

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

<b>IN THE MATTER OF:</b>	)	
	)	<b>CONSENT ORDER</b>
	)	
<b>Thomas J. Cornine,</b>	)	<b>Matter No. 20201770</b>
	)	
<b>Respondent.</b>	)	
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**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, S.C. Code Ann. § 35-1-101, *et seq.* (the “Act”), and delegated to the Securities Division of the Office of the Attorney General (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Thomas J. Cornine (the “Respondent”), and in connection with its investigation, the Division has determined that Respondent violated the Act.

**II. JURISDICTION**

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

**III. RESPONDENT**

2. The Respondent was, between July of 2016 and April of 2018 (the “Relevant Period”), a resident of the State of South Carolina. The Respondent has never been registered with the Division.

3. The Respondent is registered with the South Carolina Department of Insurance as an insurance producer affiliated with the The Freeman Agency, Inc.

#### **IV. FINDINGS OF FACT**

4. Future Income Payments, LLC (“FIP”) was 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.

5. Scott Kohn was the sole owner and manager of FIP.

6. FIP’s business model revolved around the sourcing and sale of retirees’ recurring income from pension benefits.

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

8. 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 “FIP Investors”).

9. FIP was able to locate large numbers of FIP Investors through a network of insurance agents and investment adviser representatives (the “FIP Agents”).

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

11. Various consumer protection and regulatory agencies investigated and brought lawsuits against FIP in response to its scheme. *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 (7<sup>th</sup> 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).

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

13. On March 12, 2019, Kohn and FIP 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 [Kohn] to live a lavish lifestyle.”

14. On April 4, 2019, the Division published an Order to Cease and Desist against Scott Kohn and FIP.<sup>1</sup>

15. After spending six months as a fugitive, Scott Kohn was captured by U.S. Marshals on a San Diego, California beach on September 21, 2019.<sup>2</sup> He has been charged with conspiracy to commit wire fraud and mail fraud. He is currently awaiting trial.

16. During the Relevant Period, the Respondent operated as a FIP Agent in South Carolina.

17. During the Relevant Period, the Respondent offered and sold the FIP Product to seven South Carolina FIP Investors. These seven South Carolina FIP Investors invested \$959,532

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<sup>1</sup> In the matter of Future Income Payments, LLC; FIP, LLC; and Scott A. Kohn – Order to Cease and Desist (4/4/2019), <http://2hsvz0l74ah31vgcm16peuy12tz.wpengine.netdna-cdn.com/wp-content/uploads/2019/04/Order-to-Cease-and-Desist-4.5-01935944xD2C78.pdf>

<sup>2</sup> Brown, Kirk. “[U.S.] Marshals capture Scott Kohn, accused in Greenville of preying on veterans and investors.” *The Greenville News*, 23 Sept. 2019, <https://www.greenvilleonline.com/story/news/local/2019/09/23/marshals-capture-scott-kohn-accused-sc-preying-veterans/2418273001/>. Accessed 1 July 2020.

in the FIP Product. Respondent received approximately \$38,381 in transaction based compensation in connection with his sale of the FIP Product to the seven South Carolina FIP Investors.

18. During the Relevant Period, Respondent was not registered with the Division as an agent or exempt from such registration.

#### **V. CONCLUSIONS OF LAW**

19. The FIP Product is a security, pursuant to S.C. Code Ann. § 35-1-102(29).

20. The FIP Product was neither registered with the Division, nor exempt from registration, pursuant to S.C. Code Ann. § 35-1-201.

21. The Respondent offered and sold a security, which was neither registered with the Division, nor exempt from such registration, at least seven times in violation of S.C. Code Ann. § 35-1-301.

22. Offering or selling a security that is neither registered with the Division nor exempt from such registration constitutes a willful failure to comply with the Act, pursuant to S.C. Code Ann. § 35-1-412(d)(2).

23. The Respondent acted as an agent at least seven times in connection with the offer and sale of a security in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2).

24. The Respondent was neither registered as an agent with the Division, nor exempt from such registration in violation of S.C. Code Ann. § 35-1-402(a).

25. Acting as an agent in connection with the offer and sale of a security, without being registered with the Division as such or exempt from registration, constitutes a willful failure to comply with the Act, pursuant to S.C. Code Ann. § 35-1-412(d)(2).

26. The Respondent's fourteen violations of the Act provide the basis for this order.

27. This order is in the public interest.

## **VI. ORDER**

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

- a. The Respondent and every successor, affiliate, control person, agent, servant, and employee of the Respondent, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondent, shall **CEASE AND DESIST** from transacting securities business in this State in violation of the Act; and
- b. The Respondent shall pay a civil penalty in the amount of forty thousand dollars (\$40,000.00).
- c. The Respondent has disgorged a significant proportion of his commissions to the seven South Carolina FIP Investors. Because of the Respondent's remedial efforts, thirty-five thousand dollars (\$35,000) of the civil penalty ordered in section (b), *supra*, is hereby **SUSPENDED**.
- d. The Respondent expressly consents and agrees that he will not participate in any aspect of the securities industry in or from the State of South Carolina.

Upon execution by the Securities Commissioner, this Consent Order resolves Matter Number 20201770 as to the Respondent.

As part of this Consent Order, the Respondent agrees that he: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in this Consent Order or creating the impression that this Consent Order is without factual basis;

and (ii) will not make or permit to be made any public statement to the effect that the Respondent does not admit the allegations, without also stating that the Respondent does not deny the allegations. If the Respondent breaches this agreement, the Securities Commissioner may vacate this Consent Order. Nothing in this paragraph affects the Respondent's: (i) testimonial obligations or (ii) right to take differing legal or factual positions in litigation or other legal proceedings.

This Consent Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the activities detailed in this Consent Order, or (iii) other causes of action that may result from activities of the Respondent not detailed in this Consent Order.

ENTERED, this the 28 day of September, 2022.



ALAN WILSON  
Securities Commissioner  
State of South Carolina


I consent to the terms of the above Consent Order:



Thomas J. Cornine

Date: 9/12/22

The Securities Division of the Office of the Attorney General consents to the terms of the above Consent Order:

By:   
Jonathan B. Williams  
Assistant Deputy Attorney General

Date: 9/27/22