COMMISSION NEWS

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

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FOR: IMMEDIATE RELEASE CONTACT: Heather Murphy (602) 542-0844

COMMISSION ORDERS MORE THAN $1.5 MILLION RESTITUTION TO DEFRAUDED INVESTORS

PHOENIX – In a series of actions, the Arizona Corporation Commission ordered 5 companies and their representatives to make restitution for state securities law violations. The violations include the sale of unregistered securities in the form of stocks, promissory notes and viatical contracts.

Richard Carrington and Estate Planning Services

In one of several cases heard by the Arizona Corporation Commission, Richard Carrington, 32, of Scottsdale, operating under the name of Carrington Estate Planning Services, has agreed to a Cease and Desist Order for defrauding more than 600 investors in the purchase of viatical settlement contracts. The investments involve the purchase of interests in the future death benefits under insurance policies on terminally ill or elderly persons. More than $29 million was invested in these contracts. Carrington committed multiple violations of securities laws by failing to disclose the risks inherent in viatical investments, in misrepresenting his success to investors, and by failing to continue making policy premium payments.

The Commission ordered Carrington to pay $500,000 over a three year period of time, pay a $50,000 fine and turn over all remaining policies to a third party escrow agent. The $500,000 will be used to help pay the ongoing cost of insurance premiums, which the investors are now faced with keeping current. Carrington's offices in Scottsdale and Mesa have been closed.

Viatical investments have been a concern in Arizona for several years, and were recently included in a list of the "Dirty Dozen" financial scams in Arizona by the Securities Division. Chairman Bill Mundell cautions the public that "viaticals are an unusual, risky and complex investment that are carefully regulated in Arizona. Mr.

Carrington ran afoul of our regulations and is being held accountable for his actions."

David Nutter and North American Insurance Services, LLC

In another case, David Nutter, 52, and North American Insurance Services, LLC of Phoenix, raised about $750,000 in the sale of unregistered promissory notes to his insurance clients. Nutter, a registered insurance agent, enticed approximately 16 investors to purchase notes that offered interest rates of 10 to 12 percent for a duration of one to three years. The notes were allegedly secured by the assets and accounts receivable of North American Insurance Services.

Nutter did not disclose to investors important financial information or the true purpose of the loans, which was to finance his education. Although investors have received some of their money back, Nutter still owes approximately $613,000 plus interest.

Nutter and North American Insurance Services LLC agreed to pay a $20,000 administrative penalty and not to apply for registration to sell securities or offer investment advisory services.

"Full and fair disclosure is a requirement of all persons involved in the sale of securities," said Commissioner Jim Irvin regarding the sale of promissory notes. "People who fail to disclose material information to an investor jeopardize the loss of their reputation and license as a securities salesman and are subject to heavy penalties in the state of Arizona."

Michael David Fromkin

In a third action, the Arizona Corporation Commission ordered Michael David Fromkin, 53, to pay investors $225,000 in restitution as well as a $45,000 administrative penalty. Fromkin, formerly of Scottsdale and now living in California, was a self-proclaimed venture capitalist who offered unregistered stock issued by companies he formed or was associated with from 1995 to 1998.

Between 1994 and 1999, Fromkin was involved in the incorporation of no less than 31 Arizona corporations and limited liability companies. When a company purportedly failed to produce profits, Fromkin offered to exchange the stock for unregistered stock in a new company, controlled by Fromkin. In the sale of stock through his companies, Fromkin raised approximately $225,000 from at least 9 investors.

By continually forming new corporations and transferring investor shares to the new entity, Fromkin perpetrated the false image that he was a successful venture capitalist. In fact, Fromkin failed to provide a prospectus or other material information about the investments, failed to disclose how investors' funds were actually being used and failed to disclose that investors received shares of worthless stock in another Fromkin company. Fromkin also did not disclose a personal bankruptcy filing and his prior failed Arizona business ventures.

Eternal Presence, Inc. and Jeffrey Wilcox

The Commission also took action against Eternal Presence, Inc., and its president, Jeffrey Wilcox, 41, of Peoria, Arizona. Wilcox incorporated Eternal Presence to develop, manufacture and market a desktop memorial product with a laser-etched portrait of the deceased and an optional vial for ashes. Wilcox raised capital for the company in 1999 and 2000 by offering unregistered promissory notes to investors in Arizona and Wisconsin.

The Commission ordered Wilcox to cease and desist from offering or selling securities, to pay $38,780 in restitution to 10 Arizona investors and to pay administrative penalties totaling $20,000. Wisconsin securities investigators are pursuing a separate investigation into the activities of Wilcox and Eternal Presence, Inc. in their state.

Michelle L. Webb

In a final matter, the Commission issued an order against Michelle L. Webb, 51, of New River to cease and desist from violations of the Securities Act of Arizona. While employed with The Chamber Group, and later Webb Financial Group, a.k.a. Michelle Webb Financial Group of Prescott, Arizona, Webb sold unregistered brokered certificates of deposit, tax lien certificates and viatical contracts to more than 100 investors. Webb sold securities from July 1998 through 1999. Her Prescott office closed in June 2000. Webb's securities registration was revoked and Webb is banned from reapplying for licensure in Arizona in the future. She was assessed an administrative penalty in the amount of $45,000.

"The Commission does everything in its power to protect Arizona investors from securities fraud. But the very best remedy is prevention," explains Commissioner Marc Spitzer. "We remind investors to research the investment products being offered and the qualifications of the persons selling securities before you invest your hard-earned money."

To check out an investment or salesperson, call the Securities Division at 602-542-4242 or 1-877-811-3878, or visit the Securities Division website at www.ccsd.cc.state.az.us.

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