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## STUDENT SYMPOSIUM: BLUE SKY LAWS

### *Ohio Securities Act: Powers, Sanctions and Constitutional Objections*

**B**OTH THE EARLY blue sky laws and their modern counterpart have as their objective protection of the investing public when dealing with financial securities.<sup>1</sup> Accordingly, the laws are designed to prevent and punish fraud in the issuance and sale of securities to the public.<sup>2</sup> The laws are generally directed to the original distribution market as opposed to the secondary market.<sup>3</sup> This purpose has been held to be within the valid exercise of state police power and not in violation of the federal constitution.<sup>4</sup>

Although there are few objections to the *purpose* of the blue sky laws, the *means* by which the purpose is achieved has prompted criticism, opposition, and attack on the basis of unconstitutionality.<sup>5</sup> Some of these objections will be considered in the following discussion in relation to the Ohio Securities Act.

#### I. THE OHIO SECURITIES ACT

##### *A. Object of the Act*

The modern Ohio Blue Sky Law became effective on July 22, 1929 and is entitled the Ohio Securities Act (OSA).<sup>6</sup> The source of authority for the act and its predecessor<sup>7</sup> is the Ohio constitution which provides that corporations may be classified and that a gov-

<sup>1</sup> See *Groby v. State*, 109 Ohio St. 543, 550, 143 N.E. 126, 128 (1924); *Nida, The Ohio Division of Securities and the Ohio Securities Act*, 13 OHIO ST. L.J. 427, 434 (1952).

<sup>2</sup> *Ibid.*

<sup>3</sup> See *Nida, supra* note 1, at 445. The secondary market is a term encompassing all security trading after the security has been initially issued to the investing public. It includes trading between private individuals, dealers and individuals, dealers and institutional investors, dealers and other dealers, and trading on the stock exchanges. See *Nida, supra* note 1, at 442.

<sup>4</sup> *Hall v. Geiger-Jones Co.*, 242 U.S. 539 (1917). See *Boesel, Analysis of the Ohio Securities Act*, 5 W. RES. L. REV. 352, 353 (1954).

<sup>5</sup> See *Hall v. Geiger-Jones Co.*, *supra* note 4.

<sup>6</sup> OHIO REV. CODE ch. 1707.

<sup>7</sup> Ohio Blue Sky Law, 103 Ohio Laws 743 (1913)

ernmental body having supervisory and regulatory powers over the issuance and sale of a corporation's stocks and securities could be created.<sup>8</sup>

The Ohio Securities Act, like the blue sky laws of other states, has as its objective the prevention of fraud and misrepresentation in the issuance and sale of securities to the investing public.<sup>9</sup>

### B. *Composition of the Ohio Securities Act*

The Ohio act employs a multipronged strategy in its attempt to achieve investor protection. It requires disclosure of information relating both to the security to be issued and to the issuer.<sup>10</sup> It requires registration of the security with the Ohio Division of Securities<sup>11</sup> and also requires, what has been referred to by some persons, as the onerous licensing of dealers in securities.<sup>12</sup> In addition, the Division of Securities is given broad discretionary powers in the administration and enforcement of the act.<sup>13</sup> The constitutionality of the foregoing strategies and powers will be analyzed in the following discussion, as will be the constitutionality of the regulation of the secondary market.

(1) *The Secondary Market.*—Generally, the blue sky laws do not attempt to regulate the secondary market.<sup>14</sup> It has been indicated that those states which do attempt to regulate the secondary market may do so based on the valid exercise of state police power.<sup>15</sup>

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<sup>8</sup> OHIO CONST. art. XIII, § 2.

<sup>9</sup> See Report of Ohio State Bar Association Committee on Corporation Law and Committee on Blue Sky Law, in 1 OHIO BAR No. 42 (Jan. 15, 1929)

<sup>10</sup> OHIO REV. CODE §§ 1707.05, 1707.08, 1707.09.

<sup>11</sup> *Ibid.*

<sup>12</sup> OHIO REV. CODE § 1707.14. The OSA also requires the licensing of salesmen of securities. A requisite for the issuance of a salesman's license is that the salesman must be employed by a particular licensed dealer in securities. OHIO REV. CODE § 1707.16.

<sup>13</sup> The OSA provides that the Division of Securities may issue a dealer's license when it is satisfied that the dealer is of "good business repute." OHIO REV. CODE § 1707.15. See text accompanying notes 46-52 *infra*. The OSA also provides that the Division of Securities may refuse to qualify a security because of "grossly unfair terms" in its issuance. OHIO REV. CODE § 1707.09. See text accompanying notes 61-81 *infra*. In addition, the broad definition of the term "fraud" increases the discretionary power of the Division of Securities. OHIO REV. CODE § 1707.01(J).

Furthermore, the Division of Securities has the power to (1) conduct investigations and examinations (OHIO REV. CODE § 1707.23); (2) conduct hearings on any plan for the issuance of securities in reorganizations (OHIO REV. CODE § 1707.04); (3) initiate criminal proceedings for violation of the OSA (OHIO REV. CODE § 1707.23 (E)); and (4) obtain injunctive relief (OHIO REV. CODE §§ 1707.25, .26)

<sup>14</sup> See materials discussed note 3 *supra*.

<sup>15</sup> See Comment, 22 CALIF. L. REV. 341 (1934); Comment, 10 SO. CAL. L. REV. 483, 489 (1937); 6 SO. CAL. L. REV. 233 (1933).

Nevertheless, the aspect of the secondary market relating to sales of securities by the bona fide owner has raised some valid constitutional objections. The objection to such regulation based on the federal constitution is that it is violative of the fourteenth amendment rights to freely enjoy, possess, and dispose of property.<sup>16</sup> The California courts have accepted this view and have stated that the legislature cannot exercise its police power under the guise of "general welfare" so as to interfere with such rights.<sup>17</sup> Furthermore, the California courts have indicated that a bona fide private owner of securities is not required to obtain a dealer's license before attempting to sell his securities.<sup>18</sup> Subsequent California decisions have stated that where a private owner offers the securities for sale to the public as such, the sale is subject to regulation;<sup>19</sup> but where the private owner sells the securities in the ordinary course of business, the transaction is not subject to regulation unless the seller is the issuer or underwriter of the securities, in which case regulation is proper.<sup>20</sup>

Many states have statutes which distinguish between isolated transactions by private owners of securities and continuous dealings in securities.<sup>21</sup> The former are not subjected to regulation while the latter are.<sup>22</sup>

The scope of the first Ohio Blue Sky Law was limited to the original distribution market, although it did extend to transactions which falsely appeared to be in the secondary market but which were in fact original distributions.<sup>23</sup> In addition, under the first Ohio blue sky law the term "dealer" was defined so as to exclude "the underwriter of the security who is a bona fide owner of the security and disposes of his own property for his own account."<sup>24</sup> The constitutionality of this law was upheld in *Hall v. Geiger-Jones Co.*<sup>25</sup> The drafters of Ohio's second blue sky law, the Ohio Securities Act, apparently did not intend to regulate the secondary market, but rather intended that the fraud provisions of the act should accom-

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<sup>16</sup> See *People v. Pace*, 73 Cal. App. 548, 238 Pac. 1089 (1925); *People v. Craven*, 219 Cal. 522, 27 P.2d 906 (1933).

<sup>17</sup> *People v. Pace*, *supra* note 16.

<sup>18</sup> *Ibid.* See LOSS & COWETT, BLUE SKY LAW 15 (1958).

<sup>19</sup> *People v. Craven*, 219 Cal. 522, 27 P.2d 906 (1933).

<sup>20</sup> *Ibid.*

<sup>21</sup> See Annot., 1 A.L.R.3d 614 (1965).

<sup>22</sup> *Ibid.*

<sup>23</sup> See Nida, *supra* note 1, at 445.

<sup>24</sup> Ohio Blue Sky Law, 103 Ohio Laws 743 (1913)

<sup>25</sup> 242 U.S. 539 (1917).

plish the objective of investor protection.<sup>26</sup> However, the secondary market is brought within the regulatory provisions of the act by the use of the pervasive term "transactions" requiring registration.<sup>27</sup> Notwithstanding the use of such a broad term, regulation of the secondary market is limited by the exempt transactions provision of the OSA.<sup>28</sup> "A sale of securities made by or on behalf of a bona fide owner" who is "neither the issuer nor a dealer is exempt" if made in good faith.<sup>29</sup> It appears therefore that Ohio's position is similar to that of California in regard to a sale by the bona fide owner of securities.<sup>30</sup>

Other aspects of the secondary market are not exempted from regulation under the OSA.<sup>31</sup> This has consequently created problems for both those having to comply with the OSA, as well as for the Division of Securities.<sup>32</sup>

(2) *Licensing*.—The Ohio Securities Act is essentially a licensing and inspection type of securities regulation.<sup>33</sup> Investor protection is extended by the requirement that dealers in securities must be licensed.<sup>34</sup> The issue of whether a state has the power to regulate securities by means of a *licensing* statute designed to protect the investing public was presented and answered in the affirmative in *Hall v. Geiger-Jones Co.*<sup>35</sup> The Supreme Court ruled that comprehensive licensing laws do not violate the federal constitution.<sup>36</sup>

The object of licensing is the prevention of fraud in sales of securities by issuing licenses only to responsible, trustworthy, and solvent dealers.<sup>37</sup> An individual desiring a dealer's license must

<sup>26</sup> See Report of Ohio State Bar Association Committee on Corporation Law and Committee on Blue Sky Law, in I OHIO BAR No. 42 (Jan. 15, 1929); Nida, *supra* note 1.

<sup>27</sup> OHIO REV. CODE § 1707.06. See Nida, *supra* note 1, at 446.

<sup>28</sup> OHIO REV. CODE § 1707.03.

<sup>29</sup> OHIO REV. CODE § 1707.03(B).

<sup>30</sup> See text accompanying notes 17-20 *supra*.

<sup>31</sup> See OHIO REV. CODE § 1707.03.

<sup>32</sup> See Nida, *supra* note 1, at 446.

<sup>33</sup> See OHIO REV. CODE §§ 1707.14-22; Boesel, *supra* note 4, at 353. See also *Catterlin v. State*, 16 Ohio L. Abs. 410 (Ct. App.), *appeal denied*, 128 Ohio St. 110, 190 N.E. 578 (1934).

<sup>34</sup> The licensing requirements attempt to "prevent deception and save credulity and ignorance from imposition, as far as this can be done by the approved reputation of the seller of securities and authoritative information." *Hall v. Geiger-Jones Co.*, 242 U.S. 539 (1917).

<sup>35</sup> 242 U.S. 539 (1917).

<sup>36</sup> *Ibid.*

<sup>37</sup> See *Groby v. State*, 109 Ohio St. 543, 550, 143 N.E. 126, 128 (1924); Boesel, *supra* note 4, at 365.

supply the Division of Securities with detailed information.<sup>38</sup> The dealer's solvency is assured by requiring applicants to have a net worth of 10,000 dollars.<sup>39</sup> This amount may be decreased for good cause by the Division of Securities to 5,000 dollars, or a security bond may be posted in lieu of the net worth requirement.<sup>40</sup> The Division of Securities is authorized to formulate regulations in order to determine the "applicant's business repute and qualifications to act as a dealer in securities."<sup>41</sup> This investiture of power has been objected to as an unconstitutional delegation of legislative power.<sup>42</sup> However, in view of the fact that the legislature has unequivocally enunciated the policy of protecting the public against fraudulent investments, and in view of the subject matter being regulated and the safeguard of judicial review, the merit of this objection is somewhat mitigated.<sup>43</sup> Furthermore, it would be difficult to formulate objective criteria which reflect business reputation — a concept which is somewhat nebulous in that it is founded upon cumulative behavior and practices which establish an ultimate impression. Some courts have readily expressed the view that such vesting of power in a state executive officer is valid.<sup>44</sup> Supporting this position is an Ohio decision in which a provision in the first Ohio Blue Sky Law was held not to be in conflict with the Ohio constitution.<sup>45</sup> The section under attack permitted the Commissioner of Securities to determine the required amount of the dealer's bond but did not set forth standards for such determination.

The requirement that the Division of Securities be satisfied "that the applicant is of good business repute"<sup>46</sup> patently contemplates regulation beyond the assurance of dealer solvency. Because this phrase is so broad and because it lacks strict objective standards for determining the qualification of a license, it was criticized as granting

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<sup>38</sup> See OHIO REV. CODE § 1707.15; Form 18; Regulation DS-2 in 2 CCH BLUE SKY L. REP. ¶ 38662.

<sup>39</sup> Regulation DS-4, in 2 CCH BLUE SKY L. REP. ¶ 38664.

<sup>40</sup> *Ibid.*

<sup>41</sup> OHIO REV. CODE §§ 1707.15, 1707.20.

<sup>42</sup> See *Hall v. Geiger-Jones Co.*, 242 U.S. 539, 545 (1917); *Indemnity Ins. Co. v. Phillippi*, 48 Ohio App. 248, 192 N.E. 884 (1934)

<sup>43</sup> See *Coady v. Leonard*, 132 Ohio St. 329, 7 N.E.2d 649 (1937); *State v. Messenger*, 63 Ohio St. 398, 59 N.E. 105 (1900); 1 OHIO JUR. 2d *Administrative Law and Procedure* § 27 (1953); 10 OHIO JUR. 2d *Constitutional Law* § 312 (1954)

<sup>44</sup> See *People v. Federal Sur. Co.*, 336 Ill. 472, 168 N.E. 401 (1929); *Indemnity Ins. Co. v. Phillippi*, 48 Ohio App. 248, 192 N.E. 884 (1934)

<sup>45</sup> *Indemnity Ins. Co. v. Phillippi*, *supra* note 44.

<sup>46</sup> OHIO REV. CODE §§ 1707.15, 1707.20.

a state executive officer the power to arbitrarily affect the right of contract and the right to conduct a proper business by either granting, or refusing to issue, a license.<sup>47</sup> This objection was answered in the *Hall* case where the Supreme Court ruled that the powers conferred upon the executive officer were neither arbitrary nor contrary to due process under the fourteenth amendment.<sup>48</sup> Although the first Ohio Blue Sky Law did not provide for a hearing when a license was refused, there were provisions for judicial review of the commissioner's decision.<sup>49</sup> The present Ohio Securities Act provides for judicial review. In addition, when a license is to be revoked, a hearing is required;<sup>50</sup> and when a license is refused, a hearing may be requested by the applicant.<sup>51</sup> The hearing is required by, and must be conducted in accordance with, the Ohio Administrative Procedure Act.<sup>52</sup> It appears, therefore, that in light of the foregoing safeguards the Ohio Securities Act could not be validly assailed on the basis that it denies due process.

(3) *Security Regulation and Registration.*—The OSA divides securities<sup>53</sup> into three categories: those that are exempt from registration;<sup>54</sup> those that require registration by description;<sup>55</sup> and those that are neither exempt nor require registration, but which must be qualified.<sup>56</sup> Accordingly, unless exempted, the securities must be approved by the Division of Securities before they are sold.<sup>57</sup> This preventive procedure affords investors greater protection than could be achieved solely by fraud provisions directed toward punishment of violators.<sup>58</sup> The burden of proving an exemption is upon the individual asserting it.<sup>59</sup> This procedure has been held constitutional on the rationale that a state legislature may change rules of evidence

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<sup>47</sup> See *Hall v. Geiger-Jones Co.*, 242 U.S. 539 (1917).

<sup>48</sup> *Id.* at 554.

<sup>49</sup> 103 Ohio Laws 743 (1913).

<sup>50</sup> OHIO REV. CODE §§ 1707.19, 1707.22.

<sup>51</sup> OHIO REV. CODE § 1707.19.

<sup>52</sup> OHIO REV. CODE ch. 119.

<sup>53</sup> OHIO REV. CODE § 1707.01(B) defines the term "security" in very broad terms. See Note, 17 W RES. L. REV. \_\_\_\_ (1966).

<sup>54</sup> OHIO REV. CODE § 1707.02; See Note, 17 W RES. L. REV. \_\_\_\_ (1966).

<sup>55</sup> OHIO REV. CODE § 1707.05.

<sup>56</sup> OHIO REV. CODE § 1707.09.

<sup>57</sup> See Boesel, *Analysis of the Ohio Securities Act*, 5 W RES. L. REV. 352, 358 (1954).

<sup>58</sup> *Id.* at 356-58.

<sup>59</sup> OHIO REV. CODE § 1707.44.

since an accused has no inviolable right in presumptions or rules of evidence.<sup>60</sup>

Anyone seeking to qualify a security<sup>61</sup> or register it by description<sup>62</sup> must supply the Division of Securities with detailed information. The Division may refuse to qualify a security if it determines that the business of the issuer is fraudulently conducted or that the proposed offer or disposal of securities is on "grossly unfair terms."<sup>63</sup> Similarly, the Division may suspend or revoke a registration for the same reason.<sup>64</sup> Although the Division does not have the authority to revoke or suspend a registration except as provided by statute,<sup>65</sup> the use of the phrase "grossly unfair terms" in effect, empowers the Division to modify the OSA by rules, regulations and orders interpreting the phrase.<sup>66</sup>

"Grossly unfair terms," like the phrase requiring a licensee applicant to be of "good business repute,"<sup>67</sup> presents an interesting question of delegation of legislative power.<sup>68</sup> The legislature has clearly defined the statutory policy as the protection of the investing public, but the use of ultra-broad standards gives the Division of Securities almost unlimited latitude in the administration of the act. However, as a practical matter, it would be quite difficult for the legislature to set forth specific guidelines, particularly in the area of terms of the security, since the inventive genius of the financial world and of lawyers would soon create means of circumventing any inflexible standard.<sup>69</sup> Impracticability of formulating specific standards because of the subject matter tends to mitigate the forcefulness of the argument that there is an unconstitutional delegation of legislative power.<sup>70</sup> In addition, the provisions providing for

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<sup>60</sup> *Catterlin v. State*, 16 Ohio L. Abs. 410 (Ct. App.), *appeal dismissed*, 128 Ohio St. 110, 190 N.E. 578 (1934).

<sup>61</sup> See OHIO REV. CODE § 1707.09. See also OHIO REV. CODE § 1707.10 dealing with provisional registration by qualification.

<sup>62</sup> OHIO REV. CODE § 1707.05.

<sup>63</sup> OHIO REV. CODE § 1707.09.

<sup>64</sup> OHIO REV. CODE § 1707.13.

<sup>65</sup> 1934 OPS. ATT'Y GEN. (Ohio) 2664.

<sup>66</sup> See Nida, *The Ohio Division of Securities and the Ohio Securities Act*, 13 OHIO ST. L.J. 427, 438 (1952).

<sup>67</sup> OHIO REV. CODE § 1707.16. See also text accompanying notes 41-51 *supra*.

<sup>68</sup> See text accompanying notes 42-52 *supra*.

<sup>69</sup> See *Matz v. J. L. Curtis Cartage Co.*, 132 Ohio St. 271, 7 N.E.2d 220 (1937); 1 OHIO JUR. 2d *Administrative Law and Procedure* § 30 (1953)

<sup>70</sup> See *State v. Messenger*, 63 Ohio St. 398, 59 N.E. 105 (1900), *Blackman v. Board of Liquor Control*, 95 Ohio App. 177, 113 N.E.2d 893, *appeal dismissed*, 158 Ohio St. 368, 109 N.E.2d 475 (1952).

judicial review<sup>71</sup> and for application of the Ohio Administrative Procedure Act,<sup>72</sup> which provides for a hearing before the Division's rulings can be executed, would appear to assure that fair and just treatment would be preserved regardless of the questionable delegation of legislative power.<sup>73</sup>

The Division has ruled that "grossly unfair" terms include preferred stock which does not gain voting rights in the event of default of dividend payments (such terms constitute a prima facie presumption of unfairness);<sup>74</sup> a promissory note supported by an unreasonable ratio between debt and equity;<sup>75</sup> sales of similar securities to corporate employees at a lower price than offered to the public on or about the same date, since this would result in dilution of the public's equity because of the higher price paid for the security by it;<sup>76</sup> sales of corporate securities to the corporation's promoters to be subsequently sold to the public at a higher price without improvement in the corporation's financial position;<sup>77</sup> and the issuance of non-voting stock which lacks a specified dividend right where the corporate directors have full discretion to allocate or not to allocate funds from which dividends are to be paid, in conjunction with the issuance of another class of stock solely to management.<sup>78</sup> The Division has also ruled that preferred stock which provides that dividends are not cumulative but which provides that voting rights may be exercised upon the continuous failure to pay dividends, does not constitute grossly unfair terms.<sup>79</sup> It can be readily observed from the foregoing rulings that the Division can quite easily assume the role of the public's financial advisor.

It is also readily discernible that since the phrase "grossly unfair" is so broad, it lends itself to flexibility which in turn greatly decreases the facility of obtaining a reversal of the administrative ruling on appeal.<sup>80</sup> It appears that the only limitation upon the

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<sup>71</sup> See OHIO REV. CODE § 1707.22 providing for appeals in accordance with the Ohio Administrative Procedure Act, OHIO REV. CODE ch. 119.

<sup>72</sup> *Ibid.*

<sup>73</sup> See *Strain v. Southerton*, 148 Ohio St. 153, 74 N.E.2d 69 (1947); 1 OHIO JUR. 2d *Administrative Law and Procedure* § 29 (1953).

<sup>74</sup> Ruling No. 16, in 2 CCH BLUE SKY L. REP. ¶ 38718.

<sup>75</sup> Informal ruling cited in *Nida*, *supra* note 66, at 438.

<sup>76</sup> Ruling No. 19, in 2 CCH BLUE SKY L. REP. ¶ 38719.

<sup>77</sup> Ruling No. 20, in 2 CCH BLUE SKY L. REP. ¶ 38719.

<sup>78</sup> Ruling No. 18, in 2 CCH BLUE SKY L. REP. ¶ 38718.

<sup>79</sup> Ruling No. 17, in 2 CCH BLUE SKY L. REP. ¶ 38718.

<sup>80</sup> See *Boesel*, *supra* note 57, at 364.

Division in this respect is that it cannot act arbitrarily or wantonly, or act to abuse its discretionary power.<sup>81</sup>

## II. CONCLUSION

In addition to the basic objection that the Ohio Blue Sky Law is an unconstitutional delegation of legislative power, other objections have been lodged against it, most of which have been held to be without merit.<sup>82</sup> The Ohio law was said to deny equal protection of the laws, to impose burdens on interstate commerce, and to constitute a deprivation of property without due process of law.<sup>83</sup> These arguments were summarily disposed of in the *Hall* case. In that case the Supreme Court ruled that the discriminations contained in the first Ohio Blue Sky Law were within the state power of classification.<sup>84</sup> The Court also stated that, since there was a right to judicial review, the requirements of due process were not violated.<sup>85</sup> In view of the fact that the present OSA provides for hearings in conformity with the Ohio Administrative Procedure Act, it appears that any objection based on lack of due process is precluded unless, of course, the hearing is a sham. The effect on interstate commerce was held to be incidental in that the act extended only to dispositions of securities within the state;<sup>86</sup> the Court found that there was no impediment on securities brought into the state except that they be disposed of within the state solely by licensed dealers.<sup>87</sup> In this regard it is significant to note that the Division of Securities has ruled that where a sale is to be made by a person (underwriter) outside of Ohio, registration of the security in Ohio is not required.<sup>88</sup> In addition, it has been stated that the exemptions contained in the first Ohio Blue Sky Law were such that they eliminated all

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<sup>81</sup> See *Hall v. Geiger-Jones Co.*, 242 U.S. 539, 554 (1917); Boesel, *supra* note 57, at 358.

<sup>82</sup> See *Hall v. Geiger-Jones Co.*, 242 U.S. 539 (1917). But see *Cities Serv. Co. v. Koencke*, 137 Kan. 7, 20 P.2d 460 (1931); *Liley v. Seueat*, 110 Fla. 362, 149 So. 48 (1933). *Contra*, OPS. ATTY GEN. (Ala.) (1934), in 1 CCH BLUE SKY L. REP. ¶ 5635.

<sup>83</sup> See *Hall v. Geiger-Jones Co.*, *supra* note 82, at 545.

<sup>84</sup> *Ibid.*

<sup>85</sup> *Id.* at 539-40.

<sup>86</sup> *Id.* at 557-58.

<sup>87</sup> *Ibid.*

<sup>88</sup> Ruling No. 11, in 2 CCH BLUE SKY L. REP. ¶ 38711.

serious questions that the law unduly burdened legitimate businesses.<sup>89</sup>

It would seem from the foregoing that the only reasonable basis for attacking the constitutionality of the present Ohio Securities Act, other than perhaps the broadness of its scope extending to the secondary market,<sup>90</sup> is the administration and application of the act. This contention has the inherent, and seldom met, burden of proving abuse of discretion. Consequently, it would seem that the OSA is quite impervious to constitutional attack. This conclusion is supported by Ohio judicial decisions which have denied hearings on the constitutionality of the act.<sup>91</sup>

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<sup>89</sup> See Laylin, *The Ohio "Blue Sky Law" Cases*, 15 MICH. L. REV. 369, 377 (1917), where it is stated "It is to be observed that the exemptions in the Ohio Law are of such character and extent as to remove all serious claim that it unnecessarily burdens business that is clearly legitimate." See also *Groby v. State*, 109 Ohio St. 543, 549, 143 N.E. 126 (1924).

<sup>90</sup> See text accompanying notes 14-32 *supra*.

<sup>91</sup> See *State v. Weger*, 133 Ohio St. 23, 10 N.E.2d 634 (1937); *Bush v. Hague*, 128 Ohio St. 342, 191 N.E. 5 (1934); *Hoyt v. Geo. W Stone Co.*, 27 Ohio N.P. (n.s.) 533 (C.P. 1929).