

GOVERNOR RICK SCOTT

QUARTERLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

MARCH 2015

JANUARY THROUGH MARCH 2015 ACHIEVEMENTS

1. Quarterly Statistics

- Division of Securities
 - Examinations Opened: 79
 - Examinations Closed: 68
 - Complaints Received: 53
 - Complaints Closed: 53
 - Applications Received: 16,451
 - Applications Approved: 16,162
 - Applications Denied/Withdrawn: 179

- Division of Consumer Finance
 - Examinations Opened: 67
 - Examinations Closed: 129
 - Complaints Received: 196
 - Complaints Closed: 631
 - Applications Received: 3,880
 - Applications Approved: 3,941
 - Applications Denied/Withdrawn: 176

- Division of Financial Institutions
 - Examinations Opened: 33
 - Examinations Closed: 51
 - Complaints Received: 201
 - Complaints Closed: 199
 - Applications Received: 14
 - Applications Approved: 09
 - Applications Denied/Withdrawn: 0

- Bureau of Financial Investigations
 - Investigations Opened: 39
 - Investigations Closed: 36

2. Outreach Activities

On January 13, 2015, a column “Jumpstart the New Year with Healthy Financial Habits,” by OFR Drew J. Breakspear appeared in Sunshine State News.

On January 13, 2015, OFR staff participated in the Suncoast Bankers Compliance Association annual meeting. The panel included OFR staff, an Assistant US Attorney, an IRS Special Agent and a US Immigration and Customs Enforcement Supervisor. As representatives of the Tampa SAR review team, the panel discussed the use of SARs in criminal and civil prosecutions and current trends in financial fraud.

On January 14, 2015, the OFR issued a press release announcing the second edition of OFR's Fast Facts.

[Press Release: Office of Financial Regulation Releases 2014 Fast Facts](#)

On January 14, 2015, the OFR issued a consumer alert on loan modification scams.

[Consumer Alert: Loan Modification Scams](#)

On January 15, 2015, an OFR investigator attended a meeting of the Financial Institution Security Association in Miami. The investigator was able to share information about the OFR's role in combating financial fraud with all attendees, many of whom were new to the organization. This event is attended by local, state and federal law enforcement agents who specialize in financial crimes investigations and is hosted by representatives of the Association's member financial institutions. There were approximately 50 persons in attendance.

On January 16, 2015, members of the Division of Consumer Finance participated in the Florida Association of Mortgage Professionals (FAMP) Regulatory Symposium in Tampa. Topics discussed included expectations related to examinations, effects of statutory changes in renewals and reactivations and industry trends. Approximately 135 association members attended the event.

On January 20, 2015, the OFR issued an industry alert regarding retail installment license renewal.

[Industry Alert: Retail Installment License Renewal](#)

On January 29, 2015, a member of the Division of Financial Institutions participated on a regulator panel at the FBA Safety and Soundness Seminar in Miami. Approximately 20 people were in attendance.

On January 29, 2015, the OFR issued a consumer alert regarding real estate investment fraud.

[Consumer Alert: Real Estate Investment Fraud](#)

On January 30, 2015, a member of the Division of Financial Institutions participated on a regulator panel at the FBA Safety and Soundness Seminar in Tampa. Approximately 70 people were in attendance.

On February 16 through 19, 2015, members of the Division of Consumer Finance represented the OFR at the NNMLS (Nationwide Mortgage Licensing System) 2015 Annual Conference and Training in San Diego, California. The Division Director moderated a panel discussing the regulation of debt buyers. The Bureau Chief of Registrations moderated a panel discussing NMLS user notifications and document uploads. The conference attendees included state regulators and industry representative from around the country. The feedback from the industry was extremely positive. Florida is recognized as a leader in efficiency and process improvements resulting in improved processing times. The conference also gave state regulators a great opportunity to discuss best practices and to continuously evaluate processes in an effort to yield further efficiencies. There were approximately 580 people attending the conference.

On February 19, 2015, the OFR issued a consumer alert with tips on preventing tax-refund fraud.

[Consumer Alert: Preventing Tax-Refund Fraud](#)

On February 23, 2015, the OFR issued a press release celebrating America Saves Week.

[Press Release: The Florida Office of Financial Regulation Celebrates America Saves Week](#)

On February 24, 2015, an article celebrating America Saves Week written by OFR Commissioner Drew J. Breakspear appeared in the Tampa Tribune.

[Tampa Tribune: Drew Breakspear: Make saving money a priority](#)

On February 27, 2015, Commissioner Drew J. Breakspear presented at the Manatee Chamber of Commerce luncheon in Bradenton. Approximately 20 attendees listened as the Commissioner discussed the health of the financial services industry in Florida.

On March 9, 2015, an opinion editorial by Commissioner Drew J. Breakspear on the importance of financial literacy in classrooms appeared in the Pensacola News-Journal.

On March 10, 2015, the OFR issued a press release announcing the charging of a company for assessing illegal loan fees.

[Press Release: Company Charged with Assessing Illegal Loan Fees](#)

On March 19, 2015, the OFR issued a consumer alert on foreign currency scams.

[Consumer Alert: Foreign Currency Scams](#)

3. Substantial Regulatory Actions

On December 30, 2014, the Division of Consumer Finance entered a final order against Commonwealth Foreign Exchange, Inc., for unlicensed money

transmission activity. An administrative fine of \$76,750 was paid and licensure was granted.

Final Order for \$5,000 Fine Against an Investment Adviser Firm for Prohibited Business Practices

On January 21, 2015, the Division of Securities entered a Final Order against Walsh Consulting Group, Inc., d/b/a Ashford Investment Advisors, for engaging in prohibited business practices by failing to 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 \$5,000 administrative fine was paid.

On January 26, 2015, the Division of Consumer Finance entered a final order, revoking the motor vehicle retail installment license for Fantasy Imports Auto Sales, Inc., (Fantasy Auto) and Nasser Hasan. Fantasy Auto and Nasser Hasan failed to report that on February 17, 2014, the OFR revoked the check casher license of Nasser Hassan d/b/a Buy One Get One and imposed a fine for failing to maintain records.

On January 30, 2015, the Division of Consumer Finance entered a final order against AirBnB, Inc., for unlicensed money transmission activity. An administrative fine of \$463,000 was paid and licensure was granted.

On February 5, 2015, the Division of Consumer Finance entered a final order, revoking the loan originator license for Michael Mangra. On January 3, 2013, Mangra was charged by indictment with conspiracy to commit bank fraud and making a false statement on a loan application. On February 14, 2014, Mangra pled guilty to conspiracy to commit bank fraud. Mangra failed to timely notify the OFR of the indictment and the subsequent guilty plea.

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

On February 13, 2015, the Division of Securities entered a final order against Frankie R. Brin for engaging in prohibited business practices by submitting inaccurate information regarding the surrender charges in connection with variable annuity replacement transactions. Pursuant to the final order, Mr. Brin's registration as an associated person is suspended for 15 days. After the suspension is completed, Mr. Brin will be subject to a registration agreement. A \$10,000 administrative fine was paid.

Final Order for \$4,000 Fine Against an Associated Person for Unregistered Activity

On February 17, 2015, the Division of Securities entered a final order against Stephania Stanley Wilson for engaging in unregistered securities activities. A \$4,000 administrative fine was paid.

Permanent Bar Against an Investment Adviser Firm and Associated Person for Fraud

On February 19, 2015, the Division of Securities entered a final order against Sunrock Financial Group and Matthew Watson Shaw for failing to provide information required on their registration forms, making misrepresentations or omissions of material facts and/or engaging in a practice which operated as a fraud and making false and misleading statements on the firm's website and advertisements. Mr. Shaw failed to submit or obtain approval from his employing firm to engage in outside business activities. Sunrock Financial Group failed to register two branch office locations. Sunrock Financial Group and Mr. Shaw are permanently barred 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 \$5,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On February 27, 2015, the Division of Securities entered a final order against Steadfast Financial Services, Inc., and Raymond L. Johnson, Jr., for engaging in prohibited business practices by failing to accurately disclose written investment advisory contracts, send clients itemized invoices, and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$5,000 administrative fine was paid.

Final Order for \$5,000 Against an Investment Adviser Firm for Failure to File Financial Statements

On February 27, 2015, the Division of Securities entered a final order against Tackett Wealth Management, LLC, for failure to timely and properly file financial statements. A \$5,000 administrative fine was paid.

Final Order for \$2,500 Fine and Relinquish of License Against an Associated Person

On March 4, 2015, the Division of Securities entered a final order against David L. Richards for failure to observe high standards of commercial honor and principals of trade by knowingly signing a customer name to a form. Mr. Richards agreed to relinquish his Series 6 license and never reapply for registration with the Office of Financial Regulation. A \$2,500 administrative fine was paid.

4. Significant Enforcement Actions

Civil Enforcement Complaint Filed Against Jacksonville Commodity Pool

On January 6, 2015, the Commodities Futures Trading Commission (CFTC) filed a civil complaint in the U.S. District Court for the Middle District of Florida charging defendants Allied Markets, LLC, and its principals Joshua Gilliland and Chawalit Wongkhiao, all of Jacksonville, Florida with operating a fraudulent foreign currency (forex) commodity pool in violation of the Commodity Exchange Act (CEA) and CFTC Regulations. On January 7, 2015, an Emergency Order freezing and preserving assets under the defendants' control and prohibiting

destruction of documents was issued by U.S. District Judge Marcia Morales. The action followed a joint OFR/CFTC investigation that determined since January 2012, the defendants fraudulently solicited more than \$1 million from members of the public to trade forex in a commodity pool. Defendants Gilliland and Wongkhiao allegedly misappropriated funds to pay for personal expenses, including restaurants and entertainment, travel, hotels, rental cars and rent for their residence in Jacksonville Beach, Florida. Defendants also allegedly paid purported trading profits and principal to pool participants in the manner of a Ponzi scheme, according to the complaint. The investigation also determined the defendants solicited members of the public to send them money for forex trading by fraudulently guaranteeing specific trading returns and by making material misrepresentations regarding their trading expertise and results, including that the defendants' forex trading was generating large profits. OFR investigators assisted in the execution of the order, seizing computers and certain paper files. The investigation by the OFR is ongoing.

Defendant Enters Guilty Plea in Investment Fraud Case

On January 9, 2015, Christopher Anzalone, pled guilty in federal court to a charge of conspiracy to commit wire fraud. Earlier, on September 30, 2014, Anzalone was charged with conspiracy to commit mail and wire fraud. The charges were related to his involvement in an elaborate fraud scheme involving purported investments in precious metals and stocks. The investments were sold under various corporate names including Liberty International Holdings Corporation (LIHC), Liberty International Financial Services (LIFS), Allied Strategies, Inc., Allied Marketing, LLC, and DBA Clearing, LLC. Anzalone's co-defendants in the case, Jeffrey Schuler, Jacob Bradshaw, David O. Boyce and Benjamin Williams were also charged with various offenses including mail fraud, wire fraud and conspiracy to commit mail and wire fraud. As of October 28, 2014, each of the co-defendants had been arrested and each are presently awaiting trial. The OFR's investigation focused on Allied Marketing, LLC, and Allied Strategies, Inc. (Allied). Allied's bank records along with investors' sworn statements revealed that the defendants raised \$3.3 million from 23 Allied investors between March 2013 and October 2013. Allied investors were led to believe that LIHC stock had value due to the company's holdings in real estate and/or precious metals, when in fact, LIHC had no holdings in real estate or precious metals. The review of financial records revealed that the money raised by Allied from investors was never used for the purposes represented to the investors, but instead was used to pay sales commissions and for Anzalone's personal living expenses. All told, the money raised by the defendants through each of the various companies named in the criminal filings was more than \$16 million. This investigation was developed jointly with the FBI. The U.S. Attorney's Office in Miami is prosecuting the case. Sentencing of Anzalone is set for March 27, 2015. Anzalone faces a term of imprisonment of up to 20 years and a fine of up to \$250,000.

[Press Release: California Resident Pleads Guilty For Leading A \\$16 Million Investment And Commodities Fraud Scheme](#)

Futures Trader Arrested and Charged with Fraud

On January 12, 2015, Dante Giovannetti was arrested by the Royal Canadian Mounted Police in Vancouver Island, British Columbia. A criminal complaint against Giovannetti was filed on November 20, 2014, by the United States Attorney's Office and a warrant was issued for his arrest. Giovannetti, a NFA registered commodity trading advisor, has been charged with wire fraud for allegedly defrauding three investors out of approximately \$700,000 in a scheme that promised high returns. Giovannetti purportedly promised investors, which he found mostly through word of mouth, returns of nearly 300 percent from profitable trades in the equity futures markets. However, an investigation found no evidence of such returns. Instead, it appears that Giovannetti produced false trading account statements to support of his claims. The false trading account statements allegedly produced by Giovannetti were used to induce at least three individuals to invest and showed tens of millions of dollars in fictitious profits from trading "E-mini" S&P 500 futures contracts and over \$53 million in cash on deposit. Giovannetti, who has been deported from Canada and turned over to the U.S. Marshals Service, is currently being held in Washington state awaiting transport to Florida. This case is being developed jointly with the FBI based on information obtained from the National Futures Association and the Commodities Futures Trading Commission. The criminal case against Giovannetti is being prosecuted by the United States Attorney's Office in the Middle District of Florida.

Tampa Man Sentenced to 24 Months in Prison for Role in Investment Fraud

On January 14, 2015, Matthew Pasquale Ionno was sentenced to 24 months in federal prison, 36 months supervised release and restitution in the amount of \$450,091.18 for his role in the operation of a fraudulent day trading company. On June 18, 2014, Matthew Ionno 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. Traders Café, located in downtown Tampa, offered a purported trading platform and 20 to 1 leverage to day traders identified through social media and internet web sites. Traders Café was established in July 2012, by Matthew Ionno and his Business Partner, Albert Scipione. Ionno and Scipione 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. Ionno and Scipione did not inform clients that their funds would be used to cover operating expenses as well as their own personal expenses. A total of \$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 Ionno and Scipione. Traders Café, Ionno and Scipione were not registered with the SEC or the OFR in any capacity. Scipione is scheduled to be sentenced on February 22, 2015, in United States District Court, Middle District of Florida. This investigation was developed jointly between OFR and the FBI. The U.S. Attorney's Office in Tampa prosecuted the case.

Man Sentenced for Role in IRS Tax Refund Fraud

On January 26, 2015, Ernest Freeman, sole owner of Freeman & Freeman, Inc., of Fort Myers, was sentenced to 44 months in federal prison to be followed by 24 months of supervised release. On October 27, 2014, a jury found defendant Freeman guilty on all charges including 11 counts of Title 18 U.S. Code § 641 related to theft of government funds and 11 counts of Title 18 U.S. Code § 1028A related to aggravated identity theft. The OFR became involved in this case at the request of the U.S. Attorney's Office for the Middle District of Florida. The federal investigation revealed that Freeman had the sole signature authority for a bank account at Fifth Third Bank for Freeman & Freeman Inc., a construction company specializing in stucco and concrete work operating in Immokalee. The bank records revealed that from May 2011 through June 2012, Freeman doing business as Freeman & Freeman, deposited and cashed 121 IRS tax refund checks totaling \$677,127.91 that were fraudulently obtained by others. Freeman charged 10 – 15 percent of the face value of the check as a fee for his services. This case was prosecuted by the Assistant U.S. Attorney's Office.

FTC Obtains Injunction Against Entity Charging Advance Fees for Loans

On January 26, 2015, the Federal Trade Commission filed a complaint for permanent injunction and other equitable relief in U.S. District Court for the Southern District of Florida, halting Ivan Levy d/b/a Regency Financial Services, LLC, from charging advance fees for auto loans that were not provided. The Court granted a temporary restraining order, an order freezing assets and an order for other equitable relief. During the course of the joint OFR/FTC/Boynton Beach Police Department investigation, evidence revealed that Levy operated under business names such as Regency Financial Services, Levy Fidelity Holdings and/or Fidelity Holdings from 2011 to the date of this action. It is alleged Levy collected more than \$300,000 from a multitude of victims who were already under financial duress, falling behind in their car payments and fearful of having their vehicles repossessed. Victims sought to renegotiate or refinance their auto loans through Levy's websites, credit-yogi.com and carpaymenthelpcenter.com. Levy called victims saying he was a broker and falsely offered and guaranteed auto refinancing in exchange for an advance fee of \$499, payable in cash. Once the payment was received, Levy would end all communication. None of the victims obtained any financing or a return of their advance fee and many had their vehicles repossessed as a result of Levy's deceit. Levy conducted business from his home in Boynton Beach for the past 3 years and did not hold any licenses or registrations as a lender. The OFR opened this case in December 2013 and during the course of the investigation discovered that the FTC was also investigating Levy. All pertinent evidence obtained by the OFR, including affidavits from victims and bank records, was shared with the FTC in support of the civil action.

Brevard Ponzi Schemers Sentenced to 10 Years in Federal Prison

On January 30, 2015, Judge John Antoon, II, sentenced Donald Ray Babb of Merritt Island and Ralph Ruth of Melbourne each to 10 years in federal prison to

be followed by 3 years of supervised release for their roles in operating a Ponzi scheme. Babb and Ruth each pled guilty in November 2014 to one count of conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349. A joint OFR/FBI/Brevard County Sheriff's Office investigation determined that 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. The companies were located in Melbourne and Tampa. 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. Investor funds raised through the purported 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. On December 4, 2014, a forfeiture money judgment and preliminary order of forfeiture in the amount of \$18,731,125.58 was entered against Babb and Ruth in U.S. District Court. The forfeiture order included real estate in Merritt Island owned by both men. Previously, on November 27, 2013, the OFR obtained a court order imposing a temporary injunction and appointment of receiver against Babb, Ruth and their related companies. Michael Moecker & Associates was appointed as receiver. Investigators worked with the receiver to uncover assets and secure the office locations. In addition to taking over the company, the receiver froze multiple bank accounts and uncovered assets including 3 boats, 3 aircrafts and 4 properties which will be sold for the benefit of defrauded investors. This investigation was developed jointly with the OFR, the FBI and the Brevard County Sheriff's Office. The U.S. Attorney's Office prosecuted the case.

[Press Release: Brevard County Men Sentenced to More Than 10 Years for Operating \\$18 Million Fraud Scheme](#)

Convicted Mortgage Fraud Ring Leader Sentenced to 8 Years in Federal Prison

On February 2, 2015, United States Southern District of Florida Judge Robert N. Scola, Jr., sentenced Karl A. Oreste to eight years and four months in federal prison to be followed by five years of supervised release for his role in the KMC Mortgage fraud scheme. Oreste was also ordered to pay \$8,215,197.28 in restitution to mortgage lenders. On July 16, 2014, Oreste pled guilty to one count of conspiracy to commit wire fraud in violation of Title 18, U.S.C. Section 1349. The government dismissed counts two through seven of the indictment in exchange for Oreste's plea. In an indictment issued in May 2014, Oreste and three other defendants (Marie Lucie Tondreau, Okechukwu Josiah Odunna and Kelly Augustin) were accused of wire fraud in connection with mortgage loans obtained through KMC. Oreste and co-defendant Tondreau, in particular, were accused of using radio advertisements to lure members of the Haitian-American community to take advantage of certain loan programs offered through KMC.

Listeners who responded to the radio ads were recruited by both to become straw buyers of residential property throughout South Florida in exchange for compensation. The defendants told the prospective buyers that they would make the required mortgage payments on the loans and the buyers' names would be removed from the properties within a year. Once the defendants identified properties for purchase, KMC submitted fraudulent loan applications and other related documents to various lenders on behalf of straw buyers who were paid between \$5,000 and \$15,000 for the use of their credit. Tondreau, and at least one other defendant, used her business to provide false employment verifications for those buyers. The defendants also created multiple Form HUD-1 Settlement Statements in order to conceal the fact that the loans were for amounts greater than the seller's asking price, resulting in substantial cash proceeds being redirected to the defendants at closing. These additional proceeds were appropriated by the defendants without the lenders' knowledge or consent. The defendants made mortgage payments until they ran out of money, causing the lenders to foreclose on the properties and suffer losses of over \$8.2 million. The majority of the outsized proceeds received from the fraudulent loan applications were used for the personal benefit of the defendants. On December 16, 2014, a federal jury in Miami found suspended North Miami mayor, Marie Lucie Tondreau, guilty of four counts of wire fraud against a financial institution and one count of conspiracy to commit wire fraud against a financial institution. Tondreau will be sentenced on March 20, 2015. This investigation was developed jointly by OFR and the FBI and was prosecuted by Assistant U.S. Attorney Lois Foster-Steers.

[Press Release: Former North Miami Mayor's Co-Defendant Sentenced in Multi-Million Dollar Mortgage Fraud Scheme](#)

Orlando Man Sentenced in "Sweetheart" Fraud Scheme

On Friday, February 13, 2015, Scott Campbell was sentenced to 20 years of imprisonment and 10 years of probation for his role in defrauding dozens of investors throughout Florida in a long-running investment fraud scheme. The sentence follows a weeklong trial in December 2014, where Campbell was found guilty of first degree grand theft. From approximately 2003 until his arrest in June 2013 and beyond, Campbell operated a "sweetheart" investment scheme targeting single women with whom he had become acquainted through online dating websites. Campbell enticed more than 30 victims into investing in his purported musical recording and talent search business with promises that each would receive two percent of his company's future profits. The OFR investigation revealed, however, that Campbell spent most of the \$1 million in funds collected from investors on gambling and personal living expenses. Victims claim that Campbell solicited them for investments to develop a recording studio for BDO (Bank Deposits Only) Records. Although construction of a purported sound studio was begun in a friend's backyard, the structure was not properly permitted by local authorities for a commercial business. The OFR was responsible for 100% of the investigative work on this case. The Office of Statewide Prosecution in Orlando prosecuted the case.

[Press Release: Orlando Man Sentenced in “Sweetheart” Fraud Scheme](#)

[Palm Beach County Man Convicted in Investment Fraud Scheme](#)

On Friday, February 13, 2015, Michael T. Hardman was convicted by a jury in Palm Beach County of two counts of grand theft for his role in defrauding more than 30 Florida victims in a fraudulent promissory note scheme. The joint OFR and Palm Beach County Sheriff’s Office investigation found that Hardman collected more than \$1.75 million dollars from his victims, some of whom were elderly clients of his deceased father’s securities brokerage business. Other victims were members of his Alcoholics Anonymous group. Hardman formed a company called Tech Support Systems and issued vague promissory notes promising returns as high as 7.5 percent. He used his company as the note issuer but could never explain to any of his investors what this company actually did. The notes offered his personal guarantee, but most of the investors lost their life savings. The Palm Beach County State Attorney’s Office prosecuted the case. Hardman is scheduled to be sentenced on April 7, 2015.

[Press Release: Palm Beach County Man Convicted in Investment Fraud Scheme](#)

[Tampa Man Sentenced to 30 Months in Prison for Role in Investment Fraud](#)

On February 20, 2015, Albert Joseph Scipione was sentenced to 30 months in federal prison to be followed by 36 months supervised release for his role in the operation of a fraudulent day trading company. He was also ordered to pay restitution in the amount of \$463,463.81. On November 18, 2014, 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. Traders Café, located in downtown Tampa, 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. 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. A total of \$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. Ionno was sentenced to 24 months in prison on January 14, 2015, in United States District Court, Middle District of Florida. This investigation was developed jointly by the OFR and the FBI. The U.S. Attorney’s Office in Tampa prosecuted the case.

[Hillsborough County Man Arrested for Sale of Unregistered Securities](#)

On February 26, 2015, Allan Michael Roth of Tampa, was arrested on 34 counts of selling unregistered securities and 34 counts of selling securities without being registered as a dealer, associated person or issuer. Roth allegedly represented

to at least 20 investors that he was working for Jaco Financial, LLC, in Palm Harbor and was selling shares of stock in BizRocket.com (BZRT). Roth was licensed by the Financial Industry Regulatory Authority (FINRA) from January 1990 through September 2011 as a securities broker. From January through May, 2012, Roth solicited 20 investors by telephone and in-person, some of whom include former clients, to purchase stock in BZRT, a Nevada Company based in Coral Springs, Florida. BZRT was purportedly being marketed as the next “Facebook for kids,” a social network with safeguards for children. Roth is alleged to have represented to investors that he was registered to sell securities and guaranteed a substantial return on investment in a short period of time. However, Roth was not registered to sell securities in 2012 and failed to disclose that BZRT was not a registered security. Roth collected \$295,465.69 from investors for purchase of 29,330,000 shares of Bizrocket.com. Though not registered, BZRT shares were traded on the over-the-counter market until trading was suspended in September 2012 by the Securities and Exchange Commission. The trading suspension was based on the SEC’s charge that the company was making unfounded representations in its press releases. Roth is being held on \$340,000 bail. This case is being prosecuted by the Pinellas County State Attorney’s Office. The OFR is the sole investigative agency on this case.

[Press Release: Tampa Man Arrested in Penny Stock Scam](#)

Tarpon Springs Man Arrested for Securities Fraud

On February 27, 2015, John Edward Simpson of Tarpon Springs, was arrested and charged with selling unregistered securities, selling securities without being registered as a broker, securities fraud, and grand theft. Simpson is alleged to have represented to at least 20 investors across the country that his company, Defense Technology Corporation (DTC), had developed a security system to be manufactured and marketed to schools and universities in the United States. According to investors, Simpson represented DTC was going public soon and that their funds would be used to manufacture the security system and pay for legal fees incurred in taking DTC public. Simpson issued stock and promissory notes in DTC but never established any revenue or customers. Contrary to representations, the majority of investors’ funds were purportedly not used to further the business, but instead was used to pay Simpson’s “salary” and personal living expenses. The OFR is responsible for all of the investigative work in this case. Simpson was arrested by the Tarpon Springs Police Department. The Pinellas County State Attorney’s Office is prosecuting the case. Bond has been set at \$250,000. The OFR’s investigation is ongoing.

[Press Release: Tarpon Springs Man Arrested for Securities Fraud](#)

Ponzi Schemer to Serve Eight-Year Prison Term

On February 27, 2015, Miami-Dade Circuit Court Judge Robert Luck lifted a conditional stay on the sentencing of Marguerite Martial Jean, and remanded her into custody to begin serving an eight-year prison sentence according to the terms of a previously accepted plea agreement. In November 2014, Jean pled

guilty to one count of grand theft and three counts of securities fraud in connection with a Ponzi scheme that defrauded investors out of \$3.4 million. She was sentenced to eight years imprisonment with a stay placed on the sentence according to a provision in her plea agreement. Jean was required to pay at least \$75,000 in restitution to the victims by February 27, 2015, in order to avoid being imprisoned. However, Jean failed to honor the agreement. Jean was initially charged and arrested on April 14, 2011, following an OFR investigation which found that from January 2007 through October 2010, Jean, through her companies, MMJ's Warehouse and VLM Enterprise, engaged in a Ponzi scheme that victimized 293 Haitian-American investors. Jean sold promissory notes to investors offering "guaranteed" returns of up to 22 percent per year. She promoted the investment offering to members of her church congregation and through word of mouth. The OFR investigation found that Jean falsely represented to investors that she bought and sold rice from India and used the profits from the resale to make payments to investors. A review of bank records revealed that new investor funds went to Jean's personal account, which she subsequently used to pay existing investors and to finance her lifestyle. In addition to the prison sentence, Jean was also ordered to pay \$719,065.00 in restitution to the 15 victims named in the criminal filing.

[Press Release: Miami Woman Begins Eight-Year Prison Sentence for Securities Fraud](#)

Former Ocala Area Man Arrested for Role in Investment Fraud Scheme

On March 9, 2015, James Allen Hall was arrested in Pittsburg, Kansas by the Crawford County Sheriff's Office. A criminal information filing for Hall's arrest was entered in Orange County, FL on March 6, 2015, charging Hall with one count of grand theft. After Hall is extradited to Florida, he will be held on a \$10,000 bond. An OFR investigation revealed that from 2010 through 2013, Hall acted as a Third Party Administrator (TPA) of 401(k) plans for several Florida and out-of-state companies. Hall contracted with ExpertPlan (EP) to use their third party administrator proprietary database, website, and software for his administrative duties. Using his database access, Hall is alleged to have changed plan participants' email and residential addresses to his own email and business address without the participants' knowledge or consent. By doing so, routine confirmations, account statements, and other indicators of account activity ordinarily sent to the plan sponsor and/or participants were sent to Hall instead, effectively eliminating the participants' ability to timely note changes in their retirement accounts. Hall was able to use his TPA position for his own personal gain by allegedly generating fraudulent expenses in the EP database under the guise of various fees including "administrative, miscellaneous, annual, and participant" fees. Hall is further alleged to have gained unauthorized access to plan participants' accounts to place sell orders on mutual fund holdings in order to fund his falsified expenses. As the TPA, Hall knew the funds were available, and as the designated plan sponsor, he was able to initiate a fee request that resulted in sell order transactions from the participants' mutual fund accounts. The funds' trustee was directed to issue checks payable to Hall. Hall is alleged to

have received over \$800,000 in illegally gotten gains that he used for his own personal benefit. The OFR was responsible for all of the investigative work in this case. The case is being prosecuted by the Office of Statewide Prosecution in Orlando.

[Press Release: Former Ocala Area Man Arrested for Investment Fraud](#)

Largo Man Pending Trial in Investment Fraud Case is Arrested Again in New Scheme

On March 5, 2015, Gary L. Gauthier, formerly of Largo, was arrested at his home in Michigan following a three-month OFR investigation into an alleged fraudulent business development scheme that resulted in \$60,000 in losses to a Florida victim and his family. Gauthier is alleged to be the orchestrator of the scheme. Through his company, GB Marketing, LLC, Gauthier is purported to have 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 of it 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, evidence suggests that 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 what is alleged to be a fraudulent real estate offering. He was arrested in relation to that case in January 2014 and had since moved to Michigan while awaiting trial. While still in Florida, however, he 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. He is expected to be extradited to Florida to be arraigned in this case as soon as arrangements are finalized. This investigation was developed jointly between OFR and the Florida Department of Law Enforcement. The Office of Statewide Prosecution is prosecuting the case.

[Press Release: Largo Man Arrested for Fake Business Development Scheme](#)

Hillsborough County Man Arrested for Organized Fraud

On March 12, 2015, Francis Joseph Balkum, III, was arrested on one count of organized fraud related to his role in an alleged fraudulent investment offering and loan scheme. Balkum, the CEO of RX Financial Corporation (RX) in Tampa, is alleged to have sold promissory notes to investors who believed their money would be used to fund loans to the healthcare industry. According to investors, Balkum claimed that the funds would be used by medical facilities for capital expenditures and their investments were guaranteed against loss. From April 2008 through March 2012, RX received approximately \$290,000 from at least five Florida investors. Contrary to his representations, however, the OFR

investigation revealed that none of the investors' funds were ever loaned to prospective borrowers as represented by Balkum. Simultaneous with the investment scheme, Balkum is also alleged to have been engaged in an advance fee for loan scheme targeting the same medical practitioners and facility administrators who were supposed to receive the investment funds. Balkum would allegedly prepare a "Proposal Letter" and charge the medical practitioner a "refundable proposal fee" ranging from \$650 to \$24,000 on the promise of securing a loan. From April 1, 2009 through January 31, 2014, Balkum received approximately \$600,000.00 in proposal fees. The investigation found no evidence that Balkum closed or facilitated any loans to any of the prospective borrowers. Instead, the investigation revealed that, in addition to paying personal expenses and credit cards, the majority of the funds received by Balkum went towards payments of interest and principal to investors and refunds to prospective borrowers. The OFR is responsible for all of the investigative work in the case. Balkum was arrested by deputies of the Hillsborough County Sheriff's Office. The Office of Statewide Prosecution is prosecuting this case. Balkum is being held on \$15,000 bond.

Defendant Found Guilty in \$80 Million Ponzi Scheme

On March 13, 2015, following the completion of a 10-day trial, a jury found Craig Allen Hipp guilty of wire fraud, mail fraud and conspiracy to commit mail and wire fraud for his role in an \$80 million Ponzi scheme involving virtual concierge machines (VCMs). Hipp, one of four defendants in this case, was the supposed head of manufacturing of the machines. Investments in the VCMs were marketed to investors using YouTube videos, mass e-mail solicitations and investor seminars. The defendants are alleged to have misrepresented to investors that their funds would be used to order new machines and these would generate revenue from businesses that would use them to advertise products and services. With a minimum \$3,500 investment, investors were guaranteed a return of \$300 per month per machine for three years. Approximately 1,800 investors fell victim to the scheme representing 24,000 units sold. However, only 200 machines were ever manufactured as the funds obtained from investors were used instead to pay returns to earlier investors or diverted for the personal use of the defendants. Trials for two other defendants, Laura and Joseph Signore and Paul Schumack are set for later this year. This investigation was developed jointly with the FBI and the SEC. Hipp is scheduled to be sentenced on May 26, 2015. He faces a minimum of 12.5 years in prison. The U.S. Attorney's Office in West Palm Beach is prosecuting the case.

Jacksonville Men Charged in Alleged Criminal Forex Scheme

On March 18, 2015, federal indictments against Joshua Carrol Gilliland and Chawalit Wongkhiao of Jacksonville were unsealed in U.S. District Court for the Middle District of Florida. The two men are charged with one count of conspiracy to commit wire fraud and one count of conspiracy to commit money laundering for their alleged roles in a foreign currency trading scam operating from March 2012 until July 2014. Wongkhiao was arrested by IRS and FBI agents on March

19, 2015. Gilliland's arrest is still pending. Gilliland and Wongkhiao, doing business as Allied Markets, LLC, are alleged to have solicited money from at least four investors for purported investments in foreign currency exchange (Forex) transactions. Based on promises of guaranteed returns of between 7 and 10 percent annually, investors purchased more than \$1,000,000 in investment contracts from the men. According to those investors, Gilliland and Wongkhiao represented that investment returns would come from profits generated through forex trading. An investigation revealed, however, that the two men only invested about one-fifth of investors' funds in forex transactions. A large portion of the funds were used for personal expenses or withdrawn by the men in the form of cash. The two are also alleged to have used funds acquired from more recent investors to pay returns to earlier investors. This case was developed jointly with the FBI, IRS - Criminal Investigation, Jacksonville Beach Police Department and the U.S. Commodity Futures Trading Commission (which filed a Complaint for Injunctive Relief against Gilliland and Wongkhiao on January 12, 2015). The U.S. Attorney's Office in Jacksonville is prosecuting the case. A separate OFR Administrative Complaint was issued against Gilliland, Wongkhiao and Allied Markets on February 25, 2015 for violations of Chapter 517, Florida Statutes. [Press Release: Two Jacksonville Men Charges With Investment Fraud](#)

Former Mayor of North Miami Sentenced in Multi-Million Dollar Mortgage Fraud Scheme

On March 24, 2015, U.S. District Judge Robert Scola Jr., sentenced Marie Lucie Tondreau to 65 months in prison to be followed by three years of supervised release. The sentence follows a December 16, 2014, jury verdict which found Tondreau guilty of four counts of wire fraud against a financial institution and one count of conspiracy to commit wire fraud against a financial institution. In an indictment issued in May of 2014, Tondreau and three other defendants (Karl Oreste [president of KMC], Okechukwu Josiah Odunna, and Kelly Augustin) were accused of wire fraud in connection with mortgage loans obtained through KMC. Tondreau in particular played an important role in helping KMC Mortgage and co-defendant Karl Oreste perpetuate the scheme by using her political, activist and "celebrity" status to recruit Haitian-American strawbuyers through several radio talk shows that she hosted on behalf of KMC Mortgage. Listeners who responded to the radio ads were recruited by Oreste and Tondreau to become straw buyers of residential property throughout South Florida in exchange for compensation. The defendants told the prospective buyers that they would make the required mortgage payments on the loans and the buyers' names would be removed from the properties within a year. Once the defendants identified properties for purchase, KMC submitted fraudulent loan applications and other related documents to various lenders on behalf of straw buyers who were paid between \$5,000 and \$15,000 for the use of their credit. Tondreau, and at least one other defendant, used her business to provide false employment verifications for those buyers. The defendants also created multiple Form HUD-1 Settlement Statements in order to conceal the fact that the loans were for amounts greater than the seller's asking price, resulting in substantial cash proceeds being

redirected to the defendants at closing. These additional proceeds were appropriated by the defendants without the lenders' knowledge or consent. The defendants made mortgage payments until they ran out of money, causing the lenders to foreclose on the properties and suffer losses of over \$17 million. The majority of the outsized proceeds received from the fraudulent loan applications were used for the personal benefit of the defendants. Tondreau's co-defendant, Karl A Oreste, was previously sentenced to 8 years and 4 months in federal prison to be followed by 5 years of supervised release for his role in the scheme. Oreste was also ordered to pay \$8,215,197.28 in restitution to mortgage lenders. Marie Lucie Tondreau was elected mayor of the city of North Miami in June of 2013. She was suspended in May of 2014 following the unsealing of the indictment. Tondreau's restitution hearing is scheduled for May 22, 2015. This investigation was developed jointly with the FBI and was prosecuted by the U.S. Attorney's Office in Miami.