Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **LIFE PARTNERS, INC.;** **LIFE PARTNERS HOLDINGS, INC.;** **MARK BRUCE SUTHERLAND;** **Respondents.**	**AMENDED ORDER TO SHOW CAUSE** **Docket No. SD 06-0083** **Docket No. SD 06-0084** **Docket No. SD 06-0085**

It appears to the Presiding Officer of the Utah Division of Securities (Presiding Officer) that Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland (Respondents) may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Presiding Officer issues this Amended Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over Respondents and the subject matter is appropriate based on allegations that Respondents violated §§ 61-1-1 (Securities Fraud), 61-1-3 (Sale by an Unlicensed Agent / Employing an Unlicensed Agent), and 61-1-7 (Sale of an Unregistered Security) of the Act, while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Life Partners, Inc. is a Texas corporation, registered on September 10, 1991. Its corporate status in Texas is currently "active," but Life Partners. Inc. is not registered in Utah as a foreign corporation. Life Partners, Inc.'s business address is 204 Woodhew Drive, Waco, Texas 76712. Life Partners, Inc. is a wholly-owned subsidiary of Life Partners Holdings, Inc.

3. Life Partners Holdings, Inc. is a Texas corporation, registered on August 16, 2002. Its corporate status in Texas is currently "active," but Life Partners Holdings, Inc. is not registered as a foreign corporation in Utah. Life Partners Holdings, Inc.'s business address is 204 Woodhew Drive, Waco, Texas 76712. Life Partners Holdings, Inc. and Life Partners, Inc. are referred to collectively hereinafter as "Life Partners."

4. Mark Bruce Sutherland (Sutherland) is a resident of Clark County, Nevada.

GENERAL ALLEGATIONS

5. In late 2005, Life Partners and Sutherland offered and sold unregistered securities,

specifically viatical settlement interests, to five known investors who were solicited by Utah agents.

6. Viatical settlement interests are securities under the Act. "Viatical settlement interest" means "the entire interest or any fractional interest in any of the following that is the subject of a viatical settlement: (A) a life insurance policy; or (B) the death benefit under a life insurance policy." Utah Code Ann. § 61-1-13(1)(aa).

7. In October 2005, investor M.B.C. attended a mortgage seminar held in Salt Lake County. Life Partners maintained an information booth and gave a presentation at this seminar.

8. Mark Sutherland and other agents staffed the booth for Life Partners at the seminar and provided information about Life Partners. He and other agents also gave a presentation to make mortgage agents aware of viaticals as an investment option for some mortgage seekers.

9. Sutherland encouraged the seminar attendees to become agents for Life Partners under the terms of a contract and receive compensation for referrals.

10. After the presentation, M.B.C. asked Sutherland for more information about viaticals. He also asked for a copy of the contract to formalize the relationship. In this discussion, Sutherland reiterated statements he made during his presentation, i.e. viaticals are not securities and no license is needed to sell them. Sutherland gave M.B.C. the Life Partners literature and the contract.

11. M.B.C. took the literature and contract to his father, Senior M.R.C., who manages the

New Freedom Mortgage (New Freedom) office in which M. B. C. works. Senior M.R.C. also owns a marketing company, Morgan Bay Management, LLC (Morgan Bay), which was later formally renamed Edward Raine, LLC (Edward Raine). The marketing company is independent of New Freedom. M.B.C. suggested to his father that viaticals were a potential product to market through Morgan Bay.

12. After reviewing all the promotional literature provided by Sutherland, Morgan Bay entered into a license agreement with Life Partners, through Senior M.R.C., to refer persons interested in viatical investments to Sutherland. The license agreement also created an association between Morgan Bay and Alpha & Omega Global Risk Management, LP (Alpha & Omega), designated in the contract as "Master Licensee." In January 2006, when Morgan Bay changed its name to Edward Raine, a new license agreement (attached as Exhibit A) was executed with Life Partners.

13. The names of both "Life Partners, Inc." and "Life Partners Holdings, Inc." appear throughout the license agreement.

14. Sutherland told M. B. C. that Life Partners used two subsidiary companies to handle these contracts, Alpha & Omega, and another unnamed company.

15. After the contract was signed, all mortgage agents at Edward Raine (including M.B.C.) participated in a conference telephone call with Sutherland. In all, about a dozen people were involved. During this call, Sutherland told them what to tell prospective investors. Sutherland stated several times that viaticals are not securities and licensing is not

required.

16. M.B.C. wanted to find out how the process worked so he invested $10,000 with Life Partners through Sutherland. All of his funds were placed into two life insurance policies.

17. At least five other people were provided literature about Life Partners and referred to Sutherland for more information by employees of Edward Raine. Four of these individuals invested. The first individual invested $40,000. Life Partners placed $28,000 into multiple life insurance policies until the investor asked for a refund. Life Partners refunded the $12,000 not yet placed in policies. The funds from the other three investors had not been placed in policies when M.B.C. was told that viaticals are securities under the Act. The three remaining investors asked for and received refunds after being advised of the potential problem.

18. According to Edward Raine's license agreement with Life Partners, compensation for referrals is a 5% "override" of invested funds, paid at the time funds are placed in a life insurance policy.

19. The commission payment for M.B.C.'s investment was made with a check from JC Financial Group, LLC, whose affiliation with Life Partners and/or Sutherland is unknown. At least two of the commission payments for the other investor's life insurance policy placements are from what appears to be a personal bank account of Sutherland's.

Promotional Materials Provided to Investors

20. The promotional literature provided by the Respondents to M.B.C. and the five other investors regarding an investment in viaticals included, but was not limited to, the following brochures:

a. Life Partners Holdings, Inc. "Facts at a Glance," 4 page brochure (attached as Exhibit B);

b. Life Partners Inc. "The Global Leader in Transferable Insurance Policy Investments," 1 page brochure (attached as Exhibit C);

c. Life Partners Holdings, Inc. Annual Report 2005, 43 pages;

d. Life Partners Holdings, Inc. "Corporate Information 2005," 10 pages;

e. Life Partners Holdings, Inc. "Corporate Information 2006," 15 pages;

f. Life Partners Inc. "Reducing Financial Risk in an Increasing Volatile World," 12 pages;

g. Life Partners Inc. "Information Package for Accredited Investors," 22 pages; and

h. Life Partners Inc. "Investing in Life Settlements with Life Partners, Inc.," 16 pages.

21. Exhibit B includes information about Life Partners Holdings, Inc. from the date of its incorporation to June 15, 2005, such as the total face amount of policies purchased ($517,242,301), the average return on investment an investment for clients (16.28% per year), the total number of clients (13,380), and the number of years Life Partners

Holdings, Inc. has been in operation (14 years).

22. Exhibit C includes information about Life Partners, Inc., also from the date of its inception to June 15, 2005, such as the total face amount of policies purchased ($517,242,301), the face amount paid out to investors ($127,951,199), the average annualized return on investment (16.28% per year), and the average life-span of viators (47.17 months).

23. In addition, Life Partners provided M.B.C. and the other five investors with a promotional compact disc (CD) about Life Partners (freeze-frame from CD, and transcript attached as Exhibit D).

24. The CD contains a six minute presentation about viatical and life settlements offered by Life Partners, presented by former football star and television sportscaster, Pat Summerall. Throughout the presentation, the names "Life Partners Holdings, Inc." and "Life Partners, Inc." are both prominently displayed in the background.

25. In the promotional literature provided to investors, and throughout the presentation on the compact disc, the entity names "Life Partners, Inc." and "Life Partners Holdings, Inc." appear frequently, and are often used interchangeably.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act
(Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland)

26. The Division incorporates and re-alleges paragraphs 1 through 25.

27. The viaticals offered and sold by Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland are securities under § 61-1-13 of the Act.

28. In connection with the offer and sale of securities to investors, Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland, directly or indirectly, made false statements, including, but not limited to, the following:

    a. Viaticals are not securities, when, in fact, viaticals are designated securities in the Utah Uniform Securities Act; and

    b. An individual does not need a securities license to sell viaticals in Utah, when, in fact, a securities license is required.

29. In connection with the offer and sale of securities to investors, Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

    a. Life Partners did not file a registration statement with the Utah Division of Securities and did not claim a self-executing exemption; and

    b. Sutherland was required to be registered as a viaticals broker by Nevada law, but was not registered.

30. Based upon the foregoing, Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland violated § 61-1-1 of the Act.

COUNT II
Sale by an Unlicensed Agent § 61-1-3(1) of the Act
(Sutherland)

31. The Division incorporates and re-alleges paragraphs 1 through 25.

32. Sutherland offered or sold securities in Utah.

33. When offering and selling these securities on behalf of Life Partners, Sutherland was acting as an agent of a broker-dealer or issuer.

34. Sutherland has never been licensed to sell securities in Utah as an agent of this broker-dealer or issuer, or any other broker-dealer or issuer.

35. Based on the above information, Sutherland violated § 61-1-3(1) of the Act.

COUNT III
Employing an Unlicensed Agent § 61-1-3(2) of the Act
(Life Partners, Inc. and Life Partners Holdings, Inc.)

36. The Division incorporates and re-alleges paragraphs 1 through 25.

37. Life Partners employed or engaged unlicensed agent, Sutherland, to offer and sell its securities in Utah.

38. Based on the above information, Life Partners, Inc., and Life Partners Holdings, Inc. violated § 61-1-3(2) of the Act.

COUNT IV
Sale of an Unregistered Security § 61-1-7 of the Act
(Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland)

39. The Division incorporates and re-alleges paragraphs 1 through 25.

40. The viatical settlement interests offered and sold by the Respondents are securities under

§ 61-1-13 of the Act.

41. The securities were offered and sold in this state.

42. The securities offered and sold by the Respondents were not registered under the Act, and Respondents did not file any claim of exemption relating to the investment opportunity.

43. Based on the above information, Life Partners, Inc., Life Partners Holdings, Inc., and Sutherland, violated § 61-1-7 of the Act.

ORDER

The Presiding Officer, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, November 26th, 2007, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, Respondents may show cause, if any they have:

a. Why Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Life Partners, Inc. should not be ordered to pay a fine of two hundred fifty thousand dollars ($250,000) to the Division of Securities;

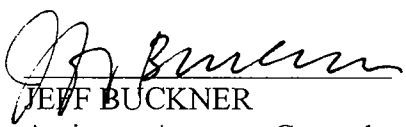
d. Why Life Partners Holdings, Inc. should not be ordered to pay a fine of two hundred fifty thousand dollars ($250,000) to the Division of Securities; and

e. Why Mark Bruce Sutherland should not be ordered to pay a fine of two hundred fifty thousand dollars ($250,000) to the Division of Securities.

DATED this 23rd day of October, 2007.

JUDGE STEVE EKLUND
Administrative Law Judge
Utah Department of Commerce

Approved:



JEFF BUCKNER
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S. J.

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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:	**NOTICE OF AGENCY ACTION**
LIFE PARTNERS, INC.; **LIFE PARTNERS HOLDINGS, INC.;** **MARK BRUCE SUTHERLAND;** **Respondents.**	**Docket No. SD 06-0083** **Docket No. SD 06-0084** **Docket No. SD 06-0085**

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Amended Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code §

63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Monday, November 26th, 2007, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Judge Steve Eklund, Administrative Law Judge for the Utah Department of Commerce. Questions regarding the Amended Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Jeff Buckner, at (801) 366-0310.

DATED this 23rd day of October, 2007.

JUDGE STEVE EKLUND
Administrative Law Judge
Utah Department of Commerce

Certificate of Mailing

I certify that on the 23RD day of October, 2007, I mailed, by certified mail, a true and correct copy of the Amended Order to Show Cause and Notice of Agency Action to:

Life Partners, Inc.
Life Partners Holdings, Inc.
204 Woodhew Drive
Waco, TX 76712

Certified Mail # 7005 1820 0003 7190 6397

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PAMALA BADZINSKI
Executive Secretary