

**COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2013-AH-0039**

DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

v.

ROMAN NOVAK,
RADOSLAV NOVAK and
INTER REEF LTD d/b/a PROFITABLE SUNRISE

RESPONDENTS

EMERGENCY ORDER TO CEASE AND DESIST

Pursuant to the authority granted by KRS Chapter 292, the Securities Act of Kentucky (hereinafter the "Securities Act") and the rules and regulations promulgated thereunder, the Department of Financial Institutions ("DFI"), Division of Securities, has investigated the activities of Roman Novak, Radoslav Novak, and Inter Reef LTD d/b/a Profitable Sunrise (collectively referred to as "Respondents") to determine if any of them has engaged in, or is about to engage in, any act or practice constituting a violation of the Securities Act or any rule or regulation thereunder.

The Commissioner, from the investigation and the information derived therefrom, and for the protection and preservation of the public welfare and in the public interest under the authority granted by KRS 292.470(1), makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Upon information and belief, Respondent Roman Novak is the founder and owner of Respondent Inter Reef LTD d/b/a Profitable Sunrise (“Profitable Sunrise”). Upon information and belief, he maintains a principal residence at 590A Kingsbury Road, Birmingham, United Kingdom B24 9ND.

2. Upon information and belief, Respondent Radoslav Novak is the brother of Roman Novak and an associate of Profitable Sunrise. Upon information and belief, he maintains a principal residence at 590A Kingsbury Road, Birmingham, United Kingdom B24 9ND.

3. Respondent Profitable Sunrise is a private limited company formed on September 13, 2011, in the United Kingdom. Respondent Profitable Sunrise maintains a registered office at 590A Kingsbury road, Birmingham, United Kingdom, B24 9ND.

4. Respondent Profitable Sunrise, through Respondents Roman and Radoslav Novak, is conducting business under the name Profitable Sunrise and maintains the website <http://www.profitablesunrise.com> (the “website”).

5. Respondents use the website to promote and disseminate information to potential investors regarding certain investment opportunities offered by Respondents and are currently soliciting investors, including Kentucky investors, over the internet.

6. A Domain name search identifies Inter Reef LTD as the Registrant Contact, along with Respondent Radoslav Novak, for the Domain name profitablesunrise.com. Respondent Radoslav Novak is also listed as the Administrative Contact, Technical Contact, and Billing contact for that domain name.

7. Within information contained on the website, Respondent Roman Novak is identified as the owner and founder of Profitable Sunrise. Specifically, the website states as follows:

Good Day, my name is Roman Novak, I am the owner and founder of Profitable Sunrise. I hope our services will be of interest to you. Since you are reading this, I assume that you have already shown interest. We are a team of professionals that will lead you to prosperity and peace. If you follow us, you will shortly praise the Lord that he led you here.

8. Within information contained on the website, Respondent Radoslav Novak is identified as being responsible for “legal issues” and marketing for Profitable Sunrise. Specifically, the website states as follows:

Allow me to introduce my team to you. My brother Radoslav Novak is a lawyer and apart from the legal issues is responsible for the marketing.

9. The website expressly suggests that the Respondents’ investment options are “**Risk-free**” and invites potential investors to “get richer with every sunrise.”

10. The website provides quotations from the Bible, specifically Ecclesiastes 7:1 and Acts 20:35, suggesting that Respondents may be targeting the Christian community. The website also states that:

We allocate a significant amount of our earnings to charity as there are so many people out there that need help.

11. Upon information and belief, Profitable Sunrise presents itself as a “hard money lender,” providing short-term loans to businesses throughout the United States. The website explains its “business model” as follows:

Our investment model is based on short-term investments and generates income way greater than most regular investment models do. Our business model combines tried and tested investments with certain state-of-the-art innovations that bring the risk of loss to a minimum.

We have been doing this for over 6 years now and successfully lived through the stock market turmoil several years ago. Moreover, we have grown big and confident enough to start safely offering our services to private investors and companies.

We provide short-term loans to numerous companies throughout the United States. This way we not only help those companies, but also help revitalize the national economy and create more jobs that are so desperately needed.

Unfortunately, we cannot help every company as we have to make sure that we do not put our investors' money at excessive risk. In addition to that, our investments are insured by a leading investment bank.

12. Upon information and belief, Respondents are offering the following five (5) "investment plans" through the website:

- a. **Starter Plan.** The Starter Plan requires a minimum investment of \$10.00, offers an interest rate of 1.6% **per** business day, with an investment term of 180 business days, compounding available, and principal is returned upon maturity.
- b. **Regular Plan.** The Regular Plan requires a minimum investment of \$500.00, offers an interest rate of 1.8% **per** business day, with an investment term of 180 days, compounding available, and principal is returned upon maturity.
- c. **Advanced Plan.** The Advanced Plan requires a minimum investment of \$2,500.00, offers an interest rate of 2% **per** business day, with an investment term of 180 business days, compounding available, and principal is returned upon maturity.

- d. **Private Plan.** The Private Plan is available to groups only, with details to be discussed individually.
- e. **Long Haul Plan.** The Long Haul Plan requires a minimum investment of \$500.00, with a duration of 240 business days, compounding set at 100%, and an interest rate of 2.35 to 2.7% per business day.

13. Through the website, the Respondents represent to potential investors that “all funds deposited with us are insured against loss...” and “our investments are insured by a leading [albeit unnamed and undisclosed] investment bank.” The Respondents also promote, through the website, their investments as “**Risk-free**” investments “with a certain rate of return and no chance of default.”

14. In order to “invest” in Respondents’ enterprise, investors are required to open an account on the website and then select a “payment method,” using either “Liberty Reserve, Perfect Money, SolidTrust Pay, EgoPay, or Bank Wire Transfer.” The website then directs the investor to make a deposit into one of these accounts and transfer their money into the Profitable Sunrise account.

15. Respondents’ website also promotes a “referral program” through which investors can earn even more profits. The website states in relevant part:

Can I participate in your referral program?

Yes, every person who has an account with us can participate in our referral program. Inside your account with us, you will find your personal referral link that you can post on your website, blog on in your accounts with social networks. You can also send it to your friends and family. One thing that we would never tolerate is spam. We do not tolerate it in any forms.

How can I benefit from your referral program?

We pay 5% on all deposits made by your downlines.

Can I represent you in my area?

Everyone can apply to become our regional representative. Please send your applications to roman.novak@profitablesunrise.com.

Are there any additional incentives in being your regional representative?

First of all, as a regional representative you will be able to create a group that can invest under the Private investment plan. The minimum amount under this plan is \$500,000.00 and all the conditions are negotiated on an individual basis. In addition to that, all regional representatives will be invited to take part in our annual meetings in Aspen and Monte Carlo, all travel and accommodation costs will be covered by us. Regional representative will be able to personally participate in the development of new investment options for his/her group.

16. The website can be viewed by anyone with internet access, including residents of the Commonwealth of Kentucky.

17. Upon information and belief, Respondents have authorized "regional representatives" and/or "private group leaders" operating in numerous states, including Kentucky. One such "regional representative" or "private group leader" in Kentucky may be Nicole Sanders of Louisville, Kentucky. Sanders is soliciting potential investors for Profitable Sunrise over the internet through the following address: <http://www.ibosocial.com/nrs123/pressrelease.aspx?prid=202338>. Her site suggests that she would earn a 5% commission on new investors brought in through her solicitations or referrals. She states on her site that:

"I have joined a program called ProfitableSunrise... YOU don't need to add anyone under YOU to earn \$\$\$\$\$\$. Of course, if someone joins under YOU, you will earn 5% commission off whatever \$\$\$ they invest in the program. My Referral Link is: <https://www.profitablesunrise.com/?upline=PROFITABLE19700>."

18. Upon information and belief, another Kentucky investor (hereinafter "Investor") learned from her brother, also a Kentucky resident, about an investment opportunity with Profitable Sunrise.

19. Upon information and belief, Investor's brother opened an account for Investor through Respondents' website and invested a sum believed to be approximately \$1,000.00. Upon information and belief, Investor's brother also invested additional sums in his own name and those of other family members.

20. Upon information and belief, Respondents, through the website, both offered to sell and sold the "investment plans" and solicited investors' offers to purchase the "investment plans" from Respondents. The website is not a passive or static document, but is interactive in that it provides potential investors with specific information regarding the "investment plans" being offered by Respondents, and it gives investors information about how to contact Respondents to effect the purchase of "investment plans" from Respondents. It also provides the mechanism through which the purchase and sale of the investment plans is effectuated.

21. Respondents, through the website, offered to sell and did sell "investment plans" to Investor, a Kentucky resident, in and to Kentucky, as evidenced by the information contained on the website, along with the transfer instructions as emailed specifically to Investor and/or her brother in Kentucky by Profitable Sunrise. Respondents' offers and sale of "investment plans" to Investor and her family members were accepted in Kentucky when Investor's brother

transferred funds into the accounts designated by Profitable Sunrise within the transfer instructions that Profitable Sunrise provided to Investor's brother via email.

22. Respondents Profitable Sunrise, Roman Novak, and Radoslav Novak are not now and have never been licensed or registered to sell securities in Kentucky.

23. The "investment plans" being offered and sold by Respondents Profitable Sunrise, Roman Novak, and Radoslav Novak are not now and have never been registered as securities in Kentucky.

24. Nowhere does the Respondents' website disclose that Respondents' "investment plans" are not registered with the Securities and Exchange Commission or any state regulatory agency, including the DFI.

25. Nowhere does the Respondents' website disclose that the Respondents are not licensed to offer to sell or to sell securities with the Securities and Exchange Commission or any state regulatory agency, including the DFI.

26. Respondents represent on the website that their business has been in operation for more than six years, however, in reality Inter Reef LTD was not even formed until September 13, 2011.

CONCLUSIONS OF LAW

1. The Commissioner has statutory authority pursuant to KRS 292.470(1) to issue an Emergency Cease and Desist Order against the Respondents. There is reasonable cause to believe the Respondents have engaged in violations of the Securities Act, specifically KRS 292.320, KRS 292.330, and KRS 292.340.

2. An investment contract involves an investment of money in a common enterprise with an expectation of profits to come solely through the efforts of others. (*See SEC v. Howey*, 328 U.S. 293, 301 (1946)). The "investment plans" as described herein are "securities" in the form of an investment contract and/or promissory note, evidence of indebtedness, or participation in a profit-sharing agreement as defined in KRS 292.310(19).

3. The offer to sell and sale of the securities as described herein constitutes an "offer" or "offer to sell" and "sale" of a "security," as those terms are defined pursuant to KRS 292.310(17) and KRS 292.310(19).

4. Pursuant to KRS 292.340, it is unlawful for any person to offer or sell any security in this state, unless the security is registered under the Securities Act, or the security or transaction is exempt under the Securities Act, or the security is a covered security.

5. The securities being offered and sold by Respondents Profitable Sunrise, Roman Novak, and Radoslav Novak are not, and have not been registered as securities in Kentucky and are not exempt from registration or covered securities, and therefore their offer and sale are in violation of KRS 292.340 and therefore unlawful.

6. Pursuant to KRS 292.330, it is unlawful for any person to transact securities business in this state as a broker-dealer or an agent unless that person is registered under the Securities Act or is exempt from registration.

7. Respondents Profitable Sunrise, Roman Novak, and Radoslav Novak failure to register or be licensed to sell securities in Kentucky is in violation KRS 292.330. Respondents are not exempt from registration under the Securities Act and their conduct is therefore unlawful.

8. Pursuant to KRS 292.320(1), it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to employ any device, scheme, or

artifice to defraud; to make any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

9. The Respondents' failure to disclose on the website that Respondents' securities are not registered with the Securities and Exchange Commission or any state regulatory agency, including the DFI, and that the offer and sale of Respondents' securities are therefore unlawful constitutes an omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in violation of KRS 292.320(1)(b) and therefore unlawful.

10. The Respondents' failure to disclose on the website that the Respondents are not licensed to offer to sell or to sell securities with the Securities and Exchange Commission or any state regulatory agency, including the DFI, and are therefore transacting business unlawfully constitutes an omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in violation of KRS 292.320(1)(b) and therefore unlawful.

11. Respondents representation on the website that their business has been in operation for more than six years, when in reality, Inter Reef LTD was not even formed until September 13, 2011 constitutes an untrue statement of material fact or an omission to state a material fact necessary in order to make the statement made, in light of the circumstances under which they are made, not misleading and constitutes an act, practice, or course of business which operates or would operate as a fraud or deceit upon Kentucky investors in violation of KRS 292.320(1)(b) and (c) and therefore unlawful.

12. Because all investments contain at least some degree of risk, Respondents' characterization of its investment plans as being "Risk-free" is an untrue statement of material fact and constitutes an act, practice, or course of business which operates or would operate as a fraud or deceit upon Kentucky investors in violation of KRS 292.320(1)(b) and (c) and is therefore unlawful.

13. The rates of return offered to investors who purchase Respondents' securities cannot be achieved lawfully and, therefore, the statements related to rates of return are untrue statements of material fact and constitute an act, practice, or course of business which operates or would operate as a fraud or deceit upon Kentucky investors in violation of KRS 292.320(1)(b) & (c).

14. There is reasonable cause to believe the Respondents will continue to violate the Securities Act.

15. It is necessary and appropriate for the protection and preservation of the public interest that the Respondents are immediately and summarily ordered to cease and desist from making offers and sales of securities in violation of the Securities Act.

16. This Order is being entered without a hearing because the public interest would be harmed by the delay inherent in issuing an order under the provisions of KRS 292.470(1).

17. The Respondents' solicitation and sale to Kentucky investors poses an immediate and significant danger of harm to the public because the securities offered and sold have not been registered with the DFI. Proper registration of securities is an essential safeguard serving to protect the public from securities fraud. In addition, the registration as a broker-dealer or broker-dealer agent or issuer agent, as required by the Securities Act, is essential to ensure that persons transacting business in this Commonwealth are competent and properly authorized to do so.

Finally, the Respondents' solicitation and sale to Kentucky investors poses an immediate and significant danger of harm to the public because the Respondents' offers and sales of securities are being made to Kentucky investors based on material misstatements and omissions and the Respondents' offers and sales of securities constitute an act, practice, or course of business which operates or would operate as a fraud or deceit upon Kentucky investors.

18. It is in the interest of the citizens of Kentucky and for the protection of investors that Respondents be prohibited from violating the provisions of the Securities Act in connection with selling or making offers to sell securities, or buying or soliciting offers to buy securities.

19. An Emergency Order to Cease and Desist is necessary and appropriate to address Respondents' violations of the Securities Act. Any delay in issuing an Emergency Order under KRS 292.470(1) will result in harm to the welfare of the investing public by allowing Respondents to continue to transact business in Kentucky in violation of its laws, and to its citizens in the form of economic loss resulting from investment in securities sold in violation of its laws.

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ORDER

NOW, THEREFORE, IT IS ORDERED, pursuant to the authority contained in KRS 292.470, that Respondents, Roman Novak, Radoslav Novak, and Inter Reef LTD d/b/a Profitable Sunrise shall immediately **CEASE AND DESIST** from:

a. offering for sale, soliciting offers to purchase, or selling, in or from Kentucky, “investment plans” or any other security unless and until such securities have been registered pursuant to the provisions of the Securities Act;

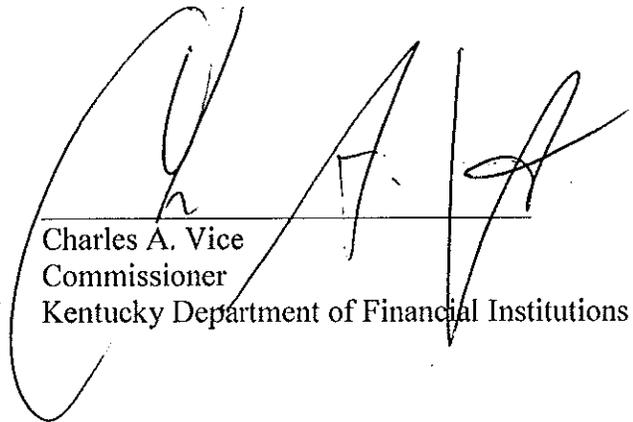
b. offering for sale, soliciting offers to purchase, or selling, in and from Kentucky, “investment plans” or any other security unless and until Respondents become registered pursuant to the provisions of the Securities Act as broker-dealers or broker-dealer representatives;

c. offering for sale, soliciting offers to purchase, or selling, in and from Kentucky, “investment plans” or any other security by means of any device, scheme, or artifice to defraud;

d. offering for sale, soliciting offers to purchase, or selling, in and from Kentucky, “investment plans” or any other security by making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; and

e. engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person in connection with offering for sale, soliciting offers to purchase, or selling, in and from Kentucky, “investment plans” or any other security.

Entered this 14 th day of March, 2013



Charles A. Vice
Commissioner
Kentucky Department of Financial Institutions

NOTICE TO RESPONDENTS

You are hereby notified, pursuant to KRS 13B.125, you have the right to request an emergency hearing to determine the propriety of this Order. If such a hearing is requested, the agency shall conduct an emergency hearing within ten (10) working days of the request for hearing. The agency shall give all affected parties reasonable notice of the hearing and to the extent practicable shall conduct the hearing in conformity with the provisions of KRS Chapter 13B.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was sent by certified mail to, return receipt requested, on this the 14th day of March, 2013 to:

Roman Novak
590A Kingsbury Road
Birmingham, United Kingdom B24 9ND

Radoslav Novak
590A Kingsbury Road
Birmingham, United Kingdom B24 9ND

Inter Reef LTD
d/b/a Profitable Sunrise
590A Kingsbury Road
Birmingham, United Kingdom B24 9ND

Pursuant to KRS 292.430(3), a copy of the foregoing is also being served this same date upon the Commissioner of the Department of Financial Institutions. KRS 292.430(3) states in relevant part that “[w]hen any person, including any nonresident of this state, engages in conduct prohibited or made actionable by this chapter or any rule or order hereunder, and the person has not filed a consent to service of process under subsection (1) or (2) of this section and personal jurisdiction over him or her cannot otherwise be obtained in this state, that conduct shall be considered equivalent to his or her appointment of the commissioner or the commissioner’s successor in office to be the person’s attorney to receive service of any lawful process in any noncriminal suit, action, or proceeding against the person or the person’s successor, executor or administrator which grows out of that conduct and which is brought under this chapter or any rule or order hereunder, with the same force and validity as if served on the person personally. Service may be made by leaving a copy of the process in the office of the commissioner, and it is not effective unless: (a) The plaintiff, who may be the commissioner, in a suit, action, or proceeding instituted by the commissioner, forthwith sends notice of the service and a copy of the process by certified mail, return receipt requested, or by registered mail to the defendant or respondent at his or her last known address or takes other steps which are reasonably calculated to give actual notice.”


Stephanie Dawson