

1 Milestone Investments USA is the managing member of both Milestone Life Settlement Fund and Milestone
2 Multifamily Fund.

3 4. Respondent Ronald Newman, a Washington resident, acts as the principal of Milestone Life Settlement Fund,
4 the principal of Milestone Multifamily Fund, and the manager and sole member of Milestone Investments USA.
5 Ronald Newman filed for bankruptcy on October 1, 2010, with the United States Bankruptcy Court in the Western
6 District of Washington, and the court granted him a discharge from his debts on February 9, 2011.

7 5. Respondent Jeffrey Scott Hollingsworth worked for Milestone Investments USA as an employee, marketing
8 on behalf of Milestone Investments USA, Milestone Life Settlement Fund, and Milestone Multifamily Fund. Jeffrey
9 Scott Hollingsworth resided in both Washington and Texas during material times described below.

10 II.

11 Summary and Scope of the Offerings

12 1. Between April 2011 and August 2012, Ronald Newman sought to raise \$24,000,000 for Milestone Life
13 Settlement Fund, a fund formed to invest in life insurance policies, and \$50,000,000 in Milestone Multifamily Fund, a
14 fund formed to develop and sell apartment complexes, by selling equity interests in each company.

15 2. Ronald Newman acted through Milestone Investments USA when he solicited investments in these companies,
16 and Milestone Investment USA received a percentage of the capital that both funds raised. In addition to contacting
17 friends and friends of friends, Ronald Newman solicited investments in both funds through previous company
18 websites.

19 3. Milestone Investments USA paid Jeffrey Scott Hollingsworth a \$100,000 salary and a \$200,000 bonus for his
20 efforts to solicit investments for both funds. Jeffrey Scott Hollingsworth encouraged clients of his separate insurance
21 business to invest in both funds, and he then arranged for these clients to meet with Ronald Newman. Jeffrey Scott
22 Hollingsworth participated in a number of these meetings.

23 4. Ultimately, Milestone Life Settlement Fund raised only \$2,000,000 of the \$24,000,000 that it sought, and
24 Milestone Multifamily Fund raised only \$2,500,000 of the \$50,000,000 that it sought. Milestone Life Settlement Fund
25 raised this amount from at least 17 investors, 7 of whom were Washington investors, and Milestone Multifamily Fund
raised this amount from at least 17 investors, 9 of whom were Washington investors. In the course of soliciting
investments in these companies, the Respondents collectively misrepresented and failed to disclose material
information to investors regarding investments in Milestone Life Settlement Fund and Milestone Multifamily Fund,
including, most notably, the risks associated with a less than fully subscribed offer.

III.

Investments in Life Insurance Policies

1 *Investment Basics*

2 5. To invest in a life insurance policy, an investor will purchase a life insurance policy from an insured with a
3 short life-expectancy, in order to collect on the insurance policy after the insured's death. The investor pays the insured
4 a negotiated amount between the life insurance policy's cash surrender value and death benefit amount, providing the
5 insured with the benefit of an immediate cash payment. Often, a third-party brokers this transaction. Upon purchasing
6 the life insurance policy, the investor is responsible for making the premium payments on the life insurance policy in
7 order to keep the policy in effect. When the insured dies, the investor must file a claim with the insured's insurance
8 company to collect the policy's death benefit amount.

9 *Key Investment Considerations*

10 6. To reduce the risk of investing in a life insurance policy, an investor, typically through a third-person, will
11 obtain the medical information and life expectancy estimate of the insured to evaluate the insured's risk of mortality.
12 The longer an insured lives, the more premium payments an investor will have to make. This increases the cost of the
13 investment, thereby diminishing the investor's return on investment and postponing the date that the investor can
14 collect on the policy. Thus, an investor's return on investment depends on the accuracy of the life expectancy estimate
15 of the insured.

16 *Pooled Investments*

17 7. A fund that purchases a number of life insurance policies can both amplify the returns and ameliorate the risks
18 of investing in life insurance policies. Investors contribute capital to the fund, and using this capital, fund managers
19 obtain a medical diagnosis of the insured, purchase life insurance policies, maintain and use reserves to make premium
20 payments, and upon the death of the insured, distribute the proceeds from the policy's death benefit to investors,
21 proportionate to their investment in the fund. A large pool of life insurance policies can more effectively mitigate the
22 risks that a fund faces, as the higher payout for insureds with a short lifespan buffers against the costs associated with
23 insureds that live longer. Conversely, funds with poor underwriting standards or funds that invest in a small number of
24 life insurance policies are subject to the risk of diminished and delayed returns if insureds live longer than expected,
25 requiring more premium payments.

26 **IV.**

27 Nature of the Milestone Life Settlement Fund Offering

28 8. On March 8, 2011, Ronald Newman formed Milestone Life Settlement Fund to pool investor funds for the
29 purpose of investing in life insurance policies. Milestone Life Settlement Fund sought to raise at least \$24,000,000 by
30 selling equity interest in the company. Specifically, Milestone Life Settlement Fund offered investors one Class A

share for every \$1,000 invested. With \$24,000,000, Ronald Newman represented that Milestone Life Settlement Fund would purchase multiple insurance policies with a total death benefit amount of approximately \$40,000,000.

9. Milestone Life Settlement Fund further claimed that it would use the brokerage services of a national life insurance provider, thus allowing Milestone Life Settlement Fund to purchase policies from a broader population.

10. Additionally, Milestone Life Settlement Fund did not contemplate a minimum amount of capital that it needed to raise for the investment to proceed.

11. Although Milestone Life Settlement Fund did not establish a minimum amount of capital that it had to raise, in an offering document, Milestone Life Settlement Fund represented to investors that by raising \$24,000,000 and purchasing approximately \$40,000,000 worth of life insurance policies, the company projected the following revenue targets for years one through five:

Year 1	Year 2	Year 3	Year 4	Year 5
\$90,000	\$88,500	\$13,400,000	\$13,400,000	\$13,400,000

At another point in this same document, Milestone Life Settlement Fund projected that in year five, Milestone Life Settlement Fund would have a \$16,440,000 net profit. Milestone Life Settlement Fund failed to provide investors with the bases or assumptions underlying these projections.

12. Milestone Life Settlement Fund, however, was only able to raise approximately \$2,000,000, far short of the \$24,000,000 that it sought. Consequently, in 2011, Milestone Life Settlement Fund, purchased only three life settlement policies, the first on March 16, 2011, the second on July 25, 2011, and the third on September 26, 2011. Milestone Life Settlement Fund did not use the brokerage services of a national life insurance provider to purchase these policies. Instead, Ronald Newman negotiated the purchase of all three policies directly with the insured, after being introduced to the insured by Jeffrey Scott Hollingsworth. Jeffrey Scott Hollingsworth acted as the servicing agent for all three policies prior to their purchase by Milestone Life Settlement Fund. The total death benefit amount for these three policies is \$4,000,000, well below the \$40,000,000 worth of policies that Milestone Life Settlement Fund sought to purchase.

13. To date, at least one investor has received six monthly payments from either Milestone Life Settlement Fund or Milestone Multifamily Fund, although neither fund explained how it was able to make the payment. Ronald Newman plans to institute a "cash call" to raise additional money from investors to pay the \$190,000 worth of yearly premiums for the three policies that Milestone Life Settlement Fund owns. Milestone Life Settlement Fund has no plans to purchase additional life insurance policies until the three current policies pay off.

V.

1 Misrepresentations and Omissions in Connection with the Milestone Life Settlement Fund Offering

2 14. For the investment described above in paragraphs eight through thirteen, Respondents Ronald Newman,
3 Jeffrey Scott Hollingsworth, Milestone Life Settlement Fund, and Milestone Investments USA all failed to disclose the
4 risks associated with a less than fully subscribed offer, namely that without sufficient funds, Milestone Life Settlement
5 Fund could only purchase a small number of life insurance policies, thus leaving the company more vulnerable to the
6 risk that if an insured lives longer than expected, investors receive a diminished return on their investment and receive
7 their investment at a later date.

8 15. For the investment described above in paragraphs eight through thirteen, Respondents Ronald Newman,
9 Jeffrey Scott Hollingsworth, Milestone Life Settlement Fund, and Milestone Investments USA all failed to disclose to
10 investors the number of the life insurance policies that Milestone Life Settlement Fund had already purchased, as well
11 as the characteristics of the policies that Milestone Life Settlement Fund had already purchased, including but not
12 limited to the life-expectancy of the insured, the person that issued the life-expectancy of the insured, how the insured
13 life-expectancy was determined, whether the beneficiary could track the annual health of the insured, and how the
14 policy was purchased.

15 16. For the investment described above in paragraphs eight through thirteen, Respondents Ronald Newman,
16 Milestone Life Settlement Fund, and Milestone Investments USA all failed to disclose the risk that Milestone Life
17 Settlement Fund would require that investors provide the company with additional capital to pay the premiums on the
18 purchased policies once the money allocated for premium reserves was depleted.

19 17. For the investment described above in paragraphs eight through thirteen, Respondents Ronald Newman,
20 Milestone Life Settlement Fund, and Milestone Investments USA all falsely represented that Milestone Life Settlement
21 Fund would use a national life insurance provider to allow Milestone Life Settlement Fund to purchase policies from a
22 broader population, as Milestone Life Settlement Fund instead purchased life settlement policies directly from insured
23 clients of Jeffrey Scott Hollingsworth, who is not a national life insurance provider.

24 18. For the investment described above in paragraphs eight through thirteen, Respondents Ronald Newman,
25 Jeffrey Scott Hollingsworth, Milestone Life Settlement Fund, and Milestone Investments USA all failed to provide a
basis underlying their divergent representations about when the policies that Milestone Life Settlement Fund would
purchase would mature. These Respondents further failed to provide a basis underlying their claims that there was no
risk in investing in Milestone Life Settlement Fund and that investments in life insurance policies have higher annual
return and less risk than investing in the stock market.

VI.

Nature of the Milestone Multifamily Fund Offering

19. On March 8, 2011, Ronald Newman formed a limited liability company named Milestone Multifamily Fund for the purpose of developing, managing, and then selling rental properties. Milestone Multifamily Fund sought to raise \$50,000,000 by offering one unit in the company for every \$10,000 invested. With \$50,000,000, Milestone Multifamily Fund represented that the company would build apartment complexes in Tumwater, WA, and Burleson, Texas, and after five years, it would sell these apartment complexes for \$80,000,000 and pay investors with the profits of the sale.

20. Milestone Multifamily Fund did not did not contemplate a minimum amount of capital that it needed to raise for the investment to proceed, but in an offering document, Milestone Multifamily Fund represented to investors that based off the \$50,000,000 offering, it would achieve the following amounts of net operating income in years one through five:

Year 1	Year 2	Year 3	Year 4	Year 5
\$2,048,000	\$4,271,000	\$4,457,000	\$4,651,000	\$4,851,000

Elsewhere in the offering document, Milestone Multifamily Fund claimed that it and its associated companies have established unified revenue targets of \$3,020,000 for the first year, \$6,250,000 the second year, and \$6,500,000 in year three

21. Ultimately, Ronald Newman was only able to raise approximately \$2,500,000, far short of the \$50,000,000 that he sought to raise.

22. In presentations to investors, Ronald Newman claimed that investors could expect a 6% return on investment. In other discussions, Ronald Newman told one investor that an investment in Milestone Multifamily Fund would provide a 15% return on investment, and he represented to another investor that Milestone Multifamily Fund would pay the investor 15% interest per-year for five years.

23. At other parts of his presentation, Ronald Newman claimed that by investing, investors could expect “higher annual return with less risk” and “growth without the ups & downs of the stock market.” Ronald Newman went on to characterize an investment in Milestone Multifamily Fund as institutional grade. Furthermore, Jeffrey Scott Hollingsworth told at least one investor that no other investment would provide the investor with as high a return as an investment in Milestone Multifamily Fund. Jeffrey Scott Hollingsworth continued, telling this investor that an investment in Milestone Multifamily Fund was the best investment that the investor could find.

24. In offering materials provided to investors, Milestone Multifamily Fund used statistics for Seattle, Washington, and Dallas, Texas, to solicit investments in the company and to claim that the company would be investing in the top real estate markets in the country. However, Milestone Multifamily Fund failed to disclose the bases and assumptions underlying their comparisons of the Seattle, Washington, real estate market with the Tumwater,

1 Washington, real estate market, and the Dallas, Texas, real estate market with the Burleson, Texas, real estate market.
2 Additionally, Milestone Multifamily Fund cited to a 2010 survey noting the national demand for apartments, but
3 Milestone Multifamily Fund did not discuss the apartment demand in Tumwater and Burleson.

4 25. To date, at least one investor has received six monthly payments from either Milestone Life Settlement Fund
5 or Milestone Multifamily Fund, although neither fund explained how it was able to make the payment. Milestone
6 Multifamily Development planned to begin construction on an apartment complex in Tumwater, Washington in the
7 Spring of 2013, and it told investors that it developed an apartment complex in Pierce County, Washington.

8 VII.

9 Misrepresentations and Omissions in Connection with the Milestone Multifamily Fund Offering

10 26. For the investment described above in paragraphs nineteen through twenty-five, Respondents Ronald
11 Newman, Milestone Multifamily Fund, and Milestone Investments USA all failed to disclose the risks associated with
12 inadequate capitalization, including but not limited to Milestone Multifamily Fund's potential inability to purchase
13 land, develop an apartment complex, market the sale of units in the apartment complex, and manage the apartment
14 complex.

15 27. For the investment described above in paragraphs nineteen through twenty-five, Respondents Ronald
16 Newman, Milestone Multifamily Fund, and Milestone Investments USA all failed to disclose the basis for and
17 assumptions underlying the financial projections provided to investors, as well as the projection that the rental units
18 that Milestone Multifamily Fund was to develop would sell for \$80,000,000.

19 28. For the investment described above in paragraphs nineteen through twenty-five, the Respondents collectively
20 failed to disclose the basis and assumptions underlying their specific claims about the safety and quality of an
21 investment in Milestone Multifamily Fund.

22 VIII.

23 Registration Status

24 29. Milestone Life Settlement Fund and Milestone Multifamily Fund are not currently registered to sell securities
25 in Washington and have not previously been so registered.

30. Milestone Investments USA and Ronald Newman are not currently registered as securities salespersons or
broker-dealers in Washington and have not previously been so registered. Jeffrey Scott Hollingsworth was previously
registered as a securities salesperson or broker-dealer through April 15, 2011, but he has not been registered since.

1
2 **IX.**

3 Failure to Comply with Regulation D, Rule 506

4 31. Milestone Life Settlement Fund claimed an exemption from registration for its offering under Regulation D,
5 Rule 506. Ronald Newman Filed the Notice of Exempt Offering of Securities with the Director on July 07, 2011.

6 32. Milestone Multifamily Fund claimed an exemption from registration for its offering under Regulation D, Rule
7 506. Ronald Newman Filed the Notice of Exempt Offering of Securities with the Director on July 07, 2011.

8 33. At the time of these filings, Regulation D, Rule 506 prohibited an issuer or any person acting on behalf of an
9 issuer to offer or sell securities by any form of general solicitation. The solicitation of securities through
10 <http://themilestonecompanies.com> and <http://milefund.com> violated the general solicitation and general advertising
11 provisions of Regulation D, Rule 506.

12 **X.**

13 Other Actions

14 34. Jeffrey Scott Hollingsworth was previously registered with a Financial Industry Regulatory Authority
15 (FINRA) member. On July 8, 2011, FINRA suspended Jeffrey Scott Hollingsworth indefinitely for failing to comply
16 with an arbitration award or settlement agreement, and for failing to satisfactorily respond to a FINRA request to
17 provide information concerning the status of compliance with the arbitration award or settlement agreement. Jeffrey
18 Scott Hollingsworth has a Central Registration Depository number of 1496508.

19 35. On December 5, 2011, the Washington Office of the Insurance Commissioner (OIC) revoked the nonresident
20 insurance producer's license of Jeffrey Scott Hollingsworth for failing to report his July 2011 FINRA suspension, for
21 failing to advise OIC of a change of mailing address, and for failing to respond to three inquiries from OIC.

22 36. Jeffrey Scott Hollingsworth entered into a consent order with FINRA, in which FINRA suspended Jeffrey
23 Scott Hollingsworth for one year beginning December 7, 2012, for engaging in unrelated private securities
24 transactions, from March 2009 until April 2010, without providing prior written notice to, or obtaining written approval
25 from, his member firm.

37. For the investments described above, the Respondents collectively failed to disclose to certain investors that
Jeffrey Scott Hollingsworth had failed to comply with an arbitration award, that FINRA was investigating and then
suspended Jeffrey Scott Hollingsworth, and that OIC was investigating and then revoked Jeffrey Scott Hollingsworth's
insurance license. Respondents Ronald Newman, Milestone Investments USA, Milestone Life Settlement Fund, and

1 Milestone Multifamily Fund also all failed to disclose to at least one investor that Ronald Newman had previously filed
2 for bankruptcy.

3 Based upon the above Findings of Fact, the following Conclusions of Law are made:

4 **CONCLUSIONS OF LAW**

5 1. The offer or sale of interests in a limited liability company as described above constitute the offer and sale of a
6 security as defined in RCW 21.20.005(14) and (17).

7 2. The offer and sale of these securities is in violation of RCW 21.20.140 because no registration for such an
8 offer and sale is on file with the state of Washington Securities Administrator, and no valid claim of exemption under
9 WAC 460-44A-506 exists.

10 3. Respondent, Jeffrey Scott Hollingsworth, violated 21.20.040 by offering and selling securities while not
11 registered as securities salespersons in the state of Washington.

12 4. The offer and sale of said securities were in violation of RCW 21.20.010 because, as described above,
13 Respondent, Jeffrey Scott Hollingsworth, made untrue statements of material fact or omitted to state material facts
14 necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

15 5. Jeffrey Scott Hollingsworth was the subject of an order by OIC revoking his nonresident insurance producer's
16 license because he violated Washington insurance laws. The finding by OIC is grounds for a fine, costs, and denial of
17 any future securities registration applications pursuant to RCW 21.20.110(1)(f).

18 6. Jeffrey Scott Hollingsworth violated FINRA rules by failing to comply with an arbitration award or settlement
19 agreement, for failing to satisfactorily respond to a FINRA request to provide information concerning the status of
20 compliance with the arbitration award or settlement agreement, and for engaging in private securities transactions
21 without providing prior written notice to, or obtaining written approval from, his member firm. The failure to comply
22 with ethical standards promulgated by a self-regulatory organization is a dishonest or unethical practice as described
23 by WAC 460-22B-090(19), and is grounds for a fine, costs, and denial of any future securities registration application
24 pursuant to RCW 21.20.110(1)(g). Additionally, Jeffrey Scott Hollingsworth's suspension by FINRA, a self-regulatory
25 organization, is grounds for a fine and denial of any future securities registration applications pursuant to RCW
21.20.110(e)(iii).

22 **CONSENT ORDER**

23 Based upon the foregoing and finding it in the public interest:

24 IT IS AGREED AND ORDERED that Respondent, Jeffrey Scott Hollingsworth, shall cease and desist from
25 violating RCW 21.20.140, the securities registration section of the Securities Act of Washington.

1 IT IS AGREED AND ORDERED that Respondent, Jeffrey Scott Hollingsworth, shall cease and desist from
2 violating RCW 21.20.040, the section of the Securities Act of Washington requiring registration of securities
3 salespersons and broker-dealers.

4 IT IS FURTHER AGREED AND ORDERED that Respondent, Jeffrey Scott Hollingsworth, shall cease and
5 desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondent, Jeffrey Scott Hollingsworth, shall pay the
7 Securities Division of the Department of Financial Institutions the costs and other expenses incurred in this
8 investigation of this matter in the amount of \$800.

9 IT IS FURTHER AGREED AND ORDERED that Respondent, Jeffrey Scott Hollingsworth, shall pay the
10 Securities Division of the Department of Financial Institutions a fine in the amount of \$500.

11 IT IS FURTHER AGREED AND ORDERED that the payment of these costs and fines as describe above
12 shall be made as follows: Respondent, Jeffrey Scott Hollingsworth, shall pay the Securities Division of the
13 Department of Financial Institutions \$800 on or before the entry of this Consent Order. For the balance of these costs
14 and fines, Respondent, Jeffrey Scott Hollingsworth, shall pay the Securities Division of the Department of Financial
15 Institutions \$500 by the close of business on April 3, 2015.

16 IT IS FURTHER AGREED that if Respondent, Jeffrey Scott Hollingsworth, fails to make any monthly
17 payment, the \$500 in fines shall become immediately due and payable, and the Securities Division of the Department
18 of Financial Institutions may seek enforcement of this Consent Order pursuant to RCW 21.20.395.

19 IT IS FURTHER AGREED that Jeffrey Scott Hollingsworth, voluntarily, will not apply to register as a
20 broker-dealer, securities salesperson, investment adviser, or investment adviser representative in the state of
21 Washington.

22 IT IS FURTHER AGREED that the Securities Division of the Department of Financial Institutions has
23 jurisdiction to enter this Consent Order.

24 IT IS FURTHER AGREED that Respondent, Jeffrey Scott Hollingsworth, entered into this Consent Order
25 freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, Jeffrey Scott Hollingsworth,
waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05
RCW.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this ___19th___ day of _____ March _____ 2015.

