



- (4) On or about October 15, 2003, the SEC issued a settled Administrative and Cease and Desist Order against Respondent. The SEC's order finds that, from April 1, 2001 through August 15, 2001, Respondent had customer reserve account deficiencies ranging from \$70,582,210 to \$82,063,213 and net capital deficiencies ranging from \$3,927,498 to \$4,425,149 because it failed to include and classify over \$70 million in customer funds as liabilities in its customer reserve and net capital calculations. The order also states that from April 1, 2001 through July 31, 2001, Respondent failed to include approximately over \$70 million in customer funds as liabilities in its general ledger and its aggregate indebtedness and net capital computations. Further, the order finds that from April 1, 2001 through July 31, 2001, Respondent filed one quarterly and three monthly Financial and Operational Combined Uniform Single (FOCUS) Reports that failed to account for approximately over \$70 million in liabilities and contained inaccurate customer reserve and net capital computations. The order states that Respondent willfully violated Sections 15(c)(3) and 17(a) of the Securities Exchange Act of 1934 and Rules 15c3-1, 15c3-3, 17a-3, and 17a-5 thereunder. Respondent consented to the entry of the Order, without admitting or denying the Commission's findings, requiring that Respondent cease and desist from committing or causing any violations and any future violations of Sections 15(c)(3) and 17(a) of the Securities Exchange Act of 1934 and Rules 15c3-1, 15c3-3, 17a-3, and 17a-5, thereunder. In addition, Respondent consented to a censure and a \$25,000 civil penalty;
- (5) On or about July 9, 2003, the Pennsylvania Securities Commission accepted Respondent's settlement offer and ordered Respondent to pay to the Commonwealth of Pennsylvania investigative and legal costs of \$1,500 and an administrative assessment of \$17,500 related to Respondent transacting securities business in Pennsylvania as an unregistered broker-dealer;
- (6) On or about September 13, 2002, Respondent consented to the entry of an order by the Vermont Division of Securities to pay an administrative penalty of \$38,065 and a disgorgement amount of \$1,490 for the following actions: Respondent transacted business in Vermont while acting as an unregistered broker-dealer, Respondent's representatives transacted business in Vermont while acting as unregistered sales representatives, and Respondent filed a document with the Vermont Securities Division, that was, at the time and in light of the circumstances under which it was made, false in a material respect;
- (7) On or about December 27, 2001, Respondent and Desich, Sr. entered into a Consent Agreement with the State of Maine Office of Securities. Respondent agreed to not act as a securities broker-dealer in the State of Maine until and unless it is properly licensed as a broker-dealer in the State of Maine and also agreed to pay a Maine resident \$16,000. The Consent Agreement incorporated by reference an Amended Notice of

Intent to Issue Cease and Desist Order ("Amended Order") issued by the State of Maine Office of Securities. The Amended Order alleged that by effecting transactions for Maine residents, Mid-Ohio sold unregistered securities in violation of the Maine Securities Act;

- (8) On December 10, 2002, the Wisconsin Division of Securities entered an Order of Denial of Respondent's broker-dealer application due to its failure to complete its application for registration;
- (9) On or about May 3, 2005, NASD instituted an action against Respondent involving an anti-money laundering policy, Case No. C04050025, wherein an Acceptance, Waiver & Consent (AWC) was accepted and entered into by the Respondent on June 14, 2005, for violation of NASD Conduct Rules 3011 and 2110. According to the Central Registration Depository ("CRD"), the Respondent failed to develop and implement an anti-money laundering program that was reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 USC §§ 5311-5330, and the implementing regulations promulgated thereunder by the Department of Treasury, 31 CFR 103. In addition, the Respondent failed to establish an independent testing function for its anti-money laundering program. The Respondent, without admitting or denying the allegations, consented to the sanctions and to the entry of findings, and the Respondent was censured and fined \$10,000 by NASD;
- (10) Respondent was authorized by the Internal Revenue Service to operate as a custodian for Individual Retirement Accounts ("IRA"). From January 28, 1983 to March 31, 2003, Respondent served as an IRA custodian. On April 1, 2003, Respondent's IRA custodial business was sold to a trust company that is not licensed with the Division in any capacity;
- (11) Until the sale of its IRA custodial business in April 2003, Respondent had specialized in offering its IRA clients the ability to invest their retirement assets in non-traditional investments such as promissory notes, limited partnerships, accounts receivable, mobile home notes, real estate, tax liens, and viatical settlements;
- (12) To make an IRA investment, Respondent required its customers to complete an IRA Adoption Agreement and a Direction of Investment form. The IRA Adoption Agreement is an account-opening document. The Direction of Investment directed the Respondent to complete the investment transaction chosen by the IRA owner, by remitting funds and executing such documents as were delivered to the IRA custodian. The IRA Adoption Agreement and Direction of Investment were signed by the customer;
- (13) From March 1996 through March 2003, in addition to other investment programs, self-directed customers of Respondent, through its IRA division, made their own investment decisions to invest in at least thirteen particular investment programs ("Investment Programs") offered by six different

investment sponsors ("Investment Sponsors"). The Investment Programs offered by the Investment Sponsors involved alternative investments in such investments as short-term promissory notes, limited partnerships, viatical settlement contracts, and investment contracts in the form of enhanced automobile receivables;

- (14) Although Mid-Ohio had no prior knowledge of the fraudulent nature of the Investment Programs, the Investment Programs turned out to be fraudulent or substantially worthless, because the principal(s) at each Investment Sponsor had received criminal indictments, convictions or civil injunctions for securities fraud-type offenses related to the Investment Programs. The courts also appointed a receiver for each of the Investment Programs to take control of the Investment Sponsors and to recover funds and assets for the benefit of investors in the Investment Programs;
- (15) There were Ohio investors in each of the Investment Programs, some of whom were Mid-Ohio clients;
- (16) Commencing in 2001 through March 2003, Respondent resigned as custodian from IRA accounts holding investments in the Investment Programs. Respondent continued to serve as an IRA custodian until March 31, 2003, when that portion of Respondent's business was sold to a non-depository trust company;
- (17) Ohio Administrative Code Rule 1301:6-3-15(E) requires that all licensed dealers notify the Division in writing, within thirty calendar days of any material change from the information appearing on their original application or most recent license renewal. The Rule requires dealers affiliated with the NASD to submit changes to the Division on the Form BD through the CRD;
- (18) Ohio Administrative Code Rule 1301:6-3-19(B)(9) provides that no dealer shall fail to reasonably supervise a salesperson or other persons associated with the dealer or to establish reasonable procedures designed to avoid violations of Chapter 1707 of the Revised Code or of Chapter 1301:6-3 of the Administrative Code by salespersons or other persons associated with the dealer;
- (19) Ohio Revised Code Section 1707.44(B)(3) provides, in pertinent part, that all representations of information provided in procuring the licensing of a dealer, salesperson, investment adviser and investment adviser representative be accurate;
- (20) Question 11(D)(2) of the Uniform Application For Broker-Dealer Registration, Form BD, requires a dealer to disclose state regulatory agency findings of dealer's involvement in a violation of investment-related regulations or statutes;

- (21) Respondent, by failing to: (i) timely update its Form BD to notify the Division of the above-referenced information contained in Paragraphs (4) through (7) of this Order, and (ii) establish reasonable procedures designed to alert Respondent to its obligation to update its Form BD, violated Ohio Administrative Code Rules 1301:6-3-15(E) and 1301:6-3-19(B)(9) and Ohio Revised Code Section 1707.44(B)(3); and
- (22) Ohio Revised Code Section 1707.23(G) provides, in pertinent part, that the Division may issue an order requiring a Dealer to cease and desist from acts or practices appearing to the Division to constitute violations of Chapter 1707 of the Ohio Revised Code or rules adopted by the Division.

WHEREAS, based on Paragraphs (17) through (22) above, the Division finds that Mid-Ohio Securities Corp. has violated Ohio Administrative Code Rules 1301:6-3-15(E), 1301:6-3-19(B)(9) and Ohio Revised Code Section 1707.44(B)(3).

WHEREAS, Mid-Ohio Securities Corp., after negotiation with counsel, has agreed to waive its Ohio Revised Code Section 119.07 right to the issuance of a Notice of Opportunity for Hearing;

WHEREAS, Mid-Ohio Securities Corp. and the Division have entered into a Consent Agreement, which is attached hereto as Exhibit A and incorporated herein by reference; and

THEREFORE, IT IS ORDERED THAT, pursuant to Ohio Revised Code Chapter 119, Respondent Mid-Ohio Securities Corp. is hereby ordered to Cease and Desist from the acts and practices as described above in Paragraphs (1) through (22), which the Division finds constitute violations of Ohio Revised Code Chapter 1707 and the rules promulgated thereunder.

**TIME AND METHOD TO FILE AN APPEAL:** Any party desiring to appeal shall file a Notice of Appeal with the Division of Securities, 77 South High Street, 22nd Floor, Columbus, Ohio 43215, setting forth the order appealed from and the grounds of the party's appeal. A copy of such Notice of Appeal shall also be filed by the appellant with the Franklin County Court of Common Pleas. Such notices of appeal shall be filed within fifteen (15) days after the mailing of the notice of the Division's Order as provided in Section 119.12 of the Ohio Revised Code.

KT/tb

WITNESS MY HAND AND THE OFFICIAL SEAL OF THIS DIVISION at  
Columbus, Ohio this 27<sup>th</sup> day of October , 2009.

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*Andrea L. Seidt, Commissioner of Securities*

## EXHIBIT A

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

**IN THE MATTER OF:      MID-OHIO SECURITIES CORP.  
   CRD NO. 6634**

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### CONSENT AGREEMENT

Based upon discussions between representatives of the Ohio Division of Securities ("Division") and counsel to Mid-Ohio Securities Corp. ("Mid-Ohio"), the Division and Mid-Ohio stipulate and agree to the following:

- (1) Mid-Ohio waives the issuance and lawful service and receipt of a Notice of Opportunity for Hearing, and stipulates to the jurisdiction of the Division.
- (2) Mid-Ohio, after being fully and adequately apprised of the rights by counsel, voluntarily waives the rights to the adjudicative hearing which would have been afforded to Mid-Ohio in accordance with Ohio Revised Code Chapter 119, upon the issuance and lawful service of a Notice of Opportunity for Hearing.
- (3) The Division and Mid-Ohio consent, stipulate and agree to the findings, conclusions and orders set forth in the attached Division Order ("Order") and to the issuance of the same.
- (4) After being fully and adequately apprised of the right to appeal the Order, as set forth in Section 119.12 of the Ohio Revised Code, Mid-Ohio knowingly and voluntarily waives such right.
- (5) Mid-Ohio acknowledges that Richard Desich, Sr. retired from the Board of Directors and as its President effective September 2, 2008 and that Richard A. Desich, Jr. became the President and Chief Executive Officer as of that date. Effective as the same date of the issuance of the Order, Mid-Ohio will amend its Form BD and file such written notice with the Division as required under Ohio Administrative Code Rule 1301:6-3-15(E) reflecting Richard Desich, Sr.'s withdrawal as a General Principal of Mid-Ohio.
- (6) The undersigned has read this Consent Agreement, understands all of its terms, and has authority to sign this Consent Agreement on Mid-Ohio's behalf, and has executed this Consent Agreement voluntarily.

