

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of

PETITION FOR ORDER

CONSOLIDATED WEALTH HOLDINGS,
INC., ALTERNATIVE INVESTMENT
SERVICES, INC., DEANNA JO
OSBORNE, SCOTT ALLEN OSBORNE,
JOHN EDWARD SPALDING, LAURA H.
SPALDING, MICHAEL K. WALLENS,
JR., and ERIC M. KURZ,

File No. S-209641(EX)

Respondents.

The staff of the State of Wisconsin, Department of Financial Institutions, Division of Securities, has conducted an investigation in this matter pursuant to Wis. Stat. § 551.56,¹ and as a result thereof alleges as follows:

1. Consolidated Wealth Holdings, Inc., (“CWH”) is a Delaware corporation created on February 28, 2008, with a registered agent located at 2821 Kendalwood Parkway, Suite 3, Gladstone, Missouri 64119.
2. Alternative Investment Services, Inc., (“AIS”) is a Texas corporation created on November 15, 2007, which at all times material hereto was retained by CWH as a broker-dealer to sell the securities of CWH. Its last known business addresses are 719 Sawdust Road, Suite 204, Spring, Texas 77380 and 1450 Lake Robbins Drive, Suite 350, The Woodlands, Texas 77380.
3. Deanna Jo Osborne is a Texas resident born in October 1977, who at all times material hereto has been an owner, officer and/or controlling person of CWH, with a last known business address at CWH.
4. Scott Allen Osborne (CRD# 5129641) is a Texas resident born in June 1975, who has not been licensed to sell securities in Wisconsin since August 2, 2007, and who at all times material hereto has been an owner, officer and/or controlling person of CWH, with a last known business address at CWH.
5. John Edward Spalding (CRD# 5556922) is a Texas resident born in August 1961, who has never been licensed to sell securities in Wisconsin, who at all times material hereto has been an owner, officer and/or controlling person of CWH, with a last known business address at CWH.

¹ Unless otherwise noted, all statutory references are to the Wisconsin Statutes (2005-06), which were in effect at the time of the violations alleged herein and apply pursuant to Wis. Stats. § 551.703, (2007-08).

6. Laura H. Spalding is a Texas resident born in January 1970, who at all times material hereto has been an owner, officer and/or controlling person of CWH, with a last known business address at CWH.
7. Michael K. Wallens, Jr. ("Wallens") (CRD# 11025339) is a Texas resident born in December 1979, who at all times material hereto has been an owner, officer and/or controlling person of AIS and who has never been licensed to sell securities in Wisconsin. His last known business address is at AIS.
8. Eric M. Kurz ("Kurz") is a Texas resident born in December 1963, who at all times material hereto has been an owner, officer and/or controlling person of AIS and who has never been licensed to sell securities in Wisconsin. His last known business address is at AIS.
9. All Respondents directly or indirectly offered and sold bonded life settlement investment contracts in CWH, which were structured as Line of Credit Promissory Notes combined with Line of Credit Loan Agreements, with a portion of the investment going to pay premiums on a reinsurance policy through Provident Capital Indemnity, Ltd. ("Provident"), an insurance company in Costa Rica that would pay investors if the underlying policy had not matured by the anticipated maturity date.
10. The existence of the reinsurance provided by Provident was the key feature of the transaction that allowed Respondents to present the investment as "bonded," so they would appear to present less risk than life settlement contracts without the reinsurance feature.
11. CWH and its controlling persons hired AIS and its agents to sell the CWH life settlement contracts described above to persons in Wisconsin.
12. In 2008, agents of AIS offered and sold CWH life settlement contracts to at least thirteen persons in Wisconsin.
13. The CWH investments were investment contracts as defined by Wis. Adm. Code § DFI-Sec. 1.02(6)(a), and are therefore securities as defined by Wis. Stat. § 551.02(13).
14. The CWH investment contracts have never been registered for sale in Wisconsin pursuant to Wis. Stat. § 551.21.
15. All Respondents directly or indirectly offered and sold unregistered securities in Wisconsin in violation of Wis. Stat. § 551.21.
16. In connection with the offers and sales of the securities described above, AIS transacted business in Wisconsin as a "broker-dealer," as that term is defined by Wis. Stat. § 551.02(3).

17. At no time has AIS been licensed as a securities broker-dealer pursuant to Wis. Stats. Ch. 551.
18. Respondent AIS has violated Wis. Stat. § 551.31(1), by transacting business in Wisconsin as a broker-dealer without a license.
19. In connection with the offers and sales of the CWH investment contracts to Wisconsin investors, AIS retained agents as that term is defined in Wis. Stat. § 551.02(2).
20. The AIS agents who sold the CWH investment contracts in Wisconsin were not licensed as securities agents pursuant to Wis. Stats. Ch. 551.
21. CWH and AIS each violated Wis. Stat. § 551.31(2) by employing unlicensed agents to represent them in Wisconsin.
22. On November 6, 2006 in Order # 06-1154, the Texas Department of Insurance issued an administrative sanction requiring Provident to cease and desist engaging in the unauthorized business of insurance in Texas in connection with its issuance of bonds securing contracts similar to those offered by Respondents.
23. In connection with the offer and sale of the CWH investment contracts to the Wisconsin investors, all Respondents directly or indirectly omitted to disclose to at least five Wisconsin investors the existence of the Texas Department of Insurance's Cease and Desist Order against Provident.
24. On January 17, 2008, the State of Texas Securities Board issued Order No. ENF-CDO-1647 requiring, on an emergency basis, that Provident and its principals cease and desist from offering and selling unregistered securities in Texas, acting as unregistered securities dealers and/or agents in Texas, and from engaging in any fraud or making materially misleading statements in connections with the offer and sale of securities in Texas.
25. In connection with the offer and sale of the CWH investment contracts to the Wisconsin investors, all Respondents directly or indirectly omitted to disclose to at least five Wisconsin investors the existence of the January 17, 2008 State of Texas Securities Board's emergency cease and desist order against Provident and its principals.
26. By the conduct set forth in ¶¶22-25, all Respondents have violated Wis. Stat. § 551.41(2) by omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.
27. In November 2011, Wallens was sentenced in a federal court in Dallas, Texas to 60 months in prison and ordered to pay nearly \$13 million in restitution for his role in an investment fraud scheme. In June 2011, Kurz was sentenced in a federal court in Richmond, Virginia to 60 months in prison for his part in a life settlement fraud scheme.

In October, 2012, Minor Vargas Calvo, president and majority owner of Provident, was sentenced in a federal court in Richmond, Virginia to 60 years in prison for his part in fraudulently claiming to guarantee life settlement investments sold to investors worldwide.

Therefore, the staff of the Bureau of Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Wis. Stats. Ch. 551.

Dated this 8th day of April, 2013.



Mark E. Dorman
Examiner



Leslie M. Van Buskirk
Attorney Supervisor