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

STATE OF IDAHO, DEPARTMENT OF
FINANCE, SECURITIES BUREAU,

Complainant,

vs.

RULON LEE TOLMAN,

Respondent.

Docket No. 2015-7-02-B

AGREEMENT AND ORDER

The Director of the Department of Finance, State of Idaho (Director), has conducted a review of the securities activities of RULON LEE TOLMAN (Respondent). 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 Respondent 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). Respondent voluntarily consents to the entry of this Order.

COMPLAINANT'S ALLEGATIONS

1. Respondent is an individual residing in Meridian, Ada County, Idaho. The acts and practices herein comprising violations of law by Respondent occurred in Ada, Cassia and Valley Counties, and elsewhere, in Idaho.

2. Respondent obtained an Idaho insurance license on July 24, 1987, and has since worked in the insurance industry. Respondent has never been registered as an investment adviser and, at all times relevant herein, did not hold a securities license.

3. Respondent's last known residence was on Fir Creek Court in Meridian, Idaho.

4. Respondent offered or sold securities in the form of life settlement contracts and promissory notes from Consolidated Wealth Holdings, Inc. (CWH), a Delaware corporation headquartered at all times relevant herein in Kansas City, Missouri. Respondent sold these life settlement contracts to at least four (4) Idaho investors, MLH, DGH, and a married couple RT and GT, in an aggregate amount of at least seven hundred eighty-two thousand seven hundred thirty-one dollars and thirteen cents (\$782,731.13).

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

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

7. A typical life settlement contract is an investment where the investor buys an interest in some other person's paid-up life insurance policy, essentially becoming a beneficiary under the policy. The investor gets paid when the insured dies.

8. The policies are typically paid up through a projected life expectancy date. If the insured lives on past the projected expiration date, the investor must pay additional premiums to keep the policy in force, thereby reducing the return expected from the investment.

9. CWH's life settlement policies attempted to manage the risk that the insured would outlive the prepaid premiums by buying another insurance policy (reinsurance) that was supposed to pay on the projected death date.

10. 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.

11. Once PCI was indicted and its operations shut down, the only way investors would get paid is when the insured died. This increased the risk of the return being less than expected because investors would have to pay additional policy premiums if the insured outlived the pre-paid premiums.

12. The CWH life settlement contracts and promissory notes were never registered in Idaho as securities.

13. Respondent, at all times material herein, was not registered with the Department or the Financial Industry Regulatory Authority (FINRA) as a securities broker-dealer or broker-dealer agent.

14. Respondent held a Series 6 securities license from 1980 to 1995.

15. The securities sold by Respondent were not registered with the Department.

Investors

16. Beginning around August 2008, and continuing until at least December 2008, Respondent offered and/or sold unregistered securities to at least four Idaho investors.

17. Investor MLH was initially an insurance client of Respondent's and later invested in CWH life settlement contracts through him. Respondent received a 5% commission on the investment, or about \$20,000.

18. Respondent described himself as MLH's financial professional regarding the CWH investment and advised her about the advantages of entering into the transaction.

Misrepresentations

19. Respondent made material misrepresentations to his investors as follows:

a. *That due to the insurance, the investment was risk free.* However, it was not risk free because there was risk the life insurance company or the re-insurance company might not be solvent to pay out on the policy upon the death of the insured or by the maturity date. It was also not risk free because the re-insurance failed to pay and the insured lived longer than the term through which the policy premiums were paid. Additionally, the investment was not risk free because investors currently cannot liquidate their investment to obtain a return of their money, nor do they know when, or if, it will pay out.

b. *That any surrender penalties for selling the annuities would be offset by greater gains from the CWH investment.* Because that investment is open-ended and may be subject to the payment of additional premiums, the exact return cannot be determined, and therefore it cannot be known whether the surrender penalties will be offset by gains from the CWH investment.

Material Omissions

20. Respondent did not tell potential investors certain information that would be necessary to make other statements not misleading and that an investor would likely consider as material to a decision to invest with Respondent. Respondent failed to disclose the following material information:

a. That at the time the investors entered into the CWH transactions, PCI, the supposed reinsurer, was in litigation in Texas;

b. That the investors bore the risk of paying additional premiums if the underlying life insurance policy holder lived longer than the term through which the policy premiums were paid;

c. That Respondent did not diligently research the viability of PCI;

d. That Respondent never saw a copy of the underlying life insurance policies and that as far as he knew they did not exist;

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

f. 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).

COMPLAINANT'S ALLEGED VIOLATIONS AND CONCLUSIONS OF LAW

21. The allegations of paragraphs 1 through 20 above are realleged and incorporated herein as if set forth verbatim.

22. 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 the light of the circumstances under which they were made, not misleading.

23. Respondent's misrepresentations to investors and prospective investors, as set forth in paragraphs 19.a. and 19.b. were made in connection with the offer, sale or purchase of securities. Respondent's misrepresentations were false and misleading, constituting violations of Idaho Code § 30-14-501(2) as to each misrepresentation to each investor.

24. Respondent's omissions of material facts and failures to disclose to investors and prospective investors, as set forth in paragraph 20 and its subparagraphs, were made in connection with the offer, sale or purchase of securities, and constitute violations of Idaho Code § 30-14-501(2) as to each omission and failure to disclose to each investor.

25. Idaho Code § 30-14-102(15) defines investment adviser as any person who, for compensation, engages in the business of advising others as to the value of securities or the advisability of investing in, purchasing, or selling securities.

26. Idaho Code § 30-14-403(a) states that it is unlawful for a person to transact business in Idaho as an investment adviser unless registered with the Department as such.

27. Respondent advised his clients to purchase the CWH securities and was paid a commission on the resulting purchases.

28. By giving this advice, Respondent transacted business in Idaho as an investment adviser. Respondent was not registered as an investment adviser with the Department as required by Idaho Code § 30-14-403(a).

29. Respondent's investment advice to his clients while not registered as an investment adviser with the Department constituted violations of Idaho Code § 30-14-403(a).

30. Respondent sold or offered for sale in Idaho securities in the form of notes and life settlement contracts. Such securities were not registered with the Department as required by

Idaho Code § 30-14-301.

31. Respondent's selling or offering of unregistered securities constituted violations of Idaho Code § 30-14-301.

32. Idaho Code § 30-14-102(2) states that any individual who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities is an agent under the Act.

33. Idaho Code § 30-14-402(a) states that it is unlawful for an individual to transact business in Idaho as an agent unless registered with the Department as such.

34. Respondent transacted business in Idaho as an agent of issuer CWH when he offered and sold CWH securities to his clients. At the time of these transactions, Respondent was not registered as an agent with the Department as required by Idaho Code § 30-14-402(a), thereby violating that statute.

AGREEMENT

35. Respondent consents to the entry of this Agreement and Order and admits the allegations and conclusions of law set forth above.

36. Respondent agrees to the following:

a. That Respondent will permanently refrain from engaging in any act or practice that violates any provision of Idaho's Uniform Securities Act (2004), any rule promulgated thereunder or any federal law or regulation applicable to its business activities in Idaho

b. That Respondent will specifically permanently refrain from engaging in any of the following acts or conduct:

i. Selling or offering for sale nonexempt securities in any form in the state of Idaho unless such securities have been duly registered with the Idaho Department of Finance in

accordance with Idaho's Uniform Securities Act (2004).

ii. Selling or offering for sale nonexempt securities in any form in the state of Idaho unless Respondent has duly registered as a securities broker-dealer or agent for a broker-dealer with the Idaho Department of Finance in accordance with Idaho's Uniform Securities Act (2004).

iii. Engaging in the business of advising others as to the value of securities or the advisability of investing in, purchasing or selling securities.

c. Respondent agrees that he will not offer or sell any financial product other than life, health or disability insurance offered by an insurance company registered or licensed with the Idaho Department of Insurance. Respondent may offer and sell an insurance or endowment policy or annuity contract under which an Idaho licensed or registered insurance company promises to pay money either in a lump sum or periodically for life or other specified period.

d. Respondent agrees that if at any time he is adjudicated to be in breach of paragraph 36.c. above, an appropriate remedy for the Department is that Respondent be permanently enjoined from working in the financial services industry in Idaho, including offering or selling insurance products.

37. Respondent agrees to pay a civil penalty of ten thousand dollars (\$10,000) for the violations of Idaho's Uniform Securities Act (2004), pursuant to Idaho Code § 30-14-604(d). This penalty is suspended and will be waived in its entirety if Respondent fully complies with all terms herein for ten years from the date of this Order. Upon breach of any term of this agreement within the ten year period, the penalty will become immediately due and payable.

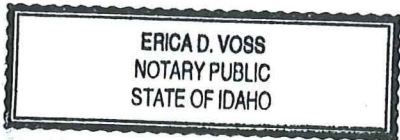
38. Respondent acknowledges and understands that this Order is an administrative action that must be disclosed to the Department on future licensing and renewal forms. The

disclosure requirements of other states may also require disclosure of the same.

DATED this 18th day of March, 2016.

Rulon Tolman
RULON LEE TOLMAN

SUBSCRIBED AND SWORN to before me this 18th day of March, 2016.



Erica D Voss
Notary Public for Idaho
Residing at: Eagle, ID
My Comm. Exp.: June 21st, 2021

DATED this 22nd day of March, 2016.



JAMES A. BURNS
Securities Bureau Chief

ORDER

IT IS SO ORDERED this 22nd day of March, 2016.



GAVIN E. GEE, Director

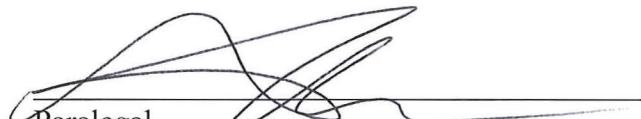


CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 22nd day of March, 2016, I caused a true and accurate copy of the foregoing AGREEMENT AND ORDER to be served on the following by the designated means:

Rulon Lee Tolman
3539 W. Fir Creek Court
Meridian, ID 83642

- U.S. mail, postage prepaid
- certified mail
- overnight mail
- hand delivery
- fax



Paralegal