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California Man Receives 10 Year Sentence Following Guilty Plea in South Carolina to Fraud Conspiracy

Masterminded \$300 Million Ponzi Scheme Targeting Retirees and Military Pension Holders

Judge Bruce Hendricks of the U.S. District Court for the District of South Carolina sentenced a California man today to 10 years in prison for his role as the ringleader of a nationwide Ponzi scheme that exploited military veterans in desperate financial straits and targeted elderly investors seeking a safe retirement investment.

Scott Kohn, 68, of Newport, California, ran a corporation called Future Income Payments LLC (FIP), formerly known as Pensions, Annuities, and Settlements LLC. From April 2011 until April 2018, Kohn and his co-conspirators used FIP as a vehicle for a nationwide Ponzi scheme.

Kohn and his co-conspirators solicited pensioners experiencing financial distress, most of whom were military veterans, by offering an upfront lump-sum payment in exchange for an assignment of the rights to their monthly pensions and disability payments. Even though the assignment transactions were characterized as “sales,” they were, in fact, usurious loans with annual interest rates of as much as 240%.

Kohn and his co-conspirators – working through a network of hundreds of financial advisors and insurance agents nationwide – then solicited thousands of seniors to purchase FIP’s “structured cash flows,” which were the pensioners’ monthly pension payments. Kohn and his co-conspirators induced these seniors to invest their retirement savings with FIP by making false assurances of a significant rate of return on their investment, concealing the usurious nature of FIP’s transactions with the pensioners and lying about the financial health of the corporation.

During the seven years the scheme operated, Kohn drew upon FIP funds to live a lavish lifestyle. When the Ponzi scheme ultimately collapsed, Kohn and his co-conspirators had caused more than \$310 million in losses to more than 2,500 retirees and had placed more than 13,000 veterans into exploitative loans.

“The elaborate Ponzi scheme orchestrated by Kohn and his co-conspirators preyed upon both military veterans experiencing financial hardship and retirees hoping to protect their life savings,” said Principal Deputy Assistant Attorney General Brian Boynton, head of the Justice Department’s Civil Division. “The department is committed to protecting our military community and America’s seniors from fraud and abuse.”

“Kohn and his co-conspirators reached across the country to steal from veterans and seniors who desperately needed their money,” said U.S. Attorney Adair F. Boroughs for the District of South Carolina. “These hundreds of millions in losses will reverberate through the victims’ lives long after the defendants serve well-deserved federal prison sentences. This office works tirelessly to protect the people of South Carolina, especially our most loyal and most vulnerable citizens. I appreciate the work of our federal partners and our partners at DOJ for making this prosecution a success.”

"Kohn's actions resulted in devastating consequences for the thousands of seniors and veterans who entrusted him with their money," said Special Agent in Charge Susan Ferencic of the FBI Columbia Field Office. "We are pleased that he acknowledged his crimes, and that justice will be served."

In addition to a prison term, Judge Hendricks ordered Kohn to forfeit \$297 million and be placed on supervised release for a period of three years after completing his prison term.

Four other defendants previously pleaded guilty to conspiracy for their roles in this scheme. Kraig S. Aiken, 53, of Rancho Santa Margarita, California, pleaded guilty on Nov. 20, 2019. David N. Kenneally, 59, of Greenville, South Carolina, pleaded guilty on July 22, 2020. Melanie Jo Schulze-Miller, 40, of Peoria, Arizona, pleaded guilty on Dec. 11, 2020. Joseph P. Hipp, 52, of St. Louis, Missouri, pleaded guilty on Dec. 21, 2021. Sentencing hearings have not yet been set for these co-conspirators.

Assistant U.S. Attorney William Watkins for the District of South Carolina and Trial Attorneys Ehren Reynolds and Yolanda McCray Jones of the Civil Division's Consumer Protection Branch prosecuted the case.

The FBI investigated the case with assistance from the Veterans Benefits Administration's Benefits Protection and Remediation Division and the Defense Finance Accounting Service. Resources from the Justice Department's Servicemembers and Veterans Initiative and the Transnational Elder Fraud Strike Force aided in the investigation and prosecution.

The department's extensive and broad-based efforts to combat elder fraud seeks to halt the widespread losses seniors suffer from fraud schemes. The best method for prevention, however, is by sharing information about the various types of elder fraud schemes with relatives, friends, neighbors and other seniors who can use that information to protect themselves.

If you or someone you know is age 60 or older and has been a victim of financial fraud, help is available at the National Elder Fraud Hotline: 1-833-FRAUD-11 (1-833-372-8311). This Department of Justice hotline, managed by the Office for Victims of Crime, is staffed by experienced professionals who provide personalized support to callers by assessing the needs of the victim and identifying relevant next steps. Case managers will identify appropriate reporting agencies, provide information to callers to assist them in reporting, connect callers directly with appropriate agencies and provide resources and referrals, on a case-by-case basis. Reporting is the first step. Reporting can help authorities identify those who commit fraud, and reporting certain financial losses due to fraud as soon as possible can increase the likelihood of recovering losses. The hotline is open Monday through Friday from 10:00 a.m. to 6:00 p.m. ET. English, Spanish and other languages are available.

Additional information about the Consumer Protection Branch and its enforcement efforts may be found at www.justice.gov/civil/consumer-protection-branch. Information about the Department of Justice's Elder Fraud Initiative is available at www.justice.gov/elderjustice. For more information on the Servicemembers and Veterans Initiative, or to file a complaint, visit <https://www.justice.gov/servicemembers>. For more information about the U.S. Attorney's Office for the South Carolina, visit its website at <https://www.justice.gov/usao-sc>.

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