

FILED IN THE DISTRICT COURT
OKLAHOMA COUNTY, OKLA.
MAY 13 2005

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

PATRICIA PRESLEY, COURT CLERK
by _____
Deputy

Oklahoma Department of Securities)
ex rel. Irving L. Faught, Administrator,)
)
Plaintiff,)
)
v.)
)
Raymond C. Roberson,)
)
Defendant.)

Case No. CJ-03-9178

ORDER OF PERMANENT INJUNCTION AND RESTITUTION

On this 12 day of May, 2005, this matter came before the undersigned Judge of the District Court in and for Oklahoma County, State of Oklahoma, upon the verified Petition for Permanent Injunction and Other Equitable Relief filed by Plaintiff on October 31, 2003, alleging violations of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2003).

Plaintiff, Oklahoma Department of Securities ex rel. Irving L. Faught, Administrator (Department), appears through its attorney Rebecca Cryer. Defendant Raymond C. Roberson appears through his attorney Michael E. Grant.

The Court, having examined the pleadings and the evidence submitted by Plaintiff, finds that Defendant offers no evidence to oppose the verified petition and evidence offered by Plaintiff. The Court further finds that Defendant specifically consents to the entry of this order of permanent injunction and restitution as evidenced by his signature affixed hereto.

Based upon the foregoing, the Court makes the following findings of fact and conclusions of law:

1. This Court has subject matter jurisdiction over this action pursuant to Section 413 of the Act and Section 1-603 of the Oklahoma Uniform Securities Act of 2004 (Uniform Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2003).

2. Pursuant to Section 413 of the Act and Section 1-603 of the Uniform Act, Defendant, in connection with his activities and the offer, sale, and/or purchase of a security in and/or from this state, is subject to the provisions of the Act and the Uniform Act, and is subject to the jurisdiction of this Court, having been properly served with summons.

3. The Administrator of the Department is the proper party to bring this action against the Defendant.

4. Roberson is an independent insurance agent, licensed through the Oklahoma Insurance Department to sell insurance. At all times relevant hereto, Roberson offered and sold insurance products and viatical settlement investments. Roberson has not been registered in any capacity under the Act.

5. At all times material hereto, Reliance Financial & Investment Group Inc. (Reliance Financial), a Georgia corporation, was engaged in the viatical settlement business. Viatical settlements are arrangements between certain owners of life insurance policies and Reliance Financial. Reliance Financial purchased the policies of terminally ill persons with life expectancies of only a few years (viators). Viators received immediate payments that were less than the death benefit of the insurance

policies. Payment was based on the face amount of the policy and the life expectancy of the viator.

6. After purchasing the policies, Reliance Financial sold investors partial beneficial interests in the proceeds from the death benefits of each of the life insurance policies.

7. Reliance Financial offered two plans in which participation was distinguished by the rate of return on the viatical settlement investment. Investors were offered participation in the "traditional plan" or the "Reliance Program."

8. An investment under the traditional plan offered potential yields ranging from twelve percent (12%) in cases in which the viator's life expectancy was projected to be one (1) year and up to fifty-six percent (56%) in cases in which the viator's life expectancy was projected to be four years.

9. Investors choosing the Reliance Program were granted a written repurchase obligation by Reliance Program, Inc., an affiliate of the Reliance Program. If the viator died within three years, the investor would purportedly be paid directly by the life insurance company in an amount equal to the investor's percentage interest in the proceeds from the death benefits of the policy. In the event the viator was living at the conclusion of the three-year period, investors would convey their beneficial interests to the Reliance Program Inc. and purportedly receive the return of the principal amount of their investment, plus a thirty percent (30%) profit.

10. Defendant represented that a percentage of the sales proceeds from each viatical settlement investment would be sent to a bonding company to insure that funds would be available to pay investors as promised. The remainder of the funds was

retained by Reliance Financial to be distributed to sales agents for payment of commissions, deposited in a reserve fund, or applied to corporate office expenses.

11. The efforts and responsibilities of Reliance Financial in connection with each viatical settlement investment included:

- a. accepting or rejecting proposed viators;
- b. conducting independent evaluation and review of medical records of viators;
- c. purchasing the policy of the viator;
- d. ensuring the transfer of ownership of the insurance policy;
- e. registering the investor as the beneficiary with the life insurance company and the Reliance Program;
- f. providing closing documents to the investor;
- g. tracking the status of the viator until death;
- h. establishing an escrow account to pay life insurance premiums; and
- i. hiring and paying commissions to agents to market the viatical settlement investments.

12. Investors had no role in the evaluation of a viator's medical condition or life expectancy or the actual selection of a life insurance policy. Instead, investors relied on Reliance Financial's expertise, judgement and discretion to create a suitable investment. Investors were simply required to deliver their money and wait passively to receive their investment return.

13. Reliance Financial administered all aspects of the investment.

14. On November 23, 1998, Defendant Roberson offered and sold [REDACTED]

[REDACTED] Oklahoma residents, a viatical settlement investment in the amount of \$10,000.00. The Hoffmans chose to participate in the Reliance Program. Roberson told [REDACTED] they were guaranteed a minimum return of \$13,000.00 at the end of a three-year investment period. Roberson received a commission for the sale of the viatical settlement investment.

15. Roberson told [REDACTED] that their investment was "risk free" and that they would "never be required to pay life insurance premiums" or incur other costs in connection with the investment. He further presented [REDACTED] with written materials stating that the "State insurance fund guarantee programs and legal reserves protect all funds" and insure that their investment would always be safe.

16. In February 1999, [REDACTED] were notified by Reliance Financial that a life insurance policy had been purchased for their participation in a viatical settlement investment. [REDACTED] received a closing statement and a repurchase certificate evidencing their ownership in the beneficial interest in the insurance policy. The stated maturity date of the investment was March 26, 2002. [REDACTED] were advised that, in the event the insured under the policy was living on March 26, 2002, they would be provided with the paperwork required to receive the promised payment from the Reliance Program.

17. Subsequently, [REDACTED] were notified that they would have to pay a portion of the premiums on the insurance policy to prevent the policy from lapsing. [REDACTED]

[REDACTED] did not pay any portion of the premiums.

18. As of March 26, 2002, the insured on the policy in which [REDACTED] had a beneficial interest was still living.

19. Reliance Financial did not provide the paperwork necessary for [REDACTED] to receive the promised return on their viatical settlement investment. Further, [REDACTED] have not received the principal amount of their investment or the thirty percent (30%) profit on their investment as promised by Defendant.

20. The insurance policy subject to [REDACTED] investment has lapsed.

21. Reliance Financial is an issuer as defined under Section 2 of the Act.

22. Defendant, on behalf of Reliance Financial, offered and sold a viatical settlement investment to Oklahoma residents. The viatical settlement investment offered and sold by Defendant is a security as defined in Section 2 of the Act.

23. The security offered and sold by Defendant was neither registered under the Act nor offered and sold pursuant to an exemption from registration.

24. By reason of the foregoing, Defendant violated Section 301 of the Act.

25. Defendant is not, and has not been, registered under the Act to transact business in this state as an agent.

26. By reason of the foregoing, Defendant has violated Section 201 of the Act.

27. Defendant offered and sold viatical settlement investments issued by Reliance Financial through the use of promotional literature and oral communications that contained untrue statements of material fact including, but not limited to, the following:

- a. that there was no risk to the investors' principal in the viatical settlement investment;
- b. that the viatical settlement investment was guaranteed by the Oklahoma Insurance Department;
- c. that investors would receive the return of the principal amount of their investment plus a thirty percent (30%) profit from the Reliance Program at the end of 36 months, if the viator was still alive;
- d. that the Reliance Program insured its ability to fulfill its repurchase obligation by acquiring financial guarantee bonds from qualified financial institutions; and
- e. that investors would "never" be required to pay the premiums on the life insurance policies.

28. Defendant offered and sold viatical settlement investments issued by Reliance Financial through the use of promotional literature and oral communications that omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading, to wit:

a. In connection with the statement that there was no risk to the principal amount of the viatical settlement investments, Roberson omitted to state or disclose the potential risks associated with the viatical settlement investments including, but not limited to, the following:

- (1) the risk that the life insurance policies could lapse prior to maturity of the viatical settlement investments for lack of premium payments; and
- (2) the risk that Reliance Program Inc. would not be able to honor its repurchase obligations.

b. In connection with the statement that the viatical settlement investment was guaranteed by the Oklahoma Insurance Department, Defendant omitted to state the following:

- (1) that the viatical settlement investment was a security;
- (2) that the viatical settlement investments were not registered under the Act or exempt from registration;
- (3) that Reliance Financial employed an agent who was not registered under the Act; and
- (4) that the Oklahoma Insurance Department did not guarantee the viatical settlement investment.

29. Based upon Defendant's activities set forth in paragraphs 27 and 28 above, Defendant violated subsection (2) of Section 101 of the Act.

30. Based upon Defendant's activities set forth in paragraphs 27 and 28 above, Defendant engaged in an act, practice, or course of business in violation of subsection (3) of Section 101 of the Act.

31. On December 27, 1996, the Administrator of the Department issued a Permanent Order to Cease and Desist Act against Defendant. The Order was based upon Defendant's violation of Section 301 of the Act in connection with the sale of unregistered securities in the nature of pay telephone investments.

32. By reason of the Defendant's past conduct involving repeated violations of the Act, there exists a likelihood of future violations of the Act by Defendant.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that Defendant shall be permanently enjoined from, directly or indirectly:

1. issuing, offering and/or selling any security in and/or from the state of Oklahoma; and
2. transacting business in and/or from the state of Oklahoma as a broker-dealer or agent as defined in the Act.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant shall pay [REDACTED] as restitution. Such restitution shall be made in installments [REDACTED] the first to be paid on or before the first day of May, 2005. A like sum [REDACTED] shall be paid on or before the first day of each month following, with a final monthly payment in the sum [REDACTED] until the sum [REDACTED] is paid in full.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED this matter is set for further hearing on 18th day of November, 2005, ^{at 10:00 am} to monitor the status of the restitution to be paid by Defendant Roberson.

THIS ORDER IS ENTERED this 12th day of May, 2005.

BARBARA SWINTON
OKLAHOMA COUNTY DISTRICT COURT JUDGE

Approved as to form:

Rebecca A. Cryer

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I, PATRICIA PRESLEY, Court Clerk for Oklahoma County, Okla., hereby certify that the foregoing is a true, correct and complete copy of the instrument herewith set out as appears of record in the District Court Clerk's Office of Oklahoma County, Okla., this 13 day of May, 2005.
By Chris McCulla Deputy
PATRICIA PRESLEY, Court Clerk

Consent of Defendant Raymond C. Roberson to issuance of this Order:

Raymond C. Roberson

Raymond C. Roberson, Defendant