

STATE OF OHIO  
DEPARTMENT OF COMMERCE  
**DIVISION OF SECURITIES**  
COLUMBUS, OHIO 43215-6131

Order No. 07-062

**IN THE MATTER OF: INTEGRITY HOME BUYERS, INC.  
E. ALAN COWGILL**

**CEASE AND DESIST ORDER**

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**DIVISION ORDER**

WHEREAS, the Ohio Division of Securities (hereinafter "the Division"), is charged with the responsibility of protecting investors and finds that this order is necessary or appropriate in the public interest or for the protection of investors, and is consistent with the purposes of the Ohio Securities Act, Chapter 1707 of the Ohio Revised Code; and

WHEREAS, the Division has conducted an investigation into the activities of Integrity Home Buyers, Inc. and E. Alan Cowgill (hereinafter "the Respondents"), both of whom conduct business from 4875 Security Drive, Springfield, Ohio, 45503, and, as a result of said investigation, the Division finds as follows:

- (1) Respondent Integrity Home Buyers, Inc. ("Integrity"), is an Ohio corporation organized on February 23, 2000, that conducted business in the State of Ohio during all time periods relevant to this order;
- (2) Respondent E. Alan Cowgill ("Cowgill"), is a natural person and President of Integrity who conducted business in the State of Ohio during all time periods relevant to this order. As President, sole director and sole stockholder of Integrity, Cowgill exerts control over the operations of Integrity;
- (3) Respondents are involved in the rehabilitation, sale and management of real property for investment purposes. Respondents solicited individuals to invest in promissory notes ("notes"), which were to be secured by real estate. Respondents used the term "Private Lenders" to describe noteholders. A note was typically signed by Cowgill and a trustee for Integrity. Proceeds from the sale of the notes were deposited into Integrity's business account, and were used for operational expenses and to purchase homes. Notes were generally for a term of five years and paid 12% or 15% interest. Properties were held in a land trust after closing occurred. The trustee controlled the property and Integrity was designated as the beneficiary;
- (4) Respondents assigned mortgages to notes once investor funds were received by Integrity. Some notes listed the address of the property that secured the note, while others did not. However, the investors' notes were secured by mortgages that were filed with the appropriate county recorder;

- (5) From approximately April 2, 2003, to February 21, 2006, Respondents offered for sale and sold at least 50 notes with a total value of approximately \$1,452,786.77 to at least 36 investors, all of whom are residents of Ohio;
- (6) On March 15, 2006, Respondents filed a Registration by Description and Form 39 with the Division (Application for Qualification of Securities Previously Sold in Ohio Without Compliance With Section 1707.01 to 1707.45, Inclusive, Revised Code of Ohio). These securities have not been qualified nor registered with the Division;
- (7) In connection with the sales described in Paragraphs (3) through (5), Respondents failed to disclose to investors that Integrity was not profitable. According to Integrity's 2002 and 2003 federal tax returns, Integrity had net losses of \$46,585 and \$92,661, respectively.
- (8) In connection with the sales described in Paragraphs (3) through (5), Respondents also failed to disclose to investors that Integrity had negative shareholder's equity, or a negative net worth, during all time periods relevant to this order. According to Integrity's financial statements, prepared by Arnold, Stuckey and Company, CPA's, and internal documents, Integrity had a negative shareholder's equity, or negative net worth, of \$86,422.88 in 2003, \$179,874.83 in 2004 and \$74,142 in 2005;
- (9) Respondents advertised the notes described in Paragraphs (3) through (5) using several different media, including newspaper, radio and seminars. This advertising compared the notes to federally insured Certificate of Deposits. Advertisements used by Respondents also represented that the notes were guaranteed, low risk, safe and secure;
- (10) The promissory notes described in Paragraphs (3) through (5) are "securities" as that term is defined in R.C. 1707.01(B);
- (11) The transactions described in Paragraphs (3) through (5) fall within the definition of a "sale", as that term is defined in R.C. 1707.01(C);
- (12) R. C. section 1707.44(B)(4) provides that no person shall knowingly make or cause to be made any false representation concerning a material and relevant fact, in any oral statement or in any prospectus, circular, description, application, or written statement for the purpose of selling securities;
- (13) Respondents, during the sale of notes as described in Paragraphs (3), (5) and (9), made affirmative misrepresentations of material fact by representing that the notes were guaranteed, low risk, safe and secure, in violation of R.C. 1707.44(B)(4);
- (14) R.C. section 1707.44(G) provides that no person in purchasing or selling securities shall knowingly engage in any act or practice that is, in this chapter, declared illegal, defined as fraudulent, or prohibited;
- (15) R.C. section 1707.01(J) defines fraud, fraudulent acts, fraudulent practices, or fraudulent transactions as any device, scheme, or artifice to defraud or to obtain

money or property by means of false pretense, representation, or promise, either through affirmative misrepresentations or omissions of material fact;

- (16) In selling the promissory notes issued and sold by Integrity and Cowgill as described in Paragraphs (3) through (5), Respondents, as described in Paragraphs (7) and (8), failed to disclose material facts, specifically, the negative shareholder's equity, or negative net worth, and unprofitability of Integrity in violation of 1707.44(G);

WHEREAS, based on Paragraphs (1) through (16), the Division finds that Respondents Integrity and Cowgill have violated the provisions of Revised Code 1707.44(G) and 1707.44(B)(4); and

WHEREAS, Respondents, after negotiation through counsel, wish to waive their R.C. 119.07 right to the issuance of a Notice of Opportunity for Hearing; and

WHEREAS, Respondents and the Division have entered into a Consent Agreement, which is attached hereto as Exhibit A and incorporated herein by reference.

THEREFORE, IT IS ORDERED THAT, pursuant to Ohio Revised Code section 1707.23, Integrity Home Buyers, Inc. and E. Alan Cowgill are hereby ordered to **CEASE AND DESIST** from the acts and practices as described above, which constitute violations of Revised Code chapter 1707.

**NOTICE OF APPEAL RIGHTS:** INTEGRITY HOME BUYERS, INC. AND E. ALAN COWGILL ARE HEREBY NOTIFIED THAT THIS ORDER MAY BE APPEALED PURSUANT TO SECTION 119.12 OF THE OHIO REVISED CODE BY FILING A NOTICE OF APPEAL WITH THE OHIO DIVISION OF SECURITIES, SETTING FORTH THE ORDER APPEALED FROM AND THE GROUNDS OF THE APPEAL. A COPY OF SUCH NOTICE OF APPEAL SHALL ALSO BE FILED WITH THE FRANKLIN COUNTY COURT OF COMMON PLEAS. SUCH NOTICE OF APPEAL MUST BE FILED WITHIN (15) DAYS AFTER THE DATE OF MAILING OF THIS ORDER.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THIS DIVISION at  
Columbus, Ohio this 12th day of April 2007.

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*G. Brent Bishop, Commissioner of Securities*



