

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**October 18, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12458**

**In the Matter of**

**MARCOS MARTINEZ and**  
**JAMES FRACE,**

**Respondents.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 15(b) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Marcos Martinez (“Martinez”) and James Frace (“Frace”) (collectively, the “Respondents”).

**II.**

After an investigation, the Division of Enforcement alleges that:

A. Platinum Investment Corporation (“Platinum”) was a broker-dealer registered with the Commission pursuant to Section 15(b) of the Exchange Act from April 2001 through October 2004. Platinum was incorporated under the laws of the State of Nevada on August 30, 2000, and had its principal place of business in Rochester, New York. Platinum maintained offices in Rochester, New York, Fort Lauderdale, Florida, and New York, New York.

B. From approximately February 2002 through July 2002, Martinez was a branch manager, managing director, and principal with Platinum. Martinez held Series 7, 24, 31, 63 and 65 securities licenses.

C. From approximately February 2002 through July 2002, Frace was a registered representative with Platinum. Frace held Series 7 and 63 securities licenses.

D. On July 31, 2002, the Commission filed a complaint (“Complaint”) against Platinum, Martinez, Frace, and others (*SEC v. Platinum Investment Corporation, et al.*, 02 Civ. 6093 (S.D.N.Y. (JSR)) alleging, among other things, that from approximately August 2001 through July 2002, Platinum, Martinez, Frace, and others raised over \$1.5 million through two fraudulent unregistered stock offerings. The Complaint further alleges that Platinum, Martinez, Frace, and others misled investors through material misrepresentations concerning these offerings. The Commission’s Complaint charges Martinez and Frace with violations of Sections 5 and 17(a) of the Securities Act of 1933 (“Securities Act”), Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5.

E. On August 7, 2006, the Honorable Jed S. Rakoff of the United States District Court for the Southern District of New York entered an Order granting the Commission’s motion for summary judgment against Frace but reserving decision as to the scope of the relief. On September 21, 2006, the Court entered a Memorandum Order setting forth reasons for granting the Commission’s motion for summary judgment and determining the relief. The Court enjoined Frace from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5; and ordered Frace to disgorge \$151,093, plus \$45,488.02 in prejudgment interest. The Court entered its Judgment against Frace on September 25, 2006.

F. On May 9, 2005, Martinez pleaded guilty before Magistrate Judge James C. Francis, IV to one count of conspiracy to commit securities fraud, mail fraud, and wire fraud, for his role in the Platinum securities fraud. On September 15, 2005, Judge Shira A. Scheindlin sentenced Martinez to 37 months imprisonment and 3 years of supervised release, and deferred determination of restitution. On January 24, 2006, Martinez was ordered, jointly and severally with another defendant in the criminal case, to pay restitution of \$936,500. Based on the collateral estoppel effect of his criminal conviction and other evidence, the Commission moved for summary judgment against Martinez on July 31, 2006. Martinez did not oppose the Commission’s motion and, on September 27, 2006, the Honorable Jed S. Rakoff of the United States District Court for the Southern District of New York entered a Final Judgment against Martinez permanently enjoining Martinez from future violations of Sections 5 and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5; ordering Martinez to disgorge \$2,851,170.56, jointly and severally with other defendants, including ill-gotten gains of \$2,178,785.66 and prejudgment interest of \$672,384.99; and ordering Martinez to pay a \$120,000 civil penalty.

### 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 proceedings be instituted to determine:

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

B. What, if any, remedial action is appropriate in the public interest against the Respondents pursuant to Section 15(b) 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 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 an Answer 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 Respondents fail to file the directed Answer, or fail to appear at a hearing after being duly notified, the Respondents may be deemed in default and the proceedings may be determined against them 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 the Respondents personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 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.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris  
Secretary