

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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**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.

**STIPULATION AND CONSENT
ORDER**

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

The Utah Division of Securities (Division), by and through its Director of Enforcement, Michael Hines, and Mark Bruce Sutherland (collectively "the Parties") hereby stipulate and agree as follows:

1. Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland were the subject of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.

2. In connection with that investigation, on October 20, 2006, the Division issued an Order to Show Cause to Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland, alleging that they committed securities fraud, sold unregistered securities without a license, and employed an unlicensed agent to sell the securities, all in violation of the Act.
3. Sutherland and the Division have agreed to settle the matter by way of this Stipulation and Consent Order (Consent Order).
4. Sutherland is represented by John A. Snow and Sam Meziani, and is satisfied with the representation he has received.
5. Sutherland admits the jurisdiction of the Division over Sutherland and over the subject matter of this action.
6. Sutherland waives any right to a hearing to challenge the Division's evidence and present evidence on Sutherland's behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

In March 2006, the Division opened an investigation of Life Partners, Inc., Life Partners Holdings, Inc., and Mark Bruce Sutherland which revealed the following:

7. Mark Bruce Sutherland is a resident of Clark County, Nevada.
8. 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.

9. 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.
10. Life Partners, Inc. and Life Partners Holdings, Inc. will be referred to herein collectively as "Life Partners".
11. In late 2005, Sutherland offered and sold unregistered securities, specifically viatical settlement interests, to the following investors: (1) Nate and Stephanie Best; (2) Greg and Janet Graul; (3) Dave and Gretta Spier; (4) Don Truman; and (5) Reggie Bliss.
12. In October 2005, investor M.B.C. attended a mortgage seminar held in Salt Lake County.
13. Sutherland and other Life Partners agents attended the seminar, distributed information about Life Partners, and gave a presentation about viaticals.
14. Sutherland encouraged the seminar attendees to become agents for Life Partners under the terms of a contract and receive compensation for referrals.
15. After the presentation, M.B.C. asked Sutherland for more information about viaticals. M.B.C. 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.
16. 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.
 17. 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.
 18. Sutherland told M.B.C. that Life Partners used two subsidiary companies to handle these contracts, Alpha & Omega, and another unnamed company.

19. After the contract was signed, 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 that viaticals are not securities and licensing is not required.
20. M.B.C. invested \$10,000 with Life Partners through Sutherland. All of his funds were placed into two life insurance policies.
21. 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, \$28,000 of which was placed 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.
22. 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 Sutherland's personal bank account.

Violation of Utah Code Ann. §61-1-1.

23. In connection with the offer and sale of a security, 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.
24. In connection with the offer and sale of securities to investors, Sutherland, directly or indirectly, failed to disclose or provide material information to investors, 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.

Violation of Utah Code Ann. §61-1-3.

25. When offering and selling the securities in Utah on behalf of Life Partners, Sutherland acted as an agent of an issuer.

26. Sutherland has never been licensed to sell securities in Utah as an agent of Life Partners, or any other issuer.

Violation of Utah Code Ann. §61-1-7.

27. Sutherland offered and sold securities in this state.
28. The securities were not registered under the Act, and Sutherland did not file any claim of exemption relating to the securities.

SUTHERLAND'S DECLARATION

29. On March 1, 2007, Sutherland filed a declaration (the Declaration) with the United States District Court, Western District of Texas, in Life Partners, Inc., Life Partners Holdings, Inc. v. R. Wayne Klein (Director of the Division), Civil No. 6:06-CV-00339-WWS.
30. In the Declaration, Sutherland stated under penalty of perjury that he received training regarding Life Partners' viaticals, including how to sell the viaticals, from representatives of Retirement Advantage, a Henderson, Nevada firm, and Alpha & Omega.
31. In the Declaration, Sutherland stated that he was told repeatedly in training that viaticals are not securities, and therefore no securities license was required to sell them.
32. In the Declaration, Sutherland also stated that he relied upon statements made during the viatical training, and understood them to be true.

THE DIVISION'S CONCLUSIONS

33. Based on the Division's investigative findings, the Division concludes that:
- a. The viaticals offered and sold by Sutherland are securities under § 61-1-13 of 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);
 - b. Sutherland violated § 61-1-1(2) of the Act by making untrue statements of material fact and omitting to state material facts in connection with the offer and sale of a security;
 - c. Sutherland violated § 61-1-3 of the Act by selling securities in Utah without a securities license; and
 - d. Sutherland violated § 61-1-7 of the Act by selling securities in Utah that were not registered under the Act.
34. Sutherland neither admits nor denies the substance of the Division's investigative findings and conclusions.
35. Sutherland consents to the Division entering an Order as follows:
- a. Requiring Sutherland to cease and desist from engaging in any further conduct in violation of the Utah Securities Act; and

- b. Requiring Sutherland to pay a fine of ten thousand dollars (\$10,000) to be waived in its entirety so long as Sutherland continues to fully cooperate with the Division in its prosecution of the administrative action against Life Partners, and with the Utah Attorney General's Office in its defense of the litigation against the Division.
36. The Parties agree that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter and shall have full *res judicata* effect as to any subsequent action involving the Division and its privies and Sutherland. The Parties agree that if the Division Director does not accept the terms of the Consent Order, the unapproved Consent Order may not be used against Sutherland by the Division.
37. Sutherland acknowledges that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against Sutherland arising in whole or in part from his actions.
38. This Consent Order constitutes the entire agreement between the Parties and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.

39. Sutherland represents that any information he has provided to the Division is accurate and complete.
40. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.
41. Sutherland has read this Consent Order, understands its contents, and enters into this Consent Order voluntarily. No promises or threats have been made by the Division, nor by any member, officer, agent, or representative of the Division other than as contained herein, to induce Sutherland to enter into this Consent Order.

Utah Division of Securities

Date: 12/20/07

By: 10/26, 2007

Michael Hines
Director of Enforcement

Approved:

Jeff Buckner
Jeff Buckner
Assistant Attorney General

Respondent Sutherland

Date: 10/30/07

Mark Bruce Sutherland
Mark Bruce Sutherland

John A. Snow
John A. Snow
Sam Meziani
Counsel for Sutherland

ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

- a. Mark Bruce Sutherland CEASE and DESIST from engaging in any further conduct in violation of the Utah Securities Act; and
- b. Mark Bruce Sutherland pay a fine of ten thousand dollars (\$10,000) to be waived in its entirety so long as Sutherland continues to fully cooperate with the Division in its prosecution of the administrative action against Life Partners, and with the Utah Attorney General's Office in its defense of the litigation against the Division.

DATED this 10th day of April, 2008.



THAD LEVAR
Acting Director, Utah Division of Securities



Certificate of Mailing

I certify that on the 11th day of APRIL 2008, I mailed a true and correct copy of the Stipulation and Consent Order to:

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

Sam Meziani (Counsel for Sutherland)
VanCott, Bagley, Cornwall & McCarthy
50 So. Main, Suite 1800
Salt Lake City, UT 84145-0340



Executive Secretary