

GOVERNOR RICK SCOTT

MONTHLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

August 2015

AUGUST ACHIEVEMENTS

1. Monthly Statistics

- Division of Securities
 - Examinations Opened: 5
 - Examinations Closed: 20
 - Complaints Received: 18
 - Complaints Closed: 17
 - Applications Received: 4,261
 - Applications Approved: 4,285
 - Applications Denied/Withdrawn: 39

- Division of Consumer Finance
 - Examinations Opened: 30
 - Examinations Closed: 25
 - Complaints Received: 142
 - Complaints Closed: 143
 - Applications Received: 1,592
 - Applications Approved: 1,446
 - Applications Denied/Withdrawn: 40

- Division of Financial Institutions
 - Examinations Opened: 11
 - Examinations Closed: 21
 - Complaints Received: 11
 - Complaints Closed: 62
 - Applications Received: 65
 - Applications Approved: 4
 - Applications Denied/Withdrawn: 1

- Bureau of Financial Investigations
 - Investigations Opened: 2
 - Investigations Closed: 1

2. Substantial Sanctions and Fines:

Final Order Against an Investment Adviser Firm and Associated Persons for Prohibited Business Practices

On August 5, 2015, the Division of Securities entered a final order against Quantum Synergies and Arthur R. Papale for engaging in prohibited business practices by failing to maintain the Form ADV, prepare and maintain written supervisory procedures, file annual financial statements, maintain required net capital, timely notify the office of the firm's net capital deficiency and to maintain the Form U-4 for Arthur R. Papale. Quantum Synergies agreed to terminate its registration as an investment adviser with the State of Florida and agreed not to seek registration as an investment adviser for three years. Arthur R. Papale agreed not to create or establish an investment adviser firm in the State of Florida for three years.

Final Order for \$15,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On August 20, 2015, the Division of Securities entered a final order against Preservation Capital Group and John Sauickie for engaging in prohibited business practices by failing to accurately disclose prepaid fees in written investment advisory contracts, send clients itemized invoices, file audited financial statements, maintain required net capital, timely notify the OFR of the firm's net capital deficiency and comply with the custody requirements of the Florida Securities and Investor Protection Act, Chapter 517, F.S. A \$15,000 administrative fine was paid.

Permanent Bar and \$77,500 Fine Against an Investment Adviser Firm for Prohibited Business Practices

On August 20, 2015, the Division of Securities entered a final order against Akro Advisors Inc., permanently barring Akro Advisors Inc., from registration with the office, after the firm failed to request a hearing. The final order follows an administrative complaint, which alleged Akro Advisors engaged in prohibited business practices by failing to amend an inaccurate Form ADV, follow safekeeping requirements, file audited financial statements, maintain required net capital and timely notify the OFR of the firm's net capital deficiency. An administrative fine of \$77,500 was assessed.

Final Order for \$2,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On July 24, 2015, the Division of Securities entered a final order against Hammett Financial, P.A., and John Randall Hammett for engaging in prohibited business practices by failing to maintain an accurate Form ADV, maintain and provide accurate advisory contracts, adequately disclose fee itemization and formulas, maintain contracts and solicitor disclosures and have written supervisory procedures. A \$2,000 administrative fine was paid.

Fines Totaling \$35,000 for Unregistered Activity

During the month of August 2015, the Division of Securities fined two associated persons and one firm for engaging in unregistered investment advisory activities in the State of Florida. A total of \$35,000 in administrative fines was paid.

3. Enforcement Actions

Orchestrators of Alleged Gold Mining Investment Scam Arrested

On July 30, 2015, Odalys Cordero-Romero was arrested and jailed in Miami-Dade County on charges of organized fraud and grand theft. Cordero, along with her associate and convicted felon, Richard Steiner, are alleged to have orchestrated a fraudulent investment scheme involving purported investments in a gold mining operation in Colorado. Steiner was arrested on August 5, 2015. The investigation revealed that on or about July 2010, Cordero and Steiner solicited investment monies from at least one Florida resident to fund a purported gold mining operation in Delta County, Colorado. Steiner and Cordero are alleged to have presented the victim with offering materials including, documents showing Steiner's mining rights, receipts from the U.S. Department of the Interior, land appraisals and an "executive summary" which contained the monetary valuation of the gold to be mined, the number of acres available to be mined and the names of scientists and companies Steiner had allegedly worked with for 10 years to develop the mining project. Steiner and Cordero convinced the victim to invest in the project on the promise of returning \$1 million to him by September 2010. The victim wired his investment funds to a bank account controlled solely by Steiner. Upon receiving the funds, Steiner immediately wired a large portion of the funds to other bank accounts controlled by Cordero. Shortly after receiving the investment funds, Steiner and Cordero convinced the investor to send them an additional \$30,000 to obtain what they described as a necessary letter of credit. Steiner and Cordero claimed they would use the letter of credit to lease mining extraction equipment for the project. Contrary to these representations, however, the investigation revealed that both Steiner and Cordero used the funds for personal expenses rather than for the development of a gold mining operation or for the leasing of any mining equipment. In 2005, Steiner was placed on 15 years' probation for defrauding an 82-year old man out of approximately \$500,000 through various fraudulent investments including an aluminum company venture, a virtual reality gaming company and a gold mine. In that case, Steiner promised the victim \$5 million per week to be generated from the gold mining venture alone. Steiner's criminal history was not disclosed to the victim in the present case. This case is being prosecuted by the Miami-Dade County State Attorney's Office. The Department of Financial Services and Division of Insurance Fraud provided assistance with the arrest of Cordero. The Palm Beach Shores and Delray Beach Police Departments provided assistance with Steiner's arrest.

Recidivist Mortgage Fraud Conspirator Sentenced to Prison

On July 31, 2015, Shastine Pavao was sentenced by the Circuit Court of Orange County to serve three years in prison to be followed by two years of community control and five years of probation. The sentence follows Pavao's May 2015 guilty plea to charges of having violated the terms of an existing probation order which precluded her from employment in the real estate industry. An OFR investigation determined that, along with continuing to be involved in the real

estate industry, Pavao also violated the terms of her probation when she was found to have been involved in a separate scheme to defraud for which she was arrested by the Clermont Police Department in January of this year. On September 30, 2010, Pavao pled guilty to charges of racketeering and conspiracy to commit racketeering in connection with her role in a mortgage fraud scheme. Pavao was arrested in December 2008, following an OFR investigation which found that she victimized financially distressed homeowners by offering them personal loans and promising help with staving off foreclosure. The victims, including several elderly and disabled persons, claimed that Pavao and her father, John Pavao, swindled them into signing over their homes under the false pretense of completing loan applications. The investigation revealed that the Pavaos would then obtain mortgage loans against the properties based on material misrepresentations to lenders with the proceeds going towards their personal expenses. Shastine Pavao was sentenced to six years in prison to be followed by 12 years of probation. Her prison sentence was suspended contingent upon her successful completion of the 12 year probation period. Pavao's conditions of probation included a ban on work in any area involving real estate or mortgages. A date for a restitution hearing is still pending.

Enforcement Action Taken Against Unlicensed Check Casher

On August 7, 2015, a final order was entered against respondents Babul Hai, Sagor Akhikary and Masa Inc., of USA, for acting as an unlicensed money services business. Together the respondents were fined a total of \$20,000 and barred for 15 years from applying for any Chapter 560 license. The OFR investigation was predicated on information received from a confidential informant alleging that Masa Inc., of USA, a convenience store located in Orlando, was operating as an unlicensed check casher. The investigation revealed that from February 28, 2012, to January 17, 2013, Masa cashed at least 270 third-party checks totaling approximately \$300,000. Many of these were U.S. Treasury checks believed to have been fraudulently obtained. The investigation further identified at least 45 checks cashed by Masa that exceeded the \$2,000 threshold for potential exemption from licensure. Licensing records revealed that Masa is not and has never been licensed with the OFR as a check casher.

Additional Defendant Charged in Multi-Million Dollar South Florida Mortgage Fraud Scheme

On August 19, 2015, Guerdin Pierre Lecorps of Miramar was arrested on a charge of conspiracy to commit wire fraud for his role in an elaborate mortgage fraud scheme. Between May 2006 and January 2007, Lecorps and his co-conspirators are alleged to have recruited and paid straw buyers in order to use their identities and creditworthiness to purchase properties through Mega Financial and KMC Corporation of Florida. Lecorps operated one of KMC's three offices where he is believed to have prepared and submitted fraudulent loan applications and supporting documents to mortgage lenders throughout the United States. These fraudulent documents are alleged to have been used by Lecorps to acquire approximately 13 properties throughout Miami-Dade and Broward Counties. Evidence obtained through the investigation suggests that

Lecorps and his co-conspirators made a limited number of mortgage payments on certain properties and then abruptly stopped, causing the mortgage lenders to foreclose and suffer losses totaling \$3,500,000 million. Agents with the FBI and U.S. Marshals Service performed the arrest. Initial charges in this case were filed in May 2014, when a federal grand jury indicted Karl A Oreste, Marie Lucie Tondreau, Okechukwu Josiah "O.J." Odunna, and Kelly Augustin on one count of conspiracy to commit wire fraud and six counts of wire fraud affecting a financial institution. Each of the defendants who have already been apprehended have either been found guilty (by jury trial) or pled guilty to defrauding financial institutions in the same manner as alleged in the case against Lecorps. Combined, the defendants' schemes involved a total of 54 properties and \$24 million dollars. Each of the convicted defendants used the fraudulently obtained loan proceeds for their personal benefit. Tondreau, the former mayor of the City of North Miami, was sentenced to 60 months in federal prison to be followed by three years of supervised release. Oreste was sentenced to eight years and four months in federal prison to be followed by five years of supervised release. Odunna and Augustin remain fugitives. This investigation was developed jointly with the FBI and is being prosecuted by the United States Attorney's Office in Miami. Guerdin is scheduled to be sentenced on October 28, 2015.

Sarasota Man Arrested on Investment Fraud Related Theft Charges

On August 20, 2015, Russell Haraburda turned himself in to the Sarasota County Sheriff's Office on an outstanding warrant for multiple counts of theft by fraud. Haraburda was charged by the Florida Attorney General's Office of Statewide Prosecution with one count of organized fraud and eight counts of theft for his role in a fraudulent investment offering related to his company, EnviraTrends, Inc. Haraburda is alleged to have raised in excess of \$3 million from over 150 investors in and outside of Florida for "pre-IPO" shares in EnviraTrends. Investors allege that Haraburda told them that their funds would be used towards expenses associated with taking the company public. They claim that Haraburda and his company purported to possess technology that could turn the cremated ashes of pets into precious gemstones. Contrary to representations, however, investigation revealed that Haraburda used a majority of investors' funds to support his lavish personal lifestyle, and not towards IPO expenses. This investigation was conducted jointly with the U.S. Securities and Exchange Commission and was assisted by the Florida Department of Law Enforcement. The Attorney General's Office of Statewide Prosecution is prosecuting the case.

4. Communications and Outreach Activities

On August 6, 2015, the OFR issued a press release announcing arrests in a gold-mining investment scheme.

[Press Release: Miami-Dade Duo Arrested in Alleged Investment Scheme](#)

On August 9, 2015, an opinion editorial by Commissioner Drew J. Breakspear appeared in *American Banker*.

[Too Small to Comply: Florida's Regulator on Dodd-Frank's Defects](#)

On August 24, 2015, the OFR issued a consumer alert on unlicensed payday lenders.

[Consumer Alert: Beware of Unlicensed Payday Lenders](#)