

# GOVERNOR RICK SCOTT

## MONTHLY AGENCY ACHIEVEMENT REPORT

### OFFICE OF FINANCIAL REGULATION

AUGUST 2012

#### AUGUST ACHIEVEMENTS

##### 1. Substantial Sanctions

An investigation by the Bureau of Financial Investigations resulted in an order against Jack A. Arnold. He was ordered to cease and desist from the sale of unregistered securities and fined \$255,000. The investigation revealed that he sold \$4.8 million of unregistered securities to 68 Floridians.

##### 2. Enforcement Results

###### Investment Fraud

On August 17, 2012, Alipio Estruch was convicted after a trial in state court of one count of grand theft and one count of organized scheme to defraud. The jury found that from January 2010 through June 2010, Estruch solicited \$53,400 from six investors nationwide to purchase precious metals. The victims were solicited through telephone cold calls from Estruch in his boiler room. Estruch told the investors they could make a lot of money if they purchased gold and silver bullion. Investigators determined that precious metals were never purchased and instead, Estruch used investors' funds for his own benefit.

###### Mortgage Fraud

On August 20, 2012, eight persons were sentenced as part of a complex, \$10.2 million mortgage fraud scheme. The joint OFR/FBI investigations revealed the defendants, many of whom are from Trinidad, committed mortgage fraud in Broward, Palm Beach, Miami-Dade, Collier, Polk, and St Lucie counties. The fraud ring identified residential properties to be purchased and then conspired with a loan processor, a bank employee, and multiple straw buyers to submit loan applications containing grossly inflated statements of the loan applicant's earnings and employment to lenders. Most of the homes that were purchased were left in foreclosure. The case was unique in that the straw buyers, who are not commonly charged, were sentenced to terms ranging from 26 to 33 months in federal prison.

###### Global Bullion Trading Group

On August 9, 2012, a federal indictment was unsealed in Miami charging Arthur John Schlecht, Frederick Gomer, Carlos Rodriguez and Ricardo Padron with conspiracy to commit mail and wire fraud in connection with an elaborate

precious metals investment fraud scheme through Global Bullion Trading Group and WJS Funding, Inc.

The indictment alleges the defendants operated an in-house telemarketing operation which solicited the general public to invest in precious metals with leveraged/margin accounts. Investors were induced to believe that they were purchasing the physical metals and that their metals would be held in personalized accounts. Investors were told they had the ability to take possession of the precious metals at any time subject to handling fees, postage and insurance. The telemarketing operation brought in more than \$48 million from investors. The joint state and federal investigation revealed the defendants did not purchase precious metals nor did they maintain individual accounts on behalf of investors and instead diverted substantial sums for their personal benefit.

Press Release: [Four Charged in Precious Metals Investment Scheme](#)

#### Michael Thomas Hardman

On August 8, 2012, Michael Thomas Hardman was arrested on state charges of two counts of sale of unregistered securities, and sale of securities by an unregistered dealer. It is alleged that since at least March 2005, Hardman sold notes issued by Tech Support Systems, Inc., a company he owned and controlled, to friends and acquaintances he met primarily through Alcoholics Anonymous. He also found investors through the preparation of their income tax returns. Hardman is further alleged to have told investors their money would be invested in a guaranteed fund and assured them their money was not at risk.

### **3. Outreach Programs**

On August 10, 2012, the Division of Consumer Finance conducted a first time home buyer's seminar. The seminar was conducted in Pensacola and is part of an ongoing series of seminars conducted by the Division.

#### North American Securities Administrative Association (NASAA) Investment Adviser Training

On August 6-9, 2012, six members of the Division of Securities' staff attended the NASAA Investment Adviser training. The training provided the Division's staff with ways to strengthen the investment adviser registration process. Additionally, examiners learned techniques for conducting examinations of investment advisers who recently switched from SEC registration to state registration with assets under management of \$25 - \$100 million dollars.

### **4. Continuity of Operations**

The OFR Emergency Management staff participated in the briefings at the State Emergency Operations Center (SEOC) in preparation and support of the Republican National Convention and Tropical Storm/Hurricane Isaac.

The OFR Interim Commissioner, Linda Charity, issued a [proclamation](#) authorizing state, national, and federally chartered financial institutions located in those areas adversely affected by Tropical Storm/Hurricane Isaac to close or remain closed until the officers of such institutions advise the emergency conditions no longer exist. This included institutions in the Miami, Tampa and Florida Panhandle areas.

The OFR Interim Commissioner, Linda Charity, issued a [proclamation](#) authorizing state, national, and federally chartered financial institutions located in areas adversely impacted by emergency security measures of the Republican National Convention, to close or remain closed from Friday, August 24, 2012, at 6pm EDT until Friday, August 31, 2012, at 6pm EDT.

## 5. Monthly Statistics

- Division of Securities
  - Examinations Opened: 22
  - Examinations Closed: 21
  - Complaints Received: 14
  - Complaints Closed: 20
  - Applications Received: 4,252
  - Applications Approved: 4,202
  - Applications Denied/Withdrawn: 50
  
- Division of Consumer Finance
  - Examinations Opened: 30
  - Examinations Closed: 35
  - Complaints Received: 200
  - Complaints Closed: 225
  - Applications Received: 2,923
  - Applications Approved: 2,907
  - Applications Denied/Withdrawn: 54