

GOVERNOR RICK SCOTT

QUARTERLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

July – September 2016

JULY THROUGH SEPTEMBER 2016 ACHIEVEMENTS

1. Quarterly Statistics

- Division of Securities
 - Examinations Opened: 42
 - Examinations Closed: 48
 - Complaints Received: 63
 - Complaints Closed: 60
 - Applications Received: 14,906
 - Applications Approved: 14,564
 - Applications Denied/Withdrawn: 206

- Division of Consumer Finance
 - Examinations Opened: 154
 - Examinations Closed: 463
 - Complaints Received: 446
 - Complaints Closed: 488
 - Applications Received: 4,088
 - Applications Approved: 3,768
 - Applications Denied/Withdrawn: 123

- Division of Financial Institutions
 - Examinations Opened: 26
 - Examinations Closed: 26
 - Complaints Received: 161
 - Complaints Closed: 130
 - Applications Received: 14
 - Applications Approved: 9
 - Applications Withdrawn: 0

- Bureau of Financial Investigations
 - Investigations Opened: 27
 - Investigations Closed: 16

2. Communications and Outreach Activities

On June 29, 2016, a member of the Division of Financial Institutions participated

on a Florida International Bankers Association (FIBA) regulatory round table panel regarding funding, liquidity and interest rate risk management.

On July 13, 2016, the OFR issued a press release announcing a new state-chartered financial institution.

[Press Release: Sunshine Savings Bank Changes Name, Becomes State-Chartered Institution](#)

On July 13, 2016, the OFR issued a press release announcing the OFR's participation in financial fraud protection seminars.

[Press Release: Florida Office of Financial Regulation Participates in Financial Fraud Protection Seminars](#)

On July 15, 2016, the OFR issued a press release announcing the arrest of a husband and wife duo for their role in an alleged fake investment scam.

[Press Release: Husband and Wife Duo Arrested for Role in Alleged Fake Investment Scam](#)

On July 18, 2016, the OFR issued a consumer alert regarding the unauthorized use of the OFR's information and brand.

[Consumer Alert: Unauthorized Use of Agency Information and Brand](#)

On July 18, 2016, OFR Bureau of Financial Investigations Steve Horn conducted an on-camera interview regarding a real estate scam.

[WKMG: Bureau of Financial Investigations Chief Horn: Real Estate Scam](#)

On July 21, 2016, a member of the Division of Financial Institutions participated in a Florida International Bankers Association NextGEN Committee regulatory round table panel which focused on enterprise risk management and internal audit risk assessment.

On July 25, 2016, OFR Director of Communications & Governmental Relations Jamie Mongiovi conducted an on-camera interview regarding a scam using the OFR brand.

[WKMG: Consumer Alert: State notices threaten fines, jail](#)

On July 26, 2016, the OFR issued a press release applauding the sentencing of a Sarasota man for his role in an investment scam.

[Press Release: Sarasota Man Sentenced for Role in Faked Investment Scam](#)

On August 16, 2016, the OFR issued a consumer alert regarding identity theft.

[Consumer Alert: Identity Theft](#)

On August 19, 2016, the OFR issued a consumer alert regarding the unauthorized use of the OFR's information and brand.

[Consumer Alert: Unauthorized Use of Agency Branding](#)

On August 25, 2016, Division of Securities Registration Bureau Chief Alisa Goldberg spoke at the 2016 Florida Trust Investment Seminar, in Celebration. The event was hosted by the Florida Local Government Trust. Bureau Chief Goldberg provided an overview of the Division of Securities, entities regulated by the division and registration requirements. More than 80 elected officials and local government decision makers attended the event.

On September 11-13, 2016, Deputy Commissioner Pam Epting and Division of Securities Director Gregory Luers attended the North American Securities Administrators Association (NASAA) Annual Conference “Diversity in Today’s Financial Marketplace” held in Providence, Rhode Island. Deputy Commissioner Epting was a speaker on the Web Central Registration Depository Forum. More than 250 attendees from more than 40 jurisdictions attended each panel discussion.

On September 6, 2016, the OFR issued a press release announcing that financial services business are open following Hurricane Hermine.
[Press Release: Florida State-Chartered Financial Institutions Open for Business Tuesday](#)

On September 8, 2016, two members of the Division of Financial Institutions attended the FBA Annual meeting in Sarasota. Additionally, one of the members participated on the regulator panel.

On September 13, 2016, the OFR issued a consumer alert on managing finances after the death of a loved one.
[Consumer Alert: Managing Finances After the Death of a Loved One](#)

3. Enforcement Actions

Naples Man Arrested for Allegedly Duping Investors in Digital Advertising Business Scam

On June 30, 2016, Activision TV Founder and President David Locke Gothard was arrested by the Beaufort County Sheriff’s Office in Beaufort, South Carolina based on an active Florida warrant related to charges of securities fraud, communications fraud and grand theft. The arrest was the result of a request from the Collier County Sheriff’s Office that was searching for Gothard and received a tip on his whereabouts. Gothard’s arrest warrant included an order to extradite him from anywhere in the United States. This joint OFR/OAG investigation was initiated based on a complaint from a Florida resident who alleged that he gave Gothard \$5,000 to purchase shares of Activision TV, Inc., based on promises of an initial public offering and representations by Gothard that the funds would be used to advance Activision’s business. The investigation found that in addition to the complainant, at least nine other investors sent funds to Gothard to purchase Activision shares. The majority of these investors relied

on Gothard's representations that their funds would be used to advance Activision's digital advertising display business. The investigation revealed that investor funds were not used to advance Activision's business, but were instead used by Gothard for his personal expenses. The Florida Office of the Attorney General had previously filed a Securities Litigation Lawsuit (2014-CA-2774-01) against Gothard alleging racketeering and fraud related to investments in Activision. The lawsuit alleged that investors were misled by Gothard through misrepresentations of patented technology and through the production of fraudulent documentation. The 80-page lawsuit also alleged that Gothard stole millions of dollars from victims nationwide — many of them elderly — by making false promises and offering stocks that turned out to be worthless. The OFR is the lead investigative agency in this criminal enforcement case, teaming with the Florida Office of the Attorney General and the Collier County Sheriff's Office. The OFR appreciates the assistance of the Beaufort County, SC Sheriff's Office in Gothard's arrest. The Attorney General's Office of Statewide Prosecution is prosecuting the case.

Former Mortgage Broker Arrested for Alleged Fraud

On June 30, 2016, Randal Thomas Rosado was arrested at his home in Goshen, New York, on charges that he forged deeds to several properties in Florida in order to appropriate them for his personal gain. At the time of his arrest, investigators with the Lee County State Attorney's Office and detectives with the St. Lucie and Indian River Counties Sheriffs' Offices executed a search warrant on Rosado's storage unit in Vero Beach, Florida. In addition to the allegations that he forged real estate deeds, Rosado was also charged criminally on allegations that he crafted fraudulent arrest warrants for persons including a Lee County Circuit Judge (Hon. John Duryea), the Clerk of Court for Lee County (Linda Doggett) and several others. Rosado was also charged for mailing fictitious documents from the "International Court of Commerce" targeting the same individuals. Rosado's arrest included an order to extradite him from anywhere in the United States with a bond set at \$1.5 million. This investigation was based on a request of investigative assistance from the Lee County State Attorney's Office. The request of assistance was based on evidence that Rosado, a former mortgage broker licensee, was collecting rent for more than six years on properties in Lee County, Collier County and Palm Beach County belonging to other individuals who were going through foreclosure. Rosado allegedly forged property owners' signatures on quit claim deeds and filed them with the associated counties. Investigative assistance was provided to the Lee County State Attorney's Office and the FBI. The OFR's role in the case was to review evidence, identify associated individuals and identify and analyze bank records. The City of Goshen Police Department in New York made the arrest. Assistant State Attorney Michael Brown is prosecuting the case.

Husband and Wife Duo Arrested for Role in Alleged Investment Fraud

On June 24, 2016, Miguel and Maritza Perez were each charged with one count of organized fraud, five counts of grand theft, and two counts of mortgage fraud

in relation to an alleged investment scam that defrauded at least 13 Florida investors out of approximately \$500,000. Miguel and Maritza Perez are alleged to have collected payments totaling more than \$300,000 for a purported investment in an assisted living facility project in Clearwater and fraudulently obtaining loans totaling more than \$200,000. The investigation revealed that the assisted living facility never came into operation and Miguel and Maritza Perez used a large portion of investor funds for personal expenses, including the purchase of their 4,082 square foot home in New Port Richey. Miguel and Maritza Perez recruited investors using “free” real estate investment seminars held at hotels in the Tampa Bay Area. Miguel and Maritza Perez were arrested on June 24, 2016, and July 13, 2016, respectively. The Attorney General’s Office of Statewide Prosecution is prosecuting the case. This case was opened based on a complaint which was referred to the OFR by the Attorney General’s Office.

Sarasota Man Sentenced to Eight Years in Prison

On July 22, 2016, Russell F. Haraburda, of Sarasota, was sentenced to eight years in prison to be followed by 22 years of probation and ordered to pay more than \$1.9 million in restitution to his victims. The sentence follows Haraburda’s guilty plea to a charge of organized fraud in connection with the sale of fraudulent “pre-initial public offering shares” of his company, Enviratrends. Haraburda claimed that Enviratrends possessed technology that could turn the cremated ashes of pets into precious gemstones and assured investors that their funds would be used to pay expenses associated with taking the company public. Based on these representations, Haraburda was able to raise more than \$3 million from more than 150 investors. Contrary to those representations, however, the OFR’s investigation revealed that Haraburda used a majority of investors’ money to support his lavish personal lifestyle, and not towards IPO expenses. The investigation found that more than \$1.7 million of investors’ money was used by Haraburda for such things as an addition to a personal residence, the purchase of motorcycles and pleasure travel. Previously, on August 17, 2015, the U.S. Securities and Exchange Commission filed a civil injunctive action in the Middle District of Florida against Haraburda and Enviratrends. The action included a final judgment providing permanent injunctive relief, barring Haraburda from being associated with any offering of penny stock and disgorgement of ill-gotten gains. The final judgment also ordered Haraburda and EnviraTrends to jointly pay more than \$2.3 million in disgorgement and prejudgment interest. The Florida Department of Law Enforcement (FDLE) assisted the OFR with the execution of a search warrant on the company in January 2015. This case was prosecuted by the Attorney General’s Office of Statewide Prosecution.

Woman Arrested for Role in Alleged Investment Fraud

On July 27, 2016, Shanteeka Bennifield, a/k/a Shanteeka Simmons, was arrested and charged with selling unregistered securities, securities fraud, organized fraud and grand theft for her alleged role in a fraudulent used automobile investment scheme that targeted at least eight Florida victims. Bennifield is currently on felony probation for fraudulent use of personal

identifying information and is also awaiting sentencing for two counts of forgery, one count of fraudulent use of personal identifying information, one count of uttering a forged instrument, and two counts of grand theft in the third degree on unrelated cases. Bennifield allegedly operated an affinity fraud to obtain \$56,000 from eight Florida victims, whom she knew personally. Bennifield informed investors that she would use their money to purchase vehicles at auctions that would then be sold at Simmons Motor, LLC, a car dealership which she co-owns with her husband. Investors were told that they would receive between 10-50 percent in returns, depending on how much they invested. The investigation found that investors' money was not used to buy vehicles at auction as promised, but instead was used to keep the business from failing. After continued inquiries, five of the eight investors were paid a total of \$3,600 (supposed interest payments). This investigation was developed jointly with the City of Tampa Police Department. The Hillsborough County State Attorney's Office is prosecuting the case.

Tampa Area Event Promoter Arrested for Alleged Investment Fraud

On July 31, 2016, Eric F. Peer was arrested in Prince William County, Virginia based on an outstanding warrant for grand theft issued by the Hillsborough County Circuit Court. In June 2015, Peer, acting as an event coordinator, solicited a Raleigh, North Carolina resident who was visiting Peer's roommate in Tampa. Peer represented that he could make a profit by loaning Peer money for an event in Tampa called "Shake The Night," a 1980's theme party that was to be held in downtown Tampa in October 2015. Peer claimed to have profitable ongoing events and promoted a 15-20 percent per month return. Peer represented that all of his events were insured up to \$2 million. In Mid-June 2015, at the instruction of Peer, the investor wired \$20,000 to Peer's bank account and in return received a loan agreement by e-mail which the two signed. The investigation found that Peer misappropriated the investor's money, which was used for personal use. The investigation also revealed that Peer had never applied for a permit for an outdoor event with the city of Tampa. The Prince William County Sheriff's Office is credited with effecting the arrest. The Hillsborough County State Attorney's Office is prosecuting the case. The case was opened based on a complaint referral from the Florida Attorney General's Office.

Man Arrested in Charlotte County for Investment Fraud

On August 10, 2016, Capital Strategy Investments Inc., (CSI) Founder and President Phillip Jon-Luke St. John was arrested on an active warrant related to charges of securities fraud, organized scheme to defraud and grand theft. The investigation leading up to St. John's arrest was based on a complaint filed by a resident of Massachusetts with the State Attorney's Office in Charlotte County and the OFR. The complainant claimed that he wired \$20,000 to St. John, based on promises that St. John would invest his money on an exclusive "trading platform" where his investment would triple within 34 business days. St. John was interviewed in jail by OFR investigators and admitted that he was operating

under an assumed name. He admitted that his real name is Peter John Barberio and that his criminal record includes convictions for robbery, terroristic acts and tampering with witnesses, convictions for which he served prison sentences in New Jersey. St John also admitted to the allegations made in the OFR investigation that he took investor money and used it for personal expenses. The investigation found that in addition to the complainant, one other investor sent money to St. John for the same trading platform investment. The two investors relied on St John's representations that their money would be used to help generate the large returns that were promised. However, analysis of bank records revealed that the investors' money was not used towards an investment, but were instead appropriated by St. John for his personal use. The OFR was the sole investigative agency in this criminal enforcement action. The Charlotte County Sheriff's Office and Punta Gorda Police Department are credited with St. John's arrest. The case is being prosecuted by the State Attorney's Office for the 20th Judicial Circuit of Florida in Charlotte County. St. John is in custody at the Charlotte County Jail. His bond is set at \$110,000.

Man Pleads Guilty to Investment Fraud

On August 16, 2016, Anthony St. Prix pleaded guilty to charges of racketeering, conspiracy to commit racketeering, grand theft and organized scheme to defraud in connection with a fraudulent real estate investment scheme. He will be sentenced on November 1, 2016. Wanda Morales, St. Prix's wife and co-conspirator in the scheme, pled guilty to conspiracy to racketeering and was sentenced to five years of supervised release. This case was opened based upon investor complaints to the Florida Attorney General's Office, which were referred to the OFR. From approximately July 2005 to September 2008, St. Prix and Morales operated a real estate investment scam victimizing more than 140 primarily Haitian-Americans in South and Southwest Florida. St. Prix is alleged to have sought investors to participate in "pooled investments" for property development in Southwest Florida as well as investments in foreign currencies, commodities and collateralized mortgage obligations. The investigation revealed that all were fraudulent offerings involving misrepresentations by St. Prix. The victims signed contracts and invested more than \$3 million based on those misrepresentations. In a separate matter, St. Prix is alleged to have defrauded another investor out of \$170,000 in February 2016. The investor was promised a return of \$1 million within 15 days of his investment of \$20,000 in a Venezuelan bond. St. Prix is alleged to have taken a \$150,000 advance fee from the investor victim on the promise of obtaining a \$10 million loan for his business. The investigation could not confirm the existence of a Venezuelan bond or find evidence that a \$10 million loan was being secured by St. Prix. A trial is still pending in this matter. The Office of Statewide Prosecution is prosecuting both cases against St. Prix.

Man Sentenced for Role in Ponzi Scheme

On August 23, 2016, Christopher Maguire was sentenced in federal court to 10 years in prison for wire fraud and engaging in monetary transactions derived from

unlawful activity. The sentence follows his guilty plea to the charges on May 18, 2016. In addition to the prison sentence, the court also entered a judgment in the amount of \$4,938,574.40, which represents the proceeds of the criminal conduct. On September 22, 2015, a sealed criminal indictment was brought against Maguire by a federal grand jury in Tampa and he was arrested in New Hampshire on November 20, 2015. The indictment charged Maguire with 16 counts of wire fraud, four counts of money laundering and one count of interstate transportation of stolen property for his role in the scheme. The case against Maguire was developed based on allegations that he had been running a Ponzi scheme since 2002. The investigation found that in that time, Maguire received more than \$10 million from more than 150 investors whom he solicited through church organizations. Maguire told investors that their money would be used in a “proof of funds” business to facilitate hard money loans for other businesses. The investigation revealed, however, that rather than using new investor funds for business purposes, Maguire used the funds to pay returns to existing investors and misappropriated more than \$4 million. No evidence was found to support any of Maguire’s representations to investors concerning the proof of funds business. This case was developed jointly with the IRS and the U.S. Secret Service and was prosecuted by the U.S. Attorney’s Office for the Middle District of Florida. This case was opened by the OFR based on proactive searches of BSA data.

Largo Man Pled Guilty to Grand Theft

On August 23, 2016, Gary L. Gauthier, formerly of Largo, pled guilty to two counts of grand theft, in the 2nd and 3rd degrees. Gauthier was sentenced to 12 years of probation on the 2nd degree grand theft charge and five years of probation on the 3rd degree grand theft charge. The probation sentences are to be served concurrently. Gauthier was also ordered to pay \$60,000 in restitution to his victims. Gauthier’s sentence follows a March 5, 2015, arrest at his home in Michigan following a three-month OFR investigation into a fraudulent business development scheme that resulted in \$60,000 in losses to a Florida victim and his family. Gauthier was the orchestrator of the scheme. Through his company, GB Marketing, LLC, Gauthier offered a Tampa area sports apparel business the opportunity to obtain marketing services that would enhance and grow the enterprise. According to the business owner and victim of this scheme, Gauthier offered him an opportunity to raise funds through a private placement offering in connection with the purchase of a shell company in exchange for an \$85,000 investment. The victim raised the funds with help from family and friends, placing \$25,000 in escrow and paying the rest directly to Gauthier. A review of the bank records related to Gauthier’s company revealed that none of the \$60,000, that was placed with Gauthier, was used to promote the victim’s business or to purchase a shell company. Instead, the money was used by Gauthier for personal lifestyle expenses including retail purchases, travel and recreation expenses. Gauthier is the subject of another OFR investigation involving investments in an alleged fraudulent real estate offering. He was arrested in relation to that case in January 2014. Gauthier is alleged to have promoted himself on the radio as an “investment banker” who could help develop a product

or idea by raising private equity money, marketing the product and taking the company public. This investigation was developed jointly with the Florida Department of Law Enforcement and was opened as a result of a victim complaint to the OFR. The Office of Statewide Prosecution prosecuted the case.

Miami-Dade Man Surrenders for Role in Alleged Fraud

On August 30, 2016, Salim Lyazidi surrendered to authorities in Miami-Dade County after being charged with organized fraud and grand theft. Lyazidi had been living in California, where he had fled following the issuance of an arrest warrant on July 6, 2016. The charges against Lyazidi resulted from an OFR investigation, which found that Lyazidi, a formerly licensed financial adviser, allegedly misappropriated \$88,746.88 from a retired Miami couple who were Lyazidi's investment clients for more than 10 years. The victims followed Lyazidi after his departure from a previous employer and transferred their accounts to his new employer, Cabot Lodge Securities. The funds were obtained by Lyazidi between May and August of 2103 without the victims' authorization or knowledge. Lyazidi is alleged to have generated false documents authorizing the transfer of the funds and falsified the victims' signatures. The money was deposited into an account controlled by Lyazidi, and analysis of bank records showed that the funds were spent mostly on Lyazidi's personal expenses. When the victims found out about the unauthorized withdrawals, they asked Lyazidi to return their money. Lyazidi did not return any money to the victims and they filed a complaint with his employing firm, FINRA and the OFR. Cabot Lodge Securities conducted an internal investigation which concluded that Lyazidi misappropriated the funds from the victims' retirement accounts and ultimately the firm repaid the \$88,746.88 to the victims. The Miami-Dade County State Attorney's office is prosecuting this case.

Man Pleads Guilty to Role in Investment Fraud

On August 23, 2016, Giovanni Vasquez pled guilty to one count of federal mail fraud in connection with a viatical settlements scheme that resulted in more than \$4 million in losses to investors. The conviction follows a joint OFR and FBI investigation that was opened based on complaints received by the OFR from at least eight victims. These victims were promised a 10-15 percent return on their investments in promissory notes purportedly sold to fund the defendant's viatical settlements business, Global Wealth Creations. The funds were to be invested in the purchase of existing life insurance policies from individuals with short term life expectancies of between two and ten years. Upon payment of the death benefits, investors were promised to be paid their original investment plus the interest rate stated on the note. As the notes' maturity dates approached, several of the victims attempted to contact Global Wealth Creations but discovered that the place of business had closed and Vasquez would not return any telephone calls or emails. In addition to verbal representations concerning the safety of the investments, the marketing materials from Global Wealth Creations stated that if no funds were available from the viatical settlement policies to cover the investors' returns, an insurance policy would cover payments on the promissory

notes when the note payments became due. The investigation did not find any evidence that such an insurance policy was ever purchased by Global Wealth Creations. The OFR developed this case jointly with the FBI and the case is being prosecuted by the United States Attorney's Office in Miami. Vasquez is expected to receive between 10-20 years in prison when he is sentenced.

Final Order Issued in Alleged Illegal Advance Fee Collection

On September 9, 2016, the OFR issued a final order against AA Funding Solutions, LLC and Ourmilla Sharma, a Palm Beach County resident for violating Chapter 687, F.S. Sharma was alleged to have assessed and collected an advance fee of \$81,000 from a resident of Texas on the promise of securing a \$600,000 loan to fund the victim's start-up real estate business. The loan did not materialize and the Sharma did not refund the victim's advance fee payment. An administrative complaint noted that AA Funding Solutions, LLC and Sharma charged advance fees in at least three other instances. Neither AA Funding Solutions, LLC nor Sharma was licensed by the OFR as a lender or loan originator at the time of the transaction. The OFR's final order in this matter resulted from a settlement stipulation wherein AA Funding Solutions, LLC and Sharma agreed to cease and desist from future violations of Chapter 687, F.S., pay a \$2,000 fine and accept a ban on licensure for a period of 20 years. This information will be preserved for potential referral to law enforcement should the respondents be found to violate provisions of Chapter 687, F.S., in the future.

Brothers Plead Guilty to Investment Fraud

On September 13, 2016, Eric Ager and Irwin Ager each pled guilty to charges of conspiracy to commit mail and wire fraud in connection with a fraudulent investment scheme operating as Tri-Med Corporation. The two brothers, together with at least three other co-conspirators, were responsible for orchestrating the scheme which involved the sale of unregistered securities to mostly elderly Florida residents. The securities were said to be backed by purported medical receivables which the pair claimed to have purchased from medical services providers throughout the country. Both Agers marketed and sold the company's securities to hundreds of victims, creating losses of more than \$17 million to investors. The company remains under a court-appointed receivership following an OFR injunctive action. Evidence obtained to date revealed that very few receivables were purchased and the majority of the investors' money was used for the personal benefit of the Agers and other co-conspirators. Criminal enforcement action against other defendants is still pending. This case was developed jointly with the United States Secret Service and is being prosecuted by the United States Attorney's Office in Orlando.

Miami Woman Arrested for Role in Alleged Mortgage Fraud

On September 21, 2016, Rebecca Gheiler was arrested in Miami after being indicted on one count of conspiracy and six individual counts of defrauding a federally insured financial institution. Gheiler is alleged to have been a significant player in a large mortgage fraud scheme involving dozens of properties located throughout Florida. Properties primarily located in central and south Florida were

sold at highly inflated prices to individuals who received large kickbacks from the seller, Tribute Residential, LLC, which was run by Gheiler. The OFR's investigation revealed that the mortgage loans associated with the properties were made to credit-worthy straw buyers, who, without the lenders' knowledge or consent, had been recruited by several co-conspirators to act as borrowers in exchange for compensation. Inflated property valuations allowed Tribute Residential, LLC to sell the homes for significantly more than market value. Proceeds from the sales were divided amongst the participants in the scheme. This case was part of the U.S. Attorney's Office Middle District of Florida Mortgage Fraud Initiative and was developed jointly by the OFR, FBI and the Federal Housing Finance Agency. Additional indictments are pending.

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. Sales agents falsely claimed that television personalities such as Cesar "the Dog Whisperer" Millan and others were major investors or endorsed the companies' 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.

4. Substantial Sanctions and Fines

Final Order for \$13,500 Fine Against an Investment Adviser Firm for Prohibited Business Practices

On July 5, 2016, the Division of Securities entered a final order against Zidel Financial, Inc., for engaging in prohibited business practices by failing to maintain an accurate Form ADV and send clients itemized invoices. A \$13,500 administrative fine was paid.

Suspension of Investment Adviser and Associated Person Registration

On July 5, 2016, the Division of Securities entered a final order against Morgan Financial Advisors, Inc., and David John Ellrich suspending their investment adviser registration after the firm failed to request a hearing. The final order follows an administrative complaint, which alleged Morgan Financial Advisors, Inc., and David John Ellrich failed to pay \$4,500 of the \$9,000 administrative fine, as required in a final order issued by the Division of Securities on December 23, 2015.

Permanent Bar and \$150,000 Fine Against Unregistered Firm and Associated Person for Fraud

On July 5, 2016, the Division of Securities entered a final order against Greenstar Financials, Inc., and Albert Hayat, 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, Florida Statutes. The firm and Hayat were found to have facilitated in the sales of unregistered securities, engaged in securities business in Florida without being registered and obtained money by means of fraud. A \$150,000 administrative fine was assessed.

Final Order for \$3,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On July 15, 2016, the Division of Securities entered a final order against Compound Asset Management, Inc., and Brian A. Madrigal for engaging in prohibited business practices by failing to maintain an accurate Form ADV, file audited financial statements, send clients itemized invoices, maintain required net capital and timely notify the OFR of the firm's net capital deficiency. A \$3,000 administrative fine was paid.

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

On July 28, 2016, the Division of Securities entered a final order against Jack Edward Duncan for engaging in prohibited business practices by submitting false client financial information to his employing broker dealer firm. Pursuant to the final order Jack Edward Duncan is barred for one year from affiliating or seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes.

Final Order for \$2,500 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On July 28, 2016, the Division of Securities entered a final order against Ross Capital Investments, Inc., and Adam Jay Ross for engaging in prohibited business practices by failing to maintain an accurate Form ADV, file audited financial statements and prepare and maintain client investment advisory contracts. In addition, the firm charged and received compensation based on performance from clients that did not meet the definition of qualified clients. A \$2,500 administrative fine was paid.

Permanent Bar and \$25,000 Fine Against Unregistered Associated Person for Fraud

On August 4, 2016, the Division of Securities entered a final order against James Steven Neale, permanently barring him 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 he failed to request a hearing. The final order follows an administrative complaint, which alleged that Mr. Neale offered and sold unregistered securities, engaged in securities business in Florida without being registered and obtained money by means of fraud. A \$25,000 administrative fine was assessed.

Permanent Bar and \$55,000 Fine Against Unregistered Associated Person for Fraud

On August 4, 2016, the Division of Securities entered a final order against Robert Anthony Falco, permanently barring him 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 he failed to request a hearing. The final order follows an administrative complaint, which alleged that Mr. Falco offered and sold unregistered securities, engaged in securities business in Florida without being registered and obtained money by means of fraud. A \$55,000 administrative fine was assessed.

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

On August 5, 2016, the Division of Securities entered a final order against Broadreach Capital LLC, and James Scott Wolter for violations of rules by failing to maintain and provide accurate investment advisory agreements, maintain an accurate Form ADV, maintain an accurate Form U4, file audited financial statements, send clients itemized invoices and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$6,000 administrative fine was paid.

Final Order for \$47,500 in Total Fines Against a Broker Dealer Firm and Associated Person for Violations of Rules

On August 9, 2016, the Division of Securities entered a final order against Ameriprise Financial Services, Inc., and Nicholas Blair Vizzi for violations of rules. Ameriprise Financial Services, Inc., failed to maintain and enforce the firm's written supervisory procedures pertaining to registered representatives' advertising practice. Nicholas Blair Vizzi failed to properly review and approve forms prior to the registered representatives signing the forms. A total of \$47,500 in administrative fines was paid.

Final Order for \$5,000 Fine Against an Investment Adviser Firm for Violations of Rules

On August 12, 2016, the Division of Securities entered a final order against Strategic Wealth Management, Inc., for violations of rules by failing to prepare and maintain written investment advisory client information that is the basis for providing investment advice. A \$5,000 administrative fine was paid.

Final Order for \$15,000 Fine Against an Associated Person for Violation of Rules

On August 12, 2016, the Division of Securities entered a final order against Ralph Todd Schlosser for violations of rules by failing to maintain his Form U-4 and disclose financial liens filed against him. A \$15,000 fine was assessed. Mr. Schlosser agrees not submit an application for registration prior to January 1, 2017, or prior to payment of the \$15,000 administrative fine, whichever occurs later.

Final Order for \$52,500 in Total Fines Against a Broker Dealer Firm and Two Associated Persons for Violation of Rules

On August 12, 2016, the Division of Securities entered a final order against GWN Securities, Inc., Christine Chew and Daniel L. Rey (f/k/a Daniel R. Lopez) for violation of rules. GWN Securities, Inc., failed to provide Ms. Chew a copy of her originally signed registered representative agreement, provide principal approval of Mr. Rey's adverting materials and timely provide and require the Securities Investor Protection Corporation (SIPC) signage for a branch office. Christine Chew used unapproved business cards, which contained a false "CPA" professional designation. Daniel L. Rey failed to disclose to GWN Securities, Inc., his outside business activity, maintain his Form U-4 and use approved advertising and communication materials. Additionally, Mr. Rey used an unrecognized "Wealth Manager" designation on his website and business cards. A total of \$52,500 in administrative fines was paid.

Final Order for \$15,000 Fine Against an Investment Adviser Firm for Violations of Rules

On August 19, 2016, the Division of Securities entered a final order against Investment By Planning, Inc., for violations of rules by failing maintain an accurate Form ADV, prepare and maintain written investment advisory client suitability information for all of its clients, maintain accurate investment advisory contracts, file audited financial statements, send clients itemized invoices and comply with the safekeeping and custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. In addition, the firm exercised discretion of a client's account without first obtaining written discretionary authority from the client. A \$15,000 administrative fine was paid.

Final Order for \$4,000 Fine Against an Investment Adviser Firm and Associated Person for Violations of Rules

On August 29, 2016, the Division of Securities entered a final order against Patterson CPA Group and Christopher Alan Patterson for violations of rules by failing to maintain an accurate Form ADV, maintain an accurate Form U4, file audited financial statements and maintain required books and records in an

easily accessible place in its principal office. A \$4,000 administrative fine was paid.

Denial of Associated Person Applications

On September 21, 2016, the Division of Securities entered a final order against Michael James Terry denying his applications for registration as an associated person for violations of the Florida Investor Protection Act. Michael James Terry made unsuitable investment recommendations and misrepresented information involving the purchase of a variable annuity. In addition, Michael James Terry did not maintain his form U-4 by failing to disclose compromises with creditors within 30 days of the occurrence. Pursuant to the final order Michael James Terry may not submit a new application for registration for one year; and should Mr. Terry apply for registration with the Division of Securities, his registration shall be subject to restrictions.

Fines Totaling \$20,000 for Unregistered Activity

From July 1 to September 2016, the Division of Securities fined two associated persons for engaging in unregistered investment advisory activities in Florida. Fines totaling \$20,000 were paid.

Denial of Applications

From July 1 to September 27, 2016, the Division of Securities denied three associated person applications for registration. The notices of intent to deny, in each case, alleged that the applicant made a material misrepresentation or misstatement on their application for registration as an associated person.