

GOVERNOR RICK SCOTT

WEEKLY AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING MAY 25, 2017

Successes for Week Ending May 25, 2017

1. Licensing and Registration

- Division of Securities
 - Applications Received: 1,000
 - Applications Approved: 978
 - Applications Denied/Withdrawn: 26

- Division of Consumer Finance
 - Applications Received: 534
 - Applications Approved: 518
 - Applications Denied/Withdrawn: 15

- Division of Financial Institutions
 - Applications Received: 1
 - Applications Approved: 0
 - Applications Denied/Withdrawn: 1

2. Regulatory Actions

Final Order for \$2,500 Fine and \$5,683.98 in Refunds to Florida Consumers Against a Motor Vehicle Retail Installment Seller for Prohibited Business Practices

On May 15, 2017, the Division of Consumer Finance entered a final order against WOW Auto Deals, LLC and Jose Cortavarria for failure to pay, use or disburse all listed charges for the purposes stated, failing to refund the balance to customers, or present proof thereof, and for failure to maintain documentation showing proof of payment of the documentary stamp tax.

Permanent Bar and \$600,000 Fine Against Unregistered Associated Person for Fraud

On May 15, 2017, the Division of Securities entered a final order against Elliott Seth Simon permanently barring him from submitting an application or notification for registration with the OFR, after he failed to request a hearing. The final order follows an administrative complaint, which alleged that Mr. Simon offered and sold unregistered securities, engaged in securities business in Florida without being registered and obtained money by means of fraud. A \$600,000 administrative fine was assessed.

Permanent Bar Against an Associate Person for Violation of Rules

On May 18, 2017, the Division of Securities entered a final order against Dean Emmets permanently barring him from submitting an application or notification for registration under Chapter 517, F.S., after he failed to request a hearing. The final order follows an administrative complaint, which alleged that Mr. Emmets provided false and/or misleading advertising, misrepresented his qualifications and failed to maintain his Form U4.

3. Enforcement Actions

On May 15, 2017, Philip Jon-Luke St. John, founder and president of Capital Strategy Investments Inc. (CSI), was sentenced and placed into state's custody. St. John entered a plea of no contest in Charlotte County Circuit Court to charges of securities fraud and grand theft for his role in an investment fraud scheme that victimized two out-of-state investors. St. John was sentenced to 36 months in prison to be followed by 120 months of probation and ordered to pay restitution to his two victims as well as all associated court costs. St. John was arrested in August 2016, for defrauding investors with promises that he would triple their money in 34 business days through an exclusive trading platform. Following his arrest, St. John was interviewed in jail by OFR investigators and admitted that he was operating under an assumed name. He admitted that his real name was Peter John Barberio and that his criminal record included convictions for robbery and tampering with witnesses; convictions for which he served prison sentences in the State of New Jersey. St. John also admitted to taking investors' money and using it for personal expenses. The OFR investigation found that the two investors relied on St. John's representations that their funds would be used to generate large returns on his exclusive platform. Bank records analysis, however, revealed that the investors' money was not used towards any investment, but was instead appropriated by St. John for his personal use. The OFR was the sole investigative agency in this criminal enforcement action. The Charlotte County Sheriff's Office & Punta Gorda Police Department are credited with St. John's arrest. The case is being prosecuted by the State Attorney's Office for the 20th Judicial Circuit of Florida in Charlotte County.

On May 12, 2017, Chantale Baptiste and her husband Weguel Legentus were arrested on a federal charge of conspiracy to defraud the government in relation to a \$6 million fraudulent tax refund scheme. Baptiste and Legentus were arrested by agents of IRS Criminal Investigation with assistance from the Coral Springs Police Department, the Margate Police Department, and the Broward County Sheriff's Office. The arrest follows a May 5, 2017, grand jury indictment which alleges that from at least 2013 through 2016, Baptiste and Legentus operated CMB Financial Group, Inc., a tax preparation business with offices in Broward and Palm Beach Counties through which they prepared and submitted fraudulent federal income tax returns to the IRS on behalf of clients who often had no knowledge of the false claims. The investigation showed that Baptiste and Legentus provided their clients with a copy of their prepared tax returns while falsely submitting a different copy to the IRS with inflated figures. As a result, the

IRS disbursed funds to a third party's bank account from which funds were transferred to various bank accounts controlled by Baptiste and Legentus. Baptiste and Legentus sometimes provided their clients third party checks for lesser refund amounts than what the IRS refunded and retained the remaining funds for their own use and benefit. The investigation also showed that many of the victims' income tax refund checks were cashed at a check cashing business in Pompano Beach, which several victims claimed was unknown to them. In a separate case, on November 21, 2016, Baptiste and Legentus were arrested and charged with one count of grand theft in the third degree in violation of Florida Statutes, 812.014(2)(c)(3), for defrauding a Broward County resident out of more than \$15,000 in a loan modification scheme. That investigation revealed that on or about May 2015, the victim went to CMB seeking assistance with a home loan modification due to a pending foreclosure. The victim alleges she met with Baptiste and Legentus and during the initial conversation the defendants promised to assist her with the loan modification for a fee of \$1,500. Once the fee was paid, the defendants continued to demand more fees from the victim and managed to collect an additional \$5,800 from her in payment of supposed attorney's fees and escrow requirements. Baptiste is alleged to have told the victim she had negotiated a mortgage payment plan with the lender under which the victim would pay \$1,150 a month. The victim made approximately five payments to the defendants until she contacted her lender and learned that she was not in a payment plan at all. The lender's records did not show that the defendants submitted a loan modification package on behalf of the victim. After the victim confronted Baptiste, she agreed to refund all the money she collected from the victim but never did so. The victim ultimately lost her property to foreclosure. The state's criminal case against the defendants is still pending, with a warrant still outstanding for their arrests for failing to appear in court. Separately, in January 2011, the OFR initiated an examination after receiving a consumer complaint alleging that the defendants engaged in loan modification services and collected up-front fees without being licensed either as a mortgage broker, mortgage lender or loan originator. The examination revealed that from at least 2009, the defendants negotiated the terms or conditions of existing mortgage loans on behalf of at least six borrowers for compensation. On November 16, 2012, the defendants entered into an agreement with the OFR to cease and desist from any and all future violations of Chapter 494, Florida Statutes. This case was developed jointly with IRS-Criminal Investigation, the Margate Police Department and the Broward County Sheriff's Office.

New Issues

1. Communications and Outreach Activities

On May 17, 2017, a member of the Division of Financial Institutions represented the OFR on a regulatory panel focusing on the Bank Secrecy Act, anti-money laundering and the Office of Foreign Assets Control. The event was hosted by the South Florida Banking Institute in Miami.