

IN THE DISTRICT COURT OF THE UNITED STATES  
FOR THE DISTRICT OF SOUTH CAROLINA  
GREENVILLE DIVISION

UNITED STATES OF AMERICA	)	CR. NO. <u>6:19-239</u>
	)	18 U.S.C. § 1349
	)	18 U.S.C. § 1343
vs.	)	18 U.S.C. § 981(a)(1)(C)
	)	28 U.S.C. § 2461(c)
	)	
SCOTT A. KOHN	)	
FUTURE INCOME PAYMENTS, LLC	)	
JOSEPH P. HIPPI	)	
MELANIE JO SCHULZE-MILLER	)	SECOND SUPERSEDING INDICTMENT

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RECEIVED  
USDC CLERK, GREENVILLE, SC

COUNT 1

THE GRAND JURY CHARGES:

1. That beginning in or about April 2011 and continuing up and to the date of this Second Superseding Indictment, in the District of South Carolina and elsewhere, the Defendants, SCOTT A. KOHN, FUTURE INCOME PAYMENTS, LLC, and JOSEPH P. HIPPI (hereafter "FIP Defendants") did knowingly and willfully combine, conspire, confederate, agree and have a tacit understanding with each other and with others known and unknown to the Grand Jury, to devise and execute a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, and during such period, in the course of executing said scheme and artifice

a. transmitted and caused to be transmitted in interstate commerce, wire communications, including writings, signs, signals, pictures, and sounds, for the purpose of executing the scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1343; and

b. deposited and caused to be deposited any matter and thing whatever to be sent or

delivered by the United States Postal Service and any private and commercial interstate carrier, for the purpose of executing the scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1341.

THE SCHEME AND ARTIFICE

2. Future Income Payments, LLC (“FIP”), formerly known as Pensions, Annuities, and Settlements, LLC (“PAS”), is fully owned and controlled by SCOTT A. KOHN. PAS was formed on April 13, 2011.

3. During the course of the conspiracy:

- a. JOSEPH P. HIPPI managed and oversaw investor solicitations for FIP products.
- b. Kraig S. Aiken, a co-conspirator charged elsewhere, served as the controller and later Chief Financial Officer for FIP.
- c. David N. Kenneally, a co-conspirator charged elsewhere, served as Chief Financial Officer for FIP prior to Kraig S. Aiken assuming this responsibility.

4. FIP actively recruited pension holders (described as “sellers” in FIP nomenclature) who found themselves in acute financial distress and were desperate for money. In exchange for the pensioner selling, assigning, or promising to pay monthly pension payments to FIP, the pensioner received a lump sum payment or loan. The adjusted annual percentage rate on these transactions often exceeded 100 percent.

5. The consumer protection authorities of various states have forbidden FIP from doing business in their states based on findings that the transactions with the pensioners lacked the features of a sale, and /or were instead more accurately described as usurious loans, and/or were offered by an unlicensed entity.

6. Many of the pension holders targeted by FIP were veterans of the United States Armed Forces. Federal law prohibits assignment of such pension payments under 38 U.S.C. § 5301.

7. Working through a network of investment advisors and insurance agents, FIP solicited investors (described as “buyers” in FIP nomenclature) to purchase “structured cash flows” (i.e., pensioner monthly pension payments). FIP represented that its structured cash flows would provide higher rates of return than traditional fixed income products. It further represented that the investors would receive a consistent and predictable income. FIP allowed investors to use nonqualified or qualified (i.e., IRA/ROTH) funds and promised a rate of return of between 6.5 percent and 8 percent based on the term and source of pension funds.

8. In written contracts and oral presentations and in an effort to induce investors to purchase structured cash flows, FIP represented that it had established, and adequately funded, short- and long-term reserve accounts to mitigate the risk of default by pension holders. In fact, during the course of the conspiracy these accounts were either non-existent or so inadequately funded as to render them a sham.

9. FIP took active steps to conceal from investors the usurious/unduly burdensome nature of its transactions with pension holders to induce investors to purchase the structured cash flows.

10. As state regulators began prohibiting FIP from operating in various states and pensioners struggled under a usurious payment regime imposed on them, FIP diverted new investor funds flowing into the business to fund payments to earlier investors to keep the scheme and artifice operational. In this manner, the investment program operated by FIP was a “Ponzi

scheme.”

11. During the course of the conspiracy, FIP used the United States mails to solicit Buyers/Investors and caused investors to transfer millions of dollars via interstate wire communications.

12. During the course of the conspiracy, the FIP Defendants were aware of and/or actively participated in misrepresentations or the concealment of material information from investors and other entities, including, but not limited to the following:

- a. the existence and/or sham funding of FIP reserve accounts;
- b. equating a captive insurance company, which disregarded statutory compliance measures required of a regulated entity, with a reserve fund;
- c. the operation of a Ponzi scheme;
- d. the usurious/unduly burdensome nature of FIP transactions with pension holders;
- e. the small size of the lump sum that the sellers received as opposed to the large amount of their repayment;
- f. mischaracterizing that state regulatory investigations were unlikely to result in “any punitive actions against us”;
- g. the alleged backing of the FIP program by the FDIC and/or other government insurance;
- h. the alleged imprimatur of the federal government on the FIP business model;
- i. the alleged fact that FIP was operational in all 50 states;
- j. SCOTT A. KOHN’s prior felony conviction; and
- k. Casting the blame for FIP’s demise on state and federal regulators rather than

misrepresented and concealed information.

13. The operation of the scheme and artifice surrounding FIP allowed the FIP Defendants to live lavish lifestyles.

14. When FIP ceased doing business in and around April 2018, investors who had been induced to purchase structured cash flows based on active concealment and misrepresentation of material information were owed approximately \$310 million.

All in violation of Title 18, United States Code, Section 1349.

COUNTS 2-13

15. The allegations of paragraphs 2-14 are incorporated by reference herein.

16. On each of the dates reflected below, in the District of South Carolina and elsewhere, the defendants listed below, aiding and abetting each other, for the purpose of executing the scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, as described above, did transmit and cause to be transmitted in interstate commerce by means of a wire communication, certain signals, writings, and sounds, that is agent compensation payments related to the FIP investment as further set forth below:

<b>Count</b>	<b>Defendants</b>	<b>Date</b>	<b>Description</b>
2	SCOTT A. KOHN JOSEPH P. HIPPI	9/15/2016	\$16,919.40 ACH payment from Missouri to South Carolina
3	SCOTT A. KOHN JOSEPH P. HIPPI	9/29/2016	\$16,997.40 ACH payment from Missouri to South Carolina
4	SCOTT A. KOHN JOSEPH P. HIPPI	8/2/2017	\$21,823.92 ACH payment from Missouri to South Carolina
5	SCOTT A. KOHN JOSEPH P. HIPPI	9/7/2017	\$25,512.20 ACH payment from Missouri to South Carolina
6	SCOTT A. KOHN JOSEPH P. HIPPI	9/28/2017	\$23,198.70 ACH payment from Missouri to South Carolina

7	SCOTT A. KOHN JOSEPH P. HIPPI	7/20/2016	\$8,280.00 ACH payment from Missouri to South Carolina
8	SCOTT A. KOHN JOSEPH P. HIPPI	10/20/2016	\$4,800.00 ACH payment from Missouri to South Carolina
9	SCOTT A. KOHN JOSEPH P. HIPPI	8/24/2016	\$4,660.95 ACH payment from Missouri to South Carolina
10	SCOTT A. KOHN JOSEPH P. HIPPI	12/5/2016	\$4,369.18 ACH payment from Missouri to South Carolina
11	SCOTT A. KOHN JOSEPH P. HIPPI	11/30/2016	\$1,083.76 ACH payment from Missouri to South Carolina
12	SCOTT A. KOHN JOSEPH P. HIPPI	3/31/2017	\$1,783.65 ACH payment from Missouri to South Carolina
13	SCOTT A. KOHN JOSEPH P. HIPPI	3/21/2017	\$4,154.25 ACH payment from Missouri to South Carolina

In violation of Title 18, United States Code, Section 1343.

COUNT 14

THE GRAND JURY FURTHER CHARGES:

17. That beginning in or about May 2016 and continuing up and to the date of this Second Superseding Indictment, in the District of South Carolina and elsewhere, the Defendant, MELANIE JO SCHULZE-MILLER, did knowingly and willfully combine, conspire, confederate, agree and have a tacit understanding with others known and unknown to the Grand Jury, to devise and execute a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations, and promises, and during such period, in the course of executing said scheme and artifice

a. transmitted and caused to be transmitted in interstate commerce, wire communications, including writings, signs, signals, pictures, and sounds, for the purpose of executing the scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1343; and

b. deposited and caused to be deposited any matter and thing whatever to be sent or delivered by the United States Postal Service and any private and commercial interstate carrier, for the purpose of executing the scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1341.

THE SCHEME AND ARTIFICE

18. The allegations of paragraphs 2-14 are incorporated by reference herein.

19. MELANIE JO SCHULZE-MILLER worked as a sales broker and encouraged investors to use the FIP product to purchase Indexed Universal Life Insurance (“IUL”) policies through Minnesota Life Insurance Company and other entities. MELANIE JO SCHULZE-MILLER characterized these IUL purchases with FIP money as a way for investors to “reboot” their traditional Individual Retirement Accounts and as a way to turn taxable funds into non-taxable funds.

20. In the course of encouraging financial advisors and investors to purchase IUL policies, MELANIE JO SCHULZE-MILLER:

- a. Instructed the financial advisors to falsify information on the insurance applications regarding the source of funds;
- b. Instructed the financial advisors to use a circuitous method to pay IUL premiums to hide from the insurance companies the true source of the funds;
- c. Falsified information on insurance applications received from the financial advisors so the investors could qualify for IUL policies;
- d. Falsely represented that FIP had been cleared from allegations of predatory practices in multiple state investigations; and

- e. Falsely represented that the FIP program was backed by the FDIC and/or other government entities.

All in violation of Title 18, United States Code, Section 1349.

COUNTS 15-34

21. The allegations of paragraphs 18-20 are incorporated by reference herein.

22. On each of the dates reflected below, in the District of South Carolina and elsewhere, the defendant listed below, aided and abetted by persons known and unknown to the grand jury, for the purpose of executing the scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, as described above, did transmit and cause to be transmitted in interstate commerce by means of a wire communication, certain signals, writings, and sounds, that is disbursements from the FIP investment for the purpose of paying IUL premiums as further set forth below:

<b>Count</b>	<b>Defendant</b>	<b>Date</b>	<b>Description</b>
15	MELANIE JO SCHULZE-MILLER	10/4/2017	\$30,000.00 ACH payment from Texas to South Carolina
16	MELANIE JO SCHULZE-MILLER	4/14/2017	\$53,000.00 ACH payment from Texas to South Carolina
17	MELANIE JO SCHULZE-MILLER	6/1/2017	\$32,000.00 ACH payment from Texas to South Carolina
18	MELANIE JO SCHULZE-MILLER	4/5/2017	\$62,000.00 ACH payment from Texas to South Carolina
19	MELANIE JO SCHULZE-MILLER	7/27/2017	\$120,000.00 ACH payment from Texas to South Carolina
20	MELANIE JO SCHULZE-MILLER	5/15/2017	\$22,000.00 ACH payment from Texas to South Carolina
21	MELANIE JO SCHULZE-MILLER	4/6/2017	\$62,000.00 ACH payment from Texas to South Carolina
22	MELANIE JO SCHULZE-MILLER	8/14/2017	\$43,000.00 ACH payment from Texas to South Carolina



23	MELANIE JO SCHULZE-MILLER	9/13/2016	\$30,000.00 ACH payment from Texas to South Carolina
24	MELANIE JO SCHULZE-MILLER	7/25/2017	\$27,000.00 ACH payment from Texas to South Carolina
25	MELANIE JO SCHULZE-MILLER	1/10/2017	\$11,700.00 ACH payment from Texas to South Carolina
26	MELANIE JO SCHULZE-MILLER	7/31/2017	\$20,000.00 ACH payment from Texas to South Carolina
27	MELANIE JO SCHULZE-MILLER	1/6/2017	\$15,700.00 ACH payment from Texas to South Carolina
28	MELANIE JO SCHULZE-MILLER	1/18/2017	\$59,935.00 ACH payment from Texas to South Carolina
29	MELANIE JO SCHULZE-MILLER	9/7/2016	\$75,000.00 ACH payment from Texas to South Carolina
30	MELANIE JO SCHULZE-MILLER	4/6/2017	\$10,300.00 ACH payment from Texas to South Carolina
31	MELANIE JO SCHULZE-MILLER	2/22/2017	\$28,935.00 ACH payment from Texas to South Carolina
32	MELANIE JO SCHULZE-MILLER	1/25/2017	\$31,000.00 ACH payment from Texas to South Carolina
33	MELANIE JO SCHULZE-MILLER	7/25/2017	\$50,000.00 ACH payment from Texas to South Carolina
34	MELANIE JO SCHULZE-MILLER	7/19/2016	\$43,000.00 ACH payment from Texas to South Carolina

In violation of Title 18, United States Code, Section 1343.

**FORFEITURE**

**FRAUD/CONSPIRACY:**

Upon conviction to violate Title 18, United States Code, Sections 1341, 1343 and 1349 as charged in this Second Superseding Indictment, the Defendants, SCOTT KOHN, FUTURE INCOME PAYMENTS, LLC, JOSEPH P. HIPPI, and MELANIE JO SCHULZE-MILLER, shall forfeit to the United States, any property, real or personal, which constitutes or is derived from proceeds traceable to such property.

**PROPERTY:**

Pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), the property subject to forfeiture includes, but is not limited to, the following:

**Forfeiture Judgment/Proceeds:**

A sum of money equal to all proceeds the Defendants obtained directly or indirectly as the result of the offenses charged in this Second Superseding Indictment, that is, a minimum of \$297,129,921.77 and all interest and proceeds traceable thereto, and/or that such sum equals all property derived from or traceable to their violation of 18 U.S.C. §§ 1341, 1343 and 1349.

**Insurance Policies:**

- A. \$110,112.52 in funds from Minnesota Life Insurance Policy Number 2761338W in the name of Joseph P. Hipp and Beth M. Hipp  
Asset ID: 19-FBI-000909
- B. \$249,729.66 in funds from Jefferson National Life Insurance Company The Hipp 2013 Irrevocable Trust Account # 4686431  
Asset ID: 19-FBI-001085

Bank Accounts:

- A. \$1,374,193.70 in funds from JP Morgan Chase  
Bank account numbers x8020 and x5605  
In the name of: Pink Wasabe  
Seized from: Scott Kohn - Pink Wasabe  
Asset ID: 19-FBI-002205
- B. \$3,844.48 in funds seized from Wells Fargo account number x7364  
In the name of: Car Champs Finance, LLC  
Seized from: Scott Kohn  
Asset ID: 19-FBI-001626
- C. \$479.87 in funds from Wells Fargo account number x1571  
In the name of: Investors Choice Commercial Leasing  
Seized from: Scott Kohn  
Asset ID: 19-FBI-001452
- D. \$15,541.34 in funds from Wells Fargo account # x8268  
In the name of: Veterans Rideshare  
Seized from: Scott Kohn  
Asset ID: 19-FBI-001451
- E. \$142.88 in funds from Bank of Nevada / Western Alliance  
Bank account number x5007  
In the name of: Leckwith Woods LLC, Scott Kohn  
Seized from: Scott Kohn  
Asset ID: 19-FBI-000065
- F. \$86,330.32 in funds from TD Ameritrade account number x3124  
In the name of Joseph P. Hipp and The Hipp 2013 Irrevocable Trust  
Seized from: Joseph P. Hipp  
Asset ID: 19-FBI-001230
- G. \$17,250.54 in funds from TD Ameritrade account number x5146  
In the name of Joseph P. Hipp and The Hipp 2013 Irrevocable Trust  
Seized from: Joseph P. Hipp  
Asset ID: 19-FBI-001229
- H. \$79,962.16 in funds from TD Ameritrade account number x0302  
In the name of Joseph P. Hipp and The 2013 Hipp Irrevocable Trust  
Seized from: Joseph P. Hipp  
Asset ID: 19-FBI-000066

- I. \$34,172.03 in funds from JP Morgan Chase Bank, Account x1456  
In the names of: Melanie Jo Schulze-Miller and Ryan A. Miller  
Seizure Date: 5/30/19  
Asset ID: 19-FBI-004883
  
- J. \$145,093.64 in funds from Fidelity Investment Account Number x7615  
In the name of Softwind Three Limited Partnership / Melanie Jo Schulze-Miller and Ryan Miller  
Asset ID: 19-FBI-000067

Cash/United States Currency:

\$2,880.00 in United States Currency  
Seized from: Scott Kohn  
Asset ID: 20-FBI-000152

Cashier's Checks:

\$220.05 in funds from three cashier's checks in Fidelity Investment Account number x7615  
In the name of in the name of Softwind Three Limited Partnership / Melanie Jo Schulze-Miller and Ryan Miller  
Seized from: Melanie Jo Schulze-Miller and Ryan Miller  
Asset ID: 19-FBI-001625

Artwork:

Miscellaneous Artwork  
Seized from: Susan Kohn  
Asset ID: 19-FBI-004486

Vehicle:

2017 Infiniti QX80  
VIN: JN8AZ2ND7H9831184  
Seized from: Melanie Jo Schulze-Miller  
Asset ID: 19-FBI-002392

Real Properties:

- A. 1237 Palisades Circle  
Heber Springs, AR 72543  
Cleburne County, AR

Titled to: The Hipp 2013 Irrevocable Trust  
TMS: 300-02064-00  
Asset ID: 19-FBI-001823

- B. 1686 Mason Knoll Court  
St. Louis County, MO  
Saint Louis, MO 63131  
Titled to: Joseph P. Hipp, Beth M. Hipp, and  
The Hipp 2013 Irrevocable Trust  
Assessor's Parcel: 21P-33-0181  
Asset ID: 20-FBI-002968
  
- C. 151 Gamay Circle  
Yountville, CA 94599  
Napa County, CA  
Titled to: Francine Kohn  
TMS: 910-010-661-000
  
- D. 7282 West Softwind Drive  
Peoria, AZ 85383  
Titled to: Softwind Three Trust  
TMS: 201-13-094

SUBSTITUTE ASSETS

If any of the property described above, as a result of any act or omission of the  
Defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty.

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1),  
[incorporating Title 21, United States Code, Section 853(p)], to seek forfeiture of any other  
property of the said Defendants up to the value of the above forfeitable property.

Pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States

Code, Section 2461(c).

A TRUE Bill



FOREPERSON

A handwritten signature in black ink, appearing to read "P. M. McCoy, Jr. for".

PETER M. MCCOY, JR. (WJW/jl)  
UNITED STATES ATTORNEY