

GOVERNOR RICK SCOTT
MONTHLY AGENCY ACHIEVEMENT REPORT
OFFICE OF FINANCIAL REGULATION
October 2016

OCTOBER ACHIEVEMENTS

1. Monthly Statistics

- Division of Securities
 - Examinations Opened: 13
 - Examinations Closed: 15
 - Complaints Received: 5
 - Complaints Closed: 12
 - Applications Received: 3,749
 - Applications Approved: 3,806
 - Applications Denied/Withdrawn: 33

- Division of Consumer Finance
 - Examinations Opened: 39
 - Examinations Closed: 21
 - Complaints Received: 137
 - Complaints Closed: 116
 - Applications Received: 846
 - Applications Approved: 896
 - Applications Denied/Withdrawn: 83

- Division of Financial Institutions
 - Examinations Opened: 5
 - Examinations Closed: 11
 - Complaints Received: 40
 - Complaints Closed: 55
 - Applications Received: 8
 - Applications Approved: 1
 - Applications Denied/Withdrawn: 1

- Bureau of Financial Investigations
 - Investigations Opened: 12
 - Investigations Closed: 6

2. Substantial Sanctions and Fines

Final Order for \$19,500 Fine Against an Investment Adviser Firm for Violations of Rules

On September 29, 2016, the Division of Securities entered a final order against Gulati Asset Management, LLC for violations of rules by failing to maintain an accurate Form ADV, maintain current written client advisory agreements, file audited financial statements, maintain written investment advisory client suitability information for all of its clients and comply with the safekeeping and custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$19,500 administrative fine was paid.

Final Order for \$8,500 Fine Against an Investment Adviser Firm and Associated Person for Violations of Rules

On September 29, 2016, the Division of Securities entered a final order against TSL Investment Management, LLC and Sean M. Leder for violations of rules by failing to advise the division that the firm had custody of its clients' assets, provide client itemized invoices, maintain an accurate Form ADV, maintain an accurate Form U4, file audited financial statements and comply with safekeeping and custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$8,500 administrative fine was paid.

Final Order for \$6,000 Fine Against an Investment Adviser Firm and Associated Person for Violations of Rules

On October 6, 2016, the Division of Securities entered a final order against Investment Management Services Group, LLC and Thomas Markosky for violations of rules by failing to maintain an accurate Form ADV, maintain an accurate Form U4, maintain accurate professional designation information on the firm's website and establish and maintain written supervisory policies and procedures pertaining to the firm's branch offices. In addition, Mr. Markosky misrepresented his certification and professional designations by improperly identifying himself as a certified financial planner. A \$6,000 administrative fine was paid.

Permanent Bar and \$5,000 Fine Against Investment Adviser Firm for Violations of Florida Statutes and Rules

On October 6, 2016, the Division of Securities entered a final order against Sine Capital, Inc., permanently barring the firm from applying for registration as a dealer or investment adviser under the Florida Securities and Investor Protection Act, Chapter 517, F.S., after the firm failed to request a hearing. The final order follows an administrative complaint, which alleged that Sine Capital, Inc., failed to produce books and records pursuant to the division's written request. A \$5,000 administrative fine was assessed.

Permanent Bar and \$46,500 Fine Against Investment Adviser Firm and Associated Person for Fraud

On October 6, 2016, the Division of Securities entered a final order against Carhart Capital Management, LLC and Owen Thomas Carhart permanently barring the firm and Mr. Carhart from applying for registration as a dealer, investment adviser or associated person under the Florida Securities and Investor

Protection Act, Chapter 517, F.S., after they failed to request a hearing. The final order follows an administrative complaint, which alleged that Carhart Capital Management, LLC and Owen Thomas Carhart failed to maintain an accurate Form ADV, file audited financial statements, maintain required net capital, timely notify the OFR of the firm's net capital deficiency and comply with the safekeeping and custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. In addition, the administrative complaint alleged that Carhart Capital Management, LLC and Owen Thomas Carhart engaging in fraudulent transactions by overcharging one or more clients excessive advisory fees. A \$46,500 administrative fine was assessed.

Final Order for \$7,500 Fine Against an Associated Person for Unregistered Activity

On October 26, 2016, the Division of Securities entered a final order against Pamela Abraham for engaging in unregistered investment advisor business activity. A \$7,500 administrative fine was paid.

3. Enforcement Actions

Thirteen People Arrested for Alleged Investment Scam

On September 27-28, 2016, 13 individuals were arrested for their involvement in an alleged fraudulent penny stock investment scheme. The alleged boiler room operations, which were run from Miami Lakes and Marina Del Ray, California, are believed to have caused investor losses totaling approximately \$22.5 million and involved the sale of stock in Sanomedics International Holdings, Inc., and Fun Cool Free, Inc. Sanomedics was purportedly engaged in the business of manufacturing infrared thermometers for dogs and Fun Cool Free purportedly developed gaming applications for smartphones. Most of the individuals arrested were charged with mail fraud and conspiracy to commit mail fraud. Craig Sizer, Keith Houlihan, Miguel Mesa, Charles K. Topping, Anita Sgarro, Jack Willard Sini, Juan M. Perez Ortega, Charles David Smigrod, Matthew William Wheeler, Martin Miller, Jason David Hershberger, James Wayne Long and Shawna Leigh Lynch were arrested. Principals Sizer, Houlihan, Mesa, Topping, Sgarro, Sini, Ortega, Smigrod, Wheeler, Hershberger and Lynch are accused of using false and fraudulent claims to solicit investors throughout the United States from April 2009 to August 2015. Mesa and Sizer allegedly prepared scripts for sales agents and are believed to have orchestrated or encouraged the use of misrepresentations of celebrity endorsements, or claims of stock ownership, in order to facilitate the sales. Agents falsely claimed that television personalities, such as Cesar "the Dog Whisperer" Millan, and others were major investors or endorsed the company's products. On September 26, 2016, the SEC filed similar civil charges against Mesa and Sizer in federal district court in Miami. This investigation was developed jointly with the FBI, SEC and FINRA and is being prosecuted by the U.S. Attorney's Office in Miami.

Miami Area Loan Broker Arrested in Alleged Advance Fee for Loan Fraud

On October 25th, 2016, Benjamin John Crozier was arrested on a charge of conspiracy to commit wire fraud and four counts of wire fraud based on a federal grand jury indictment entered against him on September 29, 2016. The indictment alleges that from June 2011 through June 2012, Crozier orchestrated an advance fee for loan scheme through which he falsely obtained money from individuals throughout the United States and Canada. The advance fee payments were obtained from prospective borrowers who sought loans to develop various business projects. Crozier is alleged to have made a number of fraudulent representations to these individuals, including that he had the ability to fund the individuals' projects, that the loans could be paid off after 10 years and that he had a working relationship with Banco Santander, a Spanish bank with correspondent banking offices in Florida. Crozier charged the potential borrowers "retainer fees" ranging from \$5,000 to \$20,000, which he guaranteed to refund after 12 months if he could not provide funding for the projects. In order to lure borrowers into paying the retainer fees, Crozier operated a website through which he represented that Capital Finance Group, LLC had the ability to secure funding from "all over the world" for projects in the United States. Crozier also told borrowers that they could terminate their contracts and receive a full refund of their retainer fees within 48 hours. Despite these representations, none of the prospective borrowers received refunds of their advance fees. This joint OFR/HSI investigation found that Crozier did not have the ability to fund any of the borrowers' projects and did not have connections with any national or international financial firms that could provide funding for the borrowers' projects. A review of Crozier's bank account revealed that Crozier and his co-conspirators received approximately \$928,638 from borrowers, which they used for their personal benefit. The OFR worked jointly with U.S. Immigrations and Customs Enforcement's Department of Homeland Security Investigations in bringing this criminal enforcement action.

Former Fugitive Defendant Sentenced to 55 Months in Federal Prison for Role in Fraudulent Investment Scheme

On October 27, 2016, Abraham Shraga Gutterman was sentenced by a federal court in Miami to serve 55 months in prison for his role in a fraudulent precious metals and stock offering scheme. Gutterman was arrested in June 2016 by Panamanian authorities as a result of an outstanding international arrest warrant issued by the United States Department of Justice. Subsequently, the Panamanian authorities extradited Gutterman to Miami where he has been held without bond. From January 2010 to July 2010, in Miami-Dade County and elsewhere, Gutterman conspired with co-defendant Walter Caceres and others to defraud investors by making material misrepresentations in connection with their company, Venture Trading and Investments, LLC. Specifically, Gutterman convinced Caceres to serve as the corporate officer of three companies, Venture Trading and Investments LLC, US Coins & Metals LLC and Global Funding Wealth Management, LLC. In that capacity, Caceres, under the direction of Gutterman, controlled the corporate bank account of Venture Trading and Investments LLC, where investors' money was pooled. Caceres disbursed about

50 percent of investors' funds for the benefit of Gutterman. Gutterman solicited investors by making telephone calls and by hiring other individuals to solicit investors by telephone. During these investor telephone solicitations, Gutterman and others used aliases to hide their true identities and lie to potential investors when they claimed to have had an existing investor-client relationship. Gutterman and others told investors that they could make money by purchasing gold options because the price of gold could rise, or by purchasing pre-IPO stock in Global Funding Wealth Management, LLC because the stock of that company was going to triple in price once it went public. Bank records showed that investors' money was not used to purchase any gold options or any pre-IPO stock. Instead, Gutterman and his co-conspirators used investor funds for other purposes, including for their own personal use and benefit. On December 3, 2015, co-defendant Walter Caceres was sentenced to a 30-month prison term to be followed by three years of probation. The sentence followed Caceres's guilty plea to one count of conspiracy to commit wire fraud in violation of Title 18, United States Code, Section 1349. Caceres was also ordered to pay \$605,900 in restitution to victims.