

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 9301/ March 12, 2012

SECURITIES EXCHANGE ACT OF 1934

Release No. 66573 / March 12, 2012

INVESTMENT COMPANY ACT OF 1940

Release No. 29978 / March 12, 2012

ADMINISTRATIVE PROCEEDING

File No. 3-14388

In the Matter of

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

Respondents.

**ORDER MAKING FINDINGS AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER 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.

On May 16, 2011, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings 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.

In response to the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order 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”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

SUMMARY

1. This matter concerns materially false and misleading statements made by Ruiz in the offer and sale of securities of Maradon, an entity that Ruiz formed in May 2007 and controlled thereafter. Ruiz told investors that his goal was to develop Maradon into a financial firm serving the Hispanic community.

2. From April 2008 through May 2009, Ruiz raised approximately \$705,000 from eight equity investors and an additional \$112,500 from a ninth investor who made a loan to Maradon that was convertible into Maradon equity, for a total of \$817,500. The eight equity investors included a relative of Ruiz, an individual who later became Maradon’s Chief Executive and President, and six other individuals. 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 knew or should have known that representations he made about Maradon and Maradon securities were materially false and misleading because: (i) Maradon never issued stock or any form of equity interest to the investors; and (ii) Ruiz used a large part of the offering proceeds to pay personal expenses and trade stocks rather than fund the development of Maradon’s business.

3. During the relevant period, Ruiz was a registered representative associated with Legend Securities, Inc. (“Legend”), a registered broker-dealer.

4. By virtue of this conduct, Ruiz willfully² violated, and committed or caused Maradon’s violations of, Section 17(a)(2) of the Securities Act and Section 15(a) of the Exchange Act.

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

² A willful violation of the securities laws means merely “that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

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 46, resides in Rancho Santa Fe, California. Ruiz was a registered representative associated with Legend from June 2008 until April 2011. He has held Series 7 and 63 licenses and been a broker since 1988. From 1995 through 2008, Ruiz was also self-employed as a money manager.

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’ VIOLATIONS

The Formation of Maradon and Solicitation of Investors

8. Maradon was formed as an LLC in May 2007. Maradon’s organizational documents, including its LLC agreement, named 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.

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 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 Ruiz 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 used the \$817,500 offering proceeds to day-trade stocks and fund personal expenses. Ruiz knew or should have known that his representations were false, because he controlled all of Maradon’s activities and spent the investor funds.

Maradon's Inability to Issue Stock or Any Other Equity Interest to the Investors

11. 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 five of the nine investors received letters from Ruiz setting forth the investors' 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 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.

12. 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."

13. 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 or should have known 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 exist and that he lacked the authority to create them.

Ruiz's Misrepresentations About the Use of the Offering Proceeds

14. In a document that Ruiz prepared and provided to at least four investors, Ruiz laid out the details of Maradon's purported business plan and 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-serviced, 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.”

15. 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.

Ruiz’s Misuse of Offering Proceeds

16. Rather than use all of the investor funds to develop Maradon’s purported business, Ruiz used the offering proceeds in large part 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.

17. All of the investor funds were deposited into Maradon’s bank accounts. Seven individuals, including two of the Maradon investors (a relative of Ruiz, and a friend who later became Maradon’s Chief Executive and President) also made loans to Ruiz and/or Maradon that totaled approximately \$619,719. In each instance, the proceeds of these 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.

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 \$817,500 that Ruiz obtained from those who invested in Maradon, there was little more than \$1,000 left in Maradon's bank accounts as of June 30, 2009. Ruiz used a large part of the investors' money to engage unsuccessfully in high risk "day-trading" of stocks, pay personal living, travel and entertainment expenses or make other, unexplained expenditures with no connection to Maradon's purported start-up business activities.

19. 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 personal living, travel and entertainment expenses. Ruiz had already begun using investor funds for these purposes while continuing to solicit additional investors.

20. 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."

21. The three investors who were not repaid are (i) a relative of Ruiz; (ii) the individual who took over as Chief Executive and President of Maradon and signed the letter that accompanied the repayments to the six investors; and (iii) an investor who invested \$112,500 in the form of a loan purportedly convertible to equity in Maradon (the "Investor"). Ruiz has made interest payments on the loan to the Investor.

22. As a result of the conduct described above, Maradon violated Section 17(a)(2) of the Securities Act, which prohibits the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly, to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstance under which they were made, not misleading.

23. As a result of the conduct described above, Ruiz willfully violated, and committed and caused Maradon's violations of, Section 17(a)(2) of the Securities Act.

24. Although Ruiz solicited investors for Maradon while he was associated with Legend, the Maradon offering was not conducted through Legend, but by Ruiz independently and separate from Legend. As a result, 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.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Ruiz shall cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act and Section 15(a) of the Exchange Act.

B. Respondent Maradon shall cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act.

C. Respondent Ruiz is censured.

D. Respondent Ruiz be, and hereby is:

1. barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

2. prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

3. barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock;

with the right to apply for reentry after three (3) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

E. Any reapplication for association by Respondent Ruiz will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Respondent Ruiz, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for

the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

F. Respondent Ruiz shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the United States Treasury. Respondent Ruiz shall also pay disgorgement of \$112,500 to the Securities and Exchange Commission, which reflects the \$112,500 investment made by the Investor described in Paragraph III.B.21 above, plus agreed upon post-Order interest of \$2,076.31 pursuant to SEC Rule of Practice 600, for a total of \$114,576.31. Payment of disgorgement and interest shall be made in four installments according to the following schedule:

- Payment #1, in the amount of \$28,956.43, due within 90 days after the entry of this Order.
- Payment #2, in the amount of \$28,747.44, due within 180 days after the entry of this Order.
- Payment #3, in the amount of \$28,539.96, due within 270 days after the entry of this Order.
- Payment #4, in the amount of \$28,332.48, due within 360 days after the entry of this Order.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. All payments pursuant to this paragraph shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Armando Ruiz as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David Rosenfeld, Associate Regional Director, Division of Enforcement, New York Regional Office, Securities and Exchange Commission, 3 World Financial Center, Suite 400, New York, NY 10281.

G. After receipt of all payments of civil money penalties and disgorgement, the Securities and Exchange Commission shall pay the disgorgement and additional interest accrued pursuant to SEC Rule of Practice 600 to the Investor.

By the Commission.

Elizabeth M. Murphy
Secretary