

BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS



In the Matter of:

Roy B. Harrison (CRD #1133999)

Docket No. 23 E 143

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 Roy B. Harrison (“Harrison”) engaged in conduct constituting violations of the Kansas Uniform Securities Act, K.S.A. 17-12a101 *et seq.* (“the KUSA”), and that Harrison is subject to administrative sanctions and remedies under K.S.A. 17-12a604.

2. Harrison and KSC Staff desire to settle the matters raised by KSC Staff relating to Harrison’s alleged violations.

3. This Consent Order is issued contemporaneously and in conjunction with consent orders to be issued against Harrison in the following other matters: *In re Premier Global Corp., et al.*, KSC No. 2021-6706; and *In re 1 Global Capital, LLC*, KSC No. 2021-6778.

CONSENTS AND WAIVERS

4. Harrison and KSC Staff stipulate and agree that, under the KUSA, the Securities Commissioner of Kansas (“the Commissioner”) has jurisdiction over Harrison and this matter.

5. Harrison and KSC Staff stipulate and agree that the Commissioner has authority to enter this Order under K.S.A. 17-12a604.

6. Harrison waives his right to a hearing with respect to these matters.

7. Harrison waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.

8. Harrison 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.

9. 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, Harrison 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.

FINDINGS OF FACT

10. Harrison, CRD # 1133999, is an individual with a last-known address of [REDACTED] Harrison is a licensed resident insurance agent in the State of Kansas. Prior to the events described herein, Harrison was registered under the KUSA as an agent of a broker-dealer. Harrison's registration as an agent of a broker-dealer was terminated on July 26, 2002. At the times relevant hereto, Harrison was not registered under the KUSA in any capacity.

11. From January 2014 through April 2017, Harrison 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 eight clients, for which Harrison received commissions.

12. At the time of the sales, these *Purchase Agreements* were not registered as securities under the KUSA as required. Additionally, Harrison was not registered as an agent under the KUSA as required.

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 *Purchase Agreements*.

Harrison and his clients' Purchase Agreements

21. In 2011, Jack Lashley (“Lashley”), an agent of FIP, introduced Harrison to FIP. After being introduced to FIP by Lashley, Harrison met with Joseph Hipp (“Hipp”),

who managed and oversaw investor solicitations for FIP products. Hipp assured Harrison that FIP was not a security and that producers who sold FIP were not required to have a securities license.

22. Harrison did not seek an opinion from any securities regulators regarding whether the *Purchase Agreements* were securities or whether Harrison needed to be registered under the KUSA to sell them.

23. Harrison recommended FIP *Purchase Agreements* to his clients who were searching for alternatives to bank savings and certificates of deposits. Harrison's clients sought monthly income options with favorable interest rates.

24. From approximately January 2014 through April 2017, eight of Harrison's clients purchased *Purchase Agreements* from FIP based upon Harrison's recommendation. Harrison's clients invested a cumulative total of \$2,061,620.90 in *Purchase Agreements* with FIP. Harrison's conduct in effecting these sales of *Purchase Agreements* occurred in Kansas.

25. Harrison received commissions from FIP of approximately 5 percent, totaling \$134,058.33, for his role in effecting the sale of the *Purchase Agreements* to his clients.

26. At no time was Harrison registered as an agent of FIP under the KUSA.

27. Commencing in April 2018, Harrison began making direct payments in the nature of restitution to three of his clients who purchased *Purchase Agreements* from FIP and who were most in need of the monthly returns they expected from FIP. To date, Harrison made payments totaling \$45,823.54 to these three clients.

28. In August 2021, Harrison entered into a settlement agreement with the FIP receiver described in Paragraph 29. Under this settlement agreement, Harrison agreed to pay the receiver \$70,000 for Harrison's role in selling the *Purchase Agreements* issued by FIP. To date, Harrison has paid the receiver \$63,750.

CONCLUSIONS OF LAW

29. The Commissioner has jurisdiction over Harrison and this matter.

30. The *Purchase Agreements* described herein are securities as that term is defined in K.S.A. 17-12a102(28).

31. 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.

32. Harrison violated K.S.A. 17-12a301 by offering and selling the *Purchase Agreements*.

33. In effecting the sale of the *Purchase Agreements*, Harrison 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).

34. Harrison violated K.S.A. 17-12a402 by transacting business in this state as an agent when Harrison was neither registered under the KUSA nor exempt from registration.

ORDER

IT IS THEREFORE ORDERED that Harrison shall pay a civil penalty in the amount of \$10,000. Payment shall be 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 21st day of MARCH, 2023,



Daniel J. Klucas
Kansas Securities Commissioner



CONSENTED TO BY:

Kathlyn Daniels

Kathlyn W. Daniels, Kansas Bar No. 28090
Senior Attorney
OFFICE OF THE KANSAS SECURITIES COMMISSIONER
Attorney for KSC Staff

Roy B. Harrison

Roy B. Harrison
Respondent

STATE OF KANSAS)
COUNTY OF JOHNSON) ss:

This instrument was signed before me on this 8 day of March, 2023
by Roy B. Harrison.

(seal)



Karen L. Culbertson
Notary Public

My appointment expires: 10/24/2025

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 order 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.