

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING DECEMBER 5, 2013

Successes for Week Ending December 5, 2013

1. Licensing and Registration

- Division of Securities
 - Applications Received: 1,751
 - Applications Approved: 1,657
 - Applications Denied/Withdrawn: 17

- Division of Consumer Finance
 - Applications Received: 474
 - Applications Approved: 501
 - Applications Denied/Withdrawn: 13

- Division of Financial Institutions
 - Applications Received: 14
 - Applications Approved: 1
 - Applications Denied/Withdrawn: 0

2. Regulatory Actions

Denial, Three Year Bar and \$25,000 Fine against a Broker Dealer Associated Person for Fraud

On November 22, 2013, the Division of Securities entered a Final Order against Shawn Paul Sapp for failure to disclose a criminal event and an outside business activity and for using client funds in a manner which operated as a fraud or deceit. Mr. Sapp's application for registration as an associated person was denied and he was barred from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F. S. for three (3) years. An administrative fine of \$25,000 was assessed.

Final Order for \$5,000 Fine against an Investment Adviser for Unregistered Activity

On November 22, 2013, the Division of Securities entered a Final Order against D C Voss & Company, LLC and David Charles Voss for engaging in unregistered investment advisory activities. The firm and Mr. Voss paid an administrative fine of \$5,000.

Final Order for \$8,000 Fine against an Investment Adviser for Failure to File Financial Statements and Prohibited Business Practices

On November 22, 2013, the Division of Securities entered a Final Order against UCB Financial Advisers, Inc., for failing to: file audited annual financial statements; maintain an accurate Form ADV; timely file annual financial statements; and for deducting fees directly from its clients' accounts without sending invoices. The firm paid an administrative fine of \$8,000.

Final Order for \$50,000 Fine and Offer of Rescission for an Unregistered Issuer Dealer

On November 26, 2013, the Division of Securities entered a Final Order against Southern Union Revolving Fund, Inc. for acting as an Issuer Dealer by selling demand notes in Florida without being registered. From January 1, 2012 to May 23, 2013, Southern Union Revolving Fund, Inc. offered and sold demand notes in Florida, totaling \$8,866,261, to 227 individuals and affiliated organizations without being registered with the Office. Southern Union Revolving Fund agreed to offer rescission to their Florida customers who purchased the demand notes and paid a \$50,000 administrative fine. Pursuant to the Final Order, Southern Union Revolving Fund, Inc. shall be registered as an Issuer Dealer.

Summary Suspension, \$5,000 Fine and Final Order Lifting Summary Suspension against a Broker Dealer for Failure to Comply with the Branch Office Notice Filing Requirements

On November 18, 2013, the Division of Securities issued a Summary Suspension against Tandem Securities for failing to comply with and resolve the notice filing requirements for a Florida branch office. The branch office was prohibited from operating until relevant information was supplied to the Office. The firm provided the information and paid a fine of \$5,000. On November 26, 2013, the Division of Securities entered a Final Order lifting the summary suspension.

Final Order for \$20,000 Fine against an Associated Person for Unregistered Activity

On November 27, 2013, the Division of Securities entered a Final Order against Carolyn Kohn for engaging in unregistered investment advisory activities. A \$20,000 administrative fine was paid.

3. Enforcement Actions

Former Miami Securities Professional Pleads Guilty to Securities Fraud in Connection with Multi-State Investment Scheme

On November 26, 2013, Daniel Paez of Miami, Florida, pled guilty to one count of securities fraud before U.S. District Judge William P. Dimitrouleas, in connection with a scheme to defraud investors in Florida and several states. Paez faces a maximum of 20 years in prison and maximum \$250,000 fine. Sentencing has been set for February 4, 2014 before Judge Dimitrouleas in Ft. Lauderdale. According to a joint OFR/FBI investigation, Paez was the president of Fly High Investments, Inc., a Miami-Dade investment fund. From in or around September

2010 through in or around April 2012, Paez obtained more than \$500,000 in funds from investors via telephone solicitations and through the Internet. Paez told investors that Fly High Investments was a hedge fund that managed more than \$50 million, and he promised investors that their money would be invested in safe and secure investments. Paez also promised a fixed rate of return and that investors could withdraw their money whenever they wished. Instead, according to the information, Paez spent the bulk of the money raised from investors at casinos and also withdrew large amounts of cash for his personal benefit. Paez did invest certain investor monies in stocks and other securities, but often in high-risk investments or penny stocks that were materially different than the specific investments promised to investors during their sales pitch. When investors contacted Fly High Investments and Paez to inquire about the status of their funds, Paez misled investors into believing their money was safe and had been invested profitably. Paez ultimately stopped returning calls and ignored requests for the return of investor funds. According to the charges, there were approximately 17 victim investors who were located in Florida and other states, including California, South Dakota, New Jersey, and Minnesota. None of these investors received any return on their investment and they lost all of the money they invested with Fly High Investments and Paez.

Judge Issues Temporary Injunction Against Companies Claiming to Sell CDs

On November 27, 2013, as a result of a petition filed by OFR, a temporary injunction was issued by the Circuit Court in Brevard County against First Merchant Capital, LLC, Capstar Industries, LLC, Southeast Mutual Insurance and Investment, Inc., Donald Ray Babb, Ralph V. Ruth and Catherine Ruth (the defendants). The OFR is currently investigating allegations that the defendants sold certificates of deposit (CDs) to Florida investors by falsely claiming the CDs were insured by the Federal Deposit Insurance Corporation (FDIC). The OFR is also investigating allegations that the investors' proceeds have been misused by the defendants. Through the investigation, the OFR has alleged that the defendants have lured at least 30 customers to invest nearly \$3 million in the CD program since August 2011. Sales were primarily made to elderly customers searching for ultra conservative investments with FDIC insurance backing. Advertisements appearing in the Tampa Bay Times and the Jacksonville Times-Union placed by the defendants indicated that the CDs pay the "highest rates in the nation." The purported rate was better than rates offered by legitimate financial institutions in Florida, typically bettering the rate by .5% to 2%. The defendants advertised the sale of brokered CDs, but the OFR's investigation was unable to confirm that money from investors was going to FDIC insured banks for the purchase of CDs. The judge has appointed Michael Moecker as receiver of the companies while the OFR investigation continues.

[Judge Issues Temporary Injunction Against Companies Claiming to Sell CDs](#)

New Issues

No new issues to report this week.

