

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING MAY 22, 2014

Successes for Week Ending May 22, 2014

1. Licensing and Registration

- Division of Securities
 - Applications Received: 1,003
 - Applications Approved: 990
 - Applications Denied/Withdrawn: 23

- Division of Consumer Finance
 - Applications Received: 274
 - Applications Approved: 311
 - Applications Denied/Withdrawn: 55

- Division of Financial Institutions
 - Applications Received: 6
 - Applications Approved: 1
 - Applications Denied/Withdrawn: 0

2. Regulatory Sanctions

Revocation and Permanent Bar Against Investment Adviser Firm and Associated Person for Prohibited Business Practices and FINRA Sanctions

On May 12, 2014, the Division of Securities entered a Final Order against Sterling Capital Management, Inc., (“Sterling”) and Scott Mason. Sterling engaged in prohibited business practices by failing to comply with books and records requirements, failing to file financial statements for a period of three years, and using an advertisement touting misleading returns. Scott Mason was the subject of a suspension and permanent bar by FINRA, a national securities association. Pursuant to the Final Order, Sterling’s registration as an investment adviser was revoked. Scott Mason’s registration as an associated person of Sterling was also revoked and he is permanently barred from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F. S.

Denial of Associated Person

On May 12, 2014, the Division of Securities entered a Final Order against Frederick Christopher Piatt, denying his application for registration as an associated person, after he failed to request a hearing. The Final Order follows a

Notice of Intent to Deny, which alleged that Mr. Piatt made a material misrepresentation or misstatement on his application for registration.

Final Order for \$7,500 Fine Against a Broker Dealer for Prohibited Business Practices

On May 13, 2014, the Division of Securities entered a Final Order against Kiley Partners, Inc., and Michael D. Kiley for engaging in prohibited business practice by failing to inspect branch offices as required, enforce written procedures, and maintain the firm's website. A \$7,500 administrative fine was paid.

3. Enforcement Actions

Four Indicted in Alleged Jupiter Ponzi Scheme

On May 8, 2014, John Signore, Laura Signore, Paul Schumack and Craig Hipp were indicted by a federal grand jury for their involvement in the Jupiter, Florida, based Ponzi scheme that sold Virtual Concierge machines to over 1,500 investors. The Signores and Paul Schumack are charged with conspiracy to commit mail and wire fraud, bank fraud and related money laundering charges. Laura Signore served as executive vice president of JCS. Hipp, the president of manufacturing and operations for JCS, was charged with one count of conspiracy to commit mail fraud, one count of mail fraud and one count of wire fraud. These machines sold for \$2,500 - \$3,500 based on promises that investors would receive \$300 a month for three years. To date, it appears that the companies collected more than \$70 million from approximately 1,500 investors. To persuade the investors that the machines were being built and placed, Signore rented a luxury office and warehouse space in Jupiter. The investigation determined that approximately 26,000 machines were sold, but there were no more than 500 actually placed in locations. The OFR assisted the FBI and SEC in this matter by providing both agencies with bank records and investor complaints in support of their actions. The charges filed against the defendant are only an accusation and the defendant is presumed innocent until proven guilty.

Four Individuals Charged in Multi-Million Dollar Mortgage Fraud Scheme

On May 15, 2014, a grand jury in Miami, Florida, indicted Karl A Oreste, Marie Lucie Tondreau, O.J. Odunna and Kelly Augustin on six counts of wire fraud affecting a financial institution and one count of conspiracy to commit wire fraud. The indictment alleges that from December 2005 through May 2008, the defendants advertised residential loan programs being offered by KMC Mortgage Corporation of Florida (KMC) on local South Florida radio shows targeting the Haitian community. Prospective borrowers who responded to the radio ads were recruited to become straw buyers of a residential property for compensation. The defendants also recruited relatives and other members of the Haitian community to become straw buyers. The defendants told the straw buyers that they (the defendants) would make the required mortgage payments and the straw buyers' names would be removed from the properties within a year. The indictment alleges that once the defendants identified properties for sale in Broward and Miami-Dade Counties, KMC submitted fraudulent loan applications and other

related documents to various lenders on behalf of straw purchasers. The indictment further alleges that Tondreau and Augustin used their companies to provide false employment verifications for persons acting as straw buyers. Oreste is alleged to have conspired with Odunna, the closing agent, to create multiple Form HUD-1 Settlement Statements in order to disguise the fraud to both the lenders and the sellers of the properties. Odunna charged between \$10,000 and \$30,000 per closing for his services. After the closings, the proceeds were given to Oreste who is alleged to have shared them with Tondreau and Augustin. Oreste, Tondreau and Augustin paid the straw buyers between \$5,000 and \$15,000 for the use of their credit in order to secure the loans. Oreste and Tondreau then rented some of the properties and collected the rent payments. Oreste, Tondreau and Augustin made mortgage payments to lenders until they ran out of money, causing lenders to foreclose on the properties and suffer losses of over \$17 million. During the scheme, the lenders funded 54 mortgage loans for a total of approximately \$24 million. The defendants are alleged to have used the proceeds from the fraudulent activity for their personal benefit. Marie Lucie Tondreau was elected mayor of the City of North Miami in June 2013. This investigation was developed jointly by the OFR and the FBI. The U.S. Attorney's Office in Miami is prosecuting the case. An indictment is only an accusation, and a defendant is presumed innocent until proven guilty.

U.S. Attorney's press release: [Four Individuals Charged In Multi-Million Dollar Mortgage Fraud Scheme](#)

New Issues

1. Communications and Outreach Activities

On May 21, 2014, an opinion editorial written by OFR Commissioner Drew J. Breakspear was published by *Sunshine State News*.

[Sunshine State News: Phishing Scams Prevalent: Take Care Opening Email](#)