

**STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION**

**STATE OF FLORIDA,
OFFICE OF FINANCIAL REGULATION,**

Petitioner,

vs.

**Administrative Proceeding
Number: 66651-I**

WILLIAM GROSS, CRD #1366267,

Respondent.

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ADMINISTRATIVE COMPLAINT AND NOTICE OF RIGHTS

The State of Florida, Office of Financial Regulation (“Office”), being authorized and directed to administer and enforce the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes, and having determined by the Statement of Facts and Conclusions of Law herein that the above captioned Respondent violated Chapter 517, by engaging in activity requiring registration as a securities “dealer” or as an “associated person” of a securities dealer, and by selling unregistered securities issued by a company operating a fraudulent investment scheme, hereby provides notice that final agency action pursuant to Section 517.221, Florida Statutes, will be entered in this matter. Notice is accordingly provided to the Respondent that the Office intends to issue a cease and desist order against the Respondent, as authorized by Section 517.221(1), Florida Statutes, and to impose fines and a bar as authorized by Sections 517.221(3) and (4), Florida Statutes. The Statement of Facts and Conclusions of Law requiring entry of the aforesaid orders are as follows:

STATEMENT OF FACTS

Tri-Med Corporation: The Issuer of Unregistered Securities Sold by the Respondent

1. The Office is the state agency authorized to bring civil and administrative actions for violations of the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes.

2. At all times material to this action, Tri-Med Corporation ("Tri-Med") was as an active Florida corporation with a principal address of 34931 U.S. Hwy. 19, Suite 104, Palm Harbor, Florida, 34684.

3. From its inception in October 2011, Tri-Med was purportedly in the business of buying deeply discounted medical receivables, which were due and payable by patients, who were pursuing personal injury claims, typically from slip and fall or automobile accident incidents.

4. The satisfaction of these receivables was contingent on the successful resolution of the related legal claims.

5. From inception, Tri-Med funded its purchase of medical receivables through the sale of investment contracts to Florida investors.

6. Between 2011 and 2013, Tri-Med sold approximately \$17 million in investment contracts to over 200 Florida investors.

7. The investment contracts were in most instances titled "Monthly Income Agreement" or "Agreement" (hereinafter collectively referred to as the "monthly income agreements"), and promised:

- a. a fixed "profit" payment of between 5.5% to 8% on an annual basis for 24 months;

- b. monthly distributions of the “profit;”
 - c. the full return of principle after 24 months, regardless of the profitable resolution of the medical receivable purportedly linked to each monthly income agreement;
 - d. the option to continue to receive monthly distributions after 24 months, if a medical receivable had not been resolved, which would continue until the resolution of the receivable; and,
 - e. in the event a medical receivable “claim” was disallowed, then the assignment of a new receivable, with all related expenses born by Tri-Med.
8. Investors did not participate in the management or entrepreneurial efforts of Tri-Med.
9. Investors were promised that their funds would be placed in escrow in an attorney trust account until a medical receivable was purchased on each investor’s behalf.
10. All investor funds were deposited into accounts controlled and owned by Tri-Med.
11. Investors’ funds were commingled with other investors’ funds.
12. Of the \$17 million raised, only approximately \$2.8 million was subsequently transferred to an attorney’s trust account.
13. Investors did not have an escrow relationship with the attorney.
14. As additional security, investors were also promised to be assigned an interest in a “letter of protection” that corresponded to the medical receivable.
15. A “letter of protection” is issued by a patient’s/plaintiff’s attorney assuring payment of the medical receivable in the event of a settlement with a tortfeasor and the

tortfeasor's insurance company.

16. Tri-Med utilized only \$3.9 million, which included the \$2.8 million transferred to the trust account, to purchase medical receivables.

17. Approximately \$2.3 million was distributed back to investors as "profit" or the return of principal.

18. Approximately \$6.5 million was distributed to the operators of Tri-Med for such things as a BMW and a penthouse apartment for Jeremy Anderson, its president; for salaries, marketing and sales commissions; to purchase several single family homes for rehabilitation; and for purported loans to a restaurant and an auto garage.

19. At least \$3 million of the \$6.5 million was nonetheless falsely identified to investors as having been used to purchase medical receivables, which were then assigned to investors via assignments of corresponding fictitious letters of protection.

20. At the time Tri-Med and TMA were placed in receivership in 2014, Tri-Med held approximately \$4.6 million in its bank accounts.

21. Notwithstanding the misuse of funds and the lack of any obligation by insurance companies to satisfy the investment agreements (as the agreement were between Tri-Med and the investors), Tri-Med indicated in marketing materials, on the face of certain of the monthly income agreements, and in investor correspondence such misleading statements as:

- a. "Tri-Med where investments are backed and paid by a major insurance company;"
- b. "Every dollar is backed by a major insurance company;"
- c. "All deposits are secured by major insurance companies."

d. "...A letter of credit always remains in place at Bank of America to re-assure this...."

22. In December 2012, Tri-Med was advised by Stoel Rives LLP ("Stoel Rives"), its outside counsel, that the monthly income agreements were "securities."

23. Stoel Rives also advised that the offers and sales of the monthly income agreements were likely in contravention of Florida and federal registration and disclosure requirements, and should be terminated.

24. The definition of the term "security" at Sections 517.021(21)(a) and (q), Florida Statutes (2012), includes the following:

(a) A note.

• • •

(q) An investment contract.

25. The monthly income agreements offered for sale and sold by Tri-Med were "securities."

26. At all times material, Tri-Med was not registered with the Office as a securities "dealer" or "issuer," pursuant to Chapter 517, Florida Statutes.

27. At all times material, Tri-Med did not register the monthly income agreements or any other form of securities with the Office, pursuant to Chapter 517, Florida Statutes.

Tri-Med Associates, Inc.: Tri-Med's "Marketing Arm"

28. Tri-Med principally utilized Tri-Med Associates, Inc. ("TMA"), an affiliated entity, to market the monthly income agreements.

29. At all times material, TMA was as an active Delaware corporation with a

principal address of 801 International Parkway, Lake Mary, Florida 32746.

30. TMA characterized itself as "... the marketing arm of Tri-Med Corporation and Tri-Med Corporation is in the sole business of paying hospitals and surgery centers cash for their account [sic] receivable from insurance companies."

31. Gross was affiliated with TMA as one of TMA's purported "independent" sales agent.

32. Between 2012 and 2014, Gross offered for sale and sold monthly income agreements issued by Tri-Med.

33. Investors typically were solicited through newspaper advertisements placed by TMA or solicited directly by Gross through his relationship with investors as an insurance agent and CPA.

34. For each sale of an investment contract made by Gross, Gross typically signed the investor's monthly income agreement contract on behalf of Tri-Med as the "TriMed [sic] Representative"

35. Tri-Med paid TMA commissions for the sale of the monthly income agreements.

36. In turn, TMA paid the Gross commissions for the sale of the monthly income agreements.

37. Commissions paid to Gross and other sales agent ranged between 5% and 7% for each sale, depending on the circumstances.

38. At all times material, TMA was not registered with the Office as a securities "dealer" or "issuer," pursuant to Chapter 517, Florida Statutes.

Related Legal Proceedings

39. On March 4, 2014, the Office brought an action in the Circuit Court in and for the 6th Judicial Circuit, Pinellas County, Florida, Case No.: 2014-001695-CI, to enjoin Tri-Med and other parties, and to place Tri-Med and TMA in receivership, for selling unregistered securities, acting as an unregistered issuer or dealer, and engaging in securities fraud.

40. On March 5, 2012, the court issued an *ex parte* temporary injunction that halted the sale of Tri-Med monthly income agreements and appointed a Receiver over Tri-Med and TMA.

41. On October 24, 2014, following an evidentiary hearing, the Court issued an order maintaining the injunction and receivership, and such remains as of this filing.

42. On December 6, 2016, and December 21, 2016, in a parallel criminal proceeding, the respective guilty pleas of Irwin Ager and Eric Ager, principals and managers of TMA, were accepted in the U.S. District Court for the Middle District of Florida, on charges of wire fraud based on their involvement in the sale of Tri-Med monthly income agreements, Case No.: 6:16-cr-176 and Case No.: 6:16-cr-178.

43. In their guilty pleas, Irwin Ager and Eric Ager admitted that they were aware of the following but continued to sell Tri-Med securities:

a. As of December 2011, that each monthly income agreement was not backed by a major insurance company;

b. As of January 2012, that all investor funds were not being deposited into an escrow account controlled by an attorney, despite representations in marketing material to the contrary; and,

c. As of December 2012, that the sales likely violated Florida and federal securities registration and disclosure requirements as advised by Stoel Rives.

Sales Activities by William Gross

44. Respondent William Gross, CRD #1366267 (“Gross”), is a Florida resident with a last known residence address of 3210 South Ocean Beach Boulevard, Suite #804, Highland Beach, FL 33487.

45. Gross was registered with the Office as an “associated person” of several securities dealers in the 1990s and between 2000 and 2011.

46. Gross was registered with the Office as an “associated person” of several “investment advisers” between 2009 and 2011.

47. At all times material herein, Gross was not registered as an “dealer,” “associated person” of a “dealer” or as an “issuer” with the Office, as those terms are defined in Section 517.021, Florida Statutes.

48. Between January 28, 2013, and December 9, 2014, Gross Financial Services, Inc., CRD #166123, was registered with the Office as an “investment adviser” firm.

49. Between January 28, 2013, and December 9, 2014, Gross was registered as an “associated person” of Gross Financial Services, Inc.

50. At all times material, Gross was licensed as an insurance agent by the Florida Department of Financial Services.

51. At all times material, Gross was licensed as a certified public accountant (“CPA”) by the Florida Department of Business and Professional Regulation.

52. Between April 2012 and February 2014, Gross offered to sell and sold Tri-Med monthly income agreements from offices in Florida.

53. Between April 2012, and February 2014, Gross sold 107 Tri-Med monthly income agreements to 55 Florida investors.

54. The aggregate value of sales was approximately \$3,099,919.45.

55. Gross was paid approximately \$150,200.02 in total sales commissions.

56. Gross provided investment advice about the value, benefit, and suitability of buying Tri-Med monthly income agreements to each investor with whom he dealt.

57. As a sales agent, who held himself out to investors as holding a CPA license and providing objective advice about alternative investments and insurance, which could provide safe retirement income, Gross owed a heightened duty of care to the investors.

58. Gross did not have sufficient information about Tri-Med operations to recommend investments in the investment contracts.

59. Gross placed his interest and desire to obtain commissions ahead of the investors interests.

CONCLUSIONS OF LAW

Based on the foregoing Statement of Facts, the Office concludes each of the following as a matter of law:

60. Section 517.03, Florida Statutes, provides that the Office is authorized to administer and provide for the enforcement of all the provisions of the Florida Securities and Investor Protection Act, Chapter 517, Florida Statutes.

THE TRI-MED MONTHLY INCOME AGREEMENT IS A “SECURITY”

61. Section 517.021, Florida Statutes, entitled **Definitions**, provides at subsection (21) the following definition of a security:

(21) “Security” includes any of the following:

- (a) A note
- (f) An evidence of indebtedness.
- (g) A certificate of deposit.
- (i) A certificate of interest or participation.
- (k) A certificate of interest in a profit-sharing agreement ...
- (q) An investment contract.
- (r) A beneficial interest in title to property, profits, or earnings.
- (s) An interest in or under a profit-sharing or participation agreement or scheme.
- (u) Any other instrument commonly known as a security, including an interim or temporary bond, debenture, note, or certificate.

62. The Office concludes that the Tri-Med monthly income agreement is a “security” as defined by Section 517.021(21), Florida Statutes.

63. The Office concludes that the Tri-Med monthly income agreement “security” is not a “federal covered security,” as defined by Section 517.021(10), Florida Statutes, or exempt from registration.

COUNT I
OFFER AND SALE OF UNREGISTERED SECURITIES

64. Section 517.07, Florida Statutes, entitled **Registration of securities**, provides at subsection (1) the following:

- (1) It is unlawful and a violation of this chapter for any person to sell or offer to sell a security within this state unless the security is exempt under s. 517.051, is sold in a transaction exempt under s. 517.061, is a federally covered security, or is registered pursuant to this chapter.

65. Pursuant to Section 517.17, Florida Statutes, the Office is not required to negate any potential exemptions to registration arising under the provisions of Chapter 517,

Florida Statutes. The defense of an exemption must be raised and proved by the party asserting the defense.

66. The Office concludes that the Tri-Med monthly income agreements were not exempt securities, pursuant to Section 517.051, Florida Statutes.

67. The Office concludes that the Tri-Med monthly income agreements were not sold in transactions exempt from registration, pursuant to Section 517.061, Florida Statutes.

68. The Office concludes that the Tri-Med monthly income agreement “security” is not a “federal covered security,” as defined by Section 517.021(10), Florida Statutes.

69. The Office is not required to allege or prove scienter for violation of Section 517.07, Florida Statutes, sale of an unregistered security, as this is a strict liability violation. State v. Houghtaling, 181 So. 2d 636 (Fla. 1965).

70. The Office concludes that Gross violated Section 517.07, Florida Statutes, on 107 occasions, by offering and selling unregistered securities within Florida in the form of the Tri-Med monthly income agreement.

COUNT II
SALE OF SECURITIES BY UNREGISTERED DEALER,
ASSOCIATED PERSON OR ISSUER

71. Section 517.12, Florida Statutes, entitled **Registration of dealers, associated persons, investment advisers, and branch offices**, provides at subsection (1) the following:

(1) No dealer, associated person, or issuer of securities shall sell or offer for sale any securities in or from offices in this state, or sell securities to persons in this state from offices outside this state, by mail or otherwise, unless the person has been registered with the office pursuant to the

provisions of this section. The office shall not register any person as an associated person of a dealer unless the dealer with which the applicant seeks registration is lawfully registered with the office pursuant to this chapter.

72. Section 517.021, Florida Statutes, entitled **Definitions**, provides at subsections (2)(a), (6)(a), (14), and (18) the following definitions:

(2) "Associated person" means:

(a) With respect to a dealer or investment adviser, any of the following:

1. Any partner, officer, director, or branch manager of a dealer or investment adviser or any person occupying a similar status or performing similar functions;
2. Any natural person directly or indirectly controlling or controlled by such dealer or investment adviser, other than an employee whose function is only clerical or ministerial; or
3. Any natural person, other than a dealer, employed, appointed, or authorized by a dealer, investment adviser, or issuer to sell securities in any manner or act as an investment adviser as defined in this section.

* * *

(6)(a) "Dealer" includes any of the following:

1. Any person, other than an associated person registered under this chapter, who engages, either for all or part of her or his time, directly or indirectly, as broker or principal in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person.
2. Any issuer who through persons directly compensated or controlled by the issuer engages, either for all or part of her or his time, directly or indirectly, in the business of offering or selling securities which are issued or are proposed to be issued by the issuer.

* * *

(14) "Issuer" means any person who proposes to issue, has issued, or shall hereafter issue any security. Any person who acts as a promoter for and on behalf of a corporation, trust, or unincorporated association or partnership of any kind to be formed shall be deemed an issuer.

73. The Office concludes that Gross violated Section 517.12(1), Florida Statutes, on 107 occasions, by offering and selling securities, from offices within Florida

or to persons within Florida, in the form of the Tri-Med monthly income agreement, without being registered by the Office as a “dealer” or “associated person.”

SANCTIONS

74. Section 517.221(1), Florida Statutes, authorizes the Office to issue and serve upon any person a cease and desist order, whenever the Office determines that such person is violating or has violated any provision of Chapter 517, Florida Statutes, or any administrative rule adopted thereto.

75. Section 517.221(3), Florida Statutes, authorizes the Office to impose and collect an administrative fine against any person found to have violated the Act and the rules thereto in an amount not to exceed \$5,000.00 for each violation.

76. Section 517.221(4), Florida Statutes, authorizes the Office to bar permanently or for a specific time period any person found to have violated any provision of Chapter 517, Florida Statutes, or any rule adopted thereto.

77. The disciplinary guidelines are set forth at Rule 69W-1000.001, Florida Administrative Code, located electronically at <http://www.flofr.com/securities/index/htm>.

PROPOSED AGENCY ACTION

Based on the foregoing Statement of Facts and Conclusions of Law **NOTICE IS HEREBY PROVIDED** that the Office will enter a Final Order in this matter, subject only to the Notice of Rights herein. In its Final Order, the Office will:

1. Order Gross to cease and desist from violations of Chapter 517, Florida Statutes.
2. Impose administrative fines for each violation of the Act.
3. Bar Gross from submitting an application or notification for a license or

registration with the Office.

NOTICE OF RIGHTS

You may request a hearing to be conducted in accordance with the provisions of Sections 120.569 and 120.57, Florida Statutes. A request for such a hearing must comply with the provisions of Rule 28-106.104(2), Florida Administrative Code, and either Rule 28-106.201(2) or Rule 28-106.301(2), Florida Administrative Code, and must be filed with the Agency Clerk as follows:

By Mail

Agency Clerk
Office of Financial Regulation
P.O. Box 8050
Tallahassee, Florida 32314-8050
Phone: (850) 410-9663

OR

By Hand Delivery

Agency Clerk
Office of Financial Regulation
General Counsel's Office
The Fletcher Building, Suite 118
200 East Gaines Street
Tallahassee, Florida 32399-0379
Phone: (850) 410-9663

Your request must be filed within 21 days of the date of receipt of this Notice.

YOUR FAILURE TO RESPOND TO THIS NOTICE OF DENIAL WITHIN 21 DAYS OF RECEIPT WILL CONSTITUTE A WAIVER OF YOUR RIGHT TO REQUEST A HEARING AND A FINAL ORDER MAY BE ENTERED WITHOUT FURTHER NOTICE.

In the event that a hearing is requested, all parties will have the right to be represented by counsel or other qualified representative; to offer written and oral testimony; to call and cross-examine witnesses; and to have subpoenas and subpoenas duces tecum issued on their behalf. Pursuant to Section 120.573, Florida Statutes, you are advised that mediation of this matter is not available.

STATE OF FLORIDA
OFFICE OF FINANCIAL REGULATION

April 5, 2017
Date

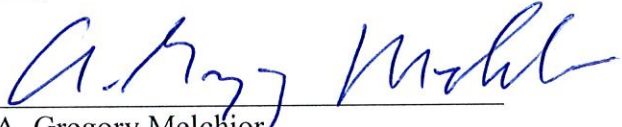

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Florida Bar No. 407290

NOTICE TO RESPONDENT

In accordance with the Americans with Disabilities Act, persons with disabilities needing a special accommodation to participate in this proceeding should contact the agency clerk no later than seven (7) days prior to the proceeding at the Office of Financial Regulation, Legal Services Offices, Suite 526, The Fletcher Building, 200 E. Gaines Street, Tallahassee, Florida 32399-0379; (850) 410-9668.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Administrative Complaint and Notice of Rights been served by Certified Mail to all parties on the attached Service List, this 5th day of April, 2017.



A. Gregory Melchior
Assistant General Counsel

Service List

William Gross
100 East Linton Boulevard
Suite 204B
Delray Beach, FL 33483

William Gross
3210 South Ocean Beach Boulevard
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Highland Beach, FL 33487