

GOVERNOR RICK SCOTT

QUARTERLY AGENCY ACHIEVEMENT REPORT

OFFICE OF FINANCIAL REGULATION

JUNE 2014

APRIL THROUGH JUNE 2014 ACHIEVEMENTS

1. Quarterly Statistics

- Division of Securities
 - Examinations Opened: 85
 - Examinations Closed: 75
 - Complaints Received: 69
 - Complaints Closed: 55
 - Applications Received: 12,469
 - Applications Approved: 12,224
 - Applications Denied/Withdrawn: 222

- Division of Consumer Finance
 - Examinations Opened: 117
 - Examinations Closed: 98
 - Complaints Received: 609
 - Complaints Closed: 645
 - Applications Received: 5,168
 - Applications Approved: 5,038
 - Applications Denied/Withdrawn: 259

- Division of Financial Institutions
 - Examinations Opened: 31
 - Examinations Closed: 33
 - Complaints Received: 241
 - Complaints Closed: 233
 - Applications Received: 100
 - Applications Approved: 71
 - Applications Denied/Withdrawn: 1

- Bureau of Financial Investigations
 - Investigations Opened: 40
 - Investigations Closed: 41

2. Communications and Outreach Activities

On March 26, 2014, two members of the Division of Financial Institutions represented the OFR at a regulator roundtable at the League of Southeastern Credit Union's Government Affairs Conference in Tallahassee with NCUA

Regional Director Myra Toeppe. There were approximately 60 people in attendance.

On April 9, 2014, the OFR issued a consumer alert on prohibited debt collection practices.

[Consumer Alert: Prohibited Debt Collection Practices](#)

On April 9, 2014, the OFR issued a press release on a Florida man convicted in fraudulent land development scheme.

[Press Release: Florida man convicted in fraudulent land development scheme](#)

On April 9, 2014, Commissioner Drew J. Breakspear taped an interview with Beth Switzer for an episode of *Florida Face to Face*. The interview aired multiple times on PBS stations statewide.

On April 10, 2014, a member of the Division of Financial Institutions represented the OFR on a regulatory panel at the National Association of Corporate Directors' Annual Bank Directors Workshop in Ft. Lauderdale. There were approximately 60 people in attendance.

On April 22, 2014, OFR Commissioner Drew J. Breakspear issued a statement on the passage of legislation related to money services businesses.

[Commissioner Breakspear's Statement on the Passage of Legislation Related to Money Services Businesses](#)

On April 24, 2014, an opinion editorial written by OFR Commissioner Drew J. Breakspear was published by *Sunshine State News*.

[Sunshine State News: Education, Preventive Measures Help Combat Financial Fraud](#)

On April 25, 2014, Bureau Chief of Enforcement for the Division of Securities participated in a panel discussion at the Financial Planning Association of Greater Fort Lauderdale's Annual Conference. Other participants included the U.S. Securities and Exchange Commission (SEC) and FINRA. The panel discussed fraud detection, cyber security, risk management, marketing and sales practices, compliance responsibilities and communications between regulatory agencies. Approximately 65 securities industry members attended.

On April 27, 2014, a letter to the editor by OFR Commissioner Drew J. Breakspear was published by the *Tallahassee Democrat*.

[Tallahassee Democrat: Kids need to know the basics of finance](#)

On May 1, 2014, the OFR issued a press release on arrests made in an Orlando investment fraud scheme.

[Press Release: Arrests Made in Orlando Investment Fraud Scheme](#)

On May 1, 2014, the OFR issued a press release celebrating Putting Investors First Month.

[Press Release: Florida Office of Financial Regulation Celebrates Putting Investors First Month](#)

On May 1, 2014, the OFR issued a press release announcing the passage of OFR legislative priorities.

[Press Release: New legislation a win for consumers](#)

On May 12, 2014, the OFR issued a consumer alert to bring awareness to precious metals investing.

[Consumer Alert: Precious Metals Investing](#)

On May 8, 2014, members of the Division of Consumer Finance participated in the Florida Collectors Association, Inc., Mid-Year Spring Conference in Orlando. Topics discussed included new law changes, upcoming renewal expectations and working with the association in developing rules to support changes in the law. Approximately 30 association members attended the event.

On May 14, 2014, Division of Securities staff participated in the Quarterly Roundtable meeting held by the U.S. Securities and Exchange Commission in Miami. Other participants included the Financial Industry Regulatory Authority, the Federal Bureau of Investigation, the United States Attorney's Office and other State and Federal regulatory and law enforcement agencies. The meeting was held to discuss updates, from participating agencies, on new and/or significant trends or concerns in Securities and/or Investment Fraud matters. Other issues discussed included suggestions for better collaborative investigations and parallel criminal prosecutions. Approximately 35 securities regulatory members were in attendance.

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](#)

On May 28, 2014, members of the Division of Securities conducted an interview with the New York Times on Florida financial adviser registration process, cases, trends and outreach to senior citizens.

On May 28, 2014, OFR Commissioner Drew J. Breakspear conducted an on-camera interview via Skype with Mike Holfeld of WKMG-TV Orlando on financial phishing email scams.

On June 2-4, 2014, The OFR division directors, the deputy commissioner and the director of communications completed semi-annual field team visits. During each visit, the leadership team provided a legislative update, overview of the

communications office, and completed breakout sessions for staff in each field office.

On June 4 and 5, 2014, Division of Consumer Finance Registration Bureau Chief attended the Conference of State Bank Supervisors (CSBS) Mortgage Testing and Education Board annual meeting in Washington, D.C. The board met to develop policy recommendations for mortgage testing investigations and the examination of education providers. The board also reviewed existing investigations and the future board membership. Members toured a test center to experience the process of taking pre-licensing examinations. There were ten board members and ten members of the CSBS staff present.

On June 6-8, 2014, members of the OFR Division of Securities attended the North American Securities Administrators Association (NASAA) Broker-Dealer & Agent Examination & Registration Training held in St. Louis, MO. Both OFR members served as trainers during the three-day training program for examination and registration staff of state securities regulators. More than 125 attendees from more than 30 states participated in the event.

On June 8, 2014, an opinion editorial written by OFR Commissioner Drew J. Breakspear was published by the *Daytona Beach News Journal*.
[Daytona Beach News Journal: Drew Breakspear: Learn to outsmart scammers](#)

On June 9-11, 2014, the Division of Consumer Finance and the Bureau of Financial Investigations participated in annual field team trainings. Speakers included members of the Consumer Financial Protection Bureau, Financial Crimes Enforcement Network, U.S. Securities and Exchange Commission, Internal Revenue Service Criminal Investigations and the Assistant State Attorney's Office. Topics discussed included examinations and current legislation.

On June 9, 2014, OFR Commissioner Drew J. Breakspear presented at the Florida Bankers Association Annual Meeting in Naples, Florida. His presentation emphasized the status of Florida's banks. Additionally, a member of the Division of Financial Institutions represented the OFR on a regulatory panel. There were approximately 140 people in attendance.

On June 12, 2014, OFR Commissioner Drew J. Breakspear provided opening remarks at the Southeast Credit Union Conference & Expo in Orlando, Florida. Four members of the Division of Financial Institutions attended the conference and two OFR members participated in the regulatory roundtable. There were approximately 50 people in attendance.

On June 12, 2014, a Skype interview between OFR Deputy Commissioner Gregory J. Hila and Mike Holfeld of WKMG-TV Orlando aired.
[WKMG: Deputy Commissioner Hila: Debt Collectors](#)

On June 15, 2014, an opinion editorial written by OFR Commissioner Drew J. Breakspear was published by the *Tallahassee Democrat*.

[Tallahassee Democrat: Choosing the right financial professional](#)

On June 17, 2014, representatives of Florida Securities Dealers Association, Wells Fargo Advisors, and TradeStation Securities joined with a representative of the OFR and State Representative Barbara Watson to present a seminar entitled, "Elder Fraud and Identity Theft," to a senior citizens group in Miami Gardens, Florida. The lively and well-attended interactive presentation covered such topics as, "Why Target Elderly Persons," "Who are the Victims of Elder Fraud," "What to do if You are the Victim of Identity Theft," "Warning Signs of Potential Fraud," "Protective Measures that an Elderly Person Can Take To Avoid Becoming The Victim of Fraud," and "Reverse Mortgages."

On June 19, 2014, the OFR issued a consumer alert warning of unauthorized use of OFR branding.

[Consumer Alert: Unauthorized Use of OFR Branding](#)

On June 20, 2014, a Skype interview between OFR Deputy Commissioner Gregory J. Hila and Mike Holfeld of WKMG-TV Orlando aired.

[WKMG: Deputy Commissioner Hila: Reload Scams](#)

On June 23, 2014, a member of the OFR Division of Securities participated in a panel discussion with the U.S. Securities and Exchange Commission (SEC) at the Regulatory Compliance Conference in Boca Raton. The panel discussed Investment Adviser examination/enforcement trends, compensation and compliance expectations. Approximately 35 members of the investment adviser industry attended.

On June 24, 2014, the OFR issued a press release announcing the name change and conversion of First National Bank of the Gulf Coast to a state-chartered financial institution.

[Press Release: First National Bank of the Gulf Coast Changes Name, Becomes State-Chartered Institution](#)

On June 26, 2014, a member of the OFR Division of Securities participated in a panel discussion with the U.S. Securities and Exchange Commission (SEC) at the Southeastern Securities Conference in Atlanta, Georgia. The panel discussed examination/enforcement trends and common examination findings. Approximately 60 securities regulatory members attended.

3. Substantial Regulatory Actions

[Final Order for \\$71,380 Fine Against a Broker Dealer](#)

On March 26, 2014, the Division of Securities entered a Final Order against RBC Capital Markets, LLC, for failing to establish an adequate system to monitor the

registration status of client services associates and to enforce established written procedures. The Final Order follows an investigation into the registration of RBC's client service associates and supervisory system by the North American Securities Administrators Association (NASAA) Multi-State Working Group. A \$71,380 administrative fine was paid.

Permanent Bar and \$ 3,125,000 in Total Fines Against an Unregistered Broker Dealer and Associated Person for Fraud

On March 31, 2014, the Division of Securities entered a Final Order against Neofat Industries, Inc., k/n/a Microlipid Technologies, Inc., and Gus Papathanasopoulos permanently barring the firm and 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 they failed to request a hearing. The Final Order follows an Administrative Complaint, which alleged Mr. Papathanasopoulos and Neofat Industries, Inc., offered and sold unregistered securities; engaged in securities business in Florida without being registered and conducted fraudulent securities transactions. A total of \$3,125,000 in administrative fines was assessed.

Permanent Bar and \$10,000 Fine Against an Unregistered Associated Person for Fraud

On April 8, 2014, the Division of Securities entered a Final Order against Donald L. Braxton, permanently barring Mr. Braxton from registration with the Office, after he failed to timely request a hearing. The Final Order follows an Administrative Complaint, which alleged Donald L. Braxton offered and sold unregistered securities, engaged in securities transactions in Florida without being registered, operated a boiler room and conducted fraudulent securities transactions. An administrative fine of \$10,000 was assessed.

Final Order for Fines Totaling \$16,500 Against an Investment Adviser Firm and Associated Persons for Prohibited Business Practices and Unregistered Activity

On April 15, 2014, the Division of Securities entered a Final Order against Brokaw Rice Investment Advisors, Inc., James Michael Rice and Anna Brokaw Rice, for failing to file annual financial statements; maintain an accurate Form ADV; maintain required net capital; and send clients itemized invoices. In addition, James Michael Rice engaged in investment advisory activity in Florida without being registered. Fines totaling 16,500 were paid.

Final Order for \$4,500 Fine Against an Associated Person for Unregistered Activity

On April 18, 2014, the Division of Securities entered a Final Order against Gerald Kenneth Lowe for engaging in unregistered investment advisory activities. A \$4,500 administrative fine of was paid.

Permanent Bar and \$465,000 in Total Fines Against Unregistered Broker Dealers and an Associated Person for Fraud

On April 28, 2014, the Division of Securities entered a Final Order against Alan Drew Messina, Global Capital Funding, LLC, and Ephesians 6:11, LLC, permanently barring him and the firms from seeking future registration or licensure with the OFR. The Final Order follows an Administrative Complaint, which alleged Mr. Messina, Global Capital Funding, LLC, and Ephesians 6:11, LLC, offered and sold unregistered securities, engaged in securities business in Florida without being registered, and conducted fraudulent securities transactions. A total of \$465,000 in administrative fines was assessed.

National Bank Converts to State Chartered Bank

On April 25, 2014, Calusa National Bank converted to a Florida state-chartered financial institution effective close of business. Calusa Bank (current name) holds nearly \$156 million in assets.

[Press Release: Calusa National Bank becomes state-chartered financial institution](#)

Final Order for \$15,000 Fine Against an Associated Person for Unregistered Activity

On May 6, 2014, the Division of Securities entered a Final Order against Laurie Susan Cohen for engaging in unregistered investment advisory activities. A \$15,000 administrative fine was paid.

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.

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.

Permanent Bar and \$115,000 Fine Against an Associated Person for Prohibited Business Practices and Fraud

On June 9, 2014, the Division of Securities entered a Final Order against Angel Manuel Aviles permanently barring Mr. Aviles from registration with the Office, after he failed to timely request a hearing. The Final Order follows an Administrative Complaint, which alleged Mr. Aviles conducted fraudulent securities transactions, and engaged in prohibited business practices by commingling funds and selling his future earnings. An administrative fine of \$115,000 was assessed.

Final Order for \$18,000 Fine Against an Associated Person for Unregistered Activity

On June 13, 2014, the Division of Securities entered a Final Order against Edward Dale Shupe for engaging in unregistered investment advisory activities. An \$18,000 administrative fine was paid.

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

On June 13, 2014, the Division of Securities entered a Final Order against Stark Financial Advisers, Inc., for engaging in prohibited business practices by failing to maintain accurate books and records and Form ADV, entering into deficient and inappropriate client advisory agreements, charging excessive advisory fees to clients and publishing misleading information on the firm's website. A \$15,000 administrative fine was paid.

Final Order for \$9,000 Fine Against an Investment Adviser Firm and Associated Person for Prohibited Business Practices

On June 13, 2014, the Division of Securities entered a Final Order against APEX Investment Management, Inc., and Byron D. Aldridge, Jr., for engaging in prohibited business practices by failing to timely file financial statements, maintain books and records and maintain required net capital and properly disclose advisory fees in client advisory agreements. A \$9,000 administrative fine was paid.

Permanent Bar and \$460,000 in Total Fines Against Unregistered Broker Dealers and Six Associated Persons for Unregistered Activity and Fraud

On June 17, 2014, the Division of Securities entered a Final Order against GlobalOne Financial, Inc., Asset Capital Consulting, Inc., Michael Jeffery Scott, Ryan Patrick Coon, Noel Gary Beres, Barry David Cohen, Rupert Winston Hakim and Goron Craig Jemmott permanently barring them from seeking future registration or licensure with the Office of Financial Regulation, after they failed to request a hearing. The Final Order follows an Administrative Complaint, which alleged the firms and associated persons offered and sold unregistered securities, engaged in securities business in Florida without being registered, and conducted fraudulent securities transactions. A total of \$460,000 in administrative fines was assessed.

Final Order for Fines Totaling \$7,500 Against an Investment Adviser Firm for Prohibited Business Practices

On June 20, 2014, the Division of Securities entered a Final Order against Empire Financial Group, LLC, and Barrett Haus for failing to maintain custody safeguards, comply with custody requirements and maintain required net capital. An administrative fine of \$7,500 was paid.

Denial of Associated Person Applications

From April 1 to June 25, 2014, the Division of Securities denied three applications for registration as an associated person. The Notices of Intent to Deny, in each case, alleged that the associated person made a material misrepresentation or misstatement on their application for registration as an associated person.

4. Significant Enforcement Actions

Two Arrested for Role in Fraudulent Factoring Scheme

On April 7, 2014, Brian Newton and Vicki Snow were arrested and charged with mail and wire fraud and conspiracy to commit mail and wire fraud resulting from their alleged involvement in a \$6 million fraudulent factoring scheme. Newton and Snow, while working for Dataforce International, Inc., are alleged to have fraudulently factored invoices through Amerifactors Financial Group and Prestige Funding. The investigation revealed that from 2003 through August 2009, Newton and Snow allegedly submitted a series of inflated invoices for factoring. Newton and Snow were also allegedly engaged in “double factoring,” which involved submitting the same Dataforce invoices for factoring to both Amerifactors and Prestige. Investors were defrauded for more than \$6 million. This case is being prosecuted by the U.S. Attorney’s Office for the Middle District of Florida and was developed jointly by the OFR and the FBI.

Fernandina Beach Man Sentenced in Fraudulent Land Development Scheme

Furman Otis Clark, Jr., 65, was sentenced on April 24, 2014, to 20 years in state prison for his role in a fraudulent land development scheme after being found guilty by a jury. A joint investigation conducted by the OFR and the State Attorney’s Office in Nassau County revealed that from January 2008 through April 2009, Clark, operating through his company, Novus Ordo Investments, LLC, obtained at least \$250,000 from investors in Florida and Georgia who were told they would receive interests in limited liability companies. Clark falsely represented that their funds would be used for real estate projects and that he had exclusive rights to purchase the properties to be developed. Contrary to representations, investigators found that much of the investors’ money was used by Clark for his personal expenses and not for land or real estate development. Clark also failed to tell the investors that he had a history of financial problems and is a convicted felon.

[Press Release: Fernandina Beach man sentenced in fraudulent land development scheme](#)

Lee County Man Sentenced in Investment Fraud Scheme

On May 5, 2014, defendant Rodney James pled no contest to a first degree felony count of scheming to defraud. James was sentenced to time served (3 years, 9 months, 2 days) and ordered to pay \$150,000 in restitution to victims followed by 10 years of probation. This investigation was opened in July 2007 as an assist to the Lee County Sheriff's Office, Economic Crimes Unit. On June 5, 2008, James was arrested and charged with multiple counts of securities fraud and grand theft along with charges of organized fraud and money laundering for his role in a fraudulent stock investment scheme that resulted in \$1.8 million in losses to investors. Between 2004 and 2007, James sold stock in companies that had no assets, were dissolved or that he did not own to at least seven Florida investors. James also issued duplicate stock certificates to different investors with different values. James used the majority of investor funds for his personal expenses without the investors' knowledge or consent.

Defendant Arrested for Role in Investment Scheme

On Wednesday, May 7, 2014, as a result of an OFR investigation, Floyd C. Raynard of Trinity, Florida, was arrested by the Pasco County Sheriff's Office and charged with four counts of grand theft in relation to an investment fraud scheme, which resulted in losses of \$90,000 to four out-of-state investors. Raynard, who is accused of having organized the fraudulent scheme, is believed to have used his company, Global Tracking Technologies, LLC, (GTT), to obtain funds from investors in New Jersey and Ohio. In discussions with those investors, Raynard is alleged to have misrepresented GTT's technology and profit potential, claiming that Global Tracking Technologies, LLC, was a rapidly growing global positioning systems business for the trucking industry. Raynard allegedly told investors that the company had developed valuable strategic alliances and sales and marketing agreements, including government contracts that purportedly would generate substantial revenues. GTT and Raynard issued promissory notes to investors that promised to pay nine percent per year. Contrary to representations, however, the OFR's investigation found that Raynard used investor funds for personal expenses and not for the development of his purported global positioning systems business. The charges filed against the defendant are only an accusation and the defendant is presumed innocent until proven guilty.

[Press Release: Arrest Made in Suspected Tampa Area Investment Fraud Scheme](#)

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](#)