

Attorney General (the "Division") by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Timothy L. McCarty ("McCarty") and Palmetto Financial Associates of South Carolina, LLC a/k/a Palmetto Financial Associates, LLC ("PFA") (collectively, the "Respondents"), and, in connection with its investigation, the Division has determined that the Respondents violated the Act.

without admitting or denying the findings of fact and conclusions of law set forth below,

except as to the jurisdiction of the Securities Commissioner over the Respondents and the subject

matter of this proceeding, which are admitted, the Respondents, having been advised of their right to counsel, expressly consent to the entry of this Consent Order, which resolves the

2. McCarty was a resident of the State of South Carolina between February, 2017, and February, 2018 (the "Relevant Time Period").

3. McCarty has never been registered with the Division in any capacity.

4. McCarty is registered with the South Carolina Department of Insurance as an

5. PFA is a for-profit company founded, operated, and owned by McCarty. According to the Office of the South Carolina Secretary of State, McCarty is the registered agent for Palmetto Financial Associates of South Carolina, LLC. PFA has never possessed any form of license to operate in the insurance industry, nor has it ever been registered with the Division in any capacity.

IV. FINDINGS OF FACT

6. Future Income Payments, LLC ("FIP") was a Delaware limited liability company with a registered agent, Agents and Corporations, Inc., located at 1201 Orange Street, Suite 600, One Commerce Center, Wilmington, Delaware 19801.

7. Scott Kohn was the sole owner and manager of FIP.

11. FIP was able to locate large numbers of Investors through a network of insurance agents and investment adviser representatives (the “FIP Agents”).

12. FIP compensated the FIP Agents with transaction-based compensation.

13. Various consumer protection and regulatory agencies investigated and brought lawsuits against FIP in response to its scheme. *See, e.g., Commonwealth of Virginia Ex Rel. Mark R. Herring, Attorney General v. Future Income Payments, LLC, et al.*, Civil

ACTION NO. CL18000527-00 (Hampton County, March 6, 2018); *Illinois v. Future Income*

Payments, LLC, No. 2018CH000142 (7th Judicial Circuit Sangamon County, April 18, 2018); *State of Minn. v. Future Income Payments, LLC et al.*, No. 27-CV-17-12579 (City of Hennepin Dist. Ct., Sep. 26, 2017); and *In re Future Income Payments, LLC* (N.Y. Dept. Fin. Serv. Oct. 20, 2016).

14. By April 2018, FIP could not sustain the scheme, and the scheme collapsed. At that time, the Investors ceased receiving the income from the FIP Product.

[REDACTED]

² In the matter of FUTURE INCOME PAYMENTS, BEC, LLC, et al., and SCOTT A. KOHN, ORDER TO SHOW CAUSE AND DETENTION (4/4/2019), <http://2hsvz0174ah31vgcm16peuy12tz.wpengine.netdna-cdn.com/wp-content/uploads/2019/04/Order-to->

[REDACTED]

² Brown, Kirk. “[U.S.] Marshals capture Scott Kohn, accused in Greenville of preying on veterans and investors.”

[REDACTED]

The Greenville News, 23 Sept. 2019, [https://www.greenvilleonline.com/story/news/local/2019/09/23/marshals-](https://www.greenvilleonline.com/story/news/local/2019/09/23/marshals-capture-scott-kohn-accused-sc-preying-veterans/2416273001/)

[REDACTED]

[capture-scott-kohn-accused-sc-preying-veterans/2416273001/](https://www.greenvilleonline.com/story/news/local/2019/09/23/marshals-capture-scott-kohn-accused-sc-preying-veterans/2416273001/). Accessed 1 July 2020.

23. McCarty claims that, during the Relevant Time Period, he did not know that the FIP Product was a security or that it could potentially cause his clients financial harm.

24. Several Investors to whom the Respondents sold the FIP Product filed suit against the Respondents when the FIP Scheme collapsed. At the time of the collapse, the Respondents' customers were exposed to significant losses related to their purchase of the FIP Product.

V. CONCLUSIONS OF LAW

25. The FIP Product is a security, pursuant to S.C. Code Ann. § 33-1-102(27).

26. The FIP Product was neither registered with the Division, nor was it exempt from

from such registration or violation of S.C. Code Ann. § 35-1-412(a).

31. Acting as an agent in connection with the offer and sale of securities, without being registered with the Division as such or exempt from registration, constitutes a willful failure to comply with the Act, pursuant to S.C. Code Ann. § 35-1-412(d)(2).

32. The Respondents' 14 willful violations of the Act provide the basis for this Consent Order.

33. This Consent Order is appropriate and in the public interest, pursuant to the Act.

VI. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(2)(1), it is hereby

ORDERED that:

- a. Each of the Respondents and every successor, affiliate, control person, agent, servant, and employee of each of the Respondents, and every entity owned, operated, or indirectly or directly controlled by, or on behalf of each of the

of \$40,000.00;

- c. The Respondents have agreed to disgorge certain of their commissions to be paid to the Investors through the Investors' civil litigation. Because of the remedial efforts of the Respondents, the civil penalty ordered in paragraph b, *supra*, is hereby **SUSPENDED**;
- d. McCarty expressly consents and agrees that he is **PERMANENTLY BARRED** from participating in any aspect of the securities industry in or from the State of South Carolina; and
- e. McCarty, in his capacity as PFA's sole manager and control person, expressly consents and agrees that PFA is **PERMANENTLY BARRED** from participating in any aspect of the securities industry in or from the State of South Carolina.

Upon execution by the Securities Commissioner, this Consent Order resolves Matter Number 20184569 as to the Respondents.

As part of this Consent Order the Respondents agree that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in this Consent Order or creating the impression that this Consent Order is without

actual basis; and (ii) will not make or permit to be made any public statement to the effect that

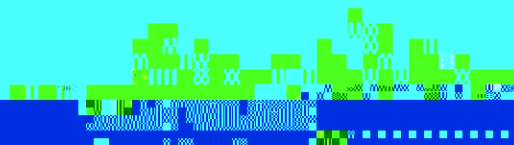
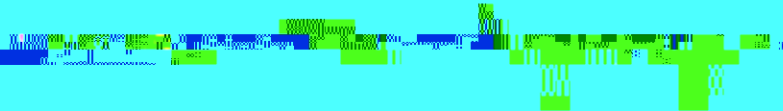
The KCSA will not admit the allegations of this Commission.

The Commission is not a court of law and does not have the authority to impose legal sanctions on the KCSA or other agencies.

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