

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

Michael D. Morrow (CRD #2364423)

Docket No. 21 E 068
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 D. Morrow (“Morrow”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and that Morrow is subject to administrative sanctions and remedies under K.S.A. 17-12a604.
2. Morrow and KSC Staff desire to settle the matters raised by KSC Staff relating to Morrow’s alleged violations.

CONSENT TO JURISDICTION

3. Morrow and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Morrow and this matter.
4. Morrow 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. Morrow waives his rights to a hearing with respect to these matters.
6. Morrow 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. Morrow 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, Morrow 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 specific Order.
9. Morrow 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 Morrow'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.

FINDINGS OF FACT

10. Morrow, CRD #2364423, is an individual with a last-known address of [REDACTED]
[REDACTED]. Morrow passed the following

securities-related examinations on the following dates: Series 63 (June 25, 1993); Series 6 (July 6, 1993); Series 7 (March 3, 2003); Series 66 (June 30, 2003); and Series 65 (April 26, 2016). Between 1993 and 2010, Morrow was registered under the securities laws of other states with various broker dealers and investment advisers. Between January 2010 and June 2018, Morrow was not registered under the securities laws of any state. Since June 2018, Morrow has been registered under the securities laws of other states as an investment adviser representative employed or associated with Tyler Wealth Management, LLC (CRD #160649), an investment adviser with its principal place of business in Southlake, Texas. Morrow has been a licensed non-resident insurance agent in the State of Kansas since May 25, 2016. At no time has Morrow been registered under the KUSA in any capacity.

11. Aspen Creek Wealth Advisors LLC, CRD #285487 (“Aspen Creek”), is a Colorado limited liability company with a principal place of business of 1880 Office Club Pointe, Colorado Springs, Colorado 80920. Morrow is the president and sole owner of Aspen Creek. At no time has Aspen Creek been registered under the securities law of any state in any capacity.
12. In 2016, Morrow acted as an agent of Future Income Payments, LLC (“FIP”) in effecting the sale of a Purchase Agreements for a product commonly referred to as “Structured Cash Flows” to numerous Aspen Creek clients, for which Aspen Creek and Morrow received commissions. Clients of Aspen Creek who purchased

Purchase Agreements from FIP based upon Morrow's recommendation included W.M.S., a Kansas resident.

13. At the time of the sale to W.M.S., the Purchase Agreement was not registered as a security under the KUSA as required. Additionally, Morrow was not registered under the KUSA as an agent for FIP as required.

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 exchange 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.

Morrow and W.M.S.'s Structured Cash Flow

22. In late 2015 or early 2016, Morrow was first introduced to FIP by Garrett Eivins from AMZ Financial, a life insurance marketing organization.
23. On October 20, 2016, W.M.S. purchased a Purchase Agreement from FIP in the amount of \$25,473.35 based upon the recommendation of Morrow and other Aspen Creek employees.
24. Aspen Creek received a commission from FIP of approximately 5 percent, totaling \$1,273.67, for its role in effecting the sale of the Purchase Agreement to W.M.S., of which Morrow received \$420.30
25. At no time was Morrow registered as an agent of FIP under the KUSA.

CONCLUSIONS OF LAW

26. The Commissioner has jurisdiction over Morrow and this matter.
27. The Purchase Agreement purchased by W.M.S. is a security as that term is defined in K.S.A. 17-12a102(28).
28. The Purchase Agreement is not a federal covered security, as that term is defined in K.S.A. 17-12a102(7), and is not exempt from registration under K.S.A. 17-12a201 through 17-12a203.
29. Morrow violated K.S.A. 17-12a301 by offering and selling the Purchase Agreement.

30. In effecting the sale of the Purchase Agreement, Morrow 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. Morrow violated K.S.A. 17-12a402 by transacting business in this state as an agent when Morrow was neither registered under the KUSA nor exempt from registration.

ORDER

IT IS THEREFORE ORDERED that Morrow shall pay a civil penalty in the amount of \$500.00. 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 30 days of the issuance of this Order. Upon receipt, such payment shall be deposited in the Investor Education and Protection Fund.

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.