

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA

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I. PRELIMINARY STATEMENT

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101 et seq. (the “Act”), and delegated to the Securities Division of the Office of the Attorney General (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Lane Elliot Ginsberg (CRD No. 1359972) (“Ginsberg”) and his company, Freedom Capital Advisors, LLC (CRD No. 168451) (“Freedom Capital”) (collectively, the “Respondents”), and in connection with its investigation, the Division has determined that 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

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. RESPONDENTS

2. Ginsberg was, between January 2015 and December of 2017 (the "Relevant Period"), a resident of State of South Carolina. Ginsberg's last known addresses were 9104 Glen Forest Drive, Greenville, SC 29607, and 14 Knoll Ridge Drive, Greer, South Carolina 29650. Ginsberg was, during the Relevant Period, registered with the Division as an investment adviser representative affiliated with Freedom Capital. Ginsberg was registered as an investment adviser representative with the Division between November of 2011 and January of 2021. Prior to that time, between 1991 and 2001, Ginsberg was registered with the Division as an agent affiliated with a number of broker-dealers.

3. Ginsberg is also registered with the South Carolina Department of Insurance as an insurance producer affiliated with Freedom Retirement Advisors ("Freedom Retirement").

4. Freedom Capital was, during the Relevant Period, registered with the Division as an investment adviser. Freedom Capital's last principal place of business was located at 14 Knoll Ridge Drive, Greer, South Carolina 29650. Freedom Capital was registered as an investment adviser with the Division between August of 2013 and January of 2021.

5. Ginsberg was, during the Relevant Period, the sole owner, managing member, and chief compliance officer of Freedom Capital.

IV. FINDINGS OF FACT

A. Woodbridge

6. The Woodbridge Group of Companies, L.C. (“Woodbridge”) was a California-based entity, which purported to be a commercial lender that made hard money loans, secured by mortgages on commercial property.

7. To help fund these purported hard money loans, Woodbridge raised money from investors throughout the country through the offer and sale of promissory notes (the “Woodbridge Notes”).

8. In order to effect the offer and sale of the Woodbridge Notes, Woodbridge used certain South Carolina-based independent agents, including the Respondents, who received transaction-based compensation in connection with the offer, recommendation, and sale of the Woodbridge Notes.

9. These agents were not registered with the Division as agents, as required by the Act.

10. The Woodbridge Notes were not registered with the Division, or exempt from such registration, as required by the Act.

11. In reality, Woodbridge operated a nationwide Ponzi scheme bolstered by slick marketing and commissions paid to the agents who sold the Woodbridge Notes. In total, Woodbridge bilked investors of between \$1.2 billion and \$1.3 billion nationwide.

12. The Woodbridge Notes themselves were unsecured and were never secured by any real property.

13. The owner and CEO of Woodbridge, Robert Shapiro, pleaded guilty to wire fraud and tax evasion before the U.S. District Court for the Southern District of Florida on January

28, 2019. At his plea, Shapiro admitted to defrauding between \$25 million and \$95 million from over 7,000 investors nationwide. Shapiro pleaded guilty and was sentenced to 25 years in prison for running the fraud.¹

14. After the Ponzi scheme came to light, the Division opened investigations into the sale of Woodbridge Notes to investors in South Carolina. The investigations focused on Woodbridge itself and on the entities selling the Woodbridge Notes. On August 5, 2019, the Securities Commissioner entered a Consent Order with regard to Woodbridge, wherein Woodbridge agreed to pay restitution to South Carolina investors through a liquidation trust established in a bankruptcy proceeding in the Bankruptcy Court for the District of Delaware.²

15. During the Relevant Period, the Respondents recommended, offered, and sold at least \$3,091,692 worth of the Woodbridge Notes to at least forty-six (46) different investors (the "Woodbridge Investors"), thirty-five (35) of whom resided in South Carolina at the time of the sale.

16. The Respondents failed to perform reasonable due diligence to determine whether the Woodbridge Notes were legitimate investment vehicles.

17. In connection with the offer and sale of the Woodbridge Notes, the Respondents received transaction-based

18. The Respondents referred to this ~~transaction~~-based compensation as a “simple commission-based referral program.”

19. The Respondents received at least \$27,886.87 ~~in~~ transaction based compensation for the sale of the Woodbridge Notes.

20. The Respondents acted as unregistered ~~broker~~ or unregistered agents in at least forty six (46) separate ~~sales~~ of an unregistered security.

21. The Respondents have repaid a total ~~of~~ \$225,000 to their clients who invested in Woodbridge Notes.

22. The Respondents voluntarily terminated ~~the~~ their registration with the Division effective December 31, 2020.

23. During the Relevant Period, the Respondents ~~were~~ not registered with the Division as broker-dealers or agents ~~so~~ exempt from such registration.

24. Ginsberg, due to his experience, his ~~registration~~ with the Division as an investment adviser representative, and ~~pro~~ registration as an agent ~~the~~ knew or should have known that it was not lawful to ~~sell~~ unregistered non-exempt securities in South Carolina.

25. Ginsberg, due to his experience, his ~~registration~~ with the Division as an investment adviser representative, and ~~pro~~ registration as an agent ~~the~~ knew or should have known that it was not lawful to sell securities, registered otherwise, for transaction based compensation in South Carolina without being registered as an agent.

B. Future Income Payments

26. 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.

(6:19-cr-000239-CRI, March 12, 2019). Among various charges, the indictment alleged that “[a]s state regulators began prohibiting FIP from operating in various states and pensioners struggled under a usurious payment regime imposed on them, FIP diverted new investor funds flowing into the business to fund payments to earlier investors to keep the scheme and a[ct] operational. In this manner, the investment program operated by FIP was a ‘Ponzi scheme[,]’” and “[t]he operation of the scheme and a[ct]s surrounding FIP allowed [Kohn] to live a lavish lifestyle.”

36. On April 4, 2019, the Division published an Order to Cease and Desist against Scott Kohn and FIP.³

37. After spending six months as a fugitive, Scott Kohn was captured by U.S. Marshals on a San Diego, California beach on September 21, 2019. He has been charged with conspiracy to commit wire fraud and mail fraud. He is currently awaiting trial.

38. During the Relevant Period, Ginsberg operated a FIP Agent in South Carolina.

39. During the Relevant Period, Ginsberg sold FIP Product to a South Carolina FIP Investor for \$50,000. Ginsberg received approximately \$2,500 in transaction based compensation.

40. The Respondents have repaid a total \$2,500 to their FIP Investors. The Respondents are also assisting the Division in its investigation of other individuals involved in the FIP scheme.

41. Ginsberg acted as an unregistered agent in the sale of an unregistered security.

³ In the matter of Future Income Payments, LLC; FIP; and Scott A. Kohn – Order to Cease and Desist (4/4/2019), <http://2hsvz0l74ah31vgcm16peuy12tz.wpengine.netdna-cdn.com/wp-content/uploads/2019/04/Order-to-Cease-and-Desist-4.5-01935944xD2C78.pdf>

⁴ Brown, Kirk. “[U.S.] Marshals capture Scott Kohn, accused in Greenville profiting on veterans and investors.” The Greenville News 23 Sept. 2019. <https://www.greenvilleonline.com/story/news/local/2019/09/23/marshals-capture-scott-kohn-accused-sexying-veterans/2418273001> Accessed 1 July 2020.

- b. The Respondents shall jointly and severally pay a civil penalty in the amount of eighty thousand dollars (\$80,000.00);
- c. Because of the Respondents' remedial efforts and efforts to assist the Division in its other investigations, sixty thousand dollars (\$60,000) of the civil penalty ordered in paragraph supra, is hereby SUSPENDED;
- d. Lane Elliott Ginsberg is PERMANENTLY BARRED from registering as a broker-dealer agent or investment adviser representative; and
- e. Freedom Capital Advisers, LLC is PERMANENTLY BARRED from registering as a broker-dealer or investment adviser.

Upon execution by the Securities Commissioner, this Consent Order resolves Matter Number 20183926 as to the Respondents.

As part of this Consent Order, the Respondents agree that they 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 factual basis; and (ii) will not make or permit to be made any public statement to the effect that the Respondents do not admit the allegations of this Consent Order, or that this Consent Order contains no admission of the allegations, without also stating that the Respondents do not deny the allegations. If the Respondents breach this agreement, the Securities Commissioner may vacate this Consent Order. Nothing in this paragraph affects the Respondents': (i) testimonial obligations or (ii) right to take differing legal or factual positions in litigation or other legal proceedings.

This Consent Order should not be interpreted to give any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of the activities detailed

Justice, Youth, and Family Services
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Lane Elliot Ginsberg

Respondent

Date

Lane Elliot Ginsberg

Date

BY:

Date

Attorney General