



# COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS  
FOR: IMMEDIATE RELEASE

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CONTACT: Heather Murphy (602) 542-0844

## FELON, INSURANCE AGENT & OTHERS ORDERED TO REPAY \$11.6 MILLION

PHOENIX—The Arizona Corporation Commission, with the assistance of the Attorney General's Office, obtained a final judgment against four companies and two individuals for defrauding investors of more than \$11.6 million. The judgment was entered on September 26, 2001, by Maricopa County Superior Court Judge Jeffrey Hotham against the following companies and individuals:

- Federal Funding Foundation Corporation,
- Security Marketing Alliance,
- FFF Secured Notes,
- Viaticum, Ltd.,
- Georges L. Wetterwald, 50, formerly of Gilbert and Mexico, and
- K. Nelson Harris, 47, of Chandler.

Wetterwald is currently serving a criminal sentence at the Arizona State Prison Complex at Douglas for theft involving the same transactions. Harris is a licensed Arizona insurance agent who was not authorized to sell securities.

The six defendants sold fraudulent high-yield promissory notes and viatical settlement contracts to the public from 1995 until the Commission stopped the sales in 1997. During that time, the defendants sold the investments to hundreds of investors in Arizona and across the country. At the time the Commission ordered the sales stopped, assets controlled by Mr. Wetterwald – including his home – were seized and later sold for the benefit of investors. The Commission also subsequently obtained over \$2 million in a settlement with WMA Securities, Inc. whose salesmen sold some of the fraudulent products. That money has also been distributed to

investors.

“Sales of fraudulent promissory notes and viatical settlement policies continue to be among the top ten problems we see as securities regulators,” explained Mark Sendrow, director of the Commission’s Securities Division. When asked to quantify the problem on a national scale, Sendrow said “billions of dollars have been lost through promissory note and viatical settlement frauds.”

Originating as a way to help the gravely ill pay their bills, viaticals are interests in the death benefits of terminally ill patients. The insured gets a percentage of the death benefit in cash, and the investors get a share of the death benefit when the insured dies. These investments are always risky and sometimes fraudulent. They are extremely speculative because it is impossible to predict when someone will die. In this case, the Commission found that most of the investors’ funds were not used to pay insurance policies as promised.

The Commission has recently issued several press releases about the growing problem of insurance agents selling fraudulent securities. In August 2001, the Commission conducted a sweep of insurance agents that netted actions against nine other agents for selling securities without the proper licenses and registrations.

The public is encouraged to research all investment contracts and the persons selling them before investing. Call the Arizona Corporation Commission Securities Division at 602-542-4242, toll free at 1-877-811-3878, or through the website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us) for additional information.

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