

*Over 25 years  
representing victims of  
investment fraud*

# The Law Office of David Liebrader

## Investment Fraud Digest

Fall, 2018

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## Are the Woodbridge, FIP and 1<sup>st</sup> Global implosions “canaries in the coal mine”?

Three large alternative investments failed spectacularly in the past year, giving rise to concerns that capital markets are dislocating as they did just prior to the Bear Stearns and Lehman collapses.

Closer to home, Henderson, NV based Future Income Payments, a company that brokered loans between investors and pension recipients shut its doors in April, leaving investors scrambling for information. FIP used a network of insurance agents and RIAs to pitch FIP as a secure way to earn guaranteed income. The pitch: Investors were connected with a pension recipient who wanted access to a lump sum payout. The investors would send the money to FIP, which would handle the paperwork and broker the loan with the pensioner. Terms usually required repayment over 2 years. While the transactions do not appear to involve securities, FIP ran afoul of state lending laws for brokering the transactions, and some states claimed that FIP charged usurious rates. Some 15 states have brought regulatory and cease and desist actions against the company.

Adding to the intrigue is that Scott Kohn, the head of FIP (which was purportedly run out of a UPS mail drop) and who has connections to the Philippines, has disappeared. Typically a federal law enforcement agency would have shut down FIP, “perp walked” Kohn, seized files and computers, and asked the court to appoint a receiver. None of that has happened. To date, five months since receiving their last payment investors have been left without any information on what happened to their money.

Like FIP, Woodbridge and 1<sup>st</sup> Global were touted as guaranteed income producing investments, and were sold by unregistered brokers and insurance salesmen. The SEC shut Woodbridge down last year, accusing the officers of running a \$1.2 billion Ponzi scheme.

In August the SEC filed charges after Florida based 1<sup>st</sup> Global filed for bankruptcy. In their 10 count complaint, the SEC charged the company with fraudulently raising over \$283 million, allowing the CEO to feather his nest with investor proceeds, and make investments inconsistent with representations to investors.

## HOW WE CAN HELP YOU?

Over the past 25 years our firm has helped recover over \$50 million for investors.

WE PROVIDE AN IN DEPTH, FREE, CONFIDENTIAL CONSULTATION INCLUDING DOCUMENT REVIEW.

### Types of Cases We Handle

Suitability Cases

Sales of Unregistered Securities

Ponzi Scheme Losses

Broker Note Cases

Deceptive Trade Practices

“Alternative Investments”

EB-5 Investments

All FINRA Matters

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## Lucky Dragon and SLS: EB-5 hotel deals fall apart for visa seeking investors

The failures of the former Sahara casino venture SLS, and the ill-fated Lucky Dragon have highlighted just how perilous the north strip continues to be for investors. In addition to financial woes, the failures have wrecked the dreams of hundreds of Chinese investors who hoped that by making a \$500,000 investment pursuant to the EB-5 program, that they would be fast tracked for a visa or green card.

Lucky Dragon filed for bankruptcy last year, shuttering its casino. Now with a successful bankruptcy bid on the property the hotel has been closed too. Likewise, struggles at the SLS have resulted in EB-5 investors being moved to junior positions, with little prospects for repayment.

EB-5 rules require the business venture to create a certain number of jobs in order for investors to qualify for visas/green cards. With SLS and Lucky Dragon struggling, and being forced to recapitalize, investors will likely find their money is lost, as is dreams for U.S. citizenship.

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## FINRA brings enforcement action on “Crypto Hemp Coin” offering

File this one under “two birds with one stone”: FINRA has opened a formal investigation into the sale of unregistered securities by a former principal of a FINRA member firm. On September 11 FINRA Department of Enforcement charged that Timothy Ayre used his pink sheet traded public company, Rocky Mountain Ayre, Inc. (“RMTN”) to offer and sell unregistered cryptocurrency securities to the public.

RMTN had acquired the rights to a cryptocurrency known as HempCoin which Ayre purported to use as an asset to recapitalize the company. RMTN then authorized 500 million shares of common stock, while Ayre touted that HempCoin was “the world’s first currency to represent equity ownership” in a publicly-traded company.

Despite the catchy name, there was no connection to marijuana related business. RMTN’s only operation was a failing restraint bistro run by Ayre’s girlfriend.

FINRA charged Ayre with making material misstatements about the prospects of RMTN, as well as for selling securities via an unregistered offering. This is just the latest move into the crypto space by FINRA, which in July [issued a regulatory notice on the crypto space](#). This follows a [December, 2017 warning to investors](#) to exercise caution investing in cryptos.

Our firm continues to field calls from investors who are being solicited to open self-directed IRA account to purchase crypto. Caveat Emptor.