

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10387 / July 6, 2017

SECURITIES EXCHANGE ACT OF 1934
Release No. 81088 / July 6, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18062

In the Matter of

Randal Wallis,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Randal Wallis (“Wallis”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Exchange Act, Making Findings and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this order and Respondent's Offer, the Commission finds¹ that Respondent violated Section 5(a) and (c) of the Securities Act and Section 15(a)(1) of the Exchange Act by acting as an unregistered broker in transactions involving unregistered purchases and sales of securities in the form of 7% promissory notes issued by Verto Capital Management LLC (the "Verto Notes").

A. RESPONDENT

1. Randal Wallis, 63, is a resident of Pottsboro, Texas. At all relevant times, Wallis was associated with Retirement Surety and a representative of Crescendo Financial. Wallis purports to be licensed as an insurance agent in Texas. Wallis does not hold any securities licenses and has never been registered as, or associated with, a registered broker-dealer.

B. RELEVANT ENTITIES AND INDIVIDUALS

2. Retirement Surety LLC ("Retirement Surety") is a Texas limited liability company formed on February 5, 2010 and based in Plano, Texas. According to its website, Retirement Surety is an organization comprised of a group of "state licensed partners" who provide investment advice for retirement planning. From at least 2013 through 2015, Retirement Surety was managed by David Leeman, Thomas Rose, David Featherstone, and Ronald Wills. During that same time period, Wallis was associated with Retirement Surety. Retirement Surety has never been registered as, or associated with, a registered broker-dealer.

3. Crescendo Financial LLC ("Crescendo") is a Texas limited liability company formed on June 18, 2013 and based in Plano, Texas. Crescendo's sole function was to broker the sale of Verto Notes, and it offered no other products. According to its website, Crescendo is an organization comprised of a group of "licensed partners" who sell "investments." At all relevant times, Crescendo was managed by Rose and Leeman, who along with Featherstone, Wallis, and Wills, sold the Verto Notes. Crescendo has never been registered as, or associated with, a registered broker-dealer.

4. William R. Schantz III ("Schantz"), 62, resides in Moorestown, New Jersey. Schantz founded and owns several affiliated corporations, none of which are registered with the Commission, including: Verto Capital Management LLC ("Verto"), Senior Settlements LLC ("Senior Settlements"), Mid Atlantic Financial, LLC ("Mid Atlantic"), and Green Leaf Capital Management, LLC ("Green Leaf"). Schantz is not registered with the Commission and is not affiliated with a registered broker-dealer or investment adviser. He was last associated with an NASD member firm in 2000. In 2002, the NASD sanctioned and suspended Schantz for having brokered the sale of unregistered nine-month promissory notes guaranteed by insurance companies without disclosing the sales to the NASD-member firm with which he was associated. In 2006, Schantz entered into a consent order with the New Jersey Bureau of Securities (for the same

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

conduct) and disgorged \$7,000 in commissions he had earned selling the notes. Schantz is currently a defendant in *SEC v. Schantz, et al.*, Case No. 17-cv-03115.

5. Verto Capital Management LLC (“Verto”) is a Delaware Limited Liability Company that Schantz formed in 2009. According to its website, Verto conducts private placement securities offerings to accredited investors, and invests in bundles of life settlements. Verto is an affiliate of Senior Settlements. Verto issued 7% promissory notes that were sold by Wills, Leeman, Rose, Wallis, and Featherstone. Verto is currently a defendant in *SEC v. Schantz, et al.*, Case No. 17-cv-03115.

C. RESPONDENT SOLD SECURITIES AS AN UNREGISTERED BROKER IN UNREGISTERED TRANSACTIONS

6. From at least October 2014 to October 2016, Respondent acted as a broker for Verto Notes, selling 9 Verto Notes directly to 8 individual investors and receiving commissions from Verto for each Verto Note sale and Forbearance Agreement.

7. In brokering the Verto Note sales, Respondent provided investors with offering materials for the Verto Notes that described Verto’s business and the reasons for selling the Verto Notes. The offering materials stated that “[Verto] is engaged in the business of sourcing, valuing and selecting life insurance policies for resale to investors (‘Life Settlements’)” and “[t]he Note Amount shall be used by [Verto] for general working capital purposes including but not limited to fund [Verto’s] purchase and acquisition of life insurance policies.” The offering materials also described Verto’s “Trading Strategy” as an investment in a common enterprise for profit: “As polices [sic] come to the secondary market, [Verto], together with its affiliate Senior Settlements, LLC, will seek to identify policies that have significant arbitrage opportunities and look to acquire the policy at significant discounts from the potential resale value” and “[Verto’s] ability to make scheduled payments on the Promissory Notes outstanding at any particular time depends on [Verto’s] financial condition and operating performance, which is subject to the Issuer successfully executing its trading strategy...”

8. The offering materials provided by the Respondent also described the risks of investing in the Verto Notes. The materials stated that “[i]f [Verto] does not generate profits, [Verto] may be unable to repay all the promissory notes then outstanding upon maturity” and described Verto’s “Lack of Operating History,” stating “Verto is a recently formed entity and has no meaningful operating or financial history . . .”

9. The offering materials provided by the Respondent to investors also stated that “the repayment of the Promissory Notes is secured by a collateral assignment and pledge of all of the Life Settlements owned by the issuer from time-to-time which includes Life Settlements acquired with the proceeds of the note.”

10. Respondent regularly participated in all key points in the chain of sale and distribution of the Verto Notes, including soliciting investors to purchase the Verto Notes, advising investors regarding the Verto Notes, handling all necessary paperwork to effectuate the Verto Notes sales, monitoring and managing repayments to investors, and negotiating and arranging so-called “forbearance agreements” between the Verto Note holders and Verto.

11. Retirement Surety and Crescendo solicited Verto Note investors through radio broadcasts and internet postings, and directly from their pool of existing insurance product clients.

12. On radio shows broadcast on at least two radio networks, representatives of Retirement Surety and Crescendo described the Verto Note program and directed radio listeners to the Retirement Surety website. Retirement Surety's website described and solicited investors to purchase the Verto Notes.

13. Similarly, Crescendo's website described and solicited investors to purchase the Verto Notes.

14. In addition, Respondent solicited Verto Note purchases through meetings with, and telephone calls and mailings to, Respondent's pool of previously-existing insurance clients.

15. Respondent earned transaction-based compensation for each Verto Note sale. For each Verto Note that he sold, Respondent earned a 7% commission, 5% of which went to Respondent, and 2% of which went to Crescendo.

16. When Verto was unable to repay investors amounts due under the original Verto Notes, Respondent presented the investors with documents entitled "Forbearance Agreements," which extended the terms of the Verto Notes. For each Forbearance Agreement, Respondent earned an additional 4% commission (on top of their initial 7% sales commission at the time of issuance). Some investors were presented with second "Forbearance Agreements" for which Respondent received another 4% commission on the unpaid outstanding balance.

17. Respondent earned a total of \$23,829 in commissions through his Verto Note sales: \$15,870 for brokering the initial sales of the Verto Notes, an additional \$6,540 for later brokering initial Forbearance Agreements, and an additional \$1,419 for brokering secondary Forbearance Agreements for a number of the same Verto Notes.

18. In brokering the Verto Note sales, Respondent also expressly held himself out as an advisor providing investment advice. Retirement Surety's website outlined "five principles for your investments," and in subscriber information forms for certain of the Verto Notes he sold, Wallis listed his relationship to the investor as an "Advisor."

19. The Verto Notes are securities.

20. No registration statement was filed or in effect for the offering and sales of Verto Notes, and no valid exemption from registration existed for the Verto Notes offering.

D. VIOLATIONS

1. As a result of the conduct described above, Respondent violated Securities Act Section 5(a) and (c), which prohibit the direct or indirect sale or offer for the sale of securities unless a registration statement is filed or in effect.

2. As a result of the conduct described above, Respondent violated Exchange Act Section 15(a)(1), which prohibits a broker from making use of the mails or any means or

instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of securities without first being registered as or associated with a registered broker-dealer.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent Wallis cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act and Section 15(a)(1) of the Exchange Act.

B. Respondent shall pay disgorgement of \$23,829, prejudgment interest of \$475 and civil penalties of \$7,500, to the Securities and Exchange Commission. Payment shall be made in four equal installments of \$7,951.00 each, with payment to be received on the following schedule: first payment within 30 days of the issuance of this Order, second payment within 180 days of the issuance of this Order, third payment within 270 days of the issuance of this Order, and fourth payment within 360 days of the issuance of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 and/or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Wallis as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lara Shalov Mehraban, Associate

Director, Division of Enforcement, New York Regional Office, Securities and Exchange Commission, 200 Vesey Street, New York, NY 10281.

C. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties referenced in paragraph IV.B above. This Fair Fund may receive the funds from and or be combined with the fair fund established in the related civil action, *SEC v. Verto Capital Management LLC et. al.*, 17-civ-03115 (D. N.J. May 4, 2017), and fair funds established for civil penalties paid by other respondents for conduct arising in relation to the violative conduct at issue in this proceeding, in order for the combined fair funds to be distributed to harmed investors affected by the violative conduct. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary