

# GOVERNOR RICK SCOTT

## WEEKLY AGENCY REPORT

### OFFICE OF FINANCIAL REGULATION

WEEK ENDING May 19, 2016

#### Successes for Week Ending May 19, 2016

#### 1. Licensing and Registration

- Division of Securities
  - Applications Received: 988
  - Applications Approved: 965
  - Applications Denied/Withdrawn: 21
  
- Division of Consumer Finance
  - Applications Received: 285
  - Applications Approved: 303
  - Applications Denied/Withdrawn: 4
  
- Division of Financial Institutions
  - Applications Received: 0
  - Applications Approved: 0
  - Applications Denied/Withdrawn: 0

#### 2. Regulatory Sanctions

##### Final Order for \$25,800 Fine Against a Check Casher for Prohibited Business Practices

On May 11, 2016, the Division of Consumer Finance entered a final order against Quick Stop, Inc., of Orlando, d/b/a Quick Stop for prohibited business practices by failing to properly endorse payment instruments accepted for cashing, failing to maintain a copy of acceptable identification of the person cashing a payment instrument, failing to properly maintain an electronic log of checks cashed in excess of \$1,000, failing to register or properly renew its registration as a money services business with FinCEN and failing to appropriately implement an effective anti-money laundering program. An administrative fine of \$25,800 was ordered to be paid within 30 days of the docketing of the final order.

#### 3. Enforcement Results

##### Palm Beach County Man Pleads Guilty to Operating an Unlicensed Check-Cashing Business

On May 10, 2016, defendant Samuel Enamorado, Sr., pleaded guilty to operating as an unlicensed check casher and agreed to enter a pre-trial intervention program for a period of 24 months. Enamorado must pay \$4,700 in fines, court fees and investigative costs combined. Enamorado was arrested on March 23,

2016, by the DFS Division of Insurance Fraud on an outstanding warrant issued for one count of acting as unlicensed money services business. The OFR investigation revealed that from December 2013 to May 2014, Enamorado's business, Emerald Realty of Palm Beach, Inc., cashed at least 144 third-party checks whose value, in aggregate, exceeded \$717,337.04. Most of the checks were from construction companies and were believed to have been negotiated as part of a workers' compensation insurance premium avoidance scheme. Chapter 560, F.S., requires any person cashing payment instruments that have an aggregate face value of \$2,000 or more, per person, per day to be licensed by the OFR. Licensing records revealed that Emerald Realty of Palm Beach, Inc., and Samuel Enamorado, Sr., were not licensed by the OFR as a check casher. The OFR opened this investigation based on information obtained from a confidential source that alleged Emerald Realty of Palm Beach, Inc., was operating as an unlicensed check casher. As the investigation revealed evidence of potential workers' compensation insurance fraud, information obtained by the OFR was shared with the Division of Insurance Fraud for criminal prosecution. The Office of the State Attorney in Palm Beach County prosecuted the case.

#### Accused Central Florida Investment Fraudster Pleads Guilty to Selling Unregistered Securities

On May 9, 2016, defendant Gus Papathanasopoulos, owner of Neofat Industries, Inc., aka Microlipid Technologies, Inc., of Orlando, pleaded no contest to two counts of selling unregistered securities and two counts of selling securities as an unregistered dealer. Papathanasopoulos was sentenced to three years of probation and per the plea agreement is required to pay \$100,000 in restitution in addition to approximately \$30,000 for investigative and prosecutorial costs. A \$100,000 judgment will also be entered against Papathanasopoulos related to the activities of former company consultants. On January 13, 2015, Papathanasopoulos was arrested on one count of securities fraud, 18 counts of selling unregistered securities and 18 counts of selling securities as an unregistered dealer. The investigation revealed that from 2002 through 2013, Papathanasopoulos solicited approximately \$2 million from over 100 investors located throughout the United States and Europe. In return for their investments, individuals were told that they would receive stock in the company. The company, which Papathanasopoulos represented as owning a number of valuable patents and as having a profitable business plan, was found to be an empty shell with no legitimate business activity. The OFR's investigative findings also showed that investor monies were used and spent by Papathanasopoulos for his personal benefit. The OFR brought administrative enforcement action against Papathanasopoulos in March 2014, permanently barring him and his company from filing an application for registration under Chapter 517, F.S., and fining each \$1,562,500. The criminal case against Papathanasopoulos was prosecuted by the Office of Statewide Prosecution in Orlando.

#### Central Florida Loan Broker Arrested on Charge of Organized Fraud

On May 9, 2016, Robert Cline of Music Works Lending was arrested on a charge of organized fraud in connection with the alleged collection of unlawful advance fees while acting as a loan broker. The OFR's joint investigation with the Winter Park Police Department and the Seminole County Sheriff's Office revealed that from March 2014 through July 2014, Cline and an associate collected or assessed approximately \$90,000 in fees from at least four prospective borrowers on the promise of obtaining commercial loans. Borrowers are alleged to have been solicited by Cline, who claimed to operate a hard money lending business. Prospective borrowers claim they were charged a fee of one percent of the promised loan amount in order to secure funding. The joint investigation found that Cline gave borrowers fictitious loan documents in order to create the appearance of a legitimate lending transaction. No evidence was found of any actual funding or finalizing of loans. An analysis of subpoenaed bank account records revealed that funds obtained from prospective borrowers were used for personal living expenses. No money is known to have been used towards securing a loan. This case was developed jointly with the Winter Park Police Department and the Seminole County Sheriff's Office and is being prosecuted by the Seminole County State Attorney's Office. At least one more arrest is expected in the case.

#### Two Sarasota County Men Charged with Securities Fraud Related to Investments in Purported Drug Addiction Rehabilitation Program

On May 9, 2016, defendant David Sutton was arrested on charges of selling unregistered securities, selling securities as an unregistered dealer and securities fraud. Co-defendant Michael Garret was arrested on May 4, 2016, based on the same charges. Both defendants are alleged to have sold unregistered securities in the form of promissory notes to at least 14 individuals who together invested approximately \$360,000. The investments were solicited based on the defendants' representations that the money would be used to fund and expand their 12-step addiction recovery program and each investor would receive an annualized return of nine percent on their investment. Investors were led to believe that the company was a provider of drug addiction rehabilitative services with endorsements from various courts throughout Florida and that its product, an online course entitled "Sober101," would be used by the courts to address first-time drug offenses at a cost of \$299 per offender. Contrary to representations, however, investigative findings suggest that the alleged drug court endorsements were false along with the representations by defendants concerning their qualifications and experience. Defendants are also alleged to have failed to disclose the fact that much of the money collected from investors was used for personal expenses, in payment of refunds to earlier investors or spent on gambling. It is unknown if any of the money was used for the expansion of a rehab and recovery program. The Sarasota County State Attorney's Office is prosecuting this case.

No new issues to report this week.