

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING JUNE 4, 2015

Successes for Week Ending June 4, 2015

1. Licensing and Registration

- Division of Securities
 - Applications Received: 906
 - Applications Approved: 858
 - Applications Denied/Withdrawn: 14

- Division of Consumer Finance
 - Applications Received: 285
 - Applications Approved: 268
 - Applications Denied/Withdrawn: 13

- Division of Financial Institutions
 - Applications Received: 3
 - Applications Approved: 1

2. Regulatory Sanctions

Final Order for \$2,500 Fine Against an Associated Person for Failure to Disclose

On June 2, 2015, the Division of Securities entered a final order against Darryl Lamar Miles for failure to disclose the July 2013 regulatory action taken against him by the Florida Department of Financial Services. A \$2,500 administrative fine was paid.

Final Order for \$6,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On June 2, 2015, the Division of Securities entered a final order against The Old River Company d/b/a Emerald Financial Management and Allen P. Auger for engaging in prohibited business practices by failing to timely file financial statements, prepare and/or maintain accurate and current financial statements and maintain an accurate Form ADV. A \$6,000 administrative fine was paid.

Denial of Associated Person

On June 2, 2015, the Division of Securities entered a final order against Frank Lee Johnson III, denying his application for registration as an associated person for making a material misrepresentation or misstatement on his application for registration.

Final Order for \$5,000 Fine against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On June 2, 2015, the Division of Securities entered a final order against Sullivan Investments Group, LLC, and Craig H. Sullivan for engaging in prohibited business practices by failing to maintain accurate investment advisory agreements, send clients itemized invoices, timely file audited financial statements, maintain required net capital and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$5,000 administrative fine was paid.

Permanent Bar and \$20,000 Fine against Florida Companies and Principal for Fraud

On June 2, 2015, the Division of Securities entered a final order against Infinite Media Group, LLC, Infinite Entertainment Group, LLC, Gidget Film Partners, LLC, Love In Vain Film Partners, LLC, Hello Kitty Film Partners, LLC, and Steele Shannon, permanently barring the firms and Steele Shannon from registration with the office after they failed to request a hearing. The final order follows an administrative complaint, which alleged the firms and Steele Shannon conducted fraudulent securities transactions. A \$20,000 administrative fine was assessed.

3. Enforcement Results

Remaining Defendants Sentenced for Roles in Investment Fraud Scheme

On May 27, 2015, co-defendants David O. Boyce, Jacob Bradshaw and Benjamin R. Williams were sentenced to 13 months, two years and four years imprisonment, respectively, following their convictions on federal charges of mail fraud, wire fraud and conspiracy to commit mail and wire fraud. The convictions were the result of plea agreements entered by the defendants for their roles in an elaborate investment fraud scheme involving purported investments in precious metals and stock. The scheme was orchestrated by lead defendant Christopher Anzalone. Anzalone was sentenced in March 2015, to serve 15 years in federal prison to be followed by three years of supervised release. The investigation revealed that the defendants sold fraudulent investments under various corporate names including Liberty International Holdings Corporation (LIHC), Liberty International Financial Services (LIFS), Allied Strategies Inc., Allied Marketing, LLC, and DBA Clearing, LLC. Through the allied entities alone, defendants raised approximately \$3.3 million from 23 investors within a six month period (March 2013-October 2013). Investors were solicited to either purchase stock or positions in gold, silver and palladium. Those who purchased stock were told that a hedge fund was going to purchase those same shares at a later date, resulting in substantial profits. Investors who invested in the metals were told that Liberty held large quantities of precious metals stored in a Panamanian depository. The investigation found that all of these representations were false and analysis of financial records revealed that the money raised from investors was never used for the purposes represented, but instead was used to pay sales commissions and for the personal benefit of Anzalone and his co-defendants. All four

defendants have been ordered to pay restitution. Combined, the restitution orders total more than \$20 million. This investigation was developed jointly between OFR and the FBI. The U.S. Attorney's Office in Miami prosecuted the case.

Defendant Sentenced to Seven Years in Prison for Role in \$80 Million Ponzi Scheme

On May 26, 2015, defendant Craig Allen Hipp was sentenced to seven years in federal prison for his role in perpetuating an \$80 million Ponzi scheme that sold, but failed to deliver, Virtual Concierge Machines (VCMs) to over 1,800 investors nationwide. Hipp was the vice-president of manufacturing and operations for JCS Enterprises and in charge of overseeing the design and manufacture of the machines. The VCMs were to be placed in ball parks and hotels and were offered to investors for \$2,500-\$3,500. Along with the promise that the VCMs would be manufactured and delivered, Hipp and three other defendants in this case are alleged to have promised investors that they would each receive \$300 a month for three years for every machine purchased. While making these representations, Hipp was aware that the machines were not being built (only 200 were ever manufactured and approximately 24,000 were sold). On March 13, 2015, following the completion of a 10 day trial, a jury found Hipp guilty of wire fraud, mail fraud and conspiracy to commit mail and wire fraud. Investments in the VCMs were marketed to investors using YouTube videos, mass e-mail solicitations and investor seminars. The defendants are alleged to have misrepresented to investors that their funds would be used to order new machines and these would generate revenue from businesses that would use them to advertise products and services. In typical Ponzi fashion, however, funds obtained from newer investors were used instead to pay returns to earlier investors or diverted for the personal use of the defendants. Indicted with Hipp in May 2014, were Laura and Joseph Signore and Paul Schumack. Trials for each of the other defendants are expected to take place in the fall of 2015. This investigation was developed jointly with the FBI and the SEC. The latter filed a civil fraud complaint against the defendants in federal court and on Dec. 22, 2014, secured a court-appointed receiver over the business. The U.S. Attorney's Office in West Palm Beach is prosecuting the case.

New Issues

4. Communications and Outreach Activities

On May 25, 2015, through May 30, 2015, a member of the Division of Financial Institutions represented the OFR at the CSBS State Federal Supervisor Forum in San Francisco, California.

On June 1, 2015, the OFR issued a consumer alert on hurricane and disaster preparedness.

[Consumer Alert: Hurricane and Disaster Preparedness](#)

On June 2, 2015, the OFR issued a press release regarding a letter that Commissioner Drew J. Breakspear sent to CFPB Director Cordray urging the use of Florida's regulatory model for payday lending.

[Press Release: Commissioner Drew J. Breakspear Urges Use of Florida's Regulatory Model for Payday Lending](#)