Press Release

SEC Charges Florida Penny Stock Operators With Defrauding Elderly Investors in Push to Crack Down on Repeat Offenders

Miami Office's Recidivist Initiative Nets 23 Enforcement Actions to Date

FOR IMMEDIATE RELEASE
2017-218

Washington D.C., Nov. 30, 2017 — The Securities and Exchange Commission today charged two individuals with defrauding elderly investors in a penny stock scheme involving Florida entertainment companies and their "Spongebuddy" product. The charges are part of the Miami Regional Office's Recidivist Initiative which has thus far resulted in enforcement actions against 23 individuals, nine of whom also have been charged by criminal authorities.

The SEC's complaint, filed in U.S. District Court for the Southern District of Florida, charges Joseph A. Rubbo and Angela Beckcom Rubbo Monaco, both of Coral Springs, Florida, with defrauding investors through offerings by their companies VIP TV LLC, VIP Television Inc., and The Spongebuddy LLC. Rubbo and Monaco are repeat offenders whose prior securities schemes resulted in criminal convictions against Rubbo and SEC injunctions against both Rubbo and Monaco.

The U.S. Attorney's Office for the District of Colorado has filed parallel criminal charges against Rubbo, Monaco, Steven J. Dykes, and others relating to the scheme.

According to the SEC's complaint, Rubbo and Monaco raised at least $5.4 million from 11 primarily elderly investors to fund the growth of their entertainment business and develop the Spongebuddy, a sponge-like glove purportedly to be sold in stores.

The SEC's complaint alleges that Rubbo and Monaco controlled the companies and hired Dykes to cold call investors and pitch investments in VIP. For example, Dykes allegedly told an investor that the Starz cable channel and Pandora Radio were both interested in buying VIP and would "roll-up" VIP into these entities. The investor also was allegedly told that the Spongebuddy would be featured on the television show "Shark Tank" and marketed on QVC. Contrary to alleged representations that investor money would be used to benefit the VIP companies, Rubbo and Monaco misappropriated more than $2.6 million in investor funds to pay themselves and their relatives as well as undisclosed sales commissions to Dykes. The complaint also alleges they paid for personal expenses such as the down payment on a luxury vehicle, credit card bills, unrelated construction work and to finance a business operation for a Monaco family member.

"As alleged in our complaint, Rubbo and Monaco defrauded investors by stealing millions of dollars from elderly investors which they spent on themselves and their family members instead of investing in their businesses," said Steven Peikin, Co-Director of the SEC's Enforcement Division. "Both Rubbo and Monaco were caught through the efforts of the Miami Regional Office's Recidivist Initiative, which is part of our ongoing focus to rid the markets of repeat securities law violators."

During the time of the alleged scheme, neither Rubbo, Monaco, nor Dykes were registered with the Commission. The SEC encourages all investors to check the background of people selling investments by using the search tool on Investor.gov to quickly identify whether the sellers are registered professionals.

The SEC's complaint charges Rubbo and Monaco with violating the antifraud provisions of the federal securities laws. The SEC also charged Dykes with violating the broker-dealer registration provisions, and Rubbo and Monaco with aiding and abetting violations by Dykes. The SEC is seeking the return of the defendants' allegedly ill-gotten gains with interest, monetary penalties, a permanent injunction, and other relief.

The SEC's investigation, which is continuing, is being conducted by Linda S. Schmidt and Lina M. Fernandez in the Miami Regional Office. The case is being supervised by Jason R. Berkowitz and the SEC's litigation is being led by Christine Nestor. The SEC appreciates the assistance of Florida's Office of Financial Regulation.

###

Related Materials

- SEC Complaint