

GOVERNOR RICK SCOTT
MONTHLY AGENCY ACHIEVEMENT REPORT
OFFICE OF FINANCIAL REGULATION
NOVEMBER 2014

NOVEMBER ACHIEVEMENTS

1. Monthly Statistics

- Division of Securities
 - Examinations Opened: 10
 - Examinations Closed: 16
 - Complaints Received: 20
 - Complaints Closed: 22
 - Applications Received: 3,607
 - Applications Approved: 3,489
 - Applications Denied/Withdrawn: 49

- Division of Consumer Finance
 - Examinations Opened: 49
 - Examinations Closed: 54
 - Complaints Received: 165
 - Complaints Closed: 199
 - Applications Received: 1,289
 - Applications Approved: 1,341
 - Applications Denied/Withdrawn: 46

- Division of Financial Institutions
 - Examinations Opened: 11
 - Examinations Closed: 8
 - Complaints Received: 76
 - Complaints Closed: 79
 - Applications Received: 8
 - Applications Approved: 15
 - Applications Denied/Withdrawn: 0

- Bureau of Financial Investigations
 - Investigations Opened: 7
 - Investigations Closed: 11

2. Substantial Regulatory Actions

Revocation of Associated Person

On November 3, 2014, the Division of Securities entered a Final Order against David Walton Matthews, Jr., revoking his registration as an associated person, after he failed to request a hearing. The Final Order follows a Notice of Intent to

Revoke, which alleged Mr. Matthews was the subject of an administrative order issued by FINRA, a national securities association.

Final Order for \$20,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On November 6, 2014, the Division of Securities entered a Final Order against Regent Investment Advisors, Inc., and Timothy C. Mingo for engaging in prohibited business practices by failing to maintain accurate financial statements, file audited financial statements, maintain required net capital, maintain an accurate Form ADV, send clients itemized invoices and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$20,000 administrative fine was paid.

Suspension of Investment Adviser Firm and Associated Person

On November 6, 2014, the Division of Securities entered a Final Order against Hammond Asset Management, LLC, and Harry Shaw Hammond suspending their registration as an Investment Adviser and Associated Person with the Office. The suspension is for one year, to run concurrently with Mr. Hammond's suspension by FINRA, a national securities association.

Suspension and \$10,000 Fine Against an Associated Person for Prohibited Business Practices

On November 10, 2014, the Division of Securities entered a Final Order against Patrick McGrath, III, for engaging in prohibited business practices by accepting loans from a customer, failing to timely repay the loans and failing to obtain written pre-approval from his employing broker dealer firm for the lending arrangements with the customer. Pursuant to the Final Order, Mr. McGrath's registration as an associated person is suspended for 30 days. After the suspension is completed, Mr. McGrath will be subject to a registration agreement.

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.

Fines Totaling \$30,000 for Unregistered Activity

During the month of November 2014, the Division of Securities fined four associated persons for engaging in unregistered investment advisory activities in the State of Florida. A total of \$30,000 in administrative fines were paid.

3. Enforcement Actions

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.

Tampa Man Enters Plea Agreement For Role in Investment Fraud

On November 18, 2014, Albert Joseph Scipione entered into a plea agreement in the United States District Court, Middle District of Florida. Scipione agreed to enter a plea of guilty to one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 371 for his role in the operation of Traders Café, a company located in downtown Tampa that offered a purported trading platform and 20:1

leverage to day traders identified through social media and internet web sites. Traders Café was established in July 2012 by Scipione and his business partner, Matthew Ionno, who pleaded guilty in July 2014 to conspiracy to commit wire fraud. Scipione and Ionno represented to traders that they had a proprietary trading platform, that Traders Café maintained a secured escrow account and designated trading accounts that would be established for clients. Scipione and Ionno did not inform clients that their funds would be used to cover operating expenses as well as their own personal expenses. The investigation determined that more than \$473,000 was transferred to a bank account in the name of Traders Café. The funds were not placed into a designated trading account, but rather used to cover operational expenses of the company and personal expenses of Scipione and Ionno. Traders Café, Scipione and Ionno were not registered with the SEC or the OFR in any capacity. Scipione is scheduled to enter a guilty plea on December 5, 2014. Ionno is scheduled to be sentenced January 14, 2015. They each face up to five years in prison and a judgment in the amount of \$473,741.74, representing restitution to the victims. This OFR investigation was developed jointly with the FBI. The U.S. Attorney's Office in Tampa is prosecuting the case.

4. Communications and Outreach Activities

On October 27, 2014, a member of the Division of Financial Institutions met with Flagler College offices regarding establishing a recruitment relationship network for the division.

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](#)

On November 20, 2014, an opinion editorial by Commissioner Drew J. Breakspear appeared in the Miami Herald.

[Miami Herald: Combating financial crime is an OFR priority](#)

On November 26, 2014, an opinion editorial by Commissioner Drew J. Breakspear appeared in the Pensacola News-Journal.

[Pensacola News-Journal: Viewpoint: State regulators protect Floridians](#)