THE NORTH CAROLINA SECURITIES DIVISION, Petitioner, **vs.** **ROMAN NOVAK,** **RADOSLAV NOVAK,** and **INTER REEF LTD d/b/a PROFITABLE SUNRISE,** Respondents.	**TEMPORARY ORDER** **TO** **CEASE AND DESIST** **FILE NO. 13SEC005**

Pursuant to the authority granted by Chapter 78A of the North Carolina General Statutes (the North Carolina Securities Act), hereinafter referred to as the "Securities Act," and the rules promulgated thereunder, the Securities Division of the Department of the Secretary of State, hereinafter referred to as the "Securities Division," has investigated the activities of **Roman Novak, Radoslav Novak,** and **Inter Reef LTD d/b/a Profitable Sunrise** (hereinafter, the "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 order thereunder.

THE SECURITIES DIVISION has filed an Administrative Petition against the above-named Respondents seeking, among other remedies, a temporary and summary Cease and Desist Order pursuant to the provisions of N.C.G.S. §78A-47(b)(2).

THE SECRETARY OF STATE, acting by and through her duly authorized Deputy Securities Administrator, from the investigation and the information derived therefrom, and for the protection and preservation of the public welfare and in the public interest, makes the following:

FINDINGS OF FACT

1. Respondent **ROMAN NOVAK** (hereinafter "Roman" or "Respondent") is the founder and owner of Profitable Sunrise. He maintains a principal residence at 590A Kingsbury Road, Birmingham, United Kingdom B24 9ND.

2. Respondent **RADOSLAV NOVAK** (hereinafter "Radoslav" or "Respondent") is the brother of Roman Novak and an associate of Inter Reef LTD and Profitable Sunrise. He maintains a principal residence at 590A Kingsbury Road, Birmingham, United Kingdom B24 9ND.

3. Respondent **INTER REEF LTD d/b/a PROFITABLE SUNRISE** (hereinafter "Inter Reef," "Respondent," or "Profitable Sunrise") is a private limited company formed on September 13, 2011, in the United Kingdom. Inter Reef maintains a registered office at 590A Kingsbury Road, Birmingham, United Kingdom, B24 9ND.

4. Upon information and belief, Inter Reef is conducting business under the name Profitable Sunrise and maintains the website http://www.profitablesunrise.com.

5. Upon information and belief, Respondents use the website http://www.profitablesunrise.com to promote their business and disseminate information to potential investors regarding certain investment opportunities offered by Respondents.

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

7. Within information contained on the website http://www.profitablesunrise.com, Respondent Roman Novak is identified as the owner and founder of Profitable Sunrise.

8. Within information contained on the website http://www.profitablesunrise.com, Respondent Radoslav is identified as Roman's brother, as well as the attorney and the person responsible for marketing for Profitable Sunrise.

9. Upon information and belief, Profitable Sunrise presents itself as a "hard money lender," providing short-term loans to businesses throughout the United States.

10. Upon information and belief, Respondents are offering the following five (5) "investment plans" through http://www.profitablesunrise.com:

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 business 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%.

11. Upon information and belief, Profitable Sunrise represents to potential investors that "all funds deposited with us are insured against loss...." and "our investments are insured by a leading investment bank." Profitable Sunrise also promotes their investments as "risk-free" investments "with a certain rate of return and no chance of default."

12. Upon information and belief, the website http://www.profitablesunrise.com can be viewed by anyone with internet access, including residents of North Carolina.

13. Upon information and belief, a North Carolina Investor (hereinafter "Investor") learned from a "friend" about an investment opportunity with Profitable Sunrise.

14. Upon information and belief, Investor viewed several webinars made available to her online in order to learn more about investing with Profitable Sunrise. She also viewed the website http://www.profitablesunrise.com where she obtained the contact information for Respondents, being an email address support@profitablesunrise.com.

15. Upon information and belief, Investor sent an email to support@profitablesunrise.com on or about January 22, 2012, to inquire about investing in their Long Haul Plan.

16. Upon information and belief, Investor then received an email in response from support@profitablesunrise.com on or about January 22, 2013, containing bank wire transfer instructions providing directions to Investor for transferring her investment to Profitable Sunrise through a bank wire transfer to Raiffeisenbank A.S. bank in the Czech Republic, for the benefit of Melland Company S.R.O., also located in Czech Republic. Investor was specifically instructed to only put "LOAN AGREEMENT PSR-757972, DD0122013" in the message field of the request for the bank wire transfer. She was told these instructions were only valid for five (5) business days.

17. On January 25, 2013, Investor attempted to wire transfer five hundred dollars ($500.00) from her account with a North Carolina credit union, to a bank in the Czech Republic, in accordance with the bank transfer instructions she received from Profitable Sunrise. The credit union became suspicious and refused to honor Investor's request to transfer those funds to the bank in the Czech Republic.

18. Based on the representations of Profitable Sunrise regarding this investment opportunity, Investor believed her five hundred dollars would be invested in the Long Haul Plan and earn interest of 2.7% daily, compounded at 100%, for 240 days. She believed that her investment would be used by Profitable Sunrise to fund short-term loans to businesses, which would then be repaid to Profitable Sunrise by the borrower who also pays a higher interest rate, thereby creating a return on her investment. Investor would have made no return on her investment with Profitable Sunrise but for the efforts of Profitable Sunrise.

19. An investment contract involves an investment of money in a common enterprise with profits to come solely from the efforts of others. (See *SEC v. Howey*, 328 U.S. 293, 301 (1946)). An investment contract is a "security" as that term is defined in §78A-2(11). The "investment plans" as described herein are "securities" in the form of an investment contract, evidence of indebtedness, or participation in a profit-sharing agreement.

20. Upon information and belief, Respondents' website http://www.profitablesunrise.com acted as both an offer to sell an investment contract, as well as a solicitation for an investor's offer to purchase an investment contract from Respondents. The website was not a passive or static document, but was interactive in that it provided Investor with specific information regarding the investment products being offered by Respondents, and it gave Investor information about how to contact Respondents to affect the purchase of an investment contract from Respondents.

21. Respondents offered to sell an investment contract to Investor, a North Carolina resident, while Investor was in North Carolina, as evidenced by the information contained on the profitablesunrise.com website, along with the wire transfer instructions as emailed specifically to

Investor by Profitable Sunrise. Respondents' offer to sell the investment contract to Investor was accepted by Investor in North Carolina when Investor attempted to wire transfer her five hundred dollar ($500.00) investment from her credit union account in North Carolina to the account in the Czech Republic as designated by Profitable Sunrise within the wire transfer instructions that Profitable Sunrise provided to Investor via email.

22. In response to Respondent's solicitation for an offer to purchase, Investor offered to purchase the investment contract from Respondents by contacting Respondent directly from North Carolina and requesting specific information on how she could purchase an investment contract from Respondent. Respondent accepted Investor's offer to purchase the investment contract by sending an email directly to Investor in North Carolina containing very specific wire transfer instructions for Investor to use to purchase the investment contract from Respondents by wire transferring funds to that bank account in the Czech Republic as designated by Respondents in their wire transfer instructions they provided to her.

23. The offer or offer to sell the investment contract as described herein constitutes the "offer" of or "offer to sell" a "security," as those terms are defined pursuant to N.C.G.S. §§78A-2(8)(b) and 78A-2(11).

24. Respondents Inter Reef LTD d/b/a Profitable Sunrise, Roman Novak and Radoslav Novak are not, and were not licensed to sell securities in North Carolina at any time relevant to this Administrative Petition, and are therefore in violation of N.C.G.S. §78A-36(a).

25. The investment contract as offered by Respondents to Investor is not and was not registered as a security in North Carolina as it is required to be, and therefore its offer and sale was in violation of N.C.G.S. §78A-24.

26. The Respondents' solicitation of investors poses an immediate and significant danger to the public welfare because the securities offered have not been registered with the Division. Proper registration of securities is an essential safeguard serving to protect the public from securities fraud. In addition, the registration as a dealer or salesman, as required by the

Securities Act, is essential to ensure that persons transacting business in this State are competent and properly authorized to do so.

27. It is in the public interest of the citizens of North Carolina 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.

28. An immediate Temporary Order to Cease and Desist is necessary and appropriate to address Respondents' violations of the North Carolina Securities Act. Any delay in issuing an order under N.C.G.S. §78A-47(b)(1) will result in irreparable harm to the public interest by allowing persons to continue to transact business in North Carolina 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.

CONCLUSIONS OF LAW

1. The Secretary has statutory authority pursuant to N.C.G.S. §78A-47(b)(2) to enter and issue a Temporary Order to Cease and Desist against the Respondents.

2. There is reasonable cause to believe the Respondents have engaged in willful violations of the North Carolina Securities Act, specifically N.C.G.S. §§78A-24 and 78A-36.

3. There is reasonable cause to believe the Respondents will continue to commit acts and omissions in violation of the North Carolina Securities Act.

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

5. The public interest would be irreparably harmed by the delay inherent in issuing an order under the provisions of N.C.G.S. §78A-47(b)(1).

NOW, THEREFORE, IT IS ORDERED, pursuant to the authority contained in N.C.G.S. §78A-47(b)(2), 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 North Carolina, any security of any issuer, howsoever denominated, unless and until such securities have been registered pursuant to the provisions of the Securities Act; and

b. offering for sale, soliciting offers to purchase, or selling, in or from North Carolina, any security of any issuer, howsoever denominated, unless and until Respondents become registered pursuant to the provisions of the Securities Act as dealers or salesmen.

NOTICE IS HEREBY GIVEN that the Respondents may request a hearing upon this matter by transmitting such request, in writing and within thirty (30) business days of receipt of this document, to David S. Massey, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. A copy of any such request shall be served by first-class mail upon A. Elizabeth Walker, Enforcement Attorney, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request is made, this matter shall be scheduled for a hearing in accordance with Chapter 150B of the North Carolina General Statutes within twenty (20) days after receipt by the Deputy Securities Administrator of the written request. If no request for a hearing, other responsive pleading, or submission is received by the Deputy Securities Administrator within thirty (30) business days of the receipt of service hereof, this Temporary Order

To Cease And Desist shall become final and remain in effect unless it is modified or vacated by the Secretary of State in her capacity as Administrator of the North Carolina Securities Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 27th day of February, 2013.

Time of entry: 5:05 P.M.

ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA and
SECURITIES ADMINISTRATOR

By:
DAVID S. MASSEY
DEPUTY SECURITIES ADMINISTRATOR