

**STATE OF NORTH DAKOTA**  
**SECURITIES DEPARTMENT**

In the Matter of Life Partners Inc.,	)	
and its Officers, Directors, Agents,	)	
and Employees,	)	<b>CONSENT ORDER</b>
	)	
Respondents.	)	

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The North Dakota Securities Commissioner has advised the Respondents that the Commissioner is prepared to commence formal action pursuant to Chapter 10-04 of the North Dakota Century Code (N.D.C.C.) based upon the Commissioner's determinations set forth below, which are neither admitted nor denied by the Respondents:

1. N.D.C.C. § 10-04-02(19) defines "Security" to include a "viatical settlement contract or a fractionalized or pooled interest therein."
2. N.D.C.C. § 10-04-02(21) defines "Viatical settlement contract" as "an agreement for the purchase, sale, assignment, transfer, devise, or bequest of any portion of the death benefit or ownership of a life insurance policy or certificate, for consideration that is less than the expected death benefit of the life insurance policy or certificate."
3. N.D.C.C. § 10-04-06 exempts broker-dealers from registration under N.D.C.C. § 10-04-10 when they engage in certain securities transactions. N.D.C.C. § 10-04-06(17) exempts a broker-dealer from registration in transactions involving the sale of securities "made only to persons who are, or the issuer reasonably believes are, accredited investors as defined in 17

CFR 230.501(a) promulgated by the securities and exchange commission,” subject to certain conditions set forth in N.D.C.C. § 10-04-06(17)(a)-(i).

4. N.D.C.C. § 10-04-06(17)(i) requires the issuer to “file with the department a notice of transaction, a consent to service of process, a copy of the general announcement, and a nonrefundable filing fee of one hundred dollars within fifteen days after the first sale in this state.” The form issued by the North Dakota Securities Department (“Department”) is captioned *Uniform Notice of Transaction/Notice of Sale of Securities Pursuant to Accredited Investor Exemption, Section 10-04-06, N.D.C.C.* (SFN 52009 (Rev. 09-2002)).
5. Respondent, Life Partners Inc., (“LPI”) is a Texas corporation with its principal office at 204 Woodhew Drive, Waco, Texas. For a fee, LPI facilitates purchasers’ acquisition of beneficiary interests in life insurance policies placed on the interstate market for sale by individual sellers.
6. Commencing in October 2003, LPI facilitated the purchase of nine viatical settlement contracts totaling \$80,000 on behalf of North Dakota residents, L.G. and G.G., who are married.
7. L.G. and G.G. represented in writing to LPI that they were accredited investors as defined in 17 CFR 230.501(a) promulgated by the U.S. Securities & Exchange Commission and LPI reasonably relied upon these representations.
8. LPI did not file a *Uniform Notice of Transaction/Notice of Sale of Securities Pursuant to Accredited Investor Exemption, Section 10-04-06, N.D.C.C.*

pursuant to N.D.C.C. § 10-04-06(17)(i) within 15 days of the transaction with L.G. and G.G.

9. L.G. and G.G. have not alleged that LPI engaged in any impropriety or fraud in connection with the services it provided and the Commissioner has found no evidence of any fraud.
10. On or about January 27, 2006, at the request of L.G. and G.G., LPI purchased six of the viatical settlement contracts from L.G. and G.G. for an amount equal to their original purchase price.
11. On or about March 16, 2009, LPI purchased the remaining three viatical settlement contracts from L.G. and G.G. and paid L.G. and G.G. additional compensation for the six viatical settlement contracts purchased in 2006.
12. Pursuant to N.D.C.C. § 10-04-16, when it shall appear to the Commissioner that any person has engaged in, or is engaging in, or is about to engage in any act or practice which is declared in violation of Chapter 10-04 of the North Dakota Century Code, the Securities Commissioner has the authority to Order that a person Cease and Desist from violations of the Securities Act, to rescind transactions made in violation of the Securities Act, and to assess civil penalties in an amount not to exceed \$10,000 for each violation of the Securities Act. The violations described above are sufficient grounds for the Commissioner to assess civil penalties against the Respondents pursuant to N.D.C.C. § 10-04-16(1).

13. LPI has agreed to and does herewith make a donation in the amount of \$25,000 to the Investor Education and Technology Fund administered by the Department for the purpose of investor education.
14. LPI acknowledges its right to a hearing on this matter and waives this right to a hearing and to present arguments to the Commissioner.
15. Without waiving its legal and factual contentions, which include federal constitutional rights, LPI agrees to resolve this matter with the Commissioner by this Consent Order.
16. The following Order is necessary and appropriate in the public interest and for the protection of investors.

**NOW, THEREFORE, IT IS ORDERED**, that:

1. LPI shall not offer for sale and/or sell any security in North Dakota unless that security is registered with the Department or exempt from registration under N.D.C.C. Chapter 10-04.
2. LPI shall not transact any securities business as a broker-dealer in North Dakota unless LPI is registered as a broker-dealer or exempt from registration under N.D.C.C. Chapter 10-04.
3. The Department shall, upon request by LPI and consistent with Department policy, provide guidance regarding proper procedures for registration of viatical settlement contracts and, in the case of accredited investor transactions of viatical settlement contracts, proper completion of the *Uniform Notice of Transaction/Notice of Sale of Securities Pursuant to*

*Accredited Investor Exemption, Section 10-04-06, N.D.C.C. and SEC form D or other form prescribed by the Department for federal covered securities.*

4. The Cease and Desist Order and Order for Civil Penalty dated June 27, 2008, previously issued, is superseded by this Consent Order and is hereby vacated as to Respondent LPI and its Officers, Directors, Agents and Employees.
5. The Cease and Desist Order and Order for Civil Penalty dated June 27, 2008, previously issued, is not vacated as to Respondent Jammie N. Avila and continues to have full force and effect with respect to Mr. Avila pending further administrative proceedings on his separate request for hearing in this matter.
6. This Order shall be effective upon signature of the Commissioner.

**IN TESTIMONY WHEREOF**, witness my hand and seal this 6<sup>th</sup> day of April, 2009.



  
Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Ave.  
State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

STATE OF NORTH DAKOTA

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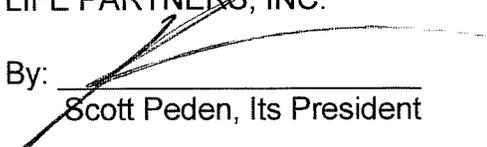
CONSENT TO  
ENTRY OF ORDER

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Based on mutual concessions and a willingness to resolve all matters discussed in the foregoing Consent Order, the above-named Respondents state that:

1. The Respondents have read the foregoing Consent Order and know and fully understand its contents and effects.
2. The Respondents have been advised of their rights to a hearing with regard to this matter, and have specifically waived their rights to a hearing.
3. The foregoing Consent Order, which is attached hereto and incorporated herein by reference, constitutes the entire settlement agreement between the Respondents and the Securities Commissioner, there being no other promises or agreements, either expressed or implied.
4. The Respondents admit the jurisdiction of the Securities Department, neither admit nor deny the accuracy of the factual determinations and legal conclusions of the Commissioner, as set forth in the foregoing Consent Order, and consent to entry of this Order as settlement of the issues contained in said Order.
5. The Respondents consent to entry of the foregoing Consent Order by the Securities Commissioner, and do so willingly and voluntarily for the purpose of resolving the issues described in the foregoing Consent Order.

Dated this 26<sup>th</sup> day of March, 2009.

LIFE PARTNERS, INC.

By:   
Scott Peden, Its President