

# Newsday

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## Who should have been watching?

■ Experts say industry of high-risk loans in which Hauppauge firm operated does not necessarily require licenses nor regulation

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Hauppauge investment broker Nicholas Cosmo and his companies operated in the largely unregulated world of high-interest, high-risk commercial loans, but whether his firms should have registered with and made disclosures to federal and state regulatory agencies is unclear, legal experts said yesterday.

Cosmo's Agape World Inc. and Agape Merchant Advance Llc claimed to provide businesses with bridge loans — short-term, high-interest loans commonly used to finance real estate deals or other acquisitions until the company can obtain other financing — as well as commercial loans repaid with a company's future credit card receipts.

There are many legitimate private banks or lenders that do not need licenses and do not fall under the jurisdiction of a specific regulatory agency, experts said. And there are state and federal criminal statutes as well as civil laws designed to help investors recover money if they are the victims of fraud.

The key factors determining whether Cosmo's companies are subject to Securities and Exchange Commission regulations are who the more than 1,500 investors are and how he solicited them and structured his contracts with them.

"Overall it's an unregulated area except for the individual investors," said Jerome Reisman, a Garden City attorney at Reisman Peiroz & Reisman. "He [Cosmo] may have had to make proper disclosures to them. And if he's selling notes, he should have filed something . . . with the proper authorities to show the transaction was either exempt or he has to do a full disclosure."

The SEC declined to comment on whether it was investigating Cosmo and his firms.

State laws require licenses for lenders loaning \$25,000 or less to individuals, or \$50,000 or less for business and commercial loans. The state banking department said Cosmo was not licensed through them and it has a policy of neither confirming nor denying ongoing investigations.

If investors in lending companies like Cosmo's were individuals, with a high net worth and

### WHO POLICES IT

■ **The Securities and Exchange Commission** requires public companies to disclose financial and other information to the public to provide investors with basic facts about an investment. The SEC oversees securities exchanges, brokers and dealers, investment advisers and mutual funds.

■ **The New York State Banking Department** is the primary regulator for state-licensed and state-chartered financial entities, including domestic banks and foreign agencies operating in New York as well as mortgage bankers and brokers, check cashers, money transmitters and licensed lenders, the department's Web site says.

■ **The U.S. Postal Inspection Service** enforces "more than 200 federal laws covering investigations of crimes that adversely affect or fraudulently use the U.S. Mail and postal system," according to its Web site.

with previous experience in these types of transactions, the companies would be exempt from registering and making financial disclosures to the SEC, according to attorneys with experience in commercial and corporate dealings.

Many of the frantic investors who showed up at Agape's Hauppauge and Queens offices over the past week were middle-class investors with blue-collar jobs.

Agape's business dealings could also run afoul of SEC laws if the companies' transactions could be interpreted as selling promissory notes to investors, some legal experts said.

"I think the guy's Web site makes it look like this guy is just an agent hooking up investors with borrowers, but the government may argue that's selling securities," said Thomas Slome, of Meyer, Suozzi, English & Klein P.C. in Garden City.