

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: * No. 2011-0106

KENNETH R. OGAN, JR. *

and *

OGAN FINANCIAL GROUP, INC. *
D/B/A TRUE WEALTH MANAGEMENT, *
et al. *

Respondents. *

* * * * *

**CONSENT ORDER AS TO RESPONDENTS
KENNETH R. OGAN, JR.
AND
OGAN FINANCIAL GROUP, INC. D/B/A TRUE WEALTH
MANAGEMENT**

WHEREAS, the Maryland Securities Commissioner (the “Securities Commissioner”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Md. Ann. Code, Corps. & Ass’ns, §§11-101, *et seq.* (2014 Repl. Vol.) (the “Securities Act”), initiated an investigation into the activities of Kenneth R. Ogan, Jr. (“Ogan”), Ogan Financial Group, Inc. d/b/a True Wealth Management (“Ogan Financial”) (collectively, “Respondents”); and

WHEREAS, the Securities Commissioner determined that Respondents engaged in violations of sections 11-302 of the Securities Act; and

WHEREAS, before the holding of a hearing, without trial or final adjudication of any issue of fact or law, and prior to the issuance of a final order in this proceeding, the Securities

Commissioner and Respondents have reached an agreement whereby Respondents Ogan and Ogan Financial, without admitting or denying the Findings of Fact and Conclusions of Law contained herein, consent to the terms of this Order:

I. JURISDICTION AND VENUE

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Securities Act.

II. RESPONDENTS

2. Respondent Ogan and his company, Ogan Financial, are located in Simi Valley, California.

3. From February 6, 2014 to the present, Respondent Ogan has been restrictively registered in California as an investment adviser representative affiliated with Partnervest Advisory Services LLC for the solicitation of advisory services.

4. From August 6, 2004 to December 31, 2004, Respondent Ogan was registered as a broker-dealer agent in California, affiliated with ING Financial Partners, Inc. ("ING"). For that same period of time, Respondent Ogan was registered with FINRA as a Series 6 "investment representative" affiliated with ING.

5. From November 24, 2003 to August 5, 2004, Respondent Ogan was registered as a broker-dealer agent in California, affiliated with Farmers Financial Solutions, LLC ("FFS"). From November 7, 2003 to August 5, 2004, Respondent Ogan was registered with FINRA as a Series 6 "investment representative" affiliated with FFS.

6. Respondents have never been registered in Maryland as a broker-dealer, broker-dealer agent, investment adviser or investment adviser representative.

7. Central Registration Depository and Investment Adviser Registration Depository records do not reflect any registration for Respondents in any state as investment advisers or investment adviser representatives authorized to engage in financial planning or other investment advisory services.

III. FINDINGS OF FACT

8. Paramount Financial is a Utah corporation with a principal place of business located in Salt Lake City, Utah. Its articles of incorporation provide that the company “is organized to sell and provide life insurance, annuities, securities, investment products, and real estate to the public and for business purposes”

9. Paramount Financial is a media-driven financial company whose principals include Douglas and Aaron Andrew. Douglas Andrew is the author of numerous books, including *Missed Fortune* and *Missed Fortune 101*, that promote a risky financial strategy involving using upwards of 100% of home equity to purchase life insurance/or and securities.

10. Paramount Financial advertised online the opportunity for insurance agents, financial advisers and others to join “Missed Fortunate Associates” or “MFA.” MFA was described as a collection of like-minded practitioners or providers of “the Missed Fortune home equity separation asset optimization advance techniques.”

11. Respondent Ogan joined MFA around 2008. He paid Paramount Financial a \$220 monthly membership fee, and more than \$6,000 to attend training relating to the Missed Fortune

techniques. He also paid a \$200 fee for each client Paramount Financial referred to him. By joining MFA, Respondent Ogan and others gained access to Paramount Financial's intellectual property, including Missed Fortune concepts and strategies.

12. In August of 2008, Maryland resident KP read the book *Last Chance Millionaire* by Douglas Andrew. The book referred her to www.missedfortune.com. KP completed a Missed Fortune web questionnaire and was referred to Respondent Ogan, who then contacted her.

13. Respondent Ogan provided KP and her husband, JP (collectively "the Ps"), with a copy of his business card, reflecting that he was affiliated with Paramount Financial. The card referenced "Paramount Insurance," "EquitiManagement" and "Empowered Wealth." Only Paramount Financial's Utah address was on the card.

14. Respondent Ogan operated a website for Ogan Financial at www.oganfinancialgroup.com. The website made reference to Missed Fortune Associates, described as "a federation of financial service industry professionals committed to the highest standards of Missed Fortune implementation in the industry."

15. The website stated that "not paying principal payments [on a home mortgage] is the wisest and the quickest way to accomplish financial independence. A homeowner can accumulate the amount of cash needed to pay off a home much sooner by using a conservative, tax-advantaged mortgage-acceleration plan."

16. Respondent Ogan provided KP with a document check-list used "to build your Missed Fortune Financial Plan." The documents requested included tax returns, current

mortgage information, information relating to retirement plans, liquid assets and insurance, a list of liabilities including credit card debt, and copies of wills and trusts.

17. Respondent Ogan scheduled KP and her husband for a conference call to discuss their financial situation. He also forwarded them a DVD that contained information about the Missed Fortune concepts, and he referred them to his website, claiming that it contained “many resources available to you”

18. After KP and her husband spoke with Respondent Ogan, they were provided with a Missed Fortune Financial Plan (the “MFFP”). The MFFP, dated September 3, 2008, was entitled “Success Formula & Asset Optimization Plan.” The MFFP referenced that it was specifically designed for KP and her husband and prepared by Respondent Ogan.

19. At the time the MFFP was prepared, the Ps were in their mid- to late-40's. Mr. P was planning on retiring from the company he had been employed by for more than 20 years.

20. The MFFP stated that the Ps’ residence was their greatest tool in building wealth, and that the plan would help to maximize the equity in their home “to increase the liquidity, safety, and rate of return of this great asset.” The MFFP advised that “[b]y separating as much equity from your house as is feasible, you can achieve greater safety of principal.”

21. The MFFP made recommendations regarding “Asset Management,” “Risk Management,” “Tax Planning,” and “Estate Planning.” The MFFP also referred the Ps to other Missed Fortune publications, including *MISSED FORTUNE 101*, described on the cover as “A Starter Kit To Becoming A Millionaire.”

22. The MFFP recommended that the Ps refinance and increase the mortgage on their

home – valued at \$350,000 per an appraisal Respondents initiated – from approximately \$123,500 to a \$250,000 interest only loan. It also recommended using available home equity to pay off the old mortgage, and to purchase mutual funds and a \$1.34 million life insurance policy.

23. The MFFP suggested that by following the plan’s recommendations, the Ps would incur tax savings of more than \$25,000 over ten years, and in 11 years they would have an asset value of more than \$1.14 million, a projected plan net worth of approximately \$892,000, and a projected plan estate value of more than \$1.693 million.

24. The MFFP stated that “[a]fter initial implementation of your Success Formula plan, the equity in your home(s) will naturally continue to realize growth (assuming, of course, that the home(s) continues to appreciate rather than depreciate, in value.) . . . [t]his equity growth simply results from the assumed appreciation on your home(s), coupled with any decline in the balance of your mortgage(s).”

25. Before implementing the MFFP’s recommendations, the Ps expressed concern that they would not be able to afford the \$77,000 premium on the \$1.344 million life insurance policy. The MFFP’s life insurance illustration reflected that it was prepared by Respondent Ogan as an agent for OM Financial Life Insurance Company (“OM Financial”). Ogan was not a licensed insurance producer in Maryland.

26. Respondents responded to the Ps’ concerns regarding the expensive life insurance premiums by recommending that the Ps discontinue contributions to their IRAs, 401Ks and third-party mutual fund accounts to help pay for the premiums. Respondents insisted that the premiums would be made more affordable by the MFFP-recommended mutual funds’ dividends

and growth, and the interest-only mortgage's tax advantages.

27. The Ps implemented Respondents' financial planning recommendations by purchasing the \$1.344 million life insurance policy for Mr. P. Although Respondent Ogan arranged the transaction, the insurance was sold through Paramount Financial and its principal Aaron Andrew, who held Maryland insurance licenses. A Paramount Financial affiliate, AA Financial Strategies, Inc., paid over a commission of more than \$12,000 to Respondent Ogan.

28. Respondents referred the Ps to various third parties for the purchase of \$60,000 in mutual fund investments, and for the home refinance/interest only mortgage loan. The mutual funds were purchased through Partnervest Securities, Inc. ("Partnervest"), and the refinance was accomplished through The Lending Foundation.

29. According to the MFFP, the mutual fund investments would be used to pay for the annual life insurance premium. The Ps were required to sign an investment advisory agreement to establish the Partnervest account, which was subject to an annual fee of one percent of the assets under management.

30. The Ps home appraised for \$360,000. The Ps refinanced the home through The Lending Foundation by taking out a \$262,500 conventional interest-only mortgage with an APR of nearly seven percent. They used their home equity to obtain cash to pay off their existing mortgage of approximately \$123,000 and to purchase the mutual fund investments. The Ps also used a very small amount, under \$5,000, to satisfy other obligations.

31. By design, the MFFP treated the Ps' mutual fund investments as short-term investments. After approximately one year from the date of the MFFP and as contemplated by

the plan, the Ps withdrew approximately \$51,000 from their Partnervest mutual fund account to pay part of Mr. P's annual life insurance premium. Under \$10,000 in mutual funds remained in the account, which had depreciated in value.

32. Following the MFFP's directives left the Ps with large monthly interest-only mortgage payments slightly under \$2,000 – twice the amount of their old mortgage payment. The new mortgage had a considerably higher interest rate. According to the truth-in-lending disclosure statement, making all of the payments on the home loan would cost the Ps nearly \$800,000.

33. Eventually the Ps realized that the MFFP was seriously flawed in that there was not enough money from the recommended mutual fund investments to pay for Mr. P's annual life insurance premium. The Ps discontinued paying the premiums on the life insurance policy. Also the Ps closed out the mutual fund account because of poor performance and account costs.

34. After the Ps refinanced their home pursuant to the MFFP, it decreased in value. Their home is currently assessed by the State of Maryland as having a value of \$196,600, according to Maryland State Department of Assessments and Taxation records. The Ps refinanced their home once again in 2011, obtaining a conventional mortgage (not interest-only).

35. NASD Notice To Members ("NTM") 04-89, dated December 2004, cautioned against recommending that homeowners liquefy home equity for investments. The NTM specifically advised that "[i]f a homeowner takes out a mortgage to invest in securities on the assumption that the return from the investments will be sufficient to cover the mortgage payments, and the investment fails to earn the necessary rate of return, the investor may be

unable to meet his or her mortgage obligations and default on the mortgage.”

36. The NTM further cautioned that “investors may misapprehend their risk tolerance for investments using liquefied home equity, particularly since liquefying home equity may often have an accompanying increase in mortgage obligations or create a new obligation in the case of a home equity line of credit.” The NTM further stated concerns that investors may not be made aware of the potential conflicts of interest that exist for brokers to recommend liquefying home equity.

37. The NTM specifically reminded industry members that “recommending liquefying home equity to purchase securities may not be suitable for all investors,” and stated specific factors to consider including the amount of equity in the home, the level of equity being liquefied, how the investor will pay for increased mortgage obligations, the investor’s risk tolerance, and the likelihood that the value of the investor’s home will be maintained.

38. Paramount Financial and OM Financial have been the subject of numerous state and federal lawsuits in connection with their practices in implementing the Missed Fortune concept of taking equity out of one’s home to make securities investments and to purchase unnecessary life insurance. At least one such lawsuit, specifically involving OM Financial’s successor, Fidelity & Guaranty Life Insurance Company, culminated into a class action lawsuit.

IV. CONCLUSIONS OF LAW

39. In connection with the Findings of Fact contained herein, Respondents violated section 11-302 of the Maryland Securities Act.

V. CONSENT TO CEASE AND DESIST AND OTHER RELIEF

40. NOW, THEREFORE, IT IS HEREBY **ORDERED**, and Respondents expressly consent and agree that:

a. Respondents are assessed a \$7,500 fine. Of that fine amount, \$500 shall be paid contemporaneous with the issuance of this Order by way of a check made payable to “Office of the Attorney General.” Respondents shall pay the remainder of the fine on a quarterly basis as follows:

- By September 1, 2015, \$1,000.
- By December 1, 2015, \$1,500.
- By March 1, 2016, \$1,500.
- By May 1, 2016, \$1,500.
- By July 1, 2016, \$1,500.

Respondents agree that the Securities Commissioner, at her discretion, may apply monies from the payment of the fine towards restitution to the Ps.

b. Respondents shall cease and desist from engaging in activities in violation of the Securities Act.

c. Respondents shall in all future activities in Maryland comply with the Securities Act and related regulations.

VI. OTHER PROVISION

41. Respondents agree not to take any action, make or permit to be made any statement denying, directly or indirectly, any allegation in the Order To Show Cause or other activities upon which this Consent Order is based, as referred to herein. Respondents further agree not to take any action or make any statement which creates or tends to create the impression that this Consent Order is without factual basis. While Respondents are not required

to admit any allegation in the Order To Show Cause or other activities upon which this Order is based, nothing in this provision affects Respondents' testimonial obligations. Nor does this provision affect Respondents' right to take positions in litigation to which the Division or the Commissioner is not a party.

VII. SCOPE OF SETTLEMENT

42. This Consent Order relates only to the Commissioner and Respondents Kenneth R. Ogan, Jr. and Ogan Financial Group, Inc. d/b/a True Wealth Management. This Consent Order does not waive or relinquish the Commissioner's right to take any action against or resolve any still-pending actions against any other persons or companies.

VIII. JURISDICTION RETAINED

43. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

44. If Respondents fail to comply with any term of this Consent Order, the Commissioner may institute administrative or judicial proceedings against Respondents to seek to enforce this Consent Order, and may take any other action authorized under the Securities Act or under any other applicable law, including the issuance of fines or penalties as provided by the Securities Act. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or the court finds that Respondents have violated this Consent Order, the Division

may also seek other sanctions for the violations that initiated this matter. For the purpose of determining those sanctions, the Statement of Facts and violations of the Securities Act set forth in this Consent Order shall be deemed admitted, and may be introduced into evidence against Respondents.

45. In the event that judicial intervention in this matter is sought by the Securities Commissioner or Respondents, subject matter jurisdiction will lie in the Circuit Court for Baltimore City pursuant to section 11-702 of the Securities Act. Respondents agree that that Court will have personal jurisdiction over Respondents, and that venue will be properly in that Court.

46. The terms of this Consent Order may only be vacated or modified by a subsequent order issued by the Commissioner.

DATE OF THIS ORDER:

May 27, 2015

SO ORDERED:

**Commissioner's Signature on File
w/Original Documents**

Melanie Senter Lubin
Securities Commissioner

CONSENTED TO:

_____, 2015

Kenneth R. Ogan, Jr., Individually and on
behalf of Ogan Financial Group, Inc.

On this _____ day of _____, 2015, personally appeared Kenneth R. Ogan, Jr., signer of the foregoing Consent Order, who did duly acknowledge his signature to be his free act and deed, and that he was duly authorized to sign on behalf of Ogan Financial Group, Inc.

Notary Public

My Commission Expires: _____

Seal: