

GOVERNOR RICK SCOTT

WEEKLY EOG AGENCY REPORT

OFFICE OF FINANCIAL REGULATION

WEEK ENDING September 20, 2012

Successes for Week Ending September 20, 2012

1. Licensing and Registration

The Division of Securities received 1,007 applications, approved 962 applications, and 6 applications were denied or withdrawn.

The Division of Consumer Finance received 883 applications, approved 894 applications, and 15 applications were denied or withdrawn.

2. Regulatory Sanctions

Final Order for \$18,500 Fine Against an Investment Adviser Firm and Agent for Unregistered Activity

On September 13, 2012, the Division of Securities issued a Final Order against Martin Douglas Parlato and Lighthouse Financial Services for engaging in an investment advisory business without being registered, engaging in misleading advertising, failing to comply with safekeeping requirements, failing to offer clients a pro-rata refund of their pre-paid fees, and charging clients an unreasonable start-up fee. He was fined \$18,500 and ordered to hire a compliance consultant.

3. Criminal Sanctions

Defendants Sentenced in Mortgage Fraud Scheme

On September 5, 2012, five defendants were sentenced in U.S. District Court, Northern District of Florida, for their roles in a multimillion dollar mortgage fraud scheme targeting properties in Bay County, Florida. Four of the defendants plead guilty. The fifth defendant, Avinie M. Bates III (the owner of Right Choice Housing), was convicted following a jury trial. Bates was sentenced to 147 months in prison; Jill B. Newman-Zuravel (an attorney) was sentenced to 48 months; Meredith L. King (a title agent) was sentenced to 30 months; and Alan J. Nathan and Joann V. Walter (both previously licensed mortgage brokers) were sentenced to 32 months and 20 months, respectively.

The arrests were the result of a joint investigation by the OFR, the Division of Insurance Fraud and the United States Postal Inspection Service. Investigators found the suspects were involved in a systematic equity stripping scheme in which Bates, Newman-Zuravel and Nathan recruited straw buyers to purchase the same properties at inflated prices. The defendants, acting in concert, provided false information to the lenders to obtain funding for the inflated sales prices. At

the closings, all equity was disbursed to the suspects through their various shell corporations. As a result, over \$8.7 million in fraudulent loans were obtained yielding over \$1.7 million in cash to the defendants.

Defendant Sentenced in \$113 million Ponzi Scheme

On September 20, 2012, a defendant was sentenced to 30 years in prison for masterminding a \$113 million Ponzi scheme. Lydia Cladek's scheme involved the sale of promissory notes allegedly secured by high interest rate automobile loans. The joint OFR/FBI investigation found that Cladek made misrepresentations to investors concerning the collateral purportedly securing their promissory notes. Investigators also determined that Cladek misappropriated investor funds to support her lavish lifestyle and to repay earlier investors.

New Issues

1. Outreach Programs

On September 18, 2012, Division of Securities staff met with representatives of the Financial Planning Association. Among the items discussed were current Division initiatives to streamline the registrations process, an improvement to the OFR's website that allows for the filing of anonymous tips and the regulation of investment advisers.

2. Operational Efficiencies

On September 16, 2012, the OFR unveiled a redesigned website. The website is more streamlined, user friendly, and easier to navigate. The improvements to the website will mean less time on the phone for the OFR staff. The OFR will continue to look for ways to improve the site and offer better services for consumers and the financial industry. It should be further noted, the agency leveraged an existing contract to complete the website redesign at no additional cost.