

FILED

SEP 29 2020

Kansas  
Securities Commissioner

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS

In the Matter of:

Michael A. Julian (CRD #1549161)

Docket No. 21 E 031  
KSC No. 2016-6368

Respondent.

\_\_\_\_\_  
Pursuant to K.S.A. 17-12a604

**CONSENT ORDER**

1. The Staff of the Office of the Kansas Securities Commissioner (“KSC Staff”) allege that Michael A. Julian (“Julian”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and that Julian is subject to administrative sanctions and remedies under K.S.A. 17-12a604.
2. Julian and KSC Staff desire to settle the matters raised by KSC Staff relating to Julian’s alleged violations.

**CONSENT TO JURISDICTION**

3. Julian and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Julian and this matter.
4. Julian and KSC Staff stipulate and agree that the Commissioner has authority to enter this Order under K.S.A. 17-12a604.

### WAIVER AND EXCEPTION

5. Julian waives his right to a hearing with respect to these matters.
6. Julian waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.

### CONSENT TO THE COMMISSIONER'S ORDER

7. Julian and KSC Staff agree to the issuance of this Order without further proceedings in this matter, and agree to be fully bound by the terms and conditions specified herein.
8. Without admitting or denying the allegations made by the KSC Staff as reflected in the Findings of Fact and Conclusions of Law set forth below, Julian agrees to the issuance of this Order on the basis of such Findings of Fact and Conclusions of Law solely and only for the purposes of this proceeding and any proceeding that may be brought to enforce the terms of this Order.
9. Julian agrees to not take any action nor to make or permit to be made any public statement creating the impression that this Order is without a factual basis. Nothing in this Order affects Julian's testimonial obligations or right to take legal or factual positions in defense or prosecution of litigation or other legal proceedings in which the Commissioner is not a party.
10. KSC Staff acknowledge that Julian cooperated with the KSC Staff during its investigation in this matter, and the KSC Staff views Julian's cooperation as a mitigating factor.

## FINDINGS OF FACT

11. Julian, CRD #1549161, is an individual with a last-known address of [REDACTED]. Julian is a licensed resident insurance agent in the State of Kansas. Prior to the events described herein, Julian was registered under the KUSA as an agent of a broker-dealer. Julian's registration as an agent of a broker-dealer was terminated on May 5, 2006. At the times relevant hereto, Julian was not registered under the KUSA in any capacity.
12. From 2012 through April 2017, Julian acted as an agent of Future Income Payments, LLC, ("FIP") in effecting the sale of Purchase Agreements for a product commonly referred to as "Structured Cash Flows" to three clients, for which Julian received commissions.
13. At the time of the sales, the Purchase Agreements were not registered as a security under the KUSA as required. Additionally, Julian was not registered as an agent for FIP, as required by the KUSA.

### *FIP Investments*

14. FIP is a Nevada limited liability company. Since at least 2011 through April 2018, FIP's owner and president Scott A. Kohn ("Kohn") used the company to perpetrate a nationwide Ponzi scheme. When FIP ceased doing business in April 2018, FIP owed approximately \$300 million to over 2,600 investors nationwide.
15. FIP was in the business of making lump sum payments or loans to individuals entitled to monetary disbursements from pensions, lotteries, annuities and other

future income streams. In exchange for receiving these lump sum payments or loans, the recipients assigned all or a portion of their monetary disbursements from their future income streams to FIP. Individuals who assigned their future income streams to FIP in exchanges for lump sum payments or loans were referred to as “original sellers.”

16. To raise funds for the lump sum payments or loans, FIP entered into Purchase Agreements with investors whereby FIP sold its interests in the future income streams to investors as what was commonly referred to as “Structured Cash Flows.”
17. Under the Purchase Agreements, FIP agreed to establish and maintain accounts to receive future income stream payments from the original sellers for distribution to investors. FIP further agreed to maintain a “shortfall account” and a “reserve account” to protect investors in the event original sellers defaulted on their obligation to remit their future income streams to FIP.
18. FIP generally promised investors a return of 6.5 to 8 percent under the Purchase Agreements with monthly payments to be paid to investors over a term of five to ten years.
19. FIP used independent sales agents to solicit purchases of the Purchase Agreements, which agents were paid commissions for each sale.
20. During the scheme, Kohn used new investor funds to pay fictitious returns or profits to previous investors. Further, Kohn used investor funds to pay commissions to agents who sold the Purchase Agreements to investors.

21. On March 12, 2019, FIP and Kohn were indicted by a federal grand jury in the District of South Carolina. On April 19, 2019, the United States District Court for the District of South Carolina appointed a receiver to manage the assets and liabilities of FIP and Kohn. The FIP receivership is currently asserting legal and equitable claims against agents to recover commissions paid for the sale of the Structured Cash Flows.

*Julian and his Clients' Purchase Agreements*

22. Julian learned of FIP from Jack Lashley (“Lashley”). Julian believed Lashley was a “regional person” for FIP. Prior to selling FIP Purchase Agreements, Julian attended a meeting with Joseph P. Hipp (“Hipp”), a representative of FIP who managed and oversaw investor solicitations for FIP products.

23. From 2012 through April 2017, three of Julian’s clients purchased Purchase Agreements from FIP based upon Julian’s recommendation. Julian’s clients invested a cumulative total of \$757,159.89 in Purchase Agreements with FIP. Details regarding the investments of each of Julian’s clients is provided in the table below:

Investor Initials	Initial Investment
J.G.	\$314,450
K.K.	\$242,710
A.E.I.	\$199,999.89

24. Julian received commissions from FIP of approximately 2 percent, totaling \$12,010, for his role in effecting the sale of the Purchase Agreements to his clients.
25. At no time was Julian registered as an agent of FIP under the KUSA.

#### CONCLUSIONS OF LAW

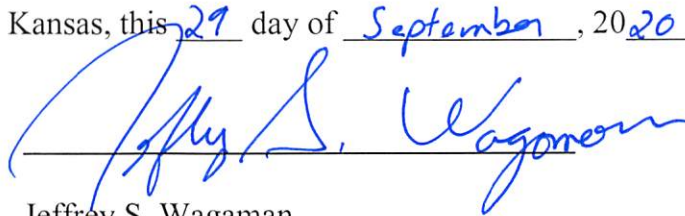
26. The Commissioner has jurisdiction over Julian and this matter.
27. The Purchase Agreements described herein are securities as that term is defined in K.S.A. 17-12a102(28).
28. The Purchase Agreements are not federal covered securities, as that term is defined in K.S.A. 17-12a102(7), and are not exempt from registration under K.S.A. 17-12a201 through 17-12a203.
29. Julian violated K.S.A. 17-12a301 by offering and selling the Purchase Agreements.
30. In effecting the sale of the Purchase Agreements, Julian was an agent, as that term is defined in K.S.A. 17-12a102(2), of FIP, and was not exempt from registration under K.S.A. 17-12a402(b).
31. Julian violated K.S.A. 17-12a402 by transacting business in this state as an agent when Julian was neither registered under the KUSA nor exempt from registration.

ORDER

**IT IS THEREFORE ORDERED** that Julian shall pay a civil penalty in the amount of \$3,000. Payment shall be in the form of a cashier's check made payable to the "Office of the Kansas Securities Commissioner," and delivered to Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, KS 66604. Such payment shall be made within 45 days of the issuance of this Order. Upon receipt, such payment shall be deposited in the Investor Education and Protection Fund.

**IT IS SO ORDERED BY THE COMMISSIONER.**

Entered at Topeka, Kansas, this 29 day of September, 2020.



Jeffrey S. Wagaman  
*Kansas Securities Commissioner*

CONSENTED TO BY:



Cody A. Bebout, Kansas Bar No. 28462  
Staff Attorney  
OFFICE OF THE KANSAS SECURITIES COMMISSIONER  
*Attorney for KSC Staff*



Michael Julian  
Michael A. Julian  
**Respondent**

STATE OF MISSOURI )  
 ) ss:  
COUNTY OF JACKSON )

This instrument was signed before me on this 17<sup>th</sup> day of September, 2020, by Michael A. Julian.

(seal)

Rachelle M. Biondo  
Notary Public

My appointment expires: 7/31/24



RACHELLE M. BIONDO  
My Commission Expires  
July 31, 2024  
Jackson County  
Commission #12499262



## NOTICE

- (1) A party to this action may petition the Commissioner for reconsideration within 15 days after service of a final order, following the procedures in K.S.A. 77-529. Under K.S.A. 77-528, a party may petition for a stay of effectiveness of this order until the time at which a petition for judicial review would no longer be timely.
  
- (2) This decision may be subject to judicial review. The agency officer to receive service of a petition for judicial review on behalf of the Office of the Securities Commissioner is Jack Clayton Johnson, Assistant General Counsel, at 1300 SW Arrowhead Road, Topeka, Kansas 66604.