

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-08-102-10-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO ENTER AN
Education Comics LLC and Diane) ORDER TO CEASE AND DESIST AND
Russomanno,) TO CHARGE COSTS
Respondents)

THE STATE OF WASHINGTON TO: Education Comics LLC
Diane Russomanno

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Education Comics LLC and Diane Russomanno, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations and to charge costs. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

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

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

3 Offering of Investments

4
5 3. From 2005 through 2007, Respondents each offered and sold more than \$500,000
6 worth of investments in Education Comics to more than twenty Washington investors. Most of
7 the Washington investors were introduced to the investment by a Washington investor who
8 made significant investments in Education Comics, but was not actively involved with the
9 business operations or the management of the company. Before investing, most of the
10 Washington investors had no prior relationship with Education Comics or with Diane
11 Russomanno.
12

13 4. The Washington investors did not have any control over the use of their invested
14 funds and they were relying upon Respondents to generate a return on their investment.
15 Respondents each represented that the investor funds would be pooled together to finance the
16 production and marketing of the Scooter McDoogal comic books and related merchandising.
17 Respondents represented that the comic books would be sold to school districts and would
18 generate profits for the investors. Respondents each represented to some investors that they
19 would have an interest in the future ownership of any film, television, and/or merchandising
20 rights.
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22
23 5. Respondents each offered and sold a percentage interest of company profits to the
24 Washington investors. Generally, Education Comics promised to pay 1% of the company’s net
25 profits for every \$10,000 invested. If the company failed to make profit sharing payments

1 within 90 days of the company's fiscal year end, then the amount of the outstanding liability
2 would accrue 8% annual interest. The investments were generally memorialized in a written
3 agreement from Education Comics. The agreements were signed by Diane Russomanno as the
4 CEO of Education Comics.
5

6 Misrepresentations and Omissions

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

20
21 7. When offering and selling the investments, Respondents each failed to disclose the
22 risks of the investment, including inadequate capitalization, industry competition, the
23 company's reliance on a few key individuals, and unprofitability. Respondents each failed to
24 disclose the specific intended use of investor funds. Respondents each failed to disclose the
25 amount of money that would be required to achieve specific goals.

1 Registration Status

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

4 9. Diane Russomanno is not currently registered as a securities broker-dealer or
5 securities salesperson in the state of Washington and has not previously been so registered.
6

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

8 **CONCLUSIONS OF LAW**

9 I.

10 The offer or sale of the investments described above constitutes the offer or sale of a
11 security as defined in RCW 21.20.005(10) and (12), whether in the form of an investment
12 contract, promissory note, evidence of indebtedness, or risk capital.
13

14 II.

15 Respondents each violated RCW 21.20.140 because no registration for the offer or sale of
16 said securities is on file with the Securities Administrator.
17

18 III.

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

22 IV.

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

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Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Janet So
Enforcement Attorney

Reviewed by:



Martin Cordell
Financial Legal Examiner Supervisor