

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



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Texas State Securities Board

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MEMBER

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E. WALLY KINNEY
MEMBER

IN THE MATTER OF
THE STAMFORD GROUP, INC.;
STAMFORD PORTFOLIO MANAGEMENT, LLC;
STAMFORD GROUP 2004C, LLC;
DEBORAH A. WILCOX; KEITH HOLCOMBE;
DAVID R. JUNG; RHINO FINANCIAL, INC.;
AND DONALD J. BRUMFIELD

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§
§
§ Order No. **ENF-09-CDO-1671**
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§
§

TO: The Stamford Group, Inc.
19200 Von Karman Avenue, Suite 400
Irvine, California 92612
and
5 Hutton Center Drive
Penthouse Suite 1400
Santa Ana, California 92707
and
101 Convention Center Drive, Suite 700
Las Vegas, Nevada 89126
and
P.O. Box 27740
Las Vegas, Nevada 89126

Deborah A. Wilcox
19200 Von Karman Avenue, Suite 400
Irvine, California 92612
and
5 Hutton Center Drive
Penthouse Suite 1400
Santa Ana, California 92707
and
101 Convention Center Drive, Suite 700
Las Vegas, Nevada 89126
and
P.O. Box 27740
Las Vegas, Nevada 89126

Keith Holcombe
19200 Von Karman Avenue, Suite 400
Irvine, California 92612
and
5 Hutton Center Drive
Penthouse Suite 1400
Santa Ana, California 92707
and
101 Convention Center Drive, Suite 700
Las Vegas, Nevada 89126
and
P.O. Box 27740
Las Vegas, Nevada 89126

David R. Jung
19200 Von Karman Avenue, Suite 400
Irvine, California 92612
and
5 Hutton Center Drive
Penthouse Suite 1400
Santa Ana, California 92707
and
101 Convention Center Drive, Suite 700
Las Vegas, Nevada 89126
and
P.O. Box 27740
Las Vegas, Nevada 89126

Stamford Portfolio Management, LLC
5 Hutton Center Drive, Suite 1400
Santa Ana, California 92707

Stamford Group 2004C, LLC
5 Hutton Center Drive, Suite 1400
Santa Ana, California 92707

Rhino Financial, Inc.
14619 Running Arabian Lane
Houston, Texas 77044

Donald J. Brumfield
14619 Running Arabian Lane
Houston, Texas 77044

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2008) ("Texas Securities Act").

The Staff of the Enforcement Division (the "Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. The Stamford Group, Inc. ("Respondent Stamford Group") purports to be a privately held company that specializes in financial research and investment design in the senior life settlement industry. Respondent Stamford Group maintains last known business addresses at 19200 Von Karman Avenue, Suite 400, Irvine, California 92612; 5 Hutton Center Drive, Penthouse Suite 1400, Santa Ana, California 92707; 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89126 and P.O. Box 27740, Las Vegas, Nevada 89126.
2. Stamford Group 2004C, LLC ("Respondent SG2004C") was created for the purpose of acquiring and holding a pool of senior life settlement policies. Respondent SG2004C maintains a last known business address at 5 Hutton Center Drive, Suite 1400, Santa Ana, California 92707.
3. Stamford Portfolio Management, LLC ("Respondent Stamford PM") is the managing member, manager, and the only Class II member of Respondent SG2004C. Respondent Stamford PM maintains a last known business address at 5 Hutton Center Drive, Suite 1400, Santa Ana, California 92707.
4. Deborah A. Wilcox ("Respondent Wilcox") is a Director, the Chief Executive Officer and the President of Respondent Stamford Group, and is the agent for service of process for Respondents SG2004C and Stamford PM. Respondent Wilcox maintains last known business addresses at 19200 Von Karman Avenue, Suite 400, Irvine, California 92612; 5 Hutton Center Drive, Penthouse Suite 1400, Santa Ana, California 92707; 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89126 and P.O. Box 27740, Las Vegas, Nevada 89126.

5. David R. Jung ("Respondent Jung") is the Vice President of Business Development and Agency Sales for Respondent Stamford Group. Respondent Jung maintains last known business addresses at 19200 Von Karman Avenue, Suite 400, Irvine, California 92612; 5 Hutton Center Drive, Penthouse Suite 1400, Santa Ana, California 92707; 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89126 and P.O. Box 27740, Las Vegas, Nevada 89126.
6. Keith Holcombe ("Respondent Holcombe") is a Certified Public Accountant and the Chief Financial Officer for Respondent Stamford Group. Respondent Holcombe maintains last known business addresses at 19200 Von Karman Avenue, Suite 400, Irvine, California 92612; 5 Hutton Center Drive, Penthouse Suite 1400, Santa Ana, California 92707; 101 Convention Center Drive, Suite 700, Las Vegas, Nevada 89126 and P.O. Box 27740, Las Vegas, Nevada 89126.
7. Rhino Financial, Inc. ("Respondent Rhino Financial") purports to be the "marketing arm" of Respondent Stamford Group. Respondent Rhino Financial maintains a last known business address at 14619 Running Arabian Lane, Houston, Texas 77044.
8. Donald J. Brumfield ("Respondent Brumfield") is a Director, the Chief Executive Officer and the President of Respondent Rhino Financial. Respondent Brumfield maintains a last known business address at 14619 Running Arabian Lane, Houston, Texas 77044.
9. Respondents are offering Class I membership interests in Respondent SG2004C in Texas. Investors are required to purchase a minimum investment of one Class I membership interest for \$50,000.00. The offering commenced in or around January 2006 and involves an aggregate offering of 1,000 Class I membership interests with a maximum offering amount of \$50,000,000.00.
10. Respondents are representing that the investment involves the management of a portfolio of senior life settlements, and they are describing it as follows:
 - A. Investor funds are being used to purchase a portfolio of senior life settlement policies. Investors are told that they will receive preferred distributions in an amount equal to their original capital investment plus a twelve percent annual cumulative non-compounded return on their capital investment, with the potential for additional returns from the proceeds of death benefits derived from matured life settlement policies in the portfolio. On December 31, 2013, Respondent SC2004C will sell any policies that have not matured, settle its expenses, liquidate its assets and distribute the proceeds to the investors.
 - B. Respondent Stamford PM is responsible for managing Respondent SG2004C. In connection therewith, Respondent Stamford PM is responsible for selecting, acquiring, holding, managing, and disposing of the senior life settlements placed in Respondent SG2004C. Investors

have no voting control over Respondent SG2004C and no control over Respondent Stamford PM.

- C. Respondent SG2004C is also using investor funds to establish a reserve fund to pay for premiums or otherwise service the senior life settlements. The initial target reserve fund was valued at fifty percent of the cost of the aggregate future premiums based on the life expectancy of each policy held by Respondent SG2004C. The target value of the reserve fund has reportedly increased by five percentage points during each subsequent year.
 - D. Respondent SG2004C intends to obtain bonds that guarantee the effective maturity of those life settlements that do not mature during the estimated life expectancy of the insured. Respondent SG2004C also may acquire reinsurance that guarantees the payment of all premiums for those life settlements that do not mature during the estimated life expectancy of the insured.
- 11. Respondents are about to offer interests in an investment referred to as SG9A in Texas. This investment will also involve the purchase of an interest in an entity that will use investor funds to acquire, service and manage a portfolio of life settlement contracts. Investors are being told that an investment in SG9A will be substantially similar to the purchase of a Class I membership interest in Respondent SG2004C.
 - 12. No securities issued by Respondents Stamford Group or SG2004C have been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
 - 13. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
 - 14. In connection with the offer for sale of the Class I membership interests, Respondents Rhino Financial and Brumfield are misrepresenting the following relevant facts:
 - A. That investors in Respondent SG2004C must be “accredited investors” in other states and Texas law does not distinguish between “accredited investors” and “unaccredited investors” because said law contains an “anti-discrimination clause,” when in truth and in fact Texas law does contain provisions that distinguish between “accredited investors” and “unaccredited investors” and does not contain an “anti-discrimination clause.”

- B. That the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) do not allow prospective investors to receive a Private Placement Memorandum that describes the investment in the Class I membership interests until after the investor has already purchased an investment, when in truth and in fact investors are entitled to receive all material and relevant information prior to their purchase of the Class I membership interests.
15. Respondents Rhino Financial and Brumfield are making statements that are materially misleading or otherwise likely to deceive the public, to-wit:
- A. Respondents Rhino Financial and Brumfield are representing that Respondents Rhino Financial and Stamford Group submitted applications under the “Blue Sky Act” with the SEC that allowed the Class I membership interests to be approved in all fifty states, which is materially misleading or otherwise likely to deceive the public because the Texas Securities Act requires that the Class I membership interests be registered with the Securities Commissioner before being offered or sold in Texas and the Class I membership interests have not been registered with the Securities Commissioner.
- B. Respondents Rhino Financial and Brumfield are representing that the State of Texas does not require a securities license to market the Class I membership interests, which is materially misleading or otherwise likely to deceive the public because the Texas Securities Act requires that persons and entities offering for sale or selling the Class I membership interests be first registered as securities dealers or agents.
- C. Respondents Rhino Financial and Brumfield are representing that Respondents Rhino Financial and Stamford Group are regulated by certain agencies in Texas that do not include the Texas State Securities Board, which is materially misleading or otherwise likely to deceive the public because entities that offer or sell the Class I membership interests are regulated by the Texas State Securities Board under the Texas Securities Act.
- D. Respondents Rhino Financial and Brumfield are representing that an escrow attorney is responsible for paying premiums for life settlement policies held by Respondent SG2004C. Respondents Rhino Financial and Brumfield are also representing that the escrow agent’s “Errors and Omissions” insurance policy will “kick in” if he or she fails to remit timely premium payments, and that this will be “like an instant maturity of a policy.” This is materially misleading or otherwise likely to deceive the public because Respondents are also representing that the failure to pay premiums may result in the loss of life settlement policies and Respondents are not disclosing the delays and risks associated with filing and litigating a claim against an Errors and Omissions policy.

- E. Respondents Rhino Financial and Brumfield are representing that investors will receive a "guaranteed" return of twelve percent regardless of the performance of the portfolio of life settlements maintained by Respondent SG2004C, which is materially misleading or otherwise likely to deceive the public because other Respondents are representing that the returns to investors are not guaranteed.
16. In connection with the offer for sale of the Class I membership interests, Respondents Stamford Group, Stamford PM, SG2004C, Wilcox, Holcombe and Jung are intentionally failing to disclose the following material facts:
- A. The full operational and performance history of Respondent Stamford PM, including its record in identifying, acquiring, managing and generating a profit from life settlement policies.
 - B. The capitalization of Respondent SG2004C, the amount of investor funds it has received and used to purchase a diversified portfolio of life settlement policies, the number of life settlement policies held by Respondent SG2004C, and the terms and value of said life settlement policies.
 - C. The performance of the portfolio of life settlement policies held by Respondent SG2004C, including information related to the number of life settlement policies that have matured, the value of the proceeds that have been received from said matured life settlement policies, total expenses incurred, the extent of variance of said matured life settlement policies from their estimated life expectancies, and the value of the profits that have been allocated to investors.
 - D. Any risk related to the diminution of value or loss of returns resulting from the sales of life settlement policies to replenish the cash reserves maintained in the premium reserve fund or any risk related to the ability to sell life settlement policies that do not mature prior to December 31, 2013.
 - E. The full terms of the bonding and leveraging elements employed by Respondent SG2004C.
 - F. The full terms for any sale of life settlement policies from Respondent SG2004C to SG9A.
17. In connection with the offer for sale of the Class I membership interests, Respondents Stamford Group, Stamford PM, SG2004C and Wilcox are intentionally failing to disclose the material fact that on or about November 21, 2008, a complaint was filed against Respondents Wilcox and Stamford PM in the Superior Court of California, Orange County, Case No. 30-2008 00115159, that alleged Respondents Wilcox and Stamford PM are liable for breach of contract and breach of fiduciary duty based upon their sale of nonvoting Class I membership interests in Keystone Resort Properties 2005A, LLC.

18. In connection with the offer for sale of the Class I membership interests, Respondents Stamford Group, Stamford PM, SG2004C and Wilcox are intentionally failing to disclose the material fact that on or about April 4, 2008, a Notice of Federal Tax Lien, No. 435790208 for \$58,909.22, was filed against Respondent Wilcox, and on or about September 30, 2008, another Notice of Federal Tax Lien, No. 47817108 for \$12,774.51, was filed against Respondent Wilcox.
19. Respondents Stamford Group, SG2004C, Holcombe and Jung are representing that investors in Texas do not have to be "accredited investors" to purchase Class I membership interests, which is materially misleading or otherwise likely to deceive the public because offering materials provided to the investors indicate that only accredited investors can purchase the Class I membership interests.
20. Respondents are making an offer containing statements that are materially misleading or otherwise likely to deceive the public in light of the misrepresented or undisclosed facts identified herein.

CONCLUSIONS OF LAW

1. The Class I membership interests are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at times when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas at times when Respondents are not registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are making an offer containing statements that are materially misleading and otherwise likely to deceive the public.
5. Respondents are engaging in fraud in connection with the offer for sale of securities.
6. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 2nd day of April, 2009.


DENISE VOIGT CRAWFORD
Securities Commissioner