

# GOVERNOR RICK SCOTT

## MONTHLY AGENCY ACHIEVEMENT REPORT

### OFFICE OF FINANCIAL REGULATION

FEBRUARY 2015

#### FEBRUARY ACHIEVEMENTS

##### 1. Monthly Statistics

- Division of Securities
  - Examinations Opened: 39
  - Examinations Closed: 21
  - Complaints Received: 13
  - Complaints Closed: 20
  - Applications Received: 3,509
  - Applications Approved: 3,570
  - Applications Denied/Withdrawn: 24
  
- Division of Consumer Finance
  - Examinations Opened: 31
  - Examinations Closed: 36
  - Complaints Received: 165
  - Complaints Closed: 151
  - Applications Received: 998
  - Applications Approved: 938
  - Applications Denied/Withdrawn: 40
  
- Division of Financial Institutions
  - Examinations Opened: 12
  - Examinations Closed: 13
  - Complaints Received: 75
  - Complaints Closed: 65
  - Applications Received: 6
  - Applications Approved: 1
  - Applications Denied/Withdrawn: 0
  
- Bureau of Financial Investigations
  - Investigations Opened: 10
  - Investigations Closed: 5

##### 2. Substantial Regulatory Actions

###### 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.

### **3. Enforcement Actions**

#### 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.

[USAO 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 (Note: Campbell sought construction permitting only after several complaints had been registered against him with the OFR). 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.

#### **4. Communications and Outreach Activities**

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 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](#)