

GOVERNOR RICK SCOTT
MONTHLY AGENCY ACHIEVEMENT REPORT
OFFICE OF FINANCIAL REGULATION
MARCH 2015

MARCH ACHIEVEMENTS

1. Monthly Statistics

- Division of Securities
 - Examinations Opened: 15
 - Examinations Closed: 20
 - Complaints Received: 19
 - Complaints Closed: 21
 - Applications Received: 4,372
 - Applications Approved: 4,304
 - Applications Denied/Withdrawn: 39

- Division of Consumer Finance
 - Examinations Opened: 18
 - Examinations Closed: 29
 - Complaints Received: 96
 - Complaints Closed: 206
 - Applications Received: 821
 - Applications Approved: 779
 - Applications Denied/Withdrawn: 25

- Division of Financial Institutions
 - Examinations Opened: 11
 - Examinations Closed: 15
 - Complaints Received: 62
 - Complaints Closed: 74
 - Applications Received: 4
 - Applications Approved: 4

- Bureau of Financial Investigations
 - Investigations Opened: 7
 - Investigations Closed: 8

2. Substantial Sanctions and Fines

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.

3. Enforcement Actions

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.

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 Wongkhia

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](#)

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.

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.

4. Communications and Outreach Activities

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](#)