

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.

ORDER TO SHOW CAUSE

Docket No. SD-06-0083
Docket No. SD-06-0084
Docket No. SD-06-0085

It appears to the Director of the Utah Division of Securities (Director) 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 Director issues this 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. (Life Partners) is a Texas corporation, registered on September 10, 1991. Its corporate status in Texas is currently “active,” but Life Partners is not registered in Utah as a foreign corporation. Life Partners’ business address is 204 Woodhew Drive, Waco, Texas 76712. Life Partners is a wholly-owned subsidiary of Life Partners Holdings, Inc.
3. Life Partners Holdings, Inc. (Life Partners Holdings) is a Texas corporation, registered on August 16, 2002. Its corporate status in Texas is currently “active,” but Life Partners Holdings is not registered as a foreign corporation in Utah. Life Partners Holdings’ business address is 204 Woodhew Drive, Waco, Texas 76712.
4. Mark Bruce Sutherland (Sutherland) is a resident of Clark County, Nevada. His address is 7419 Mojave Canyon Street, Las Vegas, Nevada 89139-5681

GENERAL ALLEGATIONS

5. In late 2005, Life Partners, Life Partners Holdings, 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 in 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 literature provided by Sutherland, Morgan Bay entered into a contract with Life Partners, through Senior M.R.C., to refer persons interested in viatical investments to Sutherland. The contract 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 contract was executed with Life Partners.
13. Sutherland told M. B. C. that Life Partners used two subsidiary companies to handle these contracts, Alpha & Omega, and another unnamed company.
14. 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.
15. 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.

16. 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.
17. According to the contract 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. 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.

CAUSES OF ACTION

COUNT I

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

18. The Division incorporates and re-alleges paragraphs 1 through 17.

19. The viaticals offered and sold by Life Partners, Life Partners Holdings, and Sutherland are securities under § 61-1-13 of the Act.
20. In connection with the offer and sale of securities to investors, Life Partners, Life Partners Holdings, 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.
22. In connection with the offer and sale of securities to investors, Life Partners, Life Partners Holdings, 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 or claim of exemption relating to the investment with the Utah Division of Securities; and
 - b. Sutherland was required to be registered as a viaticals broker by Nevada law, but was not registered.
23. Based upon the foregoing, Life Partners, Life Partners Holdings, and Sutherland willfully violated § 61-1-1 of the Act.

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

24. The Division incorporates and re-alleges paragraphs 1 through 18.
25. Sutherland offered or sold securities in Utah.
26. When offering and selling these securities on behalf of Life Partners and Life Partners Holdings, Sutherland was acting as an agent of a broker-dealer or issuer.
27. 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.
28. Based on the above information, Sutherland willfully violated § 61-1-3(1) of the Act.

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

29. The Division incorporates and re-alleges paragraphs 1 through 18.
30. Life Partners and Life Partners Holdings employed or engaged an unlicensed agent, Sutherland, to offer and sell its securities in Utah.
31. Based on the above information, Life Partners, Life Partners Holdings, and Sutherland willfully violated § 61-1-3(2) of the Act.

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

32. The Division incorporates and re-alleges paragraphs 1 through 18.
33. The viatical settlement interests offered and sold by the Respondents are securities under

§ 61-1-13 of the Act.

34. The securities were offered and sold in this state.
35. 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.
36. Based on the above information, Life Partners, Life Partners Holdings, and Sutherland, willfully violated § 61-1-7 of the Act.

ORDER

The Director, 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 27, 2006, 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, Life Partners Holdings, and Sutherland should not be found to have willfully engaged in the violations alleged by the Division in this Order to Show Cause;

- b. 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; and
- c. 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
- d. 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 20th day of October, 2006.


WAYNE KLEIN
Director, Utah Division of Securities



Approved:


JEFF BUCKNER
Assistant Attorney General

S. J.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
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IN THE MATTER OF:

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MARK BRUCE SUTHERLAND;

Respondents.

NOTICE OF AGENCY ACTION

Docket No. SD-06-0083

Docket No. SD-06-0084

Docket No. SD-06-0085

THE UTAH DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Utah Division of Securities ("Division") hereby commences a formal adjudicative proceeding against you as of the date of the mailing of this Notice. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 to -11 and -20. The facts on which this action is based are set forth in the accompanying 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 at least 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:
Administrative Court Clerk
c/o Pam Radzinski
Utah Division of Securities
P.O. Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:
Jeffrey Buckner
Assistant Attorney General
160 E. 300 South, Fifth Floor
P.O. Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

Please note that a hearing on the Order to Show Cause has been scheduled for 9:00 a.m., Monday November 27, 2006. The hearing will take place at the Division of Securities, 160 East 300 South, Salt Lake City, Utah.

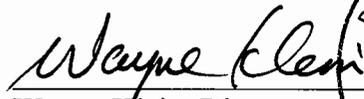
If you fail to file an Answer or fail to appear at the Order to Show Cause hearing, you may be held in default in accordance with Utah Code Ann. § 63-46b-11 without any further notice to you, or the hearing may proceed without your participation under § 63-46b-8.

The presiding officer in this case is Wayne Klein, Director, Division of Securities. An administrative law judge may be assigned after the initial hearing. At any hearings, the Division will

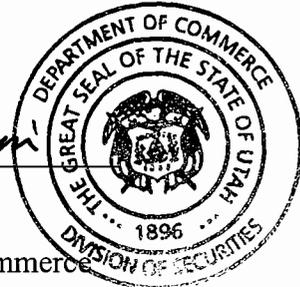
be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings. You may be represented by counsel of your choice in these proceedings.

You may attempt to negotiate a settlement of the matter without filing an Answer or proceeding to hearing. Should you so desire, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to Jeffrey Buckner, Assistant Attorney General, 160 E. 300 South P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310.

Dated this 20th day of October, 2006.



Wayne Klein, Director
Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 20th day of October, 2006, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

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

Certified Mail # 70060100000176889036

Mark Bruce Sutherland
7419 Mojave Canyon Street
Las Vegas, Nevada 89139-5681

Certified Mail # 70060100000176889043


Executive Secretary