

# GOVERNOR RICK SCOTT

## WEEKLY AGENCY REPORT

### OFFICE OF FINANCIAL REGULATION

WEEK ENDING March 24, 2016

#### Successes for Week Ending March 24, 2016

#### 1. Licensing and Registration

- Division of Securities
  - Applications Received: 936
  - Applications Approved: 868
  - Applications Denied/Withdrawn: 14
  
- Division of Consumer Finance
  - Applications Received: 222
  - Applications Approved: 236
  - Applications Denied/Withdrawn: 18
  
- Division of Financial Institutions
  - Applications Received: 1
  - Applications Approved: 0
  - Applications Denied/Withdrawn: 0

#### 2. Regulatory Sanctions

##### Final Order for \$7,500 Fine Against an Associated Person for Unregistered Activity

On March 16, 2016, the Division of Securities entered a final order against Peter Ferraro for engaging in unregistered investment advisory activities. A \$7,500 administrative fine was paid.

#### 3. Enforcement Results

##### Florida Man Sentenced to Federal Prison for his Role in Elaborate Ponzi Scheme

On March 17, 2016, defendant Paul Schumack was sentenced to serve 12 years in federal prison and ordered to pay \$31 million in restitution for his role in an elaborate Ponzi scheme that bilked investors out of approximately \$80 million. The scheme centered on the sale of "virtual concierge machines" (VCMs), devices that Schumack and co-defendants Joseph Signore, Laura Grande-Signore and Craig Hipp claimed would be installed in sports stadiums and hotels to provide users information, as well as discount coupons and access to services, such as restaurant food delivery. The VCMs were offered to investors for \$2,500-\$3,500 each and were supposed to be strategically placed in areas with significant pedestrian traffic. Working through JCS Enterprises, Inc., of Jupiter and an associated company named TBTI, Inc., the four defendants sold

the equivalent of 22,547 VCM kiosks to investors around the country. As part of the sales pitch, investors were guaranteed \$300 per month in returns for at least 36 months from advertising revenues alone. Despite these representations and the large quantity of VCMs sold, only 182 VCMs were ever manufactured and only 84 ever made it to operation. Advertising revenues from the VCMs in operation amounted to less than \$22,000 over the course of two years and only a fraction of the money raised from investors was used to purchase components to manufacture the VCMs. Instead, the vast majority of investors' funds were used by the defendants to pay for personal living expenses or to make Ponzi-style payments to early investors. Defendant Joseph Signore was responsible for raising \$10 million from 307 investors, 128 of whom resided in Florida. On December 7, 2015, following a six-week federal trial, the defendants were each found guilty of various charges to include, money-laundering, wire fraud and mail fraud. On March 14, 2016, defendant Signore was sentenced to serve 20 years in federal prison and ordered to pay \$31 million in restitution. Two days later, on March 16, 2016, Laura Grande-Signore was sentenced to seven years in prison and ordered to pay \$31 million in restitution for her role in the scheme (restitution orders were issued jointly, with each defendant responsible for the \$31 million in total restitution ordered in the case). Earlier, in May 2015, defendant Craig Hipp, Vice President of Manufacturing for JCS, was sentenced to seven years in prison for his own involvement in the scheme. The defendants received combined prison sentences totaling 46 years. This case was developed in cooperation with the SEC and the FBI. It was prosecuted by the United States Attorney's Office in West Palm Beach. Each of the defendants was remanded into custody following the pronouncement of their sentences.

#### Boyton Beach Man Pleads Guilty to Advance Fee Loan Scam

On March 10, 2016, Ivan Levy, CEO of Regency Financial Services, LLC pleaded guilty to nine counts of collecting unlawful advance fees as a loan broker. Following the entry of the plea, Levy was sentenced to serve 120 days in jail to be followed by five years on probation. He was ordered to pay more than \$76,000 in criminal restitution with \$3,685 to be paid up front. Levy was arrested on March 30, 2015, and charged with collecting advance fees from victims who sought his services as a loan broker in order to avoid having their vehicles repossessed. Victims sought to renegotiate or refinance their auto loans through Levy's websites, "credit-yogi.com" and "carpaymenthelpcenter.com." Levy preyed on victims by claiming he was an auto loan broker, falsely offering guaranteed auto refinancing in exchange for an advance fee of \$499 payable in cash via bank deposits into his account. Victims were told to use Levy's corporate name on the deposits, making it difficult to determine who and how many victims gave cash to Levy. Once the payments were received, Levy would end all communication with his victims. No victim is known to have obtained financing or a refund of their advance fee payments. As part of the court's order, Levy will repay nine victims identified by the OFR who had their vehicles repossessed as a direct result of his scam. Levy's plea agreement also bars him from violating a Federal Trade Commission (FTC) injunction filed against him in January 2015.

That injunction permanently bans Levy from any telemarketing activity or from engaging in the offer or sale of any financial product or service. Levy agreed to a judgment of \$330,000 in the FTC's case, an amount believed to comprise the total dollar loss to victims resulting from his scheme. Levy conducted business from his home in Boynton Beach for the past three years and was not licensed as a consumer finance company, lender or retail installment sales contract provider. Levy will begin serving his jail sentence on March 21, 2016.

#### Man Sentenced for Role in Ponzi Scheme

On March 14, 2016, Dorian A. Garcia was sentenced to serve 78 months in prison to be followed by 36 months of probation for his role in orchestrating a Ponzi scheme that victimized more than 100 investors, resulting in more than \$8 million in losses. The sentence follows Garcia's conviction on a wire fraud charge to which he pled guilty in July 2015. Between February 2009 and April 2015, Garcia solicited and received at least \$8.5 million from approximately 111 victim investors throughout the United States. Of that amount, \$3.9 million was returned to investors through Ponzi-style payments. Garcia, through a number of companies that he controlled, including DG Wealth Management, persuaded individuals to invest with him based on misrepresentations that he would place their funds in an investment pool and would guarantee their investment in addition to a specific rate of return. To lure investors into believing that their investments were secure, Garcia provided them with fake bank statements that reflected large balances. The true account balances were a fraction of the amounts claimed and were insufficient to back his purported guarantees. Funds not used in making Ponzi payments to investors were spent on personal and business expenses including artwork, rent, luxury car payments, domestic help (including a personal chef), jewelry and dinner parties. In addition to the prison sentence, Garcia was also ordered to forfeit \$3.1 million along with various pieces of artwork obtained through the proceeds of his fraudulent scheme. An evidentiary hearing regarding restitution is set for May 16, 2016. On April 14th, 2015, Garcia was named as a respondent in a civil fraud complaint brought by the CFTC with assistance from the OFR. A final judgment in that case is still pending. The OFR Bureau of Financial Investigations partnered with the FBI in bringing the criminal complaint which led to the criminal enforcement action in this case.

#### **New Issues**

No new issues to report this week.