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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.

DOUGLAS REID ANDREW;
PARAMOUNT FINANCIAL SERVICES,
INC. d/b/a LIVE ABUNDANT;
AARON REID ANDREW;
MARCUS KENT MAXFIELD;
JEREMY ALMA WATSON;
GREGORY DUCKWITZ;
J. SCOTT REYNOLDS; and
LELAND WHITING,

Respondents.

Docket No. 2017-7-15-F

ADMINISTRATIVE COMPLAINT

COMES NOW, Complainant, acting through the Securities Bureau of the Idaho Department of Finance (the "Department"), by and through its attorney of record, and files this Administrative Complaint, amending its initial filing in this matter, its Order to Cease and Desist and Notice of Opportunity for a Hearing, which was issued on or about July 22, 2021. This amended pleading is being filed pursuant to the Idaho Rules of Administrative Procedure of the Attorney General

(“IRAP”), Rules 240 and 305, and is accompanied by a motion requesting leave to file this amended pleading. This amended pleading adds several defendants (Duckwitz, Reynolds, and Whiting) and facts and claims related to a second unregistered security, investment contracts issued by Future Income Payments LLC, that Respondent Paramount Financial Services, Inc. d/b/a/ Live Abundant (“Live Abundant”) sold through its agents, the various insurance producers.

This contested case is brought pursuant to Idaho’s Uniform Securities Act (2004), Idaho Code § 30-14-101 *et seq.* (the “IUSA”), and in particular Idaho Code § 30-14-604, wherein the Department is authorized to bring administrative enforcement actions seeking injunctive and other relief against persons who have either violated or are about to violate provisions of the IUSA or any rule promulgated thereunder. Pursuant to Idaho Code § 30-14-604, the Department issued an Order to Cease and Desist and Notice of Opportunity for a Hearing that alleged several violations of the IUSA by Respondents Live Abundant, Douglas Andrew, Aaron Andrew, Marcus Maxfield, and Jeremy Watson. Pursuant to Idaho Code § 30-14-604(b), those five Respondents requested a hearing prior to a final order. Thus, this is a contested case, governed by “chapter 52, title 67, Idaho Code,” i.e. the Idaho Administrative Code and administrative rules promulgated thereunder. *See* Idaho Code § 30-14-604(c). The IRAP are the applicable administrative rules that apply to contested cases like this one.

The Department is filing this amended complaint that adds three additional Respondents, Gregory Duckwitz, J. Scott Reynolds, and Leland Whiting, and adds allegations against all eight Respondents regarding their respective sales of two unregistered securities.

SUMMARY

1. The Department alleges that Respondents violated Idaho’s securities laws when they solicited Idaho investors to purchase millions of dollars of securities from Future Income Payments,

LLC (“FIP”) and Woodbridge Group of Companies, LLC d/b/a Woodbridge Wealth (“Woodbridge”).

2. The purported purpose of FIP was to provide loans to pensioners who would later repay the loans after receiving their monthly pension distributions. The FIP investment purported to be a secured investment with a promised 5% to 8% return over a 12 to 120-month term. FIP purported to generate investment returns by providing loans to pensioners who would later repay the loans with interest after receiving their monthly pension distributions. Investors provided the capital to provide loans to pensioners.

3. Woodbridge offered various products, but the relevant products here are a First Position Commercial Mortgage and a Mezzanine Loan. The Woodbridge investment purported to be a secured investment with a promised 5% - 8% return. Woodbridge purported to generate investment returns by providing short-term, high interest rate, commercial loans secured by commercial real estate. Investors purportedly provided the capital for commercial loans to those seeking capital for real estate projects.

4. Both Woodbridge and FIP were eventually revealed to be fraudulent schemes, with Woodbridge filing bankruptcy and FIP forced into Receivership.

5. Live Abundant was a Utah business owned by Douglas Andrew, who is a frequent speaker and marketer regarding wealth strategies. Douglas Andrew has a radio show and speaks at various seminars where he endorses indexed universal life products. After attending a Live Abundant seminar, a prospective client is assigned to a “wealth architect” or sales agent to guide the prospective client through a financial analysis and purchase of a financial product.

6. Starting in approximately 2011, Live Abundant and its agents, the insurance producers, got involved in selling FIP’s structured cash flow product. Live Abundant became one of the most

prolific sellers of FIP's product, ultimately selling approximately \$134 million of FIP Pension-Stream Product and receiving over \$8.4 million in commissions. Live Abundant convinced many of its clients to invest their funds in the FIP Pension-Stream Product and to use the returns from the FIP Pension-Stream Product to fund the indexed universal life product. Live Abundant and its agents, its insurance producers, received commissions on both the FIP Pension-Stream Product and the universal life insurance policy. When FIP went into receivership and stopped paying promised returns, many of the Live Abundant clients were also then unable to fund their universal life insurance products.

7. In approximately 2015, Live Abundant and its agents, the insurance producers, also got involved in selling the Woodbridge products and sold approximately \$25-30 million. Similarly, the Woodbridge loans were used jointly with the universal life product (funds invested in Woodbridge were intended to be liquidated to annually fund the universal life product), with the Live Abundant producers receiving commissions for both products. Similarly, when Woodbridge went into bankruptcy and stopped paying, the clients were often unable to fund their universal life products.

8. Despite selling millions of dollars of these products to their clients, Live Abundant and its producers did minimal and inadequate due diligence regarding the FIP and Woodbridge products and they ignored numerous red flags regarding the products.

9. The Department's investigation uncovered that Live Abundant and its agents sold the FIP and Woodbridge products to Idaho residents. Live Abundant and three producers sold Woodbridge securities to at least five Idaho residents and received \$51,825.40 in commissions from Woodbridge for these sales. Live Abundant and six producers sold FIP securities to at least six Idaho residents (two of which also bought Woodbridge investments) and received \$70,890 in commissions from Woodbridge for these sales.

10. The FIP and Woodbridge products were securities, that were not registered or exempt from registration, were sold through agents, the insurance producers, who were not registered to sell securities, and were sold to investors through use of material misrepresentations and material omissions which constitute fraud under the IUSA. The Department seeks findings of violations related to each sale, a cease and desist order against further violations, appropriate penalties for the many violations that caused harm to Idaho investors, and costs (including, potentially attorney fees).

ALLEGATIONS

Respondents' Background

11. Respondent Douglas Reid Andrew ("Douglas") is a resident of Salt Lake City, Utah and was the sole owner of Paramount Financial Services, Inc. Douglas was licensed with the Utah Insurance Department from 1974 through 2006. Douglas was never registered in any state to sell securities or provide investment advice.

12. Respondent Paramount Financial Services, Inc. d/b/a Live Abundant ("Live Abundant") was registered with the State of Utah in 1995 by Douglas. Paramount Financial Services, Inc. conducted business under multiple dba's including Live Abundant, which dba it registered with State of Utah in 2014. Live Abundant was a rebranding of Douglas Andrew's financial practice, and it provided retirement planning services and seminars selling life insurance policies, typically high value universal index life insurance policies. Live Abundant has never been registered in any state to sell securities or provide investment advice. As a controlling owner of Live Abundant, Douglas is responsible for the violations committed by Live Abundant.

13. Respondent Aaron Reid Andrew ("Aaron") is the son of Douglas Andrew and a resident of Holladay, Utah. Aaron is an insurance producer at Live Abundant and has been licensed with

the Insurance Departments in the states of Idaho and Utah since 2008 and 2002, respectively. Aaron has never been registered in any state to sell securities or provide investment advice.

14. Respondent Marcus Kent Maxfield ("Maxfield") is a resident of Pleasant Grove, Utah. Maxfield is an insurance producer at Live Abundant and has been licensed with the Insurance Departments of the states of Idaho and Utah since 2013 and 2011, respectively. Maxfield was never registered in any state to sell securities or provide investment advice.

15. Respondent Jeremy Alma Watson ("Watson") is a resident of Sandy, Utah. Watson was a producer at Live Abundant and was licensed with the Insurance Departments in the states of Idaho (2017 - 2018) and Utah (2012 -2019). Watson was never registered in any state to sell securities or provide investment advice.

16. Respondent Gregory Duckwitz ("Duckwitz") was a resident of Lehi, Utah. Duckwitz was a producer at Live Abundant and was licensed with Utah Insurance Department since 2010. Duckwitz was never registered in any state to sell securities or provide investment advice.

17. Respondent J. Scott Reynolds ("Reynolds") is the son-in-law of Douglas Andrew and was a resident of Sandy, Utah. Reynolds was a producer at Live Abundant and was licensed with the with the Utah Insurance Department since 2007. Reynolds was never registered in any state to sell securities or provide investment advice.

18. Respondent Leland Whiting ("Whiting") was a resident of Holladay, Utah. Whiting was a producer at Live Abundant and was licensed with Utah Insurance Department since 1982. Whiting registered as a broker-dealer representative and investment advisor representative in 1990 and 2011, respectively, and received a Central Registration Depository ("CRD") number of 465663. Whiting is the sole Respondent who was registered to sell securities and/or give investment advice at the time of his sale of FIP to an Idaho resident in 2014, see below.

19. Aaron, Maxfield, Watson, Duckwitz, Reynolds, and Whiting are collectively referred to herein as “Respondent Agent Producers.”

FIP Investment, a Fraudulent Scheme

20. FIPs various entities have been registered in several states including Delaware and Nevada. FIP was previously known as Pensions, Annuities, & Settlements, LLC, originally formed in April 2011.

21. FIP at times described itself a “factoring” company that specialized in buying and selling secondary market pension income streams. FIP provided a discounted lump sum payment to retirees in exchange for remittance of their monthly pension benefits for one to ten years. FIP funded the payments to pensioners with money they raised by selling securities in the form of purchase agreements marketed as Structured Cash Flows (“FIP Pension-Stream Product”). The FIP Pension-Stream Product is considered a security under Idaho Code § 30-14-102(28), as it meets the “investment contract” analysis provided under Idaho Code § 30-14-102(28)(d).

22. The FIP Pension-Stream Product was advertised as providing higher rates of returns than other traditional fixed or income products. Investors could choose terms of three to ten years with rates from five to eight percent.

23. Scott Kohn (“Kohn”), who fully owned and controlled FIP, is a convicted felon. On December 11, 2006, Kohn pled guilty in the United States District Court for the District of Columbia, to conspiracy, trafficking in counterfeit goods, and aiding and abetting trafficking, all federal felonies. Specifically, Kohn pleaded guilty to a) directing employees of another company he owned to replace branded computer modules with counterfeit memory chips and then falsely sell them as if they were genuinely branded computer memory modules, and b) hiring other companies to encode generic computer hard drives with software to make them falsely appear to be branded

hard drives, and then directing employees of his company to falsely package and sell them as if they were genuinely branded hard drives. On December 11, 2006, Kohn was sentenced to 15 months in federal prison.

24. The industry of selling pensions was risky. For example, a Forbes article, dated June 7, 2012, was entitled “Investors Who ‘Buy’ Pensions Are Buying Trouble.” The article referred to the business troubles of several pension sellers that preceded FIP, including Structured Investments Co. (“SICO”) and Voyager Financial Group. The article notes one key problem: “contracts with pensioners that were supposed to fund that steady stream of income for investors are, according to legal experts and a growing number of judges, illegal and unenforceable. Federal laws clearly prohibit military retirees from assigning their pensions and the Internal Revenue Service code that covers private pensions also prohibits the practice.” The article also noted various regulatory actions and investigations already brought against SICO and Voyager. These regulatory actions against SICO and Voyager multiplied in 2013 and 2014 and various states (e.g., Arkansas, Pennsylvania, Texas) found that these pension investment products were securities under their state laws.

25. FIP had its own long history of regulatory violations and related business troubles. FIP’s purchases of pension streams were subject to various legal challenges by state regulators, consumer protection groups, and pensioners who claimed the pension-stream purchases were usurious, unenforceable, and otherwise violative of law:

- a. On May 7, 2014, **Washington** State entered a “Statement of Charges and Notice of Intention to Enter an Order to Cease and Desist, Prohibit from Industry, Impose Fine and Refund Fees and Interest” (“2014 Statement of Charges”) against Pensions, Annuities and Settlement, LLC (the predecessor name of FIP) based on making unlicensed loans to Washington pensioners.

b. In January 2015, FIP and its owner, Scott Kohn, signed an Assurance of Discontinuance with the State of **Colorado** agreeing not to enter into any transactions in Colorado without first obtaining a supervised lender's license and not to charge interest on their existing agreements in Colorado.

c. On May 19, 2015, **Washington** State entered a cease-and-desist order against FIP and its owner and CEO/President, Scott Kohn, as a follow up to the 2014 Statement of Charges. The state asserted that FIP was acting as an unlicensed loan company and was obtaining excessive fees from Washington consumers (the pension streams). The cease and desist order stated that Washington was seeking to impose a \$25,000 fine and require reimbursement of all fees and interest in excess of the lump sum loans. Attached was an Exhibit A that showed just how FIP was preying on pensioners in need of immediate cash. Exhibit A listed dozens of pensioners who had received lump sums that were a small fraction of the pension payments purchased by FIP. As just a few examples: pensioner A.P. received a loan/lump sum of \$4,400 and agreed to sell pension payments to FIP for 120 months totaling \$46,568; pensioner E.T. received a loan/lump sum of \$36,600 and agreed to sell pension payments to FIP for 120 months totaling \$109,360; and pensioner G.G. received a loan/lump sum of \$39,000 and agreed to sell pension payments to FIP totaling \$116,796.

d. On November 18, 2016, FIP's owner signed a Consent Order with **Washington** agreeing FIP would pay the \$25,000 fine, would only make the pensioners repay the lump sum payment they had received from FIP and nothing more, and would not do any more business without obtaining a lender's license.

e. On March 3, 2015, the **California** Commissioner of Business Oversight

issued a Desist and Refrain Order against Kohn and FIP that ordered them to stop lending without a license. On September 15, 2015, FIP entered into a Stipulation to Desist and Refrain Order with the California Commissioner of Business Oversight, which contained findings of unlicensed lending and ordered a prohibition of further unlicensed lending.

f. In March of 2016, FIP entered into an Assurance of Discontinuance with the Commonwealth of **Massachusetts** agreeing FIP would not enter into any further agreements with Massachusetts residents and not charge interest on its existing contracts with Massachusetts residents. Relief granted by the Assurance totaled approximately \$2 million for eighty-five veterans and other pensioners.

g. In June of 2016, FIP entered into a settlement with the State of **North Carolina** whereby it agreed to reform its existing North Carolina transactions and to ensure that any future transactions would comply with the usury laws of North Carolina.

h. On October 20, 2016, FIP entered into a 23-page Consent Order with the **New York** Department of Financial Services that stated that FIP operated without a license, charged interest rates higher than New York's civil usury caps, and intentionally misrepresented their financial products or services. The Order stated that FIP loaned pensioners a total of \$2,461,900 and was projected to collect \$8,870,132, a profit of more than 250%. The company was banned from operating in the State of New York, agreed to pay a \$500,000 civil penalty, and agreed to provide approximately \$6.35 million in relief based upon 292 transactions with New York consumers.

i. On November 23, 2016, the **Consumer Financial Protection Bureau** ("CFPB") served FIP with a Civil Investigative Demand ("CID"). On February 21, 2017, the CFPB filed a petition to enforce the CID in federal court. Based on that investigation,

the CFPB brought a lawsuit against FIP and Kohn in September 2018.

j. On December 22, 2016, FIP entered into an Assurance of Voluntary Compliance with the **Iowa** Attorney General. The state alleged that FIP was not licensed to offer consumer loans in Iowa and was charging exorbitant interest rates of up to 200%. FIP was banned from offering unlicensed loans and charging interest rates that violate state law, ordered to pay a \$35,000 fine, and ordered to refund all payments obtained in excess of the lump-sum loan amounts.

k. In February 2017, the City of **Los Angeles** filed suit against FIP, alleging that the company charged usurious, hidden interest rates as high as 96%, prohibited early termination of the loans (ensuring consumers could not avoid the high interest rates), and employed abusive collection practices.

l. On August 16, 2017, the Minnesota Attorney General filed a complaint in state court against FIP alleging unlicensed lending and usury and seeking restitution and penalties.

m. Numerous pensioners also brought lawsuits against FIP and Kohn, including a class action filed in the Central District of California on September 11, 2017, a lawsuit filed in the Middle District of Florida on March 31, 2016, a lawsuit filed in the Southern District of Alabama on January 11, 2016, and a lawsuit filed in the District of Massachusetts on March 8, 2016. These lawsuits uniformly alleged that FIP used fraud and other improper business practices to purchase pension rights at unfairly low prices, charging excessive and inadequately disclosed fees and interest, and in violation of state and federal law.

26. More recently, several states have determined that FIP's Pension-Stream Product was a security under their state laws. For example, the State of Alabama Securities Commission issued a

Cease and Desist Order against FIP and Scott Kohn on May 25, 2018, No. CD-2018-0011, that found:

“FIP’s Pooled Investment Streams require the investor to invest money into a common enterprise with the expectation of profits derived from the significant managerial efforts of FIP. Therefore, FIP’s Pooled Investment Streams constitute investment contracts and profit sharing agreements and are “securities” as defined by the Act.”

27. Similarly, FINRA has sanctioned numerous registered broker agents for selling FIP as a “private securities transaction” without authorization from their member broker firms. See, e.g., AWC NO. 2020065678101 (Louis Olave); AWC NO. 2020065315901 (Richard Scott Shelley); AWC NO. 2018060312301 (David T. Phillips).

28. In April 2018, FIP ceased operation, owing nearly \$300 million in unpaid investor payments. FIP is currently in a liquidation receivership in South Carolina. *In re Receiver*, D.S.C. Case No. 6:19-cv-01112-BHH. The Receiver has filed various actions against Live Abundant and its insurance producers seeking to recover millions in commissions paid by FIP as fraudulent transfers and payments in furtherance of the fraudulent scheme.

29. Kohn and FIP are also currently the subject of a federal, criminal indictment in the District Court of the United States for the District of South Carolina for attempt and conspiracy to commit mail fraud (case number 6:19- cf-00239). In 2019-20, Kraig Aiken (controller and later CFO for FIP), David Kenneally (CFO for FIP), and Melanie Jo Schultze-Miller (sales broker for FIP) all pled guilty to the federal charge of felony conspiracy to defraud.

30. The Department brought several civil and administrative enforcement actions against unregistered persons selling the FIP Pension-Stream Products to Idaho residents. They can be found

at <https://www.finance.idaho.gov/legal/administrative-actions/securities/enforcement-orders/> and <https://www.finance.idaho.gov/legal/civil-actions/securities/>.

Woodbridge Investment, a Fraudulent Scheme

31. Woodbridge was a purported commercial mortgage lender that lent money to commercial borrowers in exchange for a first position mortgage on the borrower's commercial real estate. Woodbridge purported to fund the commercial loans with money it raised by selling securities in the form of one-year first position commercial mortgage promissory notes or Mezzanine Loans promissory notes ("Woodbridge Notes"). These Woodbridge Notes are considered securities under Idaho Code § 30-14-102(28). In addition, such Woodbridge Notes meet the "investment contract" analysis provided under Idaho Code § 30-14-102(28)(d).

32. In February 2017, the Department commenced its investigation of Woodbridge.

33. Woodbridge had already agreed to sanctions for securities violations with various other states including Massachusetts (issued May 4, 2015), Texas (issued July 17, 2015), and Arizona (issued October 4, 2016). Woodbridge was also already under investigation with other states like Pennsylvania (Consent Order issued April 24, 2107), Michigan (Cease and Desist Order issued August 8, 2017), and Colorado (Order to Show Cause issued October 12, 2017).

34. Woodbridge, and their affiliates, filed for Chapter 11 bankruptcy on December 4, 2017, citing "unforeseen costs associated with ongoing litigation and regulatory compliance."

35. On December 20, 2017, the Securities and Exchange Commission ("SEC") filed a complaint against Woodbridge and its affiliates, alleging that Robert Shapiro, owner of Woodbridge, conducted a nationwide Ponzi scheme that raised over \$1.22 billion from over 8,400 investors. Pertinent sections of the complaint state:

Beginning in July 2012 through December 4, 2017, Defendant Robert H. Shapiro ("Shapiro") used his web of more than 275 Limited Liability Companies to conduct a

massive Ponzi scheme raising more than \$1.22 billion from over 8,400 unsuspecting investors nationwide through fraudulent unregistered securities offerings. Shapiro promised investors they would be repaid from the high rates of interest Shapiro's companies were earning on loans the companies were purportedly making to third-party borrowers. However, nearly all the purported third-party borrowers were actually limited liability companies owned and controlled by Shapiro, which had no revenue, no bank accounts, and never paid any interest under the loans.

....

At Shapiro's direction, Woodbridge's network of hundreds of in-house and external sales agents raised in excess of \$1.22 billion dollars, falsely selling Woodbridge's investments as "safe" and "secure".

See <https://www.sec.gov/news/press-release/2017-235>.

36. Woodbridge and Shapiro ultimately consented to a \$1 billion judgment. See <https://www.sec.gov/news/press-release/2019-3>. The SEC also sued some of the largest unregistered internal and external sales agents. One of the larger external sales agents was Live Abundant (*see below*).

37. On May 2, 2018, Woodbridge signed and consented to the entry of a Consent Order to Cease and Desist with the Department that stated, (1) “Woodbridge sold securities in the form of promissory notes ... [that] were not registered, nor did they qualify for a registration exemption at the time they were sold, in violation of Idaho Code §30-14-301”; and (2) “Woodbridge associated with and compensated independent agents that were not registered to sell securities, nor did they qualify for a registration exemption at the time they were sold, in violation of Idaho Code §30-14-402(d).”

38. The Department brought numerous enforcement actions against unregistered persons selling the Woodbridge Notes to Idaho residents. They can all be found at <https://www.finance.idaho.gov/legal/administrative-actions/securities/enforcement-orders/>.

39. In April 2019, Shapiro was indicted in U.S. District Court, Southern District of Florida, case number 19-20178-CR-Altonaga/Goodman. In connection with Shapiro’s operation of the

Woodbridge Ponzi scheme, Shapiro was charged with conspiracy to commit mail fraud and wire fraud, conspiracy to commit money laundering, mail fraud, wire fraud, and evasion of payment of federal income taxes, all federal felonies. In August 2019, Shapiro entered into a plea agreement and was sentenced to 25 years in federal prison.

SEC Suit Against Live Abundant and Aaron Related to Woodbridge Sales Only

40. The SEC sued Live Abundant and Aaron R. Andrew on December 18, 2018, related to its sales of Woodbridge. *See* Case 2:18-cv-10481, U.S. District Court, Central District of California. The Complaint alleged, “[A.] Andrew and Live Abundant: From November 2015 through July 2017 – approximately \$1.8 million in transaction-based commissions earned as a result of raising approximately \$43 million from 350 investors in 9 states.”

41. On January 21, 2021, the SEC obtained a final judgment against Live Abundant for “disgorgement of \$647,197.41 representing net profits gained as a result of the conduct alleged in the Amended Complaint, together with prejudgment interest thereon in the amount of \$103,466.90, and a civil penalty in the amount of \$100,000 pursuant to Section 20(d) of the Securities Act of 1933 and Section 21(d)(3) of the Securities Exchange Act of 1934. Defendant shall satisfy this obligation by paying \$850,664.31 to the Securities and Exchange Commission within 30 days after entry of this Final Judgment.” Upon information and belief, Live Abundant has not paid any amounts towards the judgment of \$850,664.31.

42. On January 21, 2021, the SEC also obtained a final judgment against Aaron Andrew for “disgorgement of \$136,539.85 representing net profits gained as a result of the conduct alleged in the Amended Complaint, together with prejudgment interest thereon in the amount of \$19,587.65, and a civil penalty in the amount of \$75,000 pursuant to Section 20(d) of the Securities Act of 1933 and Section 21(d)(3) of the Securities Exchange Act of 1934. Defendant shall satisfy this obligation

by paying \$231,127.50 to the Securities and Exchange Commission pursuant to the terms of the payment schedule” Upon information and belief, Aaron Andrew has not paid any amounts towards the judgment of \$231,127.50.

Live Abundant Sales Practices Regarding Woodbridge and FIP

43. In approximately 2011-2012, Live Abundant’s executive team learned of the FIP Pension-Stream Product. Live Abundant determined that the FIP Pension-Stream Products, providing fixed returns monthly, would work well with, or as an alternative to, its indexed universal life products.

44. In approximately 2015, Live Abundant’s executive team learned of the Woodbridge products. Live Abundant determined that the Woodbridge products, providing fixed returns and maturity every twelve months, would work well with, or as an alternative to, its indexed universal life products.

45. Respondent Agent Producers primarily obtained clients who invested in FIP and Woodbridge from Live Abundant seminars in which Respondent Agent Producers were assigned to prospective clients as their “wealth architect.” As a result of the Live Abundant seminars and radio advertisements, Respondent Agent Producers had clients who invested in FIP and Woodbridge from Idaho.

46. Respondent Agent Producers told many investors that their funds would be safe and secure while invested in FIP and Woodbridge and did not inform investors of the risk of investing in FIP and Woodbridge.

47. Respondent Agent Producers even recommended that some of their clients withdraw their funds from legitimate investments in retirement accounts to invest in the FIP or Woodbridge investments. Various Live Abundant clients moved qualified retirement funds from their IRA and

401K accounts into self-directed IRA accounts, to be able to invest in Woodbridge and FIP.

48. Respondents knew that they were not licensed to sell securities. Respondents did not do adequate, independent due diligence to determine whether the Woodbridge and FIP products were a security. For example, they did not seek the opinion of any securities regulators (including the Department) about whether the products were a security. They also did not seek the opinion of independent attorneys.

49. Respondents used Woodbridge's marketing materials to solicit Respondents' clients to invest in Woodbridge, but Respondents did not do independent due diligence to verify whether Woodbridge was accurately describing itself or the investment. For example, Respondents did not obtain financials from Woodbridge. Respondents did not investigate how Woodbridge was able to pay 9% wholesale returns or who the entities were that borrowed funds from Woodbridge and allegedly paid interest and points of 11-15% for those loans. Woodbridge was not a public company and Respondents knew very little, if any, verifiable information about Woodbridge or about the safety of their clients' putting money into Woodbridge.

50. Respondents received a commission for every sale of the Woodbridge Notes. The Woodbridge Notes paid a "wholesale" rate of return of 9%, but the client typically got a 5% rate of return (interest on the promissory note) and Live Abundant got the difference of 4% (Live Abundant had the ability to offer a higher rate, greater than 5%, to a client and take a smaller commission). As alleged by the SEC, Live Abundant received commissions of approximately \$1.8 million. Live Abundant retained a large portion of the commission from Woodbridge (typically 70%) and the individual producer received the rest of the commission.

51. Woodbridge incentivized Respondents to encourage their clients to keep funds invested beyond the initial 12-month maturity. Respondents received a new full commission (typically the

4% spread) each time an investment came up for renewal and was renewed.

52. Similarly, Respondents used FIP's marketing materials to solicit Respondents' clients to invest in FIP but Respondents did not do independent due diligence to verify whether FIP was accurately describing itself or the investment. FIP claimed that a key protection for investors was a reserve account that FIP funded, which would pay investors if a seller of pension rights died or otherwise defaulted on payment. However, Respondents never verified if such an account was actually funded and in what amount. FIP also promised the account was independently audited. Respondents never saw any such audit. At one point, Respondents claim that they asked to see documents regarding the reserve account but FIP did not or would not provide such documents. Contrary to its claims, FIP did not fund the reserve account or independently audit it.

53. FIP also did not disclose the flow of investor funds. Respondents did not ask for any records showing what funds were going to FIP, what was going to the reserve account, and what was going to the sellers. FIP's records show that it was keeping most of investor funds, was not funding the reserve account, and was providing payments to the pension sellers that were the equivalent of extreme predatory lending.

54. Dozens of investors have filed lawsuits and/or class actions against Live Abundant and its agents, the insurance producers, seeking to recover their damages from being sold investments in two fraudulent schemes, FIP and Woodbridge.

Respondents' Sales of Woodbridge to Idaho Residents

55. Live Abundant and its producers sold the Woodbridge Notes to several Idaho residents. Aaron solicited and sold Woodbridge securities to at least one Idaho resident. Maxfield solicited and sold Woodbridge securities to at least two Idaho residents. Watson solicited and sold Woodbridge securities to at least two Idaho residents.

56. Live Abundant received a total of \$79,941.67 in commissions (i.e. transaction-based compensation that was a percentage of the sales proceeds), from Woodbridge, for sales by Live Abundant's unregistered sales agents that solicited and sold Woodbridge Notes to at least five Idaho residents. Live Abundant retained \$55,874.57 of these commissions and paid their agents, Aaron, Maxfield, and Watson, \$24,067.10 in total commissions.

57. Aaron solicited and sold Woodbridge Notes, as an unregistered agent of Live Abundant, to at least one Idaho resident, JM. JM invested \$230,000, in approximately February 2016, and Aaron received a commission of \$4,485.00 from this sale.

58. Maxfield solicited and sold Woodbridge Notes, as an unregistered agent of Live Abundant, to at least two Idaho residents. Maxfield received \$9,462.50 in commissions for the following sales:

- \$8,400 from AW's investments totaling \$400,000 in approximately May through July 2016; and
- \$1,062.50 from DR & MR's investment of \$50,000 in approximately October 2016 and rolled over in March 2017.

59. Watson solicited and sold Woodbridge Notes, as an unregistered agent of Live Abundant, to at least two Idaho residents. Watson received \$10,119.60 in commissions for the following sales:

- \$5,394.60 from DA's investment of \$400,000 in approximately June 2016; and
- \$4,725 from AL's investment of \$350,000 in approximately March 2017.

Respondents' Sales of FIP to Idaho Residents

60. Live Abundant and its agents sold the FIP Pension-Stream Product to at least six Idaho residents, with some of them investing several times. Aaron, Maxfield, Watson, Whiting, Duckwitz, and Reynolds all were responsible for and received the commission from at least one sale of FIP securities to one Idaho investor.

61. Live Abundant received a total of \$70,890 in commissions (i.e. transaction-based compensation that was a percentage of the sales proceeds), from FIP, for sales by Live Abundant's unregistered sales agents that solicited and sold FIP Pension-Stream Product to at least six Idaho residents. Live Abundant retained some of these commissions and paid the remainder to its six producers.

62. Aaron solicited and sold FIP to Idaho residents (Twin Falls, ID) MS and TS. MS and TS invested \$25,000, in approximately June 2015, and Live Abundant/Aaron received a commission of \$1,500.00 from this sale.

63. Maxfield solicited and sold FIP to Idaho residents (Idaho Falls, ID) DR and MR (who also invested through Maxfield in Woodbridge, see above). DR and MR invested \$95,000 and \$375,000, in approximately September 2013 and May 2014, and Live Abundant/Maxfield received commissions totaling \$28,200 from these sales.

64. Watson solicited and sold FIP to Idaho resident DA (Pocatello, ID) (who also invested through Watson in Woodbridge, see above). DA invested \$250,000, in approximately December 2017, and Live Abundant/Watson received a commission of \$15,000.00 from this sale.

65. Whiting solicited and sold FIP to Idaho resident ME (Boise, ID). ME invested \$260,000, in approximately September 2014, and Live Abundant/Whiting received a commission of \$15,600.00 from this sale.

66. Duckwitz solicited and sold FIP to Idaho resident GN (Pocatello, ID). GN invested \$76,500, in approximately October 2012, and Live Abundant/Duckwitz received a commission of \$4,590 from this sale.

67. Reynolds solicited and sold FIP to Idaho resident DS (McCammon, ID). DS invested \$100,000, in approximately November 2017, and Live Abundant/Reynolds received a commission

of \$6,000.00 from this sale.

68. At the time of the above transactions, Respondent Agent Producers were not registered to sell securities in Idaho, nor did they qualify for an exemption.

69. At the time of the above transactions, Respondents were not registered as a broker-dealer in Idaho, nor did they qualify for an exemption.

70. With the Woodbridge bankruptcy and FIP Receivership on-going, it is currently unclear how much Respondents' client investors, including the Idaho residents, will ultimately recover from their investment in the FIP and Woodbridge fraudulent schemes.

71. During the Woodbridge and FIP investigations, various parties (including the SEC and the FIP Receiver) deposed the Respondents, who have admitted under oath many of the facts herein.

CLAIM ONE

OFFER AND SALE OF UNREGISTERED SECURITIES **(Violation of Idaho Code § 30-14-301)**

72. Idaho Code § 30-14-102(28) defines a "security," in pertinent part, as a note.

73. The Woodbridge promissory notes offered and sold by the Respondents constitute securities within the meaning of Idaho Code § 30-14-102(28).

74. Idaho Code § 30-14-102(28) also defines a "security," in pertinent part, as an "investment contract."

75. The FIP Pension-Stream Products constitute securities in the form of investment contracts.

76. Idaho Code § 30-14-301 provides that "It is unlawful for a person to offer or sell a security in this state unless: (a) The security is a federal covered security; (b) The security, transaction or offer is exempted from registration ...; or (c) The security is registered under this chapter."

77. In return for soliciting the sale of Woodbridge and FIP securities to at least nine residents of Idaho, the Respondents received pecuniary gain in the form of transaction-based commissions.

78. Respondents' offers and sales of unregistered securities to at least nine Idaho residents, including multiple sales to some of the investors, constitutes numerous violations of Idaho Code § 30-14-301.

79. Intent is not an element of this violation for the offer and sale of unregistered securities.

CLAIM TWO

*OFFER AND SALE OF SECURITIES BY AN UNREGISTERED BROKER AND BROKER
AGENTS*

(Violation of Idaho Code § 30-14-401 or -402)

80. In effecting or attempting to effect purchases or sales of securities to their many clients, Respondents were acting as an unregistered broker or broker's agents.

81. Idaho Code § 30-14-401 provides, "It is unlawful for a person to transact business in this state as a broker... unless the person is registered under this chapter as a broker... or is exempt from registration"

82. Idaho Code § 30-14-402 provides, "(a) It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration"

83. Idaho Code § 30-14-402(d) provides, "Limit on employment or association. It is unlawful for a broker-dealer ... to employ or associate with an agent who transacts business in this state on behalf of broker-dealers ... unless the agent is registered under subsection (a) of this section or is exempt from registration under subsection (b) of this section."

84. Respondents' offer of and participation in the sale of Woodbridge and FIP securities to at least nine Idaho residents, including multiple sales to some investors, without properly registering

with the Department as a broker or broker's agent constitutes numerous violations of Idaho Code § 30-14-401 or -402. Only Whiting was registered to sell securities.

85. To the extent Live Abundant was acting as the unregistered broker, it violated Idaho Code § 30-14-402(d) by employing or associating with the five unregistered agents, the Respondent Agent Producers (except Whiting, who was registered as a broker-dealer representative).

86. Pursuant to statute and Idaho case law, intent is not an element of this violation for unregistered broker and/or broker agent activities.

CLAIM THREE

FRAUD

(Violation of Idaho Code § 30-14-501)

87. Idaho Code § 30-14-501 provides, "It is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly... (2) to make an untrue statement of material fact or to 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..."

88. Respondents committed fraud, pursuant to Idaho Code § 30-14-501(2), with regard to all sales of FIP and Woodbridge securities to the nine Idaho investors (including the multiple different sales made to some of the investors).

89. Respondents failed to disclose that neither the securities being offered nor the Respondents were registered as required under the IUSA. Respondents' omission concerning the registration status of the securities and agent/broker constitutes an omission of a material fact in connection with the sale of a security, in violation of Idaho Code § 30-14-501(2).

90. Respondents failed to disclose that despite their purported financial expertise, they had done minimal and inadequate due diligence regarding most or all aspects of the Woodbridge and FIP business, including its operational history, its financials, its management's experience, etc.

91. Respondents failed to disclose that, as unregistered securities, from issuers with only a few years of operational history and no disclosed audited financials, being sold through unregistered sales agents and not through reputable registered brokers, these were risky investments and their clients should only invest if they were willing to risk losing their entire investment.

92. Respondents failed to disclose the following material information about the Woodbridge Notes investment:

- a. Respondents failed to disclose their conflicts of interest, namely their significant commissions and how it materially impacted the terms of the investment that Woodbridge promised to the investor.
- b. Respondents failed to disclose the full material details of how Woodbridge had already been sanctioned by securities regulators, including Texas, Arizona, and Massachusetts, and was being investigated by several others.
- c. Respondents failed to disclose that they had not done adequate due diligence regarding Woodbridge's ability to pay the promised fixed return, the ability of the borrowers to pay Woodbridge the claimed interest and points for the alleged loans, and the validity of the claimed first position security interest.
- d. Respondents had not seen any financials, audited or unaudited, for Woodbridge and did not know its financial condition.
- e. Respondents had not investigated the operational history of Woodbridge or the background of its key management like Robert Shapiro.
- f. Respondents had not reviewed any Woodbridge documents that could demonstrate how Woodbridge was generating enough income to pay such high and liquid returns (9%) based on real estate investment.

- g. Woodbridge owned some or much of the underlying the property and therefore was using investor money to make loans to entities that Woodbridge also owned.

93. Respondents failed to disclose the following material information about the FIP Pension-Stream Product:

- a. Information about FIP's financial condition or operating history;
- b. Information about Kohn, FIP's owner, chief executive officer, and member, including his criminal history as a convicted felon for counterfeiting;
- c. Respondents did not know and had not inquired about Scott Kohn's business background prior to 2011.
- d. That numerous pensioners had filed lawsuits against FIP and other predecessor pension investment sellers, refusing to turn over their pension payments for various reasons, including fraud, violation of usury laws, and violation of lending laws.
- e. That numerous regulators had successfully brought actions against FIP and other companies selling pension investment products, imposing fines and forcing companies to stop buying pensions, stop selling pension investment products to investors, and void the pensions purchased.
- f. That if pensioners refused to pay the funds, as many had begun doing, and if FIP was unwilling or unable to front the payments, then the investors would not receive their promised monthly payments and would lack the funds to pay their insurance policy premiums and those policies could lapse and become valueless.
- g. That Live Abundant had asked FIP to provide it with confirmation of the amount of funds FIP had put into a reserve account to protect against seller default but FIP refused to provide that confirmation.

- h. That Respondents had never seen any of the promised third-party annual audits of the reserve fund and had no way to confirm what if any money was in the promised account.
- i. That Respondents had no idea how much of their clients' money was being used to fund pension sellers and how much was being kept by FIP.
- j. That Respondents had no understanding of what interest rates pension sellers were paying for their lump sum payments and had never asked for documentation of the sales documents that would show what sellers were getting.
- k. That Respondents had not seen any documents showing the flow of funds into the promised escrow accounts and where those client funds went.
- l. That Respondents had not seen any financials, audited or unaudited, for FIP and did not know its financial condition.
- m. The Forbes article, dated June 7, 2012, entitled "Investors Who 'Buy' Pensions Are Buying Trouble."
- n. That Respondents had no idea who, if anyone, was regulating FIP.
- o. That Respondents had no idea if FIP had any third-party insurance to cover any client losses.

94. Upon information and belief, Respondents misrepresented to their client investors that these were safe investments.

95. Pursuant to statute and Idaho case law, intent and reliance are not elements of securities fraud under the IUSA.

PRAYER FOR RELIEF

WHEREFORE, the Department prays for judgment in favor of the Department and against Respondents as follows:

1. That Respondents be adjudged to have violated Idaho’s Uniform Securities Act (2004), Idaho Code § 30-14-101 et seq., as to Counts One through Three alleged above, as well as any additional counts proven at hearing.

2. That Respondents be permanently enjoined from engaging in any act or practice violating any provision of the IUSA or any rule promulgated thereunder, pursuant to Idaho Code § 30-14-604(a), and in particular, that they be permanently enjoined from selling or offering for sale securities in any form in the state of Idaho.

3. That Respondents be ordered to pay a civil penalty of up to \$5,000 for each violation of the IUSA as the Court deems appropriate, pursuant to Idaho Code § 30-14-604(d).

4. That the Respondents be ordered to pay the “actual cost of an investigation or proceeding for a violation of this chapter ... or an order issued under this chapter,” pursuant to Idaho Code § 30-14-604(e).

5. That the Department be awarded attorney fees and costs incurred in the preparation and prosecution of this action, pursuant to Idaho Code §§12-121 and 12-117, and that the court award a money judgment in favor of the Department in such amount. Should judgment be taken by default herein, the Department asserts that \$5,000 is a reasonable sum for the same.

6. For such further relief as this Court may deem just and equitable under the circumstances.

DATED this 12th day of January 2022.

STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL

/s/ Loren Messerly
Loren Messerly
Deputy Attorney General
Counsel for Plaintiff