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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

Education Comics LLC and Diane Russomanno,

Respondents

Order Number S-08-102-10-FO01

**FINAL ORDER TO CEASE AND DESIST AND
TO CHARGE COSTS**

THE STATE OF WASHINGTON TO: Education Comics LLC
Diane Russomanno

INTRODUCTION

On January 28, 2010, the Securities Administrator of the State of Washington issued Order Number S-08-102-10-SC01, Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist and to Charge Costs (“Statement of Charges”). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing (“Application for Hearing”), was served on Respondents, Education Comics LLC and Diane Russomanno, on March 27, 2010. The Notice of Opportunity for Hearing advised Education Comics LLC and Diane Russomanno that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Education Comics LLC and Diane Russomanno each failed to make a written request for an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.

FINAL ORDER TO CEASE AND DESIST
AND TO CHARGE COSTS

1 The Securities Division will therefore adopt as final the Findings of Fact and Conclusions of Law as
2 set forth in the Statement of Charges and enter a final order against Respondents, Education Comics LLC
3 and Diane Russomanno, to cease and desist from violations of the Securities Act and to charge costs
4 against Diane Russomanno.

5 **FINDINGS OF FACT**

6 Respondents

7
8 1. Education Comics LLC (“Education Comics”) is a California limited liability company that was
9 formed on April 23, 2001. The company’s principal place of business is located in Agoura Hills,
10 California. From at least 2005 through 2007, Education Comics held itself out to investors as the
11 company that owned and that was developing and marketing a series of educational children’s comic
12 books called “The Adventures of Scooter McDoogal.”

13 2. Diane Russomanno (“Russomanno”) is the Chief Executive Officer of Education Comics.

14 Offering of Investments

15 3. From 2005 through 2007, Respondents each offered and sold more than \$500,000 worth of
16 investments in Education Comics to more than twenty Washington investors. Most of the Washington
17 investors were introduced to the investment by a Washington investor who made significant investments
18 in Education Comics, but was not actively involved with the business operations or the management of the
19 company. Before investing, most of the Washington investors had no prior relationship with Education
20 Comics or with Diane Russomanno.

21
22 4. The Washington investors did not have any control over the use of their invested funds and they
23 were relying upon Respondents to generate a return on their investment. Respondents each represented
24 that the investor funds would be pooled together to finance the production and marketing of the Scooter

1 McDoogal comic books and related merchandising. Respondents represented that the comic books would
2 be sold to school districts and would generate profits for the investors. Respondents each represented to
3 some investors that they would have an interest in the future ownership of any film, television, and/or
4 merchandising rights.

5 5. Respondents each offered and sold a percentage interest of company profits to the Washington
6 investors. Generally, Education Comics promised to pay 1% of the company's net profits for every
7 \$10,000 invested. If the company failed to make profit sharing payments within 90 days of the company's
8 fiscal year end, then the amount of the outstanding liability would accrue 8% annual interest. The
9 investments were generally memorialized in a written agreement from Education Comics. The
10 agreements were signed by Diane Russomanno as the CEO of Education Comics.

11 Misrepresentations and Omissions

12
13 6. When offering and selling the investments, Respondents each represented that the investors
14 would have an interest in the profits of the company, but Respondents each failed to disclose that the
15 company had never been profitable. Respondents each failed to disclose the amount of money that would
16 be needed in order to achieve profitability. Respondents each failed to give certain investors financial
17 statements for the company. Respondents each failed to disclose that according to financial statements
18 that Russomanno had given to at least one Washington investor, Education Comics and its predecessor,
19 Education Comics, Inc., had a total net loss of more than \$4,000,000 for the period from January 23, 2001
20 through January 25, 2007. Respondents each failed to disclose the operating history of the company and
21 the prior attempts to develop and market Scooter McDoogal comic books. Respondents each failed to
22 disclose the cost of developing and marketing related products and the cost of developing film, television,
23 and merchandising rights.
24

1 7. When offering and selling the investments, Respondents each failed to disclose the risks of the
2 investment, including inadequate capitalization, industry competition, the company's reliance on a few
3 key individuals, and unprofitability. Respondents each failed to disclose the specific intended use of
4 investor funds. Respondents each failed to disclose the amount of money that would be required to
5 achieve specific goals.

6 Registration Status

7 8. Education Comics LLC is not currently registered to sell its securities in the state of Washington
8 and has not previously been so registered.

9 9. Diane Russomanno is not currently registered as a securities broker-dealer or securities
10 salesperson in the state of Washington and has not previously been so registered.

11 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

12 **CONCLUSIONS OF LAW**

13 **I.**

14 The offer or sale of the investments described above constitutes the offer or sale of a security as
15 defined in RCW 21.20.005(10) and (12), whether in the form of an investment contract, promissory note,
16 evidence of indebtedness, or risk capital.

17 **II.**

18 Respondents each violated RCW 21.20.140 because no registration for the offer or sale of said
19 securities is on file with the Securities Administrator.

20 **III.**

21 Diane Russomanno violated RCW 21.20.040 by offering or selling said securities while not
22 registered as a securities broker-dealer or securities salesperson in the state of Washington.

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IV.

Respondents each violated RCW 21.20.010 because, when offering and selling the investments, Respondents each made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

FINAL ORDER

Based upon the foregoing and finding it in the public interest:

It is hereby ORDERED that Respondents, Education Comics LLC and Diane Russomanno, and their agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

It is further ORDERED that Diane Russomanno, and her agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities Act.

It is further ORDERED that Respondents, Education Comics LLC and Diane Russomanno, and their agents and employees, each shall cease and desist from offering or selling securities in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

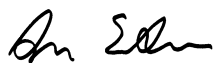
It is further ORDERED that Diane Russomanno shall pay investigative costs of \$5,000 to the Securities Division.

1 **AUTHORITY AND PROCEDURE**

2 This Final Order is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to
3 the provisions of Chapter 34.05 RCW. Respondents each have the right to petition the superior court for
4 judicial review of this agency action under the provisions of chapter 34.05 RCW. For the requirements
5 for filing a Petition for Judicial Review, see RCW 34.050.510 and sections following. Pursuant to RCW
6 21.20.395, a certified copy of this order may be filed in Superior Court.
7

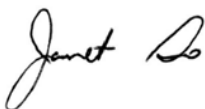
8 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

9 DATED this 28th day of April, 2010

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11 

12 _____
13 SUZANNE E. SARASON
14 Chief of Enforcement

15 Presented by:

16 

17 _____
18 Janet So
19 Enforcement Attorney