

LAWRENCE G. WASDEN
Attorney General

ALAN CONILOGUE
Deputy Attorney General
State of Idaho
P. O. Box 83720
Boise, ID 83720-0031
Telephone: 208.332.8093
Fax: 208.332.8016
ISBN 3196
alan.conilogue@finance.idaho.gov

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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Complainant,

vs.

CONSOLIDATED WEALTH HOLDINGS,
INC., JOHN SPALDING, DEANNA
OSBORNE, and SCOTT OSBORNE

Respondents.

Docket No.

AGREEMENT AND ORDER

The Director of the Department of Finance, State of Idaho (Director), has conducted a review of the securities activities of CONSOLIDATED WEALTH HOLDINGS, INC., JOHN SPALDING, DEANNA OSBORNE and SCOTT OSBORNE (Respondents). Pursuant to that review, it appears to the Director that violations of Idaho's Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the Act), have occurred. The Director and Respondents have agreed to resolve this matter without the necessity of a public hearing. Therefore, the 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.

RESPONDENTS

1. Respondent Consolidated Wealth Holding, Inc., (CWH) is a Delaware corporation headquartered at all times relevant herein in Kansas City, Missouri. CWH is no longer authorized to do business in Missouri and is not currently an active corporation

2. Respondent John Spalding (Spalding) is listed on the Missouri Application for Certificate of Authority as the Vice President and as a Director of CWH. Spalding is an attorney and a member of the State Bar of Texas.

3. Respondent Deanna Osborne was a manager in the corporation.

4. Respondent Scott Osborne is listed on the Missouri Application for Certificate of Authority as the President and Director of CWH. His role in the corporation was more in the nature of a chief executive officer.

5. Though not a Respondent, Consolidated Wealth Management, Ltd. (CWM Ltd.) is a Delaware corporation headquartered in Houston, Texas, and is a related entity to CWH. Spalding and Deanna Osborne were reported as Officers of CWM Ltd. on an SEC Form D dated December 9, 2014.

6. Though not a Respondent, Consolidated Wealth Management LLC (CWM) is a Texas Domestic Limited Liability Company, headquartered in Houston, Texas and is a related entity to CWH. Spalding is the registered agent for and a Manager of CWM.

ALLEGATIONS

Complainant alleges as follows:

7. CWH engaged in the business of selling interests in life settlement contracts.

CWH characterized these sales as loans to CWH and issued promissory notes to investors to memorialize the transactions. An agent of CWH offered and sold CWH securities to at least four Idaho investors on behalf of CWH.

8. A typical life settlement contract is an investment where the investor buys an interest in some other person's life insurance policy, thereby obtaining a type of beneficial interest in the policy. The investor gets paid when the insured dies.

9. CWH's life settlement policy investments were structured as loans from the investor to CWH, evidenced by promissory notes issued by CWH. CWH would then use investor money to buy an interest in an insured's life insurance policy. CWH described the investment as a non-recourse loan to CWH secured by a life insurance policy.

10. CWH's life settlement policies attempted to manage the risk that the insured would not die on time by buying another insurance policy (reinsurance) that was supposed to pay on the projected death date.

11. CWH chose Provident Capital Indemnity Ltd. (PCI) to provide the reinsurance. However, PCI and two of its principals, Minor Vargas Calvo and Jorge Castillo, were indicted by the United States Department of Justice in January 2011 for mail and wire fraud, shutting down PCI. *Securities and Exchange Commission v. Provident Capital Indemnity, Ltd, Minor Vargas Calvo, Jorge L. Castillo, and Desarrollos Comerciales Ronin, S.A.*; Civil Action No. 3:11-CV-00045-JAG, in the United States District Court for the Eastern District of Virginia.

12. Unfortunately for CWH and its investors, once PCI was indicted and its operations shut down, the only way that investors could get paid is when the insured died. This increased the risk of the return being less than expected because it increased the risk that the investors would have to pay additional policy premiums for an unexpectedly healthy insured

who outlives the pre-paid premiums.

13. Interests in life settlement contracts are securities as defined in Idaho Code § 30-14-102(28)(e).

14. Promissory notes are securities as defined in Idaho Code § 30-14-102(28).

15. Idaho Code § 30-14-301 provides that it is unlawful for a person to offer to sell a security in Idaho unless:

a. The security is a federal covered security;

b. The security, transaction, or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or

c. The security is registered under Idaho's Uniform Securities Act.

16. Respondents issued, sold or offered securities for sale in Idaho in the form of life settlement contracts and promissory notes. These securities were not registered, nor exempt from registration, with the Idaho Department of Finance (Department) as required. A search of the United States Securities and Exchange database revealed no filings at that level either.

17. Respondents' failure to register such securities with the Department constitutes a violation of Idaho Code § 30-14-301.

18. 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.

19. Respondents failed to disclose the following material information:

a. That the investors bore the risk of paying additional premiums if the underlying life insurance policy holder failed to die in time.

b. That Respondents were not registered as an agent to sell the securities, as required by Idaho's Uniform Securities Act (2004);

c. That the notes issued by CWH and the life settlement contracts upon which the notes were based were securities, but were not registered as required by Idaho's Uniform Securities Act (2004).

20. Respondents' omissions of material facts and failures to disclose to investors and prospective investors, as set forth above, were made in connection with the offer, sale or purchase of securities, and constitute violations of Idaho Code § 30-14-501(2).

AGREEMENT

21. Respondents neither admit nor deny the allegations set forth above.

22. Respondents agree to the following:

a. That Respondents will not to sell or offer these securities to Idaho residents; and

b. That Respondents will assign or otherwise provide Idaho investor MF a death benefit interest in John Hancock policy #UL1202782 in the amount of at least \$34,325.04 so that at the time the insured under the policy dies, MF will receives proceeds from the policy in the amount of at least \$34,325.04. Respondents will treat MF as any other investor but MF will not be required to pay premiums on a pro rata basis. If the John Hancock policy #UL1202782 is sold or liquidated, MF will receive his proportionate share of death benefits. Respondents will cooperate with the Department and prepare and execute all necessary agreements and documentation to effectuate this assignment.

23. Respondent will use their best efforts to pay the premiums and maintain the other life insurance policies in which Idaho investors DH, MH, NP, and RT have current interests, with the goal of ensuring that the other policies pay upon maturity.

24. Respondents agree to notify the Department when Idaho investors receive payments from the life settlement investments identified herein.

25. Respondents agree to comply with all provisions of Idaho's Uniform Securities Act, all rules promulgated under the Act, and all federal laws and regulations applicable to its business activities in Idaho at all times in the future.

26. Respondents acknowledge and understand that this Order is an administrative action that must be disclosed to the Department on future licensing and renewal forms. The disclosure requirements of other states may also require disclosure of the same.

27. This Consent Order is not intended to subject Respondents to disqualification under federal securities laws, rules or regulations thereunder, or the rules and regulations of any self-regulatory agency, nor the laws, rules or regulations of the various states and U.S. Territories, including without limitation, any disqualification from relying upon the registration exemption or the safe harbor provisions. In addition, this Consent Order is not intended to be the basis for any such disqualifications.

DATED this 17 day of December, 2015.

CONSOLIDATED WEALTH HOLDINGS, INC.

By: Scott Osborne

Scott Osborne
Title-President

DATED this 18th day of December, 2015.

John Spalding
JOHN SPALDING

DATED this 17th day of December, 2015.


DEANNA OSBORNE

DATED this 17 day of December, 2015.


SCOTT OSBORNE

DATED this 21st day of December, 2015.

STATE OF IDAHO
DEPARTMENT OF FINANCE


JAMES A. BURNS
Securities Bureau Chief

IT IS SO ORDERED.

DATED this 21ST day of DECEMBER, 2015.

STATE OF IDAHO
DEPARTMENT OF FINANCE


GAVIN M. GEE, Director



CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this _____ day of _____, 2015, I caused a true and correct fully-executed copy of the foregoing AGREEMENT AND ORDER to be served on the following by the designated means:

John Spalding
Consolidated Wealth Management
5300 Memorial Dr., Suite 970
Houston, TX 77007

- U.S. mail, postage prepaid
- Certified mail
- Facsimile:
- Email:

Deanna Osborne
Consolidated Wealth Management
5300 Memorial Dr., Suite 970
Houston, TX 77007

- U.S. mail, postage prepaid
- Certified mail
- Facsimile:
- Email:

Scott Osborne
Consolidated Wealth Management
5300 Memorial Dr., Suite 970
Houston, TX 77007

- U.S. mail, postage prepaid
- Certified mail
- Facsimile:
- Email:

Paralegal