

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 9209 / May 16, 2011**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 64501 / May 16, 2011**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 29672 / May 16, 2011**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14388**

**In the Matter of**

**ARMANDO RUIZ, and**  
**MARADON HOLDINGS,**  
**LLC,**

**Respondents.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE AND CEASE-AND-**  
**DESIST PROCEEDINGS PURSUANT**  
**TO SECTION 8A OF THE SECURITIES**  
**ACT OF 1933, SECTIONS 15(b) AND**  
**21C OF THE SECURITIES EXCHANGE**  
**ACT OF 1934 AND SECTION 9(b) OF**  
**THE INVESTMENT COMPANY ACT**  
**OF 1940**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Armando Ruiz (“Ruiz”) and Maradon Holdings, LLC (“Maradon” and together with Ruiz, “Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**SUMMARY OF ALLEGATIONS**

1. This matter concerns an affinity fraud conducted by Ruiz through an offering of securities purportedly issued by Maradon, an entity that Ruiz controlled.

2. From April 2008 through May 2009, Ruiz raised approximately \$817,500 from nine investors -- all of whom were either Ruiz's friends or family members -- by purporting to sell to them preferred shares or some other equity interest in Maradon. In addition to representing to the investors that they were purchasing an equity interest in Maradon, Ruiz told the investors that their funds would be used to help develop Maradon into a financial services firm serving the Hispanic community. Ruiz's representations were false and misleading because: (i) Maradon never issued stock or any form of equity interest to the investors; and (ii) Ruiz used the vast majority, if not virtually all, of the offering proceeds to pay personal expenses and trade stocks rather than fund the development of Maradon's business. Ruiz's misrepresentations were material, and Ruiz knew, or was at least reckless in not knowing, that his representations were false or misleading.

3. During the relevant period, Ruiz was, and still remains, a registered representative associated with Legend Securities, Inc. ("Legend"), a registered broker-dealer.

4. By virtue of this conduct, Ruiz willfully violated, and committed or caused violations of, Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, and Maradon violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5.

### **RESPONDENTS**

5. **Maradon** is a Delaware limited liability company ("LLC") with a purported principal place of business in Rancho Santa Fe, California. According to Delaware filings, Elizabeth Ruiz, Ruiz's wife, organized Maradon in May 2007, but Elizabeth Ruiz appears to have had no role in Maradon's operations, which were controlled by Ruiz during the relevant period.

6. **Ruiz**, age 45, resides in Rancho Santa Fe, California. Ruiz is a registered representative and has been associated with Legend since June of 2008. He holds Series 7 and 63 licenses and has been a broker since 1988. Ruiz worked at Lehman Brothers until 1993 and then spent two years at Paine Webber. In 1998, he was censured by the New York Stock Exchange and had his securities licenses suspended for 15 months for unauthorized trading in customer accounts at Paine Webber. From 1995 through 2008, Ruiz was self-employed as a money manager. During part of that period, he operated a hedge fund named Armada Partners LP and the entity that managed that fund, Armada Management LLC. In December 2010, the bankruptcy trustee for Dreier LLP filed a lawsuit against Ruiz and the two Armada entities seeking to recover \$13,529,250 in transfers made by the debtor between February 2006 and January 2008. *Gowan v. Armada Partners LP, Armada Management LLC and Armando Ruiz*, 10-054520-smb (Bankr. S.D.N.Y. Dec. 15, 2010).

## **RELEVANT ENTITY**

7. **Legend** is a New York corporation with its principal offices in New York, New York and multiple branch offices located in other states in the region. Legend has been a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act since 1998.

## **THE RESPONDENTS' OFFERING FRAUD**

### **The Formation of Maradon**

8. Maradon was formed as an LLC in May 2007. Maradon's organizational documents, including its LLC agreement, name Elizabeth Ruiz, Ruiz's wife, as the sole member and manager of Maradon. No change was ever made to the LLC agreement or any other relevant documents to add or substitute other individuals as members or managers of Maradon. Despite lacking actual authority to act on Maradon's behalf, Ruiz unilaterally opened bank accounts, signed contracts and otherwise exercised exclusive control over Maradon during the relevant period.

### **Ruiz's Material Misrepresentations to Maradon Investors**

9. Beginning in approximately April 2008, Ruiz began soliciting investments in Maradon. Eight individuals invested a total of \$705,000 with Ruiz in 2008 and 2009, and a ninth investor made a loan of \$112,500 to Maradon in 2009 that is convertible into equity.

10. While discussing investing in Maradon with these investors, Ruiz knowingly or recklessly misrepresented at least two material facts. First, Ruiz told the investors that they were purchasing an equity interest in Maradon, and he told some of them that the equity interest they were purchasing was preferred stock. Second, Ruiz told investors that Maradon was a start-up venture that he was seeking to develop into a financial services company serving the Hispanic community, thus representing that the funds which they invested would be used to finance those development efforts. The representations made by Ruiz were false, as Maradon never issued an equity or ownership interest of any kind to the investors and Ruiz freely used the offering proceeds to day-trade stocks and fund personal expenses. Ruiz knew, or was reckless in not knowing, that his representations were false, because he controlled all of Maradon's activities and spent all of the investor funds.

11. All of the investor funds were deposited into Maradon's bank accounts. Seven individuals, including two of the Maradon investors, also made purported loans to Ruiz and/or Maradon that totaled approximately \$619,719. In each instance, the proceeds of these purported loans were wired directly to one of Maradon's two bank accounts and commingled with the funds that came from the investors who purportedly purchased an equity interest in Maradon.

## **Maradon Did Not Issue Stock Or Any Other Equity Interest To The Investors**

12. Although Ruiz told all the investors that they would be owners of Maradon, none of the investors actually received the investment instrument that Ruiz told them they were purchasing. At least four of the nine investors received letters from Ruiz setting forth their agreement to purchase Maradon securities. Although Ruiz was the one who sent these letters to the investors, the letters were addressed to Ruiz, as “President” of “Maradon Holdings LLC,” and read as if they came from the investors, with Ruiz counter-signing on behalf of Maradon. According to these letters, the investors were purchasing shares of “Series A Preferred Stock” of Maradon. That was plainly false, as Maradon was a Delaware LLC and, based on its LLC agreement and Delaware law, could not lawfully issue shares of preferred or any other form of stock. In fact, Maradon did not issue stock, equity or any other kind of ownership interest in Maradon to any of the investors.

13. Equity or ownership interests in an LLC -- *e.g.* an interest in a portion of the profits and losses of the LLC and a right to receive a distribution of LLC assets -- are in the form of membership interests, not stock. After formation of an LLC, a person can be admitted as a member of the LLC, and receive a membership interest in the LLC, only in the manner provided in the LLC agreement or, if the agreement does not so provide, upon the consent of all members and when the person's admission is reflected in the records of the LLC. Maradon's LLC agreement states as follows with respect to transfers of interests and the admission of additional members: “The Member shall be permitted to transfer all or any portion its interest in the [LLC]. One or more additional members may be admitted to the [LLC] with the consent of the Member.”

14. Maradon did not issue membership interests to any of the investors in the manner described above or in any other legally effective manner. There is no record of any proper amendment to Maradon's organizational documents reflecting the addition of new members, which would require the managing member's approval. Ruiz's wife was and remains the sole member and manager of Maradon, and she did not execute any documents with respect to the issuance or conveyance of any interest of any kind in Maradon to the investors. Absent proper legal action by Ruiz's wife, an investor could not actually receive a membership interest. Ruiz knew while he was selling purported interests in Maradon that his wife had not taken any steps to approve the admission of new members, yet Ruiz continued to sell membership interests without disclosing to investors that the interests did not yet exist and that he lacked the authority to create them.

## **Ruiz Misused Offering Proceeds To Fund Personal Expenses**

15. Rather than use investor funds to develop Maradon's purported business, Ruiz used the offering proceeds mostly to fund various personal expenses, notwithstanding his representations to investors that their investments were going to be used to fund the development of a Hispanic financial services firm.

16. In a document that Ruiz prepared and provided to at least one investor, Ruiz laid out the details of Maradon's purported business plan and touted its anticipated future

growth based on various planned initiatives. Among other relevant passages in this document, Ruiz made the following statements about Maradon's planned activities:

- a. Maradon "is a new breed of financial services company that will capitalize on the 'Hispanization' of the United States by targeting the developing, but currently under-served, Hispanic financial services market."
- b. Maradon "intends to capture revenue by not only servicing Hispanic individuals through its retail brokerage business, but by targeting private and public pension funds which invest with minority owned financial service providers."
- c. "During this initial phase of development, Maradon is in the process of opening individual retail brokerage accounts with a primarily Hispanic clientele. During this startup phase, these accounts are maintained at an existing broker dealer. However, within the next [eight to twelve months], Maradon intends to raise sufficient capital to either form its own broker-dealer or purchase an existing broker dealer through which to service its clients."
- d. "In its second phase of development, Maradon will also target private and public pension funds that are seeking minority financial services providers to service their funds."
- e. "Given Maradon's breadth of experience in the financial markets and its commitment and uncommon access to the Hispanic community, pursuing private and public pension funds as a source of revenue is a natural compliment [sic] to its retail brokerage business."

17. Ruiz also made similar statements about Maradon's business plan in his conversations with investors. He told them, among other things, that Maradon was a start-up company that was going to be a broker-dealer and investment advisory firm serving the Hispanic community with the goals of giving Spanish-speaking investors an understanding of how the markets work and providing financial services to them. Ruiz also told investors that Maradon would use their money to fund start-up expenses, build the business and attract other investors.

18. In fact, Maradon did not engage in, or take any meaningful steps towards engaging in, any of the business activities described above. Nevertheless, of the over \$1.5 million that Ruiz obtained from those who invested in Maradon and those who purportedly loaned money to him and/or Maradon, there was little more than \$1,000 left in Maradon's bank accounts as of June 30, 2009. Ruiz used the vast majority, if not virtually all, of the investors' money to engage unsuccessfully in high risk "day-trading" of stocks, pay personal expenses or make other, unexplained expenditures that have no connection to Maradon's purported start-up business activities.

19. Ruiz had exclusive control over both of Maradon's bank accounts, into which all the investor funds were deposited. Ruiz's expenditures of Maradon funds included the following:

- a. Ruiz wired a total of \$504,000 to brokerage accounts that he controlled at three broker-dealer firms. Ruiz engaged in day-trading through these accounts, and lost all of these funds.
- b. Ruiz wired a total of \$121,250 to pay rent on Ruiz's personal residence in Rancho Santa Fe, California, where the monthly rent is \$10,250 on a 5,554 square foot home that is currently valued at \$2.6 million on zillow.com.
- c. Ruiz wired approximately \$169,000 to a friend with no connection to Maradon and who operated a ticket brokerage business in New York.
- d. Ruiz spent over \$100,000 on travel, including plane tickets and stays at hotels, resorts and casinos in California, New York, Puerto Rico, Florida and Las Vegas.
- e. Debit card transactions where the payee is identified indicate that Ruiz spent approximately \$40,000 on clothing, groceries, furniture, sporting events, and other retail expenses.
- f. Ruiz made over \$18,000 in debit card payments at restaurants in New York City, Miami and San Diego, including 6 separate occasions when the charges exceeded \$500.
- g. Ruiz withdrew approximately \$1,000 in ATM transactions at southern California racetracks.
- h. Ruiz made approximately \$500,000 in additional cash withdrawals, with no indication of how the funds were spent.

20. Additional expenses for which Ruiz used Maradon funds included: (i) approximately \$25,000 for legal services, with \$14,000 going to a Florida firm that represented Ruiz's wife in her bankruptcy case; (ii) \$12,000 for insurance, including \$9,350 to a life insurance company; (iii) \$10,000 for utilities, including payments to the municipal water district in which Ruiz's residence is located, to a San Diego electric company and to a cable television company; and (iv) \$5,000 for medical and related expenses.

21. Ruiz also made approximately \$30,000 in rent payments on office space leased by Maradon in Rancho Santa Fe, California, but Maradon's lease was terminated in August 2009 for non-payment of rent. Ruiz paid monthly rent of \$3,944 on Maradon's one-year lease for seven months beginning in August 2008, but he stopped paying the rent after April 2009. Ruiz also spent approximately \$7,400 on office supplies. In sworn

testimony given in connection with the Commission staff's investigation in this matter, Ruiz did not identify any start-up business activities in which he purportedly engaged on Maradon's behalf other than conducting "research" into "cultural nuances" within the Hispanic community.

22. When soliciting investors for Maradon, Ruiz did not disclose that he would be using the invested funds to day-trade or otherwise trade stocks, whether for his own account or for Maradon's account, and to finance his own extravagant personal living, travel and entertainment expenses. Ruiz had already begun using investor funds for these purposes while continuing to solicit additional investors.

23. In October 2009, six of Maradon's nine investors were repaid the amount of their investment. The amounts refunded to these six investors totaled \$180,000. Each of these investors received a letter from Maradon, signed by its purported new "Managing Member, Chief Executive and President." The letter stated, among other things, that Ruiz had commingled investor funds with his own funds and had used investor funds to pay for personal expenses, as follows: "The problem is that Armando used his money, my money, your money, etc without separating Maradon's trading, its costs and expenses from his own." In sworn testimony given in connection with the Commission staff's investigation in this matter, Ruiz testified that this statement was true and that he had used investor funds to pay personal expenses because he "didn't think of the [investor funds] as not my stuff."

### **VIOLATIONS**

24. As a result of the conduct described above, Ruiz willfully violated, and committed and caused Maradon's violations of, Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

25. As a result of the conduct described above, Ruiz willfully violated Section 15(a) of the Exchange Act, which prohibits a broker or dealer from effecting transactions in, or inducing or attempting to induce the purchase or sale of, any security unless such broker or dealer is registered with the Commission.

26. As a result of the conduct described above, Maradon violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Ruiz pursuant to Section 15(b) of the Exchange Act, including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Ruiz pursuant to Section 9(b) of the Investment Company Act, including, but not limited to, disgorgement and civil penalties pursuant to Sections 9(d) and (e) of the Investment Company Act; and

D. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, the Respondents should be ordered to cease and desist from committing or causing violations of, and any future violations of, Section 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10-5 thereunder; whether the Respondents should be ordered to pay civil monetary penalties pursuant to Section 8A(g) of the Securities Act and Section 21B(a) of the Exchange Act; and whether the Respondents should be ordered to pay disgorgement, plus prejudgment interest, pursuant to Section 8A(e) of the Securities Act and Sections 21B(e) and 21C(e) of the Exchange Act.

#### IV.

**IT IS ORDERED** that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

**IT IS FURTHER ORDERED** that Respondents shall file Answers to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If either Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, such Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondents personally or by certified mail.



**IT IS FURTHER ORDERED** that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy  
Secretary

## Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 9(b) of the Investment Company Act of 1940 ("Order"), on the Respondents and their legal agents.

The attached Order has been sent to the following parties and other persons entitled to notice:

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