GOVERNOR RICK SCOTT

QUARTERLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

MARCH 2014

JANUARY THROUGH MARCH 2014 ACHIEVEMENTS

1. **Quarterly Statistics**
   - Division of Securities
     - Examinations Opened: 83
     - Examinations Closed: 56
     - Complaints Received: 75
     - Complaints Closed: 50
     - Applications Received: 15,043
     - Applications Approved: 14,640
     - Applications Denied/Withdrawn: 236

   - Division of Consumer Finance
     - Examinations Opened: 127
     - Examinations Closed: 161
     - Complaints Received: 966
     - Complaints Closed: 900
     - Applications Received: 8,109
     - Applications Approved: 7,747
     - Applications Denied/Withdrawn: 213

   - Division of Financial Institutions
     - Examinations Opened: 27
     - Examinations Closed: 33
     - Complaints Received: 218
     - Complaints Closed: 224
     - Applications Received: 25
     - Applications Approved: 22
     - Applications Denied/Withdrawn: 1

   - Bureau of Financial Investigations
     - Investigations Opened: 65
     - Investigations Closed: 42

2. **Outreach Activities**
   On January 21, 2014, the Bureau Chief of the Division of Securities spoke at the 24th Annual Symposium of the Financial Planning Association of Central Florida. Topics included legislative rule changes, common registration issues and exam

violations, as well as numerous questions from the audience. Members of the Division's enforcement staff also attended the meeting. Approximately 50 securities industry members were in attendance.

On January 30, 2014, a member of the Division of Financial Institutions represented the OFR on a regulatory panel at the Florida Bankers Association's "Safety & Soundness in 2014" seminar held in Miami, Florida. There were approximately 30 bankers in attendance.

On January 31, 2014, a member of the Division of Financial Institutions represented the OFR on a regulatory panel at the Florida Bankers Association's "Safety & Soundness in 2014" seminar held in Tampa, Florida. There were approximately 40 bankers in attendance.

On February 4, 2014, a member of the Division of Financial Institutions represented the OFR on a regulatory panel at the Sarasota-Manatee Chapter of the Risk Management Association meeting held in Sarasota, Florida. The presentation was on *Bank Trends and Common Regulatory Violations.* There were approximately 50 people in attendance.

On February 21, 2014, two members of the Division of Financial Institutions represented the OFR on a regulatory panel at the Florida International Bankers Anti-Money Laundering Compliance held in Miami, Florida. There were approximately 75 people in attendance.

On February 18-21, 2014, members of the Division of Consumer Finance represented the OFR at the NMLS (Nationwide Mortgage Licensing System) 2014 Annual Conference and Training in Miami, Florida. The Director of Consumer Finance spoke on a panel discussing Legal vs. Illegal Payday Lending. The Bureau Chief for Registrations in Consumer Finance spoke on a panel discussing how to determine financial responsibility for mortgage loan originators. There were approximately 600 people attending the conference. Commissioner Drew J. Breakspear provided the opening remarks for the conference.

On March 7, 2014, the OFR issued a press release to raise awareness of Tax Refund Fraud.
Florida Office of Financial Regulation Raises Awareness of Tax Refund Fraud

On March 10, 2014, OFR Commissioner Drew J. Breakspear responded to an editorial in the *Ocala Star Banner* on Payday loans.
Ocala Star Banner: Commissioner Drew J. Breakspear: Payday loans

On March 12, 2014, an opinion editorial by OFR Commissioner Drew J. Breakspear appeared on Context Florida's website.

Context Florida: Drew J. Breakspear: Common-sense regulation of payday loans helps Floridians

On March 13, 2014, an opinion editorial by OFR Commissioner Drew J. Breakspear appeared in the Daytona Beach News Journal.
Daytona Beach News-Journal: Well-regulated payday loans help low-income Floridians

On March 18, 2014, the OFR issued a consumer alert to raise awareness of the risks of using virtual currencies.
Consumer Alert: Virtual Currencies

On March 19, 2014, a member of the Division of Financial Institutions represented the OFR through a Q&A Panel with the South Florida Banking Institute. There were approximately 60 people in attendance.

On March 21, 2014, an opinion editorial by OFR Commissioner Drew J. Breakspear appeared in the Tampa Bay Times.
Column: Innovation, safety in digital currencies

On March 26, 2014, the OFR issued a press release highlighting Commissioner Breakspear's role in the upcoming SIFMA seminar.
Commissioner Drew J Breakspear to Deliver SIFMA Welcome Address

On March 26, 2014, the OFR issued a statement from Commissioner Breakspear regarding the IRS guidance on virtual currency.
Statement from Commissioner Drew J. Breakspear Regarding IRS Virtual Currency Guidance

3. Substantial Regulatory Actions

On January 2, 2014, the OFR announced that Suncoast Credit Union converted from Suncoast Federal Credit Union and commenced business as a Florida state-chartered credit union. With $5.5 billion in assets, Suncoast Credit Union becomes the largest financial institution regulated by the State of Florida.
Suncoast Credit Union Becomes Florida Chartered Institution

Final Orders against an Investment Adviser Firm for Failure to File Financial Statements

On January 16, 2014, the Division of Securities entered Final Orders against Brent Fykes, RIA for failing to file annual financial statements. The firm voluntarily terminated their registration in Florida and agreed not to seek registration as an investment adviser for three years.

Denial of Broker Dealer Branch Office

On January 22, 2014, the Division of Securities entered a Final Order against Prime Capital Service, Inc., denying the firm's application for registration of a branch office located in Venice, FL, after the firm failed to request a hearing. The Final Order follows a Notice of Intent to Deny, which alleges Prime Capital Service, Inc. is the subject of a pending enforcement action and has demonstrated unworthiness to transact the business of a broker dealer in the state of Florida.

Suspension, $20,000 Fine and $10,000 Customer Restitution against an Investment Adviser

On January 22, 2014, the Division of Securities entered a Final Order against Wall Street Money Management Group, Inc., and Peter Bruno for failing to disclose a material conflict of interest, comply with financial statement and custody safekeeping requirements, and providing clients a pro rata refund of the quarterly fee when clients requested early termination their contracts; misrepresenting the qualifications of the firm; making unsuitable recommendations; and offering to sell unregistered securities, among other violations. Wall Street Money Management Group, Inc. and Peter Bruno agreed to pay $10,000 in restitution and a $20,000 administrative fine. Pursuant to the Final Order, Mr. Bruno’s and the firm’s registration was suspended for 15 days.

Final Order for Fines Totaling $51,675 against an Investment Adviser Firm and Agents for Unregistered Activity

On January 28, 2014, the Division of Securities entered a Final Order against AllianceBernstein L.P., Evan C. Deoul, Matthew Daren Miller and Craig Scott Storch for engaging in investment advisory business in Florida without being registered. A total of $51,675 in administrative fines were paid.

Final Order for $114,986 Fine against a Broker Dealer

On January 28, 2014, the Division of Securities entered a Final Order against UBS Financial Services, Inc., for failing to establish an adequate system to monitor the registration status of client services associates and maintain all books and records; and for engaging in the sale of securities in the state of Florida through unregistered client service associates. The Final Order follows an investigation into the registration of UBS’s client service associates and supervisory system by the North American Securities Administrators Association (NASAA) Multi-State Working Group. An $114,986 administrative fine was paid.

Permanent Bar and Fines Totaling $95,000 against a Broker Dealer and Agents

On January 31, 2014, the Division of Securities entered a Final Order against Prime Capital Services, Inc., Rose Rudden, Carleton G. McBride and Richard Caparelli for failing to enforce their written supervisory procedures. Pursuant to the Final Order, Ms. Rudden is permanently barred from registration with the OFR in any supervisory capacity; Mr. Caparelli and Mr. McBride are barred from registration with the OFR in any supervisory capacity for 18 months and six months, respectively. Administrative fines of $20,000, $25,000 and $50,000 were paid, respectively, by Ms. Rudden, Mr. Caparelli and the firm.

Final Order for Fines Totaling $295,750 against an Investment Adviser Firm and Twelve Associated Persons for Unregistered Investment Advisory Business

On February 6, 2014, the Division of Securities entered a Final Order against Morgan Stanley Smith Barney LLC, Albert E. Gibbons, Jr., Arnold Murry Peskin, Arthur Irvin Sherman, David Paul Sobocinski, Franklin Joseph Saunders, Howard Stewart Harrow, Joseph Marcus Siegman, Linda Schick Hull, Robert William Price, Roberta A. Bary, Stephen Dana Peet and Steven Gregory Chapman for engaging in an investment advisory business in Florida without being registered. Fines totaling $295,750 were paid.

Suspension of Associated Person

On February 13, 2014, the Division of Securities entered a Final Order against Barry Rabinowitz, suspending his application for registration as an associated person, after he failed to request a hearing. The Final Order follows a Notice of Intent to Suspend, which alleged Mr. Rabinowitz was arrested and charged with criminal conduct that involves moral turpitude.

Denial of Investment Adviser Firm

On February 17, 2014, the Division of Securities entered a Final Order against Gordon, Gelley & Co, PLLC, denying the firm's application for registration as an investment adviser, after the firm failed to request a hearing. The Final Order follows a Notice of Intent to Deny, which alleged Gordon, Gelley & Co, PLLC, engaged in unregistered investment advisory activities, misrepresented the qualifications of the investment adviser firm and misrepresented the qualifications of an employee of the investment adviser.

Administrative Fine of $210,000 against an Unregistered Associated Person for Fraud

On February 19, 2014, the Division of Securities entered a Final Order against Henry Dyer Wiggins, Jr., after he failed to request a hearing. The Final Order follows an Administrative Complaint, which alleged Mr. Wiggins committed fraud by using investor funds for personal use. A $210,000 administrative fine was assessed.

Revocation of Broker Dealer Firm

On February 26, 2014, the Division of Securities entered a Final Order against Westor Capital Group, Inc., revoking the firm's registration as a broker dealer, after the firm failed to request a hearing. The Final Order follows an Administrative Complaint, which alleged Westor Capital Group, Inc., was the subject of a suspension by FINRA, a national securities association.

Permanent Bar and $58,000 Fine Against an Investment Adviser for Prohibited Business Practices

On February 28, 2014, the Division of Securities entered a Final Order against Premier Financial Management, LLC, permanently barring the firm from seeking future 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 Premier Financial Management, LLC, engaged in prohibited business practices by failing to comply with the books and records, financial, custody, and registration requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A $58,000 administrative fine was assessed.

Suspension and $60,000 Fine Against a Broker Dealer Agent for Prohibited Business Practices

On March 3, 2013, the Division of Securities entered a Final Order against George R. Hunt for engaging in prohibited business practices by borrowing money from his customers. Mr. Hunt was suspended for two years from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S. An administrative fine of $60,000 was assessed.

Final Order for Fines totaling $8,000 against an Investment Adviser Firm for Prohibited Business Practices

On March 13, 2014, the Division of Securities entered a Final Order against Brickell Investments, LLC, and Alexander Tommasino, for failing to prepare and maintain financial statements; file timely annual financial statements; maintain an accurate Form ADV; maintain required net capital; and send clients itemized invoices. Fines totaling $8,000 were paid.

Final Order against an Unregistered Offeror of Securities to Cease and Desist

On March 13, 2014, the Division of Securities entered a Final Order against Garden of Eden Organic Growing Products, Inc., to cease and desist from operating as an offeror of securities, after the firm failed to request a hearing. The Final Order follows an Order to Cease and Desist, which alleged Garden of Eden Organic Growing Products, Inc., operated as an unregistered offeror of securities.

Denial of Associated Person Applications

From January 1 to March 25, 2014, the Division of Securities denied three applications for registration as an associated person. The Notices of Intent to Deny, in each case, alleged that the associated person made a material misrepresentation or misstatement on their application for registration as an associated person.

4. Significant Enforcement Actions

Southwest Florida Man Sentenced to 15 years in Prison

On January 13, 2014, David Hernandez of Lehigh Acres was sentenced to 15 years in state prison to be followed by 15 years of probation for his role in a mortgage fraud scheme that victimized nine individuals and resulted in losses of more than $90,000. Hernandez was also ordered to pay $82,500 in restitution to his victims and was immediately remanded into custody. The sentencing follows a December 10, 2013, plea of no contest by Hernandez to all criminal charges filed against him including multiple counts of grand theft and one count of forgery. Hernandez had originally pled not guilty to the charges but changed his plea to "no contest" just moments before jury selection was to take place in his trial. Investigators determined that from July 2009 to August 2010, Hernandez, a licensed mortgage broker at the time, took money from prospective homebuyers (including five from Florida) under the pretense that their monies would be put in an escrow account and used to obtain mortgages for the purchase of real estate in Lehigh Acres. No mortgages were ever funded and Hernandez used the victims' monies for personal expenses. The Lee County Sheriff's Office initiated this investigation and arrested Hernandez on March 8, 2012. Thereafter, the Office of The State Attorney requested that the OFR review, analyze and obtain additional pertinent documents and testify as to the findings in the Hernandez criminal trial. Since the trial did not proceed, an OFR investigator testified instead at Hernandez's sentencing hearing. Assistant State Attorney J.D. Miller noted the investigator's "…testimony to his evaluation of the banking records and the conversion of funds was crucial to the sentence."

Boca Raton Area Man Charged with Theft in Connection with Investment Scheme

On January 17, 2014, Victor Bauza, 49, was arrested by the Palm Beach County Sheriff's Office. Bauza was charged by the Florida Office of Statewide Prosecution with securities violations, grand theft and organized scheme to defraud. The defendant allegedly solicited more than $800,000 from 20 investors to purchase shares of Medical Informatics Xchange (MIX). The arrest was a result of a joint investigation by the OFR and the Boca Raton Police Department. The investigation determined that from February 2010 through November of 2011, the defendant sold shares of MIX for between $1 and $1.50 a share and allegedly told investors that MIX would be conducting an initial public offering in the near future. Bauza purportedly told investors that the price of the shares would rise between $4 and $6 a share once they began trading on public exchanges. The investigation revealed, however, that a substantial portion of the money raised from investors was used to pay commissions and for the personal benefit of the defendant. None of the victims received shares of the company and MIX never conducted an initial public offering of its shares. The principals of MIX are not believed to have participated in the alleged fraudulent scheme. Contrary to the defendant's representations, MIX principals claimed that the company was never involved in preparing an initial public offering of its stock. This case was developed jointly with the Boca Raton Police Department and is being prosecuted by the Office of Statewide Prosecution in Miami. The charges filed against Bauza are only accusations and the defendant is presumed innocent until proven guilty.
Boca Raton Area Man Charged with Theft in Investment Scheme Resulting in $800,000 Loss to Investors

Seminole man arrested in $6 million Ponzi scheme

On January 23rd, Gary Gauthier of Seminole, FL was arrested by FDLE agents after being charged with multiple counts of Securities Fraud, Sale of Unregistered Securities, Sale of a Security by an Unregistered Dealer, Organized Fraud and Racketeering. Gauthier, who evaded capture for seven days following the issuance of a warrant for his arrest, is alleged to have orchestrated the elaborate fraud with his co-defendant in the case, David George Dreslin. Dreslin surrendered to the Pinellas County Sheriff's Office on January 16th after being charged with similar offenses. The joint OFR-FDLE investigation revealed that Gauthier and Dreslin were engaged in an apparent Ponzi-type scheme, soliciting investors for various real estate projects. Dreslin, a CPA, would convince clients to purchase shares or units in a variety of real estate development projects promising large returns in a short period of time. Gauthier too, acted as a promoter for the investments, appearing on Christian radio programs entitled "It's God's Money" and "It's all about Florida Real Estate." The broadcasts aired in the Tampa Bay area on Saturday mornings. Analysis of bank records revealed that Dreslin and Gauthier raised in excess of $6,000,000 from Florida investors. It is alleged that investor funds were used to make interest payments to other investors as well as to make payments to themselves and their individual business organizations. These payments were purportedly made without the investors' knowledge. No evidence was found to suggest that Gauthier and Dreslin ever used their own money to further the supposed real estate projects as represented to certain investors. None of the real estate projects appeared to have realized a profit. The charges filed against Dreslin and Gauthier are only accusations and the defendants are presumed innocent until proven guilty. This OFR Investigation was conducted jointly with the Florida Department of Law Enforcement.

Seminole Man Arrested in $6 Million Ponzi Scheme

Orlando Area Men Sentenced to 9 Years for Roles in Investment Fraud Scheme

On January 23, 2014, Phillip Leon and John Wilkins were sentenced to 9 years of federal prison, were ordered to pay $17 million in restitution, and to forfeit over $4 million in artwork and monies being held in various banks and trading accounts. The charges and subsequent conviction stem from Leon and Wilkins' role in an elaborate investment fraud that bilked investors out of more than $18 million nationwide. A joint OFR/US Secret Service investigation revealed that from 2009 to 2012, Leon and his partner, John Wilkins, raised over $18 million from more than 200 investors by falsely claiming that the Matterhorn Fund (an unregistered hedge fund managed by Leon and Wilkins) generated annual rates of return ranging from 11% to 91% between the years 1980 and 2009. However, the investigation found that the Matterhorn Fund did not exist until 2009. The investigation also revealed that both men misrepresented their employment histories and educational backgrounds in communications with investors. These misrepresentations and others are believed to have been at the center of the pairs' efforts to exploit unsuspecting investors, ultimately luring many of them to place money in the fund. A review of the fund's bank and trading records revealed that in early 2010, when the Matterhorn Fund began to lose money, Leon and Wilkins falsified the Matterhorn Funds' performance reports to show the fund had generated extraordinary gains. The men then used these false reports to solicit investment funds from additional victims and to create new hedge funds with the promise of similarly outlandish returns. The National Futures Association had previously taken an emergency enforcement action against the Matterhorn Fund's parent company, Altamont Global Partners LLC, and its principal, John Wilkins, based on its determination that investor funds had been misappropriated.

South Florida Man Sentenced to 37 Months in Prison for Securities Fraud

On February 21, 2014, Daniel Paez was sentenced to 37 months in federal prison and three years of probation after pleading guilty to one count of securities fraud for his role in a fraudulent investment scheme. A joint FBI/OFR investigation determined that from September 2010 through April 2012, Paez and his company, Fly High Investments, Inc., obtained approximately $500,000 from 17 investors across the United States. Paez told the investors that Fly High Investments, Inc., was a hedge fund that managed more than $50 million in assets. He further promised investors that their money would be invested in safe investments. A review of bank and brokerage records revealed that the $50 million hedge fund did not exist. The records also showed that although Paez invested a small portion of the investors' funds in high-risk investments, the vast majority of the investors' money was misappropriated by Paez. The United States Attorney's Office for the Southern District of Florida prosecuted this case. FORMER MIAMI SECURITIES PROFESSIONAL SENTENCED TO 37 MONTHS FOR SECURITIES FRAUD IN CONNECTION WITH MULTI-STATE INVESTMENT SCHEME

Sentencing of Principal Defendant in $30 Million Ponzi Scheme

On February 24th, 2014, Judge Kenneth A. Marra of the United States District Court of the Southern District of Florida (West Palm Beach) sentenced George Louis Theodule to 12.5 years in federal prison to be followed by 3 years probation for his role in orchestrating a massive Ponzi scheme targeting the Haitian-American community. Theodule's actions resulted in $30 million in losses to primarily Haitian-American investors throughout South Florida. Four months earlier, on October 28th, 2013, Theodule pleaded guilty to one count of mail fraud for his role in the scheme. Prior to that plea, Theodule had been indicted on 36 counts of wire fraud, one count of securities fraud, and three counts of money laundering, which led to his arrest on August 23, 2013. Theodule has been incarcerated since the date of his arrest. A joint OFR/FBI investigation determined that from July 2007 through December 2008, Theodule falsely represented to investors that he was an investment guru, capable of doubling their investments every 30 to 90 days. Theodule advertised the investment through churches, word of mouth, seminars and presentations to groups. He enticed others to form investment clubs from which investors pooled their monies and then turned it over to him. Consequently, investors formed more than 100 clubs in more than seven states. An OFR analysis of the bank and brokerage records revealed that Theodule opened a number bank accounts and brokerage trading accounts with online brokerage firms to trade securities. Theodule lost all the money he invested in the trading accounts while assuring investors that their monies were safe and guaranteed. Furthermore, Theodule was paying older investors with money from newer investors and used a significant amount of investors' money to fund his extravagant lifestyle, including renting two mansions in Georgia, paying for his wedding, large monetary gifts to his girlfriends, relatives, and trips abroad. On December 29, 2008, the Securities and Exchange Commission (SEC), with investigative assistance from the OFR, filed a complaint against Theodule and his various companies. In March 2010, the SEC obtained a Judgment of Permanent Injunction and Other Relief against Theodule and the court ordered him to pay $5,099,512 in disgorgement.

Jury Finds Man Guilty of Fraud

On February 27, 2014, Arthur John Schlecht was found guilty of wire fraud and conspiracy to commit mail and wire fraud for his role in orchestrating an elaborate precious metals investment scheme resulting in over $25 million in losses to investors. The verdict of guilt follows a four week federal trial and three days of jury deliberations. Schlecht was immediately taken into custody following the verdict. Schlecht, along with his associates Frederick Gomer, Carlos Rodriguez and Ricardo Padron were indicted on these charges on August 9, 2012. A fifth defendant, Robert Roca, was charged in a superseding indictment several months later. A joint OFR and federal investigation determined that the defendants operated an elaborate precious metals investment fraud through their companies, Global Bullion Trading Group, WJS Funding, Inc. d/b/a Capital Asset Management and Certified, Inc. The defendants ran a boiler room, which solicited investors to purchase precious metals using leveraged/margin accounts. Investors were led to believe they were purchasing physical metals and that their metals would be held in personalized accounts. Investors were also told they had the ability to take possession of the precious metals at any time, subject to handling fees, postage and insurance. The investigation found that the subjects did not purchase physical metals or maintain individual accounts on behalf of investors. Instead, the defendants appropriated $5.7 million for their personal use and for the benefit of family members. Gomer, Rodriguez, Roca and Padron have each pled guilty to the charges in the indictment. Roca was sentenced to 36 months in prison for his role in the scheme on September 30, 2013. Rodriguez and Padron await sentencing in April 2014. Gomer passed away in January 2014. The OFR, FBI and U.S. Postal Inspection Service participated in the investigation. Staff from the Securities and Exchange Commission, the Federal Trade Commission, the Financial Services Authority (U.K.), the National Futures Association, the Commodity Futures Trading Commission and the United States Probation Office also assisted with the case.

Pinellas County Circuit Court Issues Temporary Injunction to Halt Alleged Ongoing Investment Fraud

On March 5th, 2014, Pinellas County Circuit Court Judge A. Rondolino issued an order imposing a temporary injunction and the appointment of a receiver against Tri-Med Corporation (Tri-Med), its principals and affiliated entities. The order follows an OFR investigation, which revealed Tri-Med Corporation, headquartered in Palm Harbor, Florida, operated an alleged $13 million Ponzi scheme targeting mostly elderly investors. The victims in this case made investments based on representations that Tri-Med was purchasing discounted accounts receivable from medical businesses. These receivables were touted by Tri-Med principals as generating significant profits on the basis of successful litigations against the businesses' debtors. Neither Tri-Med nor its principals Jeremy Anderson, Anthony Nicholas, Eric Ager, Irwin Ager or Teresa Simmons Bordinat are registered to sell securities in Florida. Evidence obtained to date revealed that very few active litigations were ever attempted and the majority of the investors' funds were used for the personal benefit of Tri-Med's principals. Less than 25 percent of investor funds have been identified as being used as represented to investors. The OFR's investigation continues.

OFR Press Release: Injunction Issued Against Tri-Med Corporation in Alleged Fraud