

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING March 17, 2016

Successes for Week Ending March 17, 2016

1. Licensing and Registration

- Division of Securities
 - Applications Received: 1,107
 - Applications Approved: 924
 - Applications Denied/Withdrawn: 13

- Division of Consumer Finance
 - Applications Received: 392
 - Applications Approved: 386
 - Applications Denied/Withdrawn: 23

- Division of Financial Institutions
 - Applications Received: 2
 - Applications Approved: 2
 - Applications Denied/Withdrawn: 1

2. Regulatory Sanctions

Final Order for \$7,500 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On March 7, 2016, the Division of Securities entered a final order against Scepter Capital Management, LLC and William F. Kennedy, Jr., for engaging in prohibited business practices by failing to maintain a written advisory contract, maintain investment suitability documents, maintain an accurate Form ADV, file audited financial statements, maintain required net capital, timely notify the OFR of the firm's net capital deficiency and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$7,500 administrative fine was paid.

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

On March 11, 2016, the Division of Securities entered a final order against Jason Foxe permanently barring him from submitting an application or notification for a license or registration with the OFR, after he failed to request a hearing. The final order follows an administrative complaint, which alleged Mr. Foxe offered and sold unregistered securities, engaged in securities business in Florida without

being registered and obtained money by means of fraud. A \$25,000 administrative fine was assessed.

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

On March 11, 2016, the Division of Securities entered a final order against E. Daryl Magette permanently barring him from submitting an application or notification for a license or registration with the OFR, after he failed to request a hearing. The final order follows an administrative complaint, which alleged Mr. Magette offered and sold unregistered securities, engaged in securities business in Florida without being registered and obtained money by means of fraud. A \$25,000 administrative fine was assessed.

3. Enforcement Actions

Defendant Sentenced for Operating a Boiler Room in Broward County

On February 25, 2016, Manuel Frade pled guilty to one count of scheme to defraud and one count of securities fraud (Chapter 517.301, F.S.). On the same date, Frade was adjudicated guilty and sentenced to two years of prison to be followed by 10 years of probation. Frade was also ordered to pay \$438,334.00 in restitution, \$100,000 of which was paid immediately. Frade along with another co-defendant, Angel Quinones, operated a boiler room that was used to solicit individuals into investing in precious metals. After the solicitations, which were done through Integrated Market Capital Investments (d.b.a. Midas Asset Exchange), investors typically received account statements that showed the alleged purchase of the precious metals. Investors claimed that Frade and Quinones led them to believe that the metals listed on the account statements would be stored for them in a vault or other safe place until such time as they desired to sell. The OFR investigation revealed that only a small portion of the more than \$2 million invested was used to trade possessory rights to precious metal inventory, and none of money invested was used to purchase or store the physical metals. Instead, the majority of the money obtained from investors was used to pay business expenses and for the personal benefit of Frade and Quinones. This case was prosecuted by the Broward County State Attorney's Office.

Defendant Sentenced to Prison for Role in Elaborate Ponzi Scheme

On March 14, 2016, defendant Joseph Signore was sentenced to serve 240 months in federal prison and ordered to pay \$31 million in restitution for his role in an elaborate Ponzi scheme that bilked investors out of approximately \$80 million. The scheme centered on the sale of "virtual concierge machines" (VCMs), devices which Signore claimed would be installed in sports stadiums and hotels to provide users with information as well as discount coupons and access to services such as restaurant food delivery. The VCMs were offered to investors for \$2,500 to \$3,500 each and were supposed to be strategically placed in areas with significant pedestrian traffic. Working through JCS Enterprises, Inc., of Jupiter and an associated company named TBTI, Inc., Signore along with his

ex-wife Laura Grande-Signore and his business associate Paul Schumack, sold the equivalent of 22,547 VCM kiosks to investors around the country. As part of the sales pitch, investors were guaranteed \$300 a month in returns for at least 36 months from advertising revenues alone. Despite these representations and the large quantity of VCMs sold, only 182 VCMs were ever manufactured and only 84 ever made it into operation. Advertising revenues from the VCMs that went into operation amounted to less than \$22,000 over the course of two years and only a fraction of the money raised from investors was used to purchase components to manufacture the VCMs. Instead, the vast majority of investors' funds was used by the defendants to pay for personal living expenses or to make Ponzi style payments to early investors. Signore alone, was responsible for raising \$10 million from 307 investors, 128 of whom resided in Florida. On December 7, 2015, following a six-week federal trial, Signore and his co-defendants were each found guilty of various charges to include money-laundering, wire fraud and mail fraud. In May 2015, another defendant in the case, Craig Hipp, Vice President of Manufacturing for JCS, was sentenced to seven years in prison for his role in the fraud. Laura Grande-Signore is scheduled to be sentenced on March 16, 2016. Defendant Paul Schumack is scheduled to be sentenced on March 17, 2016. This case was developed in cooperation with the SEC and the FBI. It was prosecuted by the United States Attorney's Office in West Palm Beach.

New Issues

1. **Communications and Outreach Activities**

On March 14, 2016, the OFR issued a consumer alert regarding scams may target senior citizens.

[Consumer Alert: Scams Targeting Senior Citizens](#)