

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

Raymon V. Orloske

Docket No. 21E076
KSC No. 16-6368

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

CONSENT TO JURISDICTION

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

WAIVER

5. Orloske waives his right to a hearing with respect to these matters.
6. Orloske 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. Orloske 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, Orloske 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. Orloske 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 Orloske'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. Orloske is an individual with a last-known address of [REDACTED]
[REDACTED]. Orloske is a licensed resident insurance agent in the State of

Kansas. At the times relevant hereto, Orloske was not registered under the KUSA in any capacity.

11. In September 2012, Orloske 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 two clients, for which Orloske received commissions.
12. At the time of the sales, these Purchase Agreements were not registered as a security under the KUSA as required. Additionally, Orloske was not registered as an agent for FIP, as required by the KUSA.

FIP Investments

13. 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.
14. 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.”

15. 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.”
16. 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.
17. 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.
18. FIP used independent sales agents to solicit purchases of the Purchase Agreements, which agents were paid commissions for each sale.
19. 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.
20. 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.

Orloske and his Clients' Structured Cash Flows

21. Joseph P. Hipp, who managed and oversaw investor solicitations for FIP products, introduced Orloske to FIP.
22. Prior to recommending FIP Purchase Agreements to his clients, Orloske called the Kansas Insurance Department and the Office of the Attorney General to ensure there were no legal concerns with the Purchase Agreements. Orloske believed that the Purchase Agreements were not a regulated product.
23. In approximately September 2012, two of Orloske's clients purchased Purchase Agreements from FIP based upon Orloske's recommendation. Orloske's clients invested a cumulative total of \$665,086.21 in Purchase Agreements with FIP.
24. Orloske received commissions from FIP of approximately 5 percent, totaling \$33,254.31, for his role in effecting the sale of the Purchase Agreements to his clients.
25. At no time was Orloske registered as an agent of FIP under the KUSA.

CONCLUSIONS OF LAW

26. The Commissioner has jurisdiction over Orloske 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. Orloske violated K.S.A. 17-12a301 by offering and selling the Purchase Agreements.
30. In effecting the sale of the Purchase Agreements, Orloske 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. Orloske violated K.S.A. 17-12a402 by transacting business in this state as an agent when Orloske was neither registered under the KUSA nor exempt from registration.

ORDER

IT IS THEREFORE ORDERED that Orloske shall pay a civil penalty in the amount of \$8,300.00. 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.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 5TH day of FEBRUARY, 2021,

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.