

# GOVERNOR RICK SCOTT

## WEEKLY AGENCY REPORT

### OFFICE OF FINANCIAL REGULATION

WEEK ENDING OCTOBER 24, 2013

#### Successes for Week Ending October 24, 2013

#### 1. Licensing and Registration

- Division of Securities
  - Applications Received: 950
  - Applications Approved: 950
  - Applications Denied/Withdrawn: 6
  
- Division of Consumer Finance
  - Applications Received: 762
  - Applications Approved: 716
  - Applications Denied/Withdrawn: 9
  
- Division of Financial Institutions
  - Applications Received: 1
  - Applications Approved: 1
  - Applications Denied/Withdrawn: 0

#### 2. Regulatory Sanctions

##### Permanent Bar and \$249,250 Fine against a Broker Dealer Agent for Fraud

On October 15, 2013, the Division of Securities entered a Final Order against Joseph Brandon Westphal permanently barring him from seeking future registration as a dealer, investment adviser or associated person under the Florida Securities and Investor Protection Act, Chapter 517, F. S., after he failed to request a hearing. The Final Order follows an Administrative Complaint, which alleged Mr. Westphal engaged in fraudulent securities transactions. A \$249,250 administrative fine was assessed.

##### Termination of Investment Adviser Registration

On October 15, 2013, the Division of Securities entered a Final Order against Higher Standard Wealth Management, LLC whereby the firm agreed to terminate its registration as an investment adviser and not seek registration for a period of three years. The firm failed to file financial statements for three consecutive years and did not maintain an accurate Form ADV.

##### Administrative Fine of \$20,000 against an Investment Adviser for Unregistered Activity

On October 17, 2013, the Division of Securities entered a Final Order against Gordon Gelley & Co., PLLC for engaging in unregistered investment advisory activities and misrepresenting the qualifications of the investment adviser and an employee of the firm. The final order was entered after the firm failed to request a hearing. An administrative fine of \$20,000 was assessed.

Administrative Fine of \$5000 against a Broker Dealer Agent for an Unsuitable Transaction

On October 17, 2013, the Division of Securities entered a Final Order against Steven Isaac Shrago for making an unsuitable transaction in a customer's account. An administrative fine of \$5000 was paid.

**3. Enforcement Results**

Mortgage Company Executive Sentenced in Fraud Case

On October 17, 2013, Wifredo A. Ferrer, United States Attorney for the Southern District of Florida, Michael P. Stephens, Acting Inspector General, Federal Housing Finance Agency, Office of Inspector General, and Drew J. Breakspear, Commissioner, Florida Office of Financial Regulation, announced the sentencing of Patrick J. Mansell, 68, of Boca Raton, FL, Vice President of Coastal States Mortgage Corporation (Coastal). Mansell was sentenced to a statutory maximum penalty of five years in prison, followed by three years of supervised release by U.S. District Judge Robin S. Rosenbaum. Mansell previously pled guilty to conspiracy to commit wire fraud to defraud government sponsored entities, Fannie Mae and Freddie Mac. According to the Information, from April 2007 through November 2008, in the Southern District of Florida, Coastal was a licensed mortgage brokerage whose primary business was the selling and servicing of mortgage loans for both Freddie Mac and Fannie Mae. At the change of plea hearing, Mansell admitted that Coastal failed to remit some of the mortgage loan payoffs it received and processed from borrowers to Freddie Mac and Fannie Mae, as required by the contractual agreement entered into between them. This resulted in an \$18,735,903.77 loss to Freddie Mac and Fannie Mae. The misappropriation was concealed by the regular submission of false financial reports and monthly mortgage payments by Coastal, via an interstate internet portal, to Freddie Mac and Fannie Mae. These monthly mortgage payments by Coastal misled the lenders into believing the loans were still performing. Mr. Ferrer commended the investigative efforts of the Federal Housing Finance Agency, Office of the Inspector General and Florida's Office of Financial Regulation. The case was prosecuted by Assistant U.S. Attorney Thomas P. Lanigan. On August 22, 2012, Coastal States Mortgage and Patrick Mansell agreed to the immediate revocation of Coastal's mortgage lender license and Patrick Mansell's loan originator license.

South Florida Man Arrest for Precious Metals Fraud

On October 22, 2013, Eduardo Cuervo was arrested and charged with grand theft. He is the principal of Crow Commodities, a precious metals investment company. Cuervo allegedly told investors that he was a successful trader in

precious metals and gold coins. From October 2008 through May 2009, investors sent Cuervo over \$72,000. Cuervo bragged to the investors that their gold and silver investments were up 30 percent. Despite the investor's requests for account statements, none of the investors received them. When the investors asked Cuervo to send them their gold coins, or return their investment funds, Cuervo allegedly told them that an off-shore firm he was working with had disappeared with their funds. When questioned about this firm, Cuervo could not produce any evidence supporting this. The bank records revealed that Cuervo used \$20,000 of the investors' funds to trade in gold futures contracts and U.S. treasury bonds through an account at R. J. O'Brien Associates, resulting in quick losses. In addition, Cuervo used \$17,000 of the investor's funds to purchase gold coins through an account at American Precious Metals Exchange and eBay. Cuervo ultimately resold the gold coins through a bidding auction on eBay. In October 2009, eBay and PayPal suspended his account due to "suspicious activity. It is alleged that none of the investors received any of the profits from the sale of the gold coins and that Cuervo used the investors' funds to pay for his mother's attorney fees, for salaries and for his own personal expenses.

### **New Issues**

No new issues to report this week.