

GOVERNOR RICK SCOTT

QUARTERLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

MARCH 2013

JANUARY THROUGH MARCH 2013 ACHIEVEMENTS

1. Quarterly Statistics

- Division of Securities
 - Examinations Opened: 66
 - Examinations Closed: 103
 - Complaints Received: 71
 - Complaints Closed: 77
 - Applications Received: 15,132
 - Applications Approved: 14,449
 - Applications Denied/Withdrawn: 257

- Division of Consumer Finance
 - Examinations Opened: 418
 - Examinations Closed: 390
 - Complaints Received: 797
 - Complaints Closed: 878
 - Applications Received: 5,854
 - Applications Approved: 5,822
 - Applications Denied/Withdrawn: 206

- Division of Financial Institutions
 - Examinations Opened: 37
 - Examinations Closed: 31
 - Complaints Received: 230
 - Complaints Closed: 239
 - Applications Received: 19
 - Applications Approved: 18
 - Applications Denied/Withdrawn: 4

- Bureau of Financial Investigations
 - Investigations Opened: 52
 - Investigations Closed: 54
 - Complaints Received: 61
 - Complaints Closed: 95

2. New Additions/Recognitions

On January 25, 2013, the OFR was awarded the Governor's Savings Award for the renegotiation of the REAL contract. The result is a savings of more than \$3.9 million dollars over a four year period.

[Agency for Health Care Administration and Office of Financial Regulation Generate Nearly \\$20 Million in Savings](#)

On February 25, 2013, Tiffany Vause assumed the Director of Communications position at the OFR. Tiffany brings a wealth of communications and marketing experience, having worked in state government, with a non-profit organization, and most recently in the private sector.

On March 28, 2013, the OFR won seven Prudential-Davis Productivity Awards, two agency awards and five team awards.

[Florida Office of Financial Regulation Wins Seven Prudential-Davis Productivity Awards](#)

3. Outreach Activities

On January 16, 2013, Commissioner Breakspear spoke at the Florida Securities Dealers Association (FSDA) Annual Summit in Tallahassee. Topics discussed included an overview of the OFR, proposed legislation, an overview of Division of Securities initiatives and current registration statistics. Approximately 30 members of the securities industry attended the summit.

On February 5, 2013, representatives of the Division of Financial Institutions spoke at the National Association of State Credit Union Supervisors (NASCUS) Directors Conference in Lake Mary, Florida. Approximately 50 participants attended this event.

On February 8, 2013, Commissioner Breakspear and members of the Division of Securities met with the Securities Industry and Financial Markets Association (SIFMA) in Tallahassee. Topics discussed included an overview of OFR, proposed legislation, an overview of Division of Securities initiatives and current registration statistics. Approximately 30 members of the securities industry attended the meeting.

On February 14, 2013, members of the Division of Financial Institutions, Miami Regional Office, participated in the "Meet the U.S. Regulators" panel for Florida International Bankers Association's 2013 AML Compliance Conference. The conference is a two day event (February 13-14, 2013) held at the Hotel InterContinental in Miami, Florida. The OFR's presentation focused on recent changes in Florida Statutes related to transactions with Iran, specifically Section 655.968, F. S. More than 1,000 participants from all over the globe attended this conference.

On March 5, 2013, members of the Division of Securities spoke at the Association of Registration Management (ARM) Conference in Jacksonville as part of the North American Securities Administrators Association (NASAA) Regulator Panel. Topics discussed included common registration issues, tips for detecting unregistered activity and rules initiatives by Florida and other State Securities Regulators. Approximately 150 members of the securities industry attended the conference.

On March 11-13, 2013, OFR Commissioner Breakspear attended the Conference of State Bank Supervisor's (CSBS) Board Meeting in Washington, D.C. Regulators from 37 states discussed concerns about increasing regulation over the approximately 7,000 community banks in the US. The conference attendees met with ranking Financial Services Committee members including Senator Elizabeth Warren, member of the Senate Committee on Banking, Housing and Urban Affairs, and Congressman Jeb Hensarling, Chairman of the Financial Services Committee. They also met with Ben Bernanke, Chairman of the Federal Reserve Board and five governors. Commissioner Breakspear also met with staff members for Senator Bill Nelson, Senator Marco Rubio, Congressman Bill Posey, Congressman Patrick Murphy and Congressman Dennis Ross, senior leaders at the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve, and the Consumer Financial Protection Bureau.

On March 14, 2013, the OFR issued a consumer alert as part of a multi-state effort to let consumers know about a potential fraudulent activity.

[Florida Office of Financial Regulation Warns Florida Investors About Possible Fraud with Online, Overseas Investments](#)

On March 18, 2013, Commissioner Breakspear and Senior Management for the Division of Securities met with Financial Planning Association of Florida members in Tallahassee. Topics discussed included an overview of OFR, proposed legislation, an overview of Division of Securities initiatives and current registration statistics. Approximately 15 members of the securities industry attended the meeting.

On March 20, 2013, members of the Division of Financial Institutions met with the League of Southeastern Credit Unions (LESCU), in Tallahassee, Florida, at the Government Affairs Committee function at the Governor's Club. The event was a round table discussion regarding Credit Unions.

On March 21, 2013, the OFR issued a press release encouraging check cashers and Floridians to be wary of tax refund fraud.

[Florida Office of Financial Regulation Encourages Check Cashers and Floridians to Be Wary of Tax Refund Fraud](#)

4. Substantial Sanctions

Revocation and Permanent Bar against Investment Adviser Firm and Associated Person for Fraudulent Business Practices

On December 31, 2012, the Division of Securities entered a Final Order against David James Grasse and Grasse Capital Management, LLC for engaging in fraudulent transactions. All licenses and registrations issued to David Grasse and Grasse Capital Management, LLC were permanently revoked. In addition, David James Grasse and Grasse Capital Management, LLC were permanently barred from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S.

Permanent Bar and \$22,500 Fine of Unregistered Agent for Fraud

On January 9, 2013, the Division of Securities entered a Final Order against Martin D. McClary for engaging in securities business in Florida without being registered, offering and selling unregistered securities, and engaging in fraudulent transactions. Martin D. McClary was permanently barred from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$22,500 administrative fine was assessed.

Final Order to Cease and Desist from Unregistered Securities Activity

On January 9, 2013, the Division of Securities entered a Final Order against Tradewest Company, Inc. and Bryan D. Burrell to immediately cease and desist from offering or selling unregistered securities, and from acting as an unregistered dealer and associated person.

Final Order to Cease and Desist from Unregistered Securities Activity

On January 11, 2013, the Division of Securities entered a Final Order against The Supply Shop, Inc. and Khrystus Wallace to immediately cease and desist from offering or selling unregistered securities, and from acting as an unregistered dealer and associated person.

Final Order against Broker Dealer Agent for Prohibited Business Practices

On January 11, 2013, the Division of Securities entered a Final Order against William Robert Pearson for engaging in outside business activity without providing prompt written notice to his employing firm, and for failing to observe high standards of commercial honor and just and equitable principles of trade. Pursuant to the Final Order, William Robert Pearson agreed to never seek registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S.

Denial of Broker Dealer Agent for Unauthorized Trading

On January 22, 2013, the Division of Securities entered a Final Order against Adam Michael Cohen, denying his application for registration as a broker dealer agent for engaging in unauthorized trading and exercising discretionary authority in a customer's account without written permission. Pursuant to the Final Order,

Adam Michael Cohen agreed to not seek registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F.S. for two years, and to pay a \$20,000 administrative fine when he reapplies for registration.

Final Order for \$70,000 Fine and \$100,000 Damages to Investors against a Broker Dealer, Investment Adviser and Agents for Violations of the Florida Securities and Investor Protection Act, Chapter 517, F.S., involving Variable Annuity Contracts

On January 30, 2013, the Division of Securities entered a Final Order against Prime Capital Services, Inc., Asset & Financial Planning, Ltd., Scott Aabel, Antonio Gomes and Richard Caparelli, for violations of the Florida Securities and Investor Protection Act, Chapter 517, F.S. Violations involved the failure to disclose that the deduction of management fees associated with certain variable annuity contracts would negatively impact one of the annuity contract's riders. Pursuant to the terms of the agreement, the firms and individuals shall pay a \$70,000 administrative fine, \$100,000 to impacted investors, and \$26,175 in costs to the Division.

Permanent Bar and \$90,000 Fine of Broker Dealer Agent for Fraud

On February 7, 2013, the Division of Securities entered a Final Order against Brent Deviney for engaging in fraudulent securities transactions. Deviney was permanently barred from seeking future licensure and/or registration with the Office of Financial Regulation. A \$90,000 administrative fine was assessed.

Permanent Bar against Broker Dealer Agent for Fraudulent Transactions

On February 18, 2013, the Division of Securities entered a Final Order against Alice H. Everett for the following: omissions and misrepresentations of material facts to investors regarding risk and rate of return; borrowing money from a client; and failing to provide written notice to her employing broker dealer firms of her participation in private securities transactions and outside business activity. Ms. Everett was permanently barred from licensure and/or registration with the Office.

Final Order for \$20,000 Fine against a Broker Dealer Firm for Failure to Disclose Postage and Handling Fees to Customers

On March 14, 2013, the Division of Securities entered a Final Order against Hunter Scott Financial, LLC. Hunter Scott raised the postage and handling fee it charged to clients and also charged a separate fee for commissions. Hunter Scott failed to disclose to its clients that the handling fee included expenses incurred by the firm in conducting its day-to-day business and, further, the handling charge was not directly related to the postage-related expenses incurred by the firm in processing a client's transaction. The firm consented to cease and desist from violations of Chapter 517, Florida Statutes and paid a \$20,000 administrative fine.

Final Orders for \$31,500 in Fines against Investment Adviser Firms for Failure to File Financial Statements

From January 1 to March 26, 2013, the Division of Securities entered Final Orders against nine investment adviser firms for failing to file annual financial statements. Administrative fines totaling \$31,500 were assessed.

5. Significant Enforcement Actions

On March 1, 2013, Attorney General Pam Bondi's office obtained a temporary injunction and asset freeze against Vanderbilt & Associates, LLC, Buchanan Capital Management, LLC, and their owner for allegedly engaging in unlawful debt collection schemes. The Office of Financial Regulation and the Orlando Police Department assisted with the case involving allegations that the companies would call consumers and claim to be law enforcement officials, government agents, process servers or county clerk's office employees to intimidate or scare consumers into paying debts. In many cases, these alleged practices were targeted at debts that were non-existent, had already been paid, or for which the company had no legal rights to collect. These alleged practices are in violation of the Florida Unfair and Deceptive Trade Practices Act and the Florida Consumer Collection Practices Act.

[Attorney General Bondi's Office Announces Temporary Injunction and Asset Freeze Against Debt Collection Companies](#)

Attorney Sentenced in Mortgage Fraud Scheme

On January 11, 2013, attorney Theodore Tarone was sentenced to 18 months in prison with two years supervisory release after pleading guilty to criminal information in federal court charging him with one count of conspiracy to commit mail fraud. On February 15, 2012, Theodore Tarone and four other defendants were charged for their roles in a \$3 million mortgage fraud scheme. On June 6, 2012, Tarone pled guilty to conspiracy to commit mail fraud and agreed to cooperate with the government. This investigation began after the OFR received information that the principal of Gateway Lending, a West Palm Beach mortgage brokerage company, was utilizing family members and friends to commit mortgage fraud. The joint OFR/DFS/FBI investigation revealed Tarone, a licensed attorney, with the assistance of defendant Jacinto Puentes, closed all the loans in question. Tarone prepared two settlement statements or "double HUDS" for each property. The settlement statement sent to the lender contained a higher, fictitious sales price. In this way, the seller of the property received what he believed was his sales price, while the lender financed the same property at the fictitious sales price. At closing, this allowed the defendants to receive the difference between the loan amount and the actual sales price. All of the properties in this mortgage scheme went into foreclosure. Losses to the lenders exceeded \$3 million dollars.

Man Sentenced to Five Years for Mortgage Fraud

On January 24, 2013, Arthur Roy Seaborne was sentenced to five years in prison with three years of supervised release after pleading guilty to criminal information

in federal court charging him with one count of conspiracy to defraud the United States. Seaborne was also ordered to pay restitution in an amount to be determined, but expected to be approximately \$6.8 million. On May 31, 2012, Arthur Seaborne was charged with 11 counts of bank fraud for his role in a mortgage fraud scheme involving his companies Southeast Capital Investors, Inc. (SCI), Southeast Capital Advisors, LLC, Southeast Capital Properties, LLC and Zip Line Properties, Inc. This investigation began in 2003 with a referral from the OFR's Division of Consumer Finance alleging that Seaborne was offering unregistered securities in the form of Real Estate Investment Trust Note Agreements to 44 investors from the state of Florida. Seaborne used the investor money to advance funds to mortgage loan borrowers without being licensed, pursuant to sections 494.006 and 494.0077, F.S. Seaborne failed to disclose to the mortgage lenders that the down payment reported to the lender was actually a loan from SCI and Seaborne. The OFR entered into a Stipulation and Consent Agreement on August 15, 2008, in which Seaborne agreed to immediately cease and desist from any and all violations of Chapters 517 and 494, F.S. The Office of Financial Regulation teamed up with the FBI and U.S. Postal Inspection Service to investigate the financial activities of Seaborne. An Indictment was filed on May 31, 2012, alleging that Seaborne raised money through the sale of twelve-month promissory notes used to make down payments on residential properties. Seaborne purposefully failed to record the promissory notes so the notes would not appear on the clients' loan application or credit histories. The loss incurred by victim lenders in connection with 49 residential properties is \$6,817,821.55.

Jacksonville Man Arrested for \$4 Million Ponzi Scheme

On January 28, 2013, Jacksonville resident Anderson Scott Hall, 48, was arrested after being indicted on ten counts of mail fraud and ten counts of wire fraud in connection with his operation of a fraudulent investment scheme. According to the indictment, while working for a registered broker dealer, Hall operated a sham company (Abaco Securities International Ltd.), which he held out to be a legitimate international investment company. It is alleged that Hall was the mastermind behind a complex scheme to defraud numerous investors, including Duval County school teachers and administrators. Hall would allegedly induce victim investors into transferring their retirement savings from legitimate life insurance companies and investment companies over to companies he controlled. Hall purportedly told the investors they would receive shares in a unit investment trust that would pay 10 percent guaranteed interest. It is further alleged that instead of investing the victims' funds, as promised, Hall used the funds for his own benefit, including purchasing high value luxury items and commercial and residential real estate. Occasionally, as part of the fraud scheme, Hall used money taken from new investors to pay earlier investors. Collectively, Hall allegedly defrauded more than \$4 million from investors. This case was primarily developed by the Bureau of Financial Investigations. The FBI joined the investigation in September 2012.

Man Sentenced to 22 Months in State Prison for Investment Fraud

On January 31, 2013, Robert Oglesby was sentenced in Broward County Circuit Court to 22 months in state prison followed by 29 years of probation for his participation in a fraudulent investment scheme. In addition, the court ordered Oglesby to pay \$250,000 of restitution. The OFR investigation revealed Oglesby, aka "Robert Weinstein," sold fraudulent shares of stock in Ford Motor Company through unsolicited phone calls to victims. Oglesby offered to sell customers Ford Motor Company stock for \$5 per share although the market price was \$7 per share. A single victim "purchased" the shares of stock in Ford Motor Company based on misrepresentations made by Oglesby. The victim, excited by this opportunity, wired a total of \$250,000 to Oglesby from July 2010 through August 2010. Defendant Oglesby, who was not registered to sell securities, deposited the victim's money into Skyline Financial Group, LLC, a company he controlled. An analysis of the bank records revealed Oglesby withdrew the victim's money by way of cashier's checks and cash within five days of receiving each wire. There is no evidence that Oglesby ever owned, or had in his possession, Ford Motor Company stock.

Orlando Area Man Arrested For Ponzi Scheme

On February 12, 2013, Gurudeo Persaud, owner of White Elephant Trading Company (WETCO), located in Orlando, was arrested by Special Agents of the FBI on one count of mail fraud and four counts of wire fraud. Persaud was also arraigned and pled not guilty. He was released on his own recognizance with a pending trial date set for April 1, 2013. The joint FBI/OFR investigation revealed that from July 2007 to January 2010, Persaud used WETCO to raise over \$1,000,000 from 14 Florida and out-of-state investors through alleged fraudulent pretenses and representations. WETCO is alleged to have developed into a Ponzi scheme. Persaud solicited investments, primarily through personal discussions, and promised investors risk free returns of 6%-18% annually. Persaud, however, failed to disclose that his trading strategy was based on lunar cycles and the gravitational pull between the moon and the earth. Persaud is alleged to have misappropriated approximately \$415,000 of investor funds for his personal use. Persaud's activity came to light in June 2012 when the SEC filed a civil suit against him. The case is currently pending.

Tampa Area Man Sentenced to Prison for Role in Ponzi Scheme

On February 20, 2013, Stephen T. Muench was sentenced to three years in prison followed by seven years of probation after pleading guilty to two counts of sale of unregistered securities, two counts of sale of security by an unregistered dealer, and one count of organized fraud - a first degree felony. Muench was also ordered to pay \$1.3 million in restitution to victims. On December 8, 2011, Stephen Muench was charged for his role in the sale of unregistered securities issued by Trans Continental Airlines, which turned out to be a \$300 million Ponzi scheme run by Lou Pearlman. In 2008, Pearlman was sentenced to 25 years in federal prison after pleading guilty to charges of conspiracy, money laundering, and making false statements. Muench sold unregistered securities in the Trans

Continental Airlines Employee Investment Savings Account (EISA) Program to 73 Florida Investors who invested more than \$8 million. Muench was paid more than \$500,000 in commissions on these transactions.

Ft Myers Man Sentenced to Six Years in Prison for Investment Fraud

On March 4, 2013, Robert Schnepf pled guilty to securities fraud and grand theft, both first degree felonies. Schnepf was sentenced to six years in prison to be followed by 24 years of probation. He was also ordered to pay \$192,600 in restitution. The joint OFR/Lee County Sheriff's Office investigation revealed that from September 2008 to September 2011, Schnepf, engaged in a Ponzi scheme in which he used new investor funds to pay older investors. The analysis of the bank records also revealed Schnepf used investor funds for his own benefit including cash withdrawals, rent for his luxury apartment and other personal expenses.

[Former Lee County High School Baseball Coach Arrested for Scamming Hundreds of Thousands of Dollars from Coaches, Teachers and Parents in Ponzi Scheme](#)

Man Arrested a Second Time for Charging Advance Fees for Loans and Theft

On April 19th, 2011, Berthram B. Samuel, president of Ruxkira, Inc., was arrested and charged with six counts of grand theft, seven counts of unlawfully collecting advance fees and one count of organized fraud after an OFR investigation revealed that from December 2007 through April 2010, Samuel advertised short-term loans, letters of credit and investment loans of up to ten million dollars through his website. He is alleged to have charged potential borrowers advance fees of \$295,000, but the loans he promised never materialized. On March 14, 2013, just eleven days prior to a scheduled trial date for the above alleged offenses, Samuel's bond was revoked and he was re-arrested and charged with one count of grand theft and one count of unlawfully collecting \$5,000 in advance fees in violation of 687.141 F.S. The new charges stem from Samuel's alleged involvement in securing letters of credit on behalf of a prospective borrower. The letters of credit, which Samuel purported to be worth five million dollars, were offered through Tuoroell Corporation, another company he owned and controlled.

Defendant Pleads Guilty in Connection with Affinity Fraud Investment Scheme

On March 12, 2013, Aiby Pierre-Louis, of Focus Development Center, Inc., pled guilty to one count of conspiracy to commit mail fraud for his involvement in an affinity investment scheme resulting in losses of approximately six million dollars to investors, primarily from the Haitian community in South Florida. Pierre-Louis was indicted on the mail fraud charge in June of 2010 as a result of a joint OFR Bureau of Financial Investigations and U.S Postal Inspection Service investigation. The investigation revealed that Pierre-Louis and his co-defendants raised approximately eight million dollars from more than 770 investors. The defendants made presentations in churches and on local radio stations to convince prospective investors to participate in the investment program. During

these presentations the defendants falsely claimed that Focus Development owned and operated successful businesses and that the monies they raised would be used to promote Haitian-American enterprise, create jobs and improve the community. Pierre-Louis had fled the United States and had been residing in Haiti since he was indicted. He was arrested at the United States Embassy in Port-au-Prince and brought back to Miami in October 2012 to face prosecution. Previously, two defendants in this case, Maxo Francois and Maguy Nereus, were sentenced to prison for 52 months and 24 months respectively, for their roles in this scheme. A fourth defendant, Jean Fritz Montinard is still a fugitive, and he is believed to be living in Haiti. As a result of the defendants' fraudulent actions, investors suffered an unreimbursed loss of approximately 6 million dollars.

10 Year Prison Sentence in \$32.5 million Ponzi scheme

On March 12, 2013, Gary D. Martin (Martin), 61, of St. Augustine, was sentenced to ten years' imprisonment to be followed by two years' supervised release. He was also ordered to pay \$31,707,038 in restitution to his victims. This sentence comes approximately one year after Martin pleaded guilty to one count of money laundering in federal court in North Carolina for his involvement in a precious metals/foreign currency trading scheme known as the "Queen Shoals Ponzi scheme". From 2007 through about 2009, Martin and his Queen Shoals Consultants (QSC) raised approximately \$28.5 million from investors through a series of false statements and misrepresentations. The investigation found that Martin engaged in money laundering transactions by utilizing referral fees from Sidney Hanson, the scheme's mastermind currently serving a 22-year federal sentence, to pay himself and his consultants over \$1.9 million in commissions. These payments caused QSC consultants to induce additional victims to invest, thereby perpetuating the scheme. This case was worked jointly with the CFTC, the U.S. Attorney's Office for the Western District of North Carolina, and the North Carolina Secretary of State. The OFR Division of Securities also provided invaluable assistance with this case and was successful in bringing enforcement actions against several QSC consultants residing in Florida.

Guilty Pleas in Boiler Room Fraud Case

On Friday March 22, 2013, Defendant Michelle Braun was sentenced in Broward County circuit court to one year of house arrest and four years of probation for her participation in a fraudulent investment scheme. Braun had previously been charged with one felony count each of organized fraud, selling a security based on falsification of facts, unlawful operation of a boiler room and sale of unregistered securities. Braun, as Vice President of Sterling Capital Trust, Inc., along with others charged in the case, was alleged to have knowingly and willingly participated in the sale of fraudulent, unauthorized shares of Agro Energy USA, Inc. The OFR's investigation revealed that Sterling Capital and its officers never had Agro Energy USA shares to sell nor did Agro Energy USA receive any money from Sterling's clients. Sterling's bank records revealed that over \$233,000 of investors' funds were spent by Braun and her co-defendants personally. Another defendant in this case, Brian Dunlevy, was earlier charged

with the same four felony violations and on January 30, 2013 received a fifteen year prison sentence for his involvement in the scheme. Additional defendants Jeffrey Duke, Master Mays and Brandon Rodriguez each pled no contest to similar charges and were placed on probation with adjudication withheld. The last defendant in the case, Joseph Vitale, is scheduled to enter a plea on April 5, 2013.