

**Credit Union Council** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Credit Unions on any matters submitted to it by the Division related to credit union laws and rules and confirms the annual schedule of assessments.

**Savings and Loan Associations and Savings Banks Board** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Savings and Loan Associations and Savings Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

## Division of Industrial Compliance

**Board of Building Appeals** - Reviews appeals made to adjudication orders issued by the Division of Industrial Compliance's bureaus of Building Code Compliance and Operations and Maintenance or any certified local or county enforcement agency. The Board also reviews appeals made to fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector.

**Board of Building Standards** - Formulates and adopts rules governing the Ohio Building Code. The Board also certifies municipal corporations, county, and township building departments to enforce the Ohio Building Code.

**Electrical Safety Inspector Advisory Committee** - Reviews the National Electrical Code for the compatibility with the Board of Building Standards' other rules. The Committee reviews rules relating to the certification of electrical safety inspectors and receives input from the electrical industry, contractors and inspectors.

**Ohio Construction Industry Licensing Board (OCILB)** - Issues licenses to qualified electrical, Heating Ventilating and Air Conditioning (HVAC), plumbing, hydronics and refrigeration contractors who successfully pass the International Code Council (ICC) licensing examination.

**Ohio Historic Boiler Licensing Board** - Oversees the testing, licensing and inspection of historic boiler operators and equipment.

**Residential Construction Advisory Committee** - Conducts research in and makes recommendations on developing a new model residential construction building code.

**Ski Tramway Board** - Oversees the registration and inspection of ski/tram systems.

## Liquor Control

**Liquor Control Commission** - Ensures compliance with Ohio's liquor laws and regulations, working with both the Division of Liquor Control and the Ohio Department of Public Safety's Investigative Unit. Conducts hearings and issues orders on the state's liquor laws and regulations.

## **Real Estate & Professional Licensing**

**The Ohio Real Estate Commission** - Reviews hearing examiner reports each month regarding alleged real estate license law violations and its consideration of licensee appeals on licensure issues. If a licensee is found to have violated licensing law, the Commission can revoke or suspend a license, assess a fine or order additional continuing education. The Commission also hears cases against persons without a license performing activities that require a license.

**The Real Estate Appraiser Board** - Oversees the operation of Ohio's real estate appraiser licensure and certification program. If a licensed or certified appraiser is found to have violated appraiser law, the Board can revoke or suspend a license or certification, assess a fine or order additional continuing education.

**The Cemetery Dispute Resolution Commission** - Assists in resolving complaints against registered cemeteries by using informal techniques of mediation, conciliation and persuasion. The Commission hears complaints brought by individuals who are experiencing a problem with a cemetery.

## **State Fire Marshal**

**The State Fire Commission** - Conducts research and publishes reports on fire safety. The Commission makes recommendations to the Governor, the General Assembly and other state agencies on any needed changes in laws, rules or administrative policies relating to fire safety. The Commission also may recommend revision of the rules in the State Fire Code adopted by the State Fire Marshal.

**Petroleum Underground Storage Tank Release Compensation Board** - Administers the Ohio Financial Assurance Fund, created in response to federal regulations mandating that all owners and operators of petroleum underground storage tanks (USTs) demonstrate the financial ability to pay for potential damages caused by releases from the tanks.

## **Vision Statement**

*Enhancing Ohio's future by providing fair, consistent regulation that balances maximum benefit for the public with minimal intrusion on business.*

## **Mission Statement**

*To fulfill our legal obligations to safeguard the public, while striving to regulate commerce in a reasonable, fair and efficient manner.*



*Printed In-House*

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