

BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO

In the Matter of:

STATE OF IDAHO,
Department of Finance,
Securities Bureau,

Complainant,

vs.

Beacon Rock Investment
Advisors, LLC and

Adam Gregory Feik

Respondents

Docket No.: 2011-7-19

AGREEMENT AND ORDER

1 The Director of the Department of Finance, State of Idaho (Department), has conducted
2 an investigation into the conduct of BEACON ROCK INVESTMENT ADVISORS, LLC AND
3 ADAM GREGORY FEIK (collectively, "Respondents"). Pursuant to the investigation, it
4 appears to the Director that violations of the Idaho Uniform Securities Act (2004), Idaho Code
5 Sections 30-14-101, *et. seq.* (the "IUSA"), have occurred. The Director and Respondents have
6 agreed to resolve this matter without a public hearing or other adjudication. Therefore, the
7 Director deems it appropriate and in the public interest to enter into this Agreement and Order
("Order"). Respondents voluntarily consent to the entry of this Order.

I.

PARTIES

1. Respondent Beacon Rock Investment Advisors, LLC ("Beacon Rock"), f.k.a. Beacon Rock Investment Consulting, LLC, is a limited liability company with its principal place of business located at 669 N. Cobblestone Way, Eagle, ID. Beacon Rock was formed April 29,

2009 and has been a registered investment adviser with the Complainant from May 26, 2009 to date.

2. Respondent Adam Gregory Feik (“Feik”) is the Managing Member of Beacon Rock. Feik has been registered as a Beacon Rock Investment Adviser representative with the Complainant from May 29, 2009 to present.

3. Other related parties, though not Respondents, are:

a. Retirement Value, LLC (“RV”) is a Texas limited liability company formed by Richard H. Gray to engage in the business of selling investments in the death benefits of life insurance policies, which policies are also referred to as “life settlement contracts”, or “viatical settlements.” After an investigation and subsequent legal action by the State of Texas, RV was placed in receivership. Although RV offered and sold the securities in an allegedly fraudulent manner, the underlying life settlement policies are real, and have value. The ultimate return to investors is unknown and speculative.

II.

BACKGROUND ALLEGATIONS

The Department alleges as follows:

4. On December 11, 2009, Feik signed a licensing agreement with RV which entitled Feik to receive an 8% commission on RV related transactions.

5. Beginning in January 2010, Respondents solicited FWRT, an Idaho non-profit corporation, to purchase life settlement investments offered by RV.

6. In the course of their solicitation, Respondents made statements that constitute violations of Idaho Code §30-14-502(2), Rule 104.38, Rule 104.37 and Rule 104.35.

7. On February 5, 2010, in an email, Feik told FWRT board members that an investment with RV was not a security. Feik’s statement was false and misleading because RV’s

life settlement type investment is a security as that term is defined by Idaho Code §30-14-102(28)(e).

8. On February 5, 2010, in an email to FWRT's board members that addressed several concerns, including but not limited to the illiquid nature of RV's life settlements, Feik wrote:

"Worst case, if you needed the \$50k, I would gladly buy it back from you for one of my other clients (since the policies would all be that many more months closer to paying off, that would be a great investment for someone.)"

9. Rule 104.38 prohibits an investment adviser or investment adviser representative from guaranteeing a client that a specific result will be achieved (gain or no loss) with advice which will be rendered.

10. Feik's statement to FWRT, as set forth above, constitutes a guarantee of a specific result in that he represented that he would repurchase the \$50K investment for another client if FWRT needed its \$50K investment.

11. On February 5, 2010, via email, a FWRT board member inquired about the compensation arrangements associated with the proposed RV transaction writing:

"Do you take a commission off the top at the start, or do you take a portion of the proceeds when they come in? What is your cut at each of these transactions?"

12. On February 8, 2010, in an email to FWRT board members, Feik responded writing:

"2) My compensation: You do not compensate me directly for any money we allocate to this program. The company pays me a commission, which compensates me nicely enough for placing business with them, and then **I no longer assess my 1.0% management fee on those assets.** (Emphasis in original) I charge the 1.0% fee only for assets I manage under Fidelity. **The returns I quoted for this investment are truly your returns after all costs, commissions, etc.** (Emphasis in original) For me, I assure you, the point is not how I am paid, because I will be paid one way or another regardless of which strategy you choose. In fact, that's part of the beauty of being independent, in my view. I can now be more objective than before because I have so many more investment options available, and I have the flexibility to provide solutions & get paid for my services either way."

Within the same email Feik also wrote:

"... Finally, I want to once again assure everyone that I am trying to assist you in a consultative way, as opposed to selling or pushing a product. As your Registered Investment Advisor (RIA), I take my fiduciary duty to serve you very seriously. "Fiduciary" means I will recommend investments I would invest in myself if I were you. So in this case, if I were the investment committee for the FWRT, I would investment money into life insurance settlements. Again, I hope my point about objectivity and getting

paid either way helps provide comfort that at least I am attempting to be a consultative advisor and act in your best interest..."

13. Rule 104.35 prohibits the misrepresentation "to any advisory client, or prospective advisory client...the nature of the advisory services being offered or fees to be charged for such service, or to omit to state a material fact necessary to make the statements made regarding qualifications, services, or fees, in light of the circumstances under which they are made, not misleading."

14. Rule 104.37 prohibits an investment adviser or investment adviser representative from failing to disclose to clients in writing before any advice is rendered any material conflicts of interest relating to the adviser which could reasonably be expected to impair the rendering of unbiased and objective advice including:

- a. Compensation arrangements connected with advisory services to client which are in addition to compensation from such clients for such services; and
- b. Charging a client an advisory fee for rendering advice when a commission for executing securities transactions pursuant to such advice will be received by the adviser or its employees.

15. Feik's response, as set forth in paragraph 12 above, failed to disclose his 8% commission arrangement with RV. Feik's failure to disclose the 8% commission arrangement with RV constitutes: 1) an omission of a material fact regarding the fees involved and 2) a failure to disclose a material conflict of interest.

III.

ALLEGED VIOLATIONS AND CONCLUSIONS OF LAW

Department alleges the following violations and conclusions of law:

Misrepresentations and Omissions

16. RV's life settlement type investment is a security as that term is defined by Idaho Code §30-14-102(28)(e).

17. Idaho Code § 30-14-501(2) provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to make an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

18. Respondents' statement to FWRT board members that, "This investment is not a security", was false and misleading, and constitutes a violation of Idaho Code § 30-14-501(2).

19. IDAPA section 12.08.08, Rule 104.01, provides that a person who engages in any of the practices enumerated in IDAPA 12.01.08, Rule 104.02 through 104.48 is deemed to engage in acts, practices, or courses of business that operate or would operate as a fraud or deceit upon another person pursuant to Idaho Code §30-14-501. Rule 104.01(b) provides that a person who engages in any of the practices enumerated in IDAPA 12.01.08, Rule 104 is deemed to have engaged in dishonest and unethical practices.

20. Respondents' statement to FWRT, as set forth in paragraph 8 above, constitutes a guarantee of a specific result in that Feik represented that he would repurchase the \$50K investment for another client if FWRT needed its \$50K investment. Respondents' statement constitutes a violation of Idaho Code §30-14-501(2) and Rule 104.38.

21. Respondents' failure to disclose his 8% commission arrangement with RV to FWRT, as set forth in paragraph 12 above, constitutes a violation of Idaho Code §30-14-501(2), Rule 104.35 and Rule 104.37

IV.

REMEDIES

THEREFORE, on the basis of the background allegations and alleged violations and conclusions of law, and Respondents agreement to the entry of this Order, the Director finds that the following remedies are appropriate and in the public interest:

22. Respondents consent to the entry of this Order.

23. Respondents admit the alleged violations and conclusions of law as set forth in this Order.

24. Respondents agree to comply with all provisions of the IUSA and the rules promulgated thereunder in the future.

25. Respondents agree to pay the amount of five thousand (\$5,000) as fines and penalties for the violations alleged in this Order.

26. Respondents shall pay the amount of five (\$5,000) on or before October 31, 2013. Payment shall be made payable to the order of "Idaho Department of Finance."

27. Respondents attest and avow that all information provided to the Complainant directly or through their legal representatives is true, accurate and complete.

28. Respondents agree that failure to comply with this Order may result in the Director bringing further legal proceedings or administrative action.

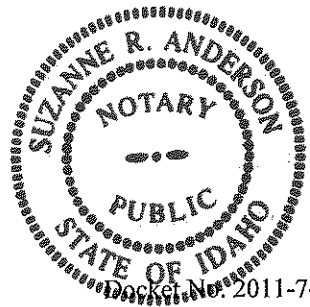
29. Respondents waive notice and opportunity for a hearing under Idaho Code § 30-14-604(b) and (c), and under the contested case provisions of the Idaho Administrative Procedures Act, I.C. §67-5240 *et. seq.* The terms contained in this Order constitute the entire agreement between the Department and Respondents.

Adam Gregory Feik
ADAM GREGORY FEIK

State of Idaho
County of Ada

SUBSCRIBED AND SWORN to before me this 31st day of October, 2013

Suzanne R. Anderson
NOTARY PUBLIC
My Commissions Exp: 7-30-18



BEACON ROCK INVESTMENT CONSULTING, LLC

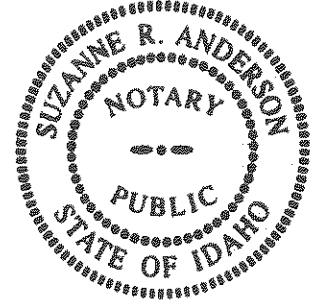
Adam Gregory Feik

By: ADAM GREGORY FEIK
Title: Managing Member

State of Idaho
County of Ada

SUBSCRIBED AND SWORN to before me this 31st day of October, 2013

Suzanne R. Anderson
NOTARY PUBLIC
My Commissions Exp: 7-30-18



State of _____
County of _____

Marilyn T. Chastain

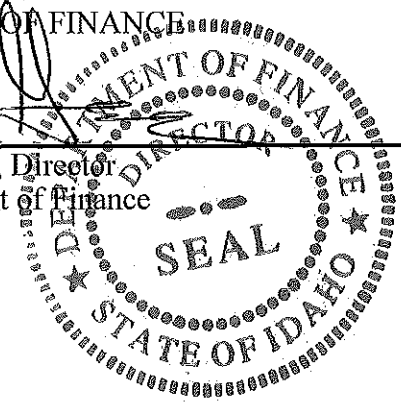
MARILYN T. CHASTAIN
Bureau Chief, Securities Bureau
Department of Finance
State of Idaho

IT IS SO ORDERED

DATED this 31st Day of OCTOBER 2013.

STATE OF IDAHO
DEPARTMENT OF FINANCE

Gavin M. GEE
GAVIN M. GEE, Director
Idaho Department of Finance



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