

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING NOVEMBER 20, 2014

Successes for Week Ending November 20, 2014

1. Licensing and Registration

- Division of Securities
 - Applications Received: 898
 - Applications Approved: 917
 - Applications Denied/Withdrawn: 5

- Division of Consumer Finance
 - Applications Received: 354
 - Applications Approved: 369
 - Applications Denied/Withdrawn: 12

- Division of Financial Institutions
 - Applications Received: 0
 - Applications Approved: 8

2. Regulatory Sanctions

Two-Year Bar Against an Associated Person for Prohibited Business Practices

On November 17, 2014, the Division of Securities entered a Final Order against Jon Fred Larson for engaging in prohibited business practices by executing an unauthorized trade in a customer's account and failing to report the customer's complaint to his employing broker dealer firm. Jon Fred Larson is barred for two years from affiliating or seeking future registration with a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S.

Permanent Bar and \$165,258 in Total Fines Against Unregistered Broker Dealers and Associated Persons for Fraud

On November 17, 2014, the Division of Securities entered a Final Order against Advanced Equity Partners, LLC, Advanced Equity Partners Management Group, Inc., JJHLD, LLC, Stuart Mark Rubens and Peter Dale Kirschner permanently barring them from affiliating or seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F. S. The Final Order follows an Administrative Complaint, which alleged the firms and associated persons offered and sold unregistered securities, engaged in securities business in Florida without being registered,

operated a boiler room and conducted fraudulent securities transactions. A total of \$165,258 in administrative fines was assessed.

3. Enforcement Results

Brevard Men Plead Guilty in Ponzi Scheme Involving Phony Certificates of Deposit

On November 12, 2014, Donald Ray Babb of Merritt Island and Ralph Ruth of Melbourne each pled guilty to one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349 in United States District Court for the Middle District of Florida. From June 2006 through December 2013, Babb and Ruth bilked 181 investors out of nearly \$19 million through their companies, First Merchant Capital, LLC, Capstar Industries, LLC, and Southeast Mutual Insurance and Investment, LLC, located in Melbourne and Tampa, Florida. Ruth and Babb solicited investors through advertisements in local newspapers for Certificates of Deposit (CDs) with high rates of return. The companies were falsely represented as licensed financial institutions whose deposits were insured by the FDIC. Funds raised through CD sales were not used to purchase CDs, but rather were used to pay returns to other investors in the form of interest payments, as well as to pay the personal expenses of Babb and Ruth. Babb and Ruth mailed quarterly statements falsely detailing investor account balances from purported CDs sold by First Merchant, LLC, Capstar Industries, LLC, and/or Southeast Mutual Insurance and Investment, LLC. The charges carry a maximum penalty of up to 20 years in prison. The plea agreement calls for a forfeiture of assets and a money judgment in the amount of \$18,731,125.58. The OFR opened the investigation on First Merchant Capital on October 18, 2013. On November 27, 2013, the OFR obtained a court order imposing a Temporary Injunction and Appointment of Receiver against Babb and Ruth and the related companies. Michael Moecker & Associates was appointed as receiver. OFR Investigators worked with the receiver to uncover assets and secure the office locations. In addition to taking over the company, the receiver has frozen multiple bank accounts and uncovered assets including three boats, three aircrafts and four properties, which will be sold for the benefit of defrauded investors. This OFR investigation was developed jointly with the FBI and the Brevard County Sheriff's Office. The U.S. Attorney's Office in Orlando is prosecuting the case.

New Issues

1. Communications and Outreach Activities

On November 13, 2014, the OFR issued a press release regarding classic schemes identified as top investor threats.

[Press Release: New Products in Classic Schemes Identified as Top Investor Threats](#)

On November 18, 2014, the OFR issued a press release highlighting Fraud Awareness Week.

[Press Release: Florida Office of Financial Regulation Highlights Fraud Awareness Week](#)