

GOVERNOR RICK SCOTT

MONTHLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

JANUARY 2013

DECEMBER ACHIEVEMENTS

1. Monthly Statistics

- Division of Securities
 - Examinations Opened: 13
 - Examinations Closed: 39
 - Complaints Received: 20
 - Complaints Closed: 32
 - Applications Received: 6,614
 - Applications Approved: 6,076
 - Applications Denied/Withdrawn: 42

- Division of Consumer Finance
 - Examinations Opened: 289
 - Examinations Closed: 73
 - Complaints Received: 247
 - Complaints Closed: 271
 - Applications Received: 1,582
 - Applications Approved: 1,634
 - Applications Denied/Withdrawn: 60

2. 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 for \$10,000 Fine against Broker Dealer Agent for Unregistered Activity

On January 11, 2013, the Division of Securities entered a Final Order against Raymond Sherwood Robinson for engaging in securities business in Florida without being registered. A \$10,000 administrative fine was assessed.

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 Orders for \$9,000 in Fines against Investment Adviser Firms for Failure to File Financial Statements

During January 2013, the Division of Securities entered Final Orders against two investment adviser firms for failing to file annual financial statements. A \$9,000 administrative fine was assessed.

3. Enforcement Actions

Guilty Plea in Securities Case

On January 9, 2013, Stephen T. Muench pled guilty to one count of scheme to defraud and four counts of violating Chapter 517, F.S., by selling unregistered securities. Sentencing is scheduled for February 2, 2013. On December 8, 2011, Stephen Muench was charged for his role in the sale of unregistered securities issued by Trans Continental Airlines (TCA). TCA was a \$300 million Ponzi scheme operated 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 on behalf of TCA to 73 Florida investors who invested in excess of \$8 million. Muench was paid approximately \$500,000 in commissions. Muench was previously registered as an associated person with various broker dealer firms and was a licensed insurance agent. Assistant Statewide Prosecutor Mike Schmid prosecuted this case.

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 57 Months for Investment Fraud

On January 11, 2013, Keith Allan Mills was sentenced to 57 months in federal prison and 3 years of supervised release. Mills was the principal of Business Vision Network Inc. ("BVN"), a business located in West Palm Beach, FL. BVN purportedly produced television infomercials and sold certain products advertised on the infomercials. An OFR/FBI investigation revealed that Mills and others solicited investors by falsely representing that BVN was a successful infomercial company, had \$10 million in revenues, and was financially stable, from January

2009 through October 2010. They also falsely represented that BVN was going to have a public stock offering in the near future, and that BVN employed several specific people experienced in the infomercial industry. In fact, BVN did not have \$10 million in revenue, was not financially stable, was not working on a public stock offering, and did not employ any of the specified people who had infomercial industry experience. Based upon false and fraudulent representations, more than 90 people invested approximately \$1.9 million in BVN. An analysis of bank records revealed that investor money was not used to further BVN's business. Instead, it was generally used to maintain the lavish lifestyle of the Mills and the others associated with BVN.

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.

4. Outreach Activities

On January 16, 2013, Commissioner Breakspear and Division of Securities Director Pam Epting spoke at the Florida Securities Dealers Association (FSDA) Annual Summit 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 summit.

On January 25, 2013, members of the Division of Consumer Finance spoke at the Florida Association of Mortgage Professionals (FAMP) Symposium in Orlando. Topics discussed included an introduction of division management, recognition of the new OFR Commissioner, licensing and renewal statistics, guidance on what to expect during an examination, and the top issues in the mortgage industry. Approximately 100 industry representatives attended the Symposium.

5. 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, which reflects more than 10 percent of the OFR's annual budget.

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