

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:)

Future Income Payments, LLC;)
FIP, LLC; and)
Scott A. Kohn)

Respondents.)

**ORDER TO CEASE AND DESIST
Matter No. 2018927**

I. PRELIMINARY STATEMENT

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005 (the “Act”) and delegated to the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Future Income Payments, LLC; FIP, LLC; and Scott A. Kohn, and in connection with its investigation has determined that evidence exists to support the following findings of fact and conclusions of law:

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. FINDINGS OF FACT

2. Future Income Payments, LLC is a Delaware limited liability company with a registered agent, Agents and Corporations, Inc., located at 1201 Orange Street, Suite 600, One Commerce Center, Wilmington, Delaware 19801.

3. Respondent FIP, LLC is a Nevada limited liability company with a last known address of 2505 Anthem Village Drive, #E-578 Henderson, Nevada 89052, and a registered agent, ISL, Inc., located at 321 West Winnie Lane, Suite 104, Carson City, Nevada 89703.

4. Respondent Scott A. Kohn (“Kohn”) is a California resident with a last known address of 22 Twilight Lane, Rancho Margarita, California, 92668.

5. Future Income Payments, LLC; FIP, LLC; and Kohn are collectively referred to as “FIP” or “Respondents” in this Cease and Desist Order unless otherwise expressly stated.

6. Kohn has been, and continues to be, the sole owner and manager of Future Income Payments, LLC and FIP, LLC.

7. During all times relevant to this Order, Kohn has been, and continues to be, the sole owner and director of Cash Flow Outsourcing Services, Inc. (“CFOS”), a corporation based in the Philippines. CFOS is the managing member of FIP, LLC.

The Scheme

8. Respondents’ business model revolved around the sourcing and sale of retirees’ recurring income from pension benefits.

9. Respondents sought out pensioners who were in need of additional income (the “Pensioners”). Respondents would offer Pensioners a lump sum of money or loan for an assignment of all or a portion of their pensions for a set period of time.

10. In order to raise the money to purchase the pension streams, FIP offered the income from the pension streams (the “FIP Product”) to investors seeking consistent returns for their investments (the “Investors”).

11. FIP was able to locate large numbers of the Investors through a network of insurance agents and investment adviser representatives, including at least five (5) individuals operating in South Carolina (the “Agents”).

12. The Agents recommended, offered, and sold at least eight million dollars (\$8,000,000) of the FIP Product to at least ninety-six (96) South Carolina investors.

13. FIP compensated the Agents with transaction-based compensation.

Violation of Securities Laws

14. The investments were not registered with the Division or exempt from such registration.

15. The Agents were not registered with the Division or exempt from such registration.

16. Pension streams, especially those of military retirees, are, generally, not alienable and cannot be assigned to investors. *See, e.g.*, 18 U.S.C. § 5301.

The Scheme Collapses

17. In light of the extremely high interest rates charged by FIP to the Pensioners, it faced a number of investigations and lawsuits throughout the country by various consumer protection and regulatory entities. *See, e.g.*, *Commonwealth of Virginia Ex Rel. Mark R. Herring, Attorney General v. Future Income Payments, LLC, et al.*, Civil Action No. CL18000527-00 (Hampton County, March 6, 2018); *Illinois v. Future Income Payments, LLC*, No. 2018CH000142 (7th Judicial Circuit Sangamon County, April 18, 2018); *State of Minn. v. Future Income Payments, LLC et al.*, No. 27-CV-17-12579 (City. of Hennepin Dist. Ct., Sep. 26, 2017); and *In re Future Income Payments, LLC* (N.Y. Dept. Fin. Serv. Oct. 20, 2016).

18. By April 2018, FIP could not sustain the scheme, and the scheme collapsed and the Investors ceased receiving the income from the FIP Product.

19. On March 12, 2019, Respondent Kohn and Respondent Future Income Payments, LLC were indicted by a federal grand jury in the District of South Carolina. *United States v. Scott A. Kohn and Future Income Payments, LLC* (6:19-cr-000239-CRI, March 12, 2019). Among various charges, the indictment alleged that “[a]s state regulators began prohibiting FIP from operating in various states and pensioners struggled under a usurious payment regime imposed on them, FIP diverted new investor funds flowing into the business to fund payments to earlier investors to keep the scheme and artifice operational. In this manner, the investment program operated by FIP was a ‘Ponzi scheme[,]’” and “[t]he operation of the scheme and artifice surrounding FIP allowed [Respondent Kohn] to live a lavish lifestyle.”

IV. CONCLUSIONS OF LAW

20. The Respondents offered and sold the FIP Product in South Carolina, which, pursuant to S.C. Code Ann. § 35-1-102(29), constitutes a security.

21. The Respondents sold securities in South Carolina, which were neither registered with the Division or exempt from such registration, in violation of S.C. Code Ann. § 35-1-301.

22. The Respondents employed agents in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2), in connection with the offer and sale of the FIP Product, none of whom were registered with the Division as such or exempt from registration, in violation of S.C. Code Ann. § 35-1-402(d).

23. In connection with the offer and sale of securities in South Carolina, the Respondents (1) employed a device, scheme, or artifice to defraud; (2) made untrue statements and omissions of material facts; and (3) engaged in an act, practice, or course of business that operated as a fraud or deceit upon another person in violation of S.C. Code Ann. § 35-1-501.

24. The Respondents' offer and sale of unregistered, non-exempt securities, employment of unregistered, non-exempt agents, and fraudulent conduct in connection with the offer and sale of securities in South Carolina, in violation of the Act, provides the basis for the issuance of this Order, pursuant to S.C. Code Ann. § 35-1-604(a)(1).

25. This Order is in the public interest.

V. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. The Respondents and every successor, affiliate, control person, agent, servant, and employee of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents **CEASE AND DESIST** from transacting business in this State in violation of the Act, and, in particular, §§ 35-1-301, 35-1-402 and 35-1-501 thereof; and
- b. The Respondents shall jointly and severally pay a civil penalty in the amount of nine hundred and sixty thousand dollars (\$960,000.00) if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to

exceed \$10,000.00 for each violation of the Act and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that the Respondents may claim to rely upon under S.C. Code Ann. §§ 35-1-201(3)(C), (7) or (8); 35-1-202; 35-1-401(b)(1)(D) or (F); or 35-1-403(b)(1)(C), has been and is **PERMANENTLY REVOKED**.

VI. NOTICE OF OPPORTUNITY FOR HEARING

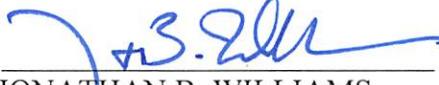
The Respondents are hereby notified that each has the right to a hearing on the matters contained herein. To schedule such a hearing, a Respondent must file with the Securities Division, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina, 29211-1549, attention: Securities Division, within thirty (30) days after the date of service of this Order, a written Answer specifically requesting a hearing. If a Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a request in a record from the Respondent, will schedule a hearing for the Respondent.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure of a Respondent to file an Answer, including a request for a hearing, shall result in this Order, including the stated civil penalty and any assessed costs, becoming final as to that Respondent by operation of law.

This Order does not prevent the Division, or any other agency, including without limitation civil and criminal law enforcement agencies, from seeking additional civil or criminal remedies that are available under the Act, including remedies related to the offers and sales of securities by the Respondents set forth above.

ENTERED, this the 4 day of April, 2019.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
JONATHAN B. WILLIAMS
Assistant Deputy Attorney General