

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

Order No. 15-012

**IN THE MATTER OF: THOMAS HENRY ROULSTON III,
 CRD No. 1038010;
 THOMAS ROULSTON III INVESTMENT PARTNERS, INC.,
 CRD No. 118822;
 ROULSTON BUYSIDE RESEARCH, LLC**

**NOTICE OF OPPORTUNITY FOR HEARING;
NOTICE OF INTENT TO SUSPEND OR REVOKE OHIO INVESTMENT ADVISER
REPRESENTATIVE LICENSE No.1038010 AND OHIO INVESTMENT ADVISER
 LICENSE No. 118822;
NOTICE OF INTENT TO ISSUE CEASE AND DESIST ORDER**

DIVISION ORDER

WHEREAS, the Ohio Division of Securities ("the Division") is charged with the responsibility for 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 ("R.C."); and

WHEREAS, the Division has conducted an investigation into the activities of Thomas H. Roulston III ("Respondent TR"), whose residential address is 43 Oakshore Drive, Bratenahl Ohio 44108 and whose business address is 3615 Superior Avenue, Suite 3101B, Cleveland, Ohio 44122; Thomas Roulston III Investment Partners, Inc. ("Respondent TRIP"), located at 3615 Superior Avenue, Suite 3101B, Cleveland, Ohio 44122; and Roulston Buyside Research, LLC ("Respondent RBR"), also located at 3615 Superior Avenue, Suite 3101B, Cleveland, Ohio 44122; and as a result of said investigation, the Division alleges as follows:

- (1) Respondent TR is an Ohio-licensed Investment Adviser Representative, Central Registration Depository ("CRD") No. 1038010;
- (2) Respondent TRIP is an Ohio-licensed Investment Adviser, CRD No. 118822, with Respondent TR as its owner;

- (3) Respondent RBR is a financial research firm owned by Respondent TR and other investors;
- (4) Respondent TR operates Respondent TRIP and Respondent RBR from the same business located at 3615 Superior Avenue, Suite 3101B, Cleveland, Ohio 44122;
- (5) Respondents TR and RBR sold securities to investors, including those identified in the following paragraphs;
- (6) WE of Connecticut invested \$25,000 in Respondent RBR on or about June, 2008;
- (7) BS of Florida invested \$25,000 in Respondent RBR in or about August, 2009;
- (8) MM of Chagrin Falls, Ohio invested \$25,000 in Respondent RBR in or about April, 2008;
- (9) MR of Cleveland Heights, Ohio invested \$15,000 in Respondent RBR in or about September, 2008;
- (10) The investors in Respondent RBR were told that their investment funds would be used for the operation of Respondent RBR;
- (11) The securities sold to BE, BS, MM, and MR were Convertible Promissory Notes;
- (12) The notes were later exchanged for membership interests in Respondent RBR on or about March 19, 2012;
- (13) R.C. 1707.01(B) defines "security" to include a promissory note and a membership interest in a limited liability company;
- (14) Respondents TR and TRIP offer their clients a wrap program, whereby Respondents TR and TRIP are responsible for recommending and monitoring third party money managers who initiate all securities transactions on behalf of Respondent TR's and TRIP's investment advisory clients;
- (15) The contracts between Respondents TR and TRIP and their clients state that Respondent TRIP will be acting as the investment adviser on behalf of the clients;
- (16) Respondents TR and TRIP execute and maintain contracts with the third party money managers;

- (17) The 2012, 2013, and 2014 balance sheets provided to the Division by the Respondents show that Respondent TRIP was insolvent, in that liabilities exceeded assets, as of December 31, 2012, December 31, 2013, and April 21, 2014;
- (18) One version of Respondent TRIP's balance sheets reflects the following asset and liability amounts on the dates shown:

<u>As Of</u>	<u>Assets</u>	<u>Liabilities</u>
12/31/2012	\$74,861	\$136,378
12/31/2013	\$74,460	\$166,521
4/21/2014	\$76,774	\$175,123;

- (19) The same version of TRIP's balance sheets states that Respondent RBR provided loans to Respondent TRIP in aggregate amounts of \$87,900 as of December 31, 2012, \$124,296 as of December 31, 2013, and \$129,796 as of April 21, 2014;
- (20) Another version of TRIP's balance sheets shows loans by Respondent RBR to Respondent TRIP and liabilities exceeding assets in 2012 and 2013;
- (21) The above loans were made by Respondents TR and RBR with intent to financially sustain Respondent TRIP, both businesses being owned and controlled by Respondent TR;
- (22) These loans were not agreed to by all of Respondent RBR's investors, nor were the loans disclosed to them;
- (23) Since Respondents TR and RBR have engaged in lending to financially sustain Respondent TRIP without the knowledge or consent of all the investors in Respondent RBR, this lending activity has operated as a fraud or deceit upon the unwitting investors in Respondent RBR;
- (24) Respondents TR and RBR did not disclose the related-party loans to the investors prior to the conversion on or about April 19, 2012;
- (25) R.C. 1707.19(A)(3) provides that the license of an investment adviser may be revoked or suspended if the investment adviser is insolvent;
- (26) R.C. 1707.44(M)(1)(b) states:

“(1) No investment adviser or investment adviser representative shall do any of the following:

- (b) Engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any person”;

- (27) R.C. 1707.19(A)(4) authorizes the Division to revoke or suspend an Ohio Investment Adviser or Investment Adviser Representative License when the Division determines that a licensee:
 - “(4) Has knowingly violated any provision of sections 1707.01 to 1707.45 of the Revised Code, or any regulation or order made thereunder”;

- (28) R.C. 1707.19(A)(9) authorizes the Division to revoke or suspend an Ohio Investment Adviser or Investment Adviser Representative License when the Division determines that a licensee:
 - “(9) Conducts business in violation of such rules and regulations as the division prescribes for the protection of investors, clients, or prospective clients”;

- (29) R.C. 1707.19(A)(1) authorizes the Division to revoke or suspend an Ohio Investment Adviser or Investment Adviser Representative License when the Division determines that a licensee:
 - “(1) Is not of good business repute”;

- (30) O.A.C. 1301:6-3-19(D)(8) provides that the Division in determining “good business repute” shall consider whether the licensee:
 - “(8) Has violated any provision of paragraph (A) or (B) of this rule, any provision of Chapter 1707. of the Revised Code or any rule promulgated thereunder”;

- (31) O.A.C. 1301:6-3-19(D)(9) provides that the Division in determining “good business repute” shall consider whether the licensee:
 - “(9) Has engaged in any conduct which would reflect on the reputation for honesty, integrity, and competence in business and personal dealings of the applicant, investment adviser, investment adviser representative, dealer, salesperson or state retirement system investment officer or bureau of workers’ compensation chief investment officer including, but not limited to, forgery, embezzlement, nondisclosure, incomplete disclosure, misstatement of material facts, and manipulative or deceptive practices”;

(32) R.C. 1707.44(G) states:

“(G) No person in purchasing and selling securities shall knowingly engage in any act or practice that is, in this chapter, declared illegal or defined as fraudulent, or prohibited.”; and

(33) Respondents TR and RBR violated R.C.1707.44(G) by exchanging the investors’ convertible promissory notes to membership interests on or about April 19, 2012, without disclosing to the investors that their investment funds had been and were being funneled to Respondent TRIP.

WHEREAS, based on paragraphs (1) through (33), the Division alleges that Respondent TR and Respondent TRIP are not of good business repute and the Ohio Investment Adviser Representative License of Respondent TR and the Ohio Investment Adviser License of Respondent TRIP are subject to suspension or revocation as set forth in R.C. 1707.19(A)(1), R.C. 1707.19(A)(3), R.C. 1707.19(A)(4), and R.C. 1707.19(A)(9), based on considerations set forth in O.A.C. 1301:6-3-19(D)(8) and O.A.C. 1301:6-3-19(D)(9) and further based on the violation of R.C. 1707.44(M)(1)(b);

WHEREAS, based on paragraphs (1) through (33), the Division alleges that Respondent TR and Respondent RBR violated R.C. 1707.44(G).

THEREFORE, IT IS ORDERED THAT, pursuant to Ohio Revised Code Chapter 119, Respondents are hereby notified that thirty (30) days from the date of mailing of this Notice, the Division, pursuant to Revised Code Section 1707.19, intends to issue a FINAL ORDER TO SUSPEND OR REVOKE the Ohio Investment Adviser Representative License of Respondent TR and the Ohio Investment Adviser License of Respondent TRIP;

FURTHER, IT IS ORDERED THAT, pursuant to Chapter 119 of the Ohio Revised Code, Respondents are hereby notified that thirty (30) days from the date of mailing of this Notice, the Division, pursuant to O.R.C. § 1707.23, intends to issue a FINAL ORDER TO CEASE AND DESIST to Respondent TR and Respondent RBR;

FURTHER, IT IS ORDERED THAT, pursuant to Revised Code Chapter 119, Respondents are hereby notified that Respondents are entitled to an adjudicative hearing. If Respondents wish to request such hearing, the request must be made in writing and must be received in the offices of the Division within thirty (30) days from the date of mailing of this Notice. At the hearing, Respondents and the Division may appear in person, by their attorneys, or together with their attorneys, or they may present their position, arguments, or contentions in writing, and that at the hearing they may present evidence and examine witnesses appearing for and against them;

FURTHER, IT IS ORDERED THAT; if no hearing is timely requested, a FINAL ORDER TO SUSPEND OR REVOKE the Ohio Investment Adviser Representative License of Thomas Henry Roulston III and the Ohio Investment Adviser License of Thomas Roulston III Investment Partners, Inc. may be issued; and

FURTHER, IT IS ORDERED THAT, if no hearing is timely requested, a FINAL ORDER TO CEASE AND DESIST against Thomas Henry Roulston III and Roulston Buyside Research, LLC may be issued.

MJB/cn

WITNESS MY HAND AND THE OFFICIAL SEAL OF THIS DIVISION
at Columbus, Ohio this 1st day of September, 2015.



Andrea L. Seidt

Andrea L. Seidt, Commissioner of Securities