



The Web Site of The Sacramento Bee

This story is taken from [Sacbee](#) / [Business](#).

Redding man, daughter accused of Ponzi scheme

By Dale Kasler - Bee Staff Writer

Published 12:00 am PDT Friday, August 24, 2007

A Redding man and his daughter were accused Thursday of masterminding a multistate Ponzi scheme that authorities said raked in \$25 million and hoodwinked 500 investors.

Donald Fred Neuhaus, 76, and his daughter Kimberly Snowden, 42, both of Redding, were indicted in connection with a scheme to sell "viaticals," investment policies that represent shares in a dying person's life insurance policy. Federal officials said eight persons, including two sales agents from the Sacramento area, were charged in the scheme.

Viaticals became popular as the AIDS epidemic grew. Needing cash, patients sell their policies to viatical companies for more than the "cash surrender" value but less than the death benefit amount. The viatical companies then sell shares in the policies to investors.

The product is legal, but there have been several examples of crooked viatical schemes, including a Florida case in which investors were taken for a reported \$830 million.

In this case, a Redding company, Secure Investment Services Inc., sold products to investors in at least 20 states over six years. Investor dollars were supposed to be spent paying premiums on specific insurance policies. Instead, funds were commingled, earmarked for other investors' policies or used to make interest payments to earlier investors, said Michael Dicke, regional director with the Securities and Exchange Commission.

Neuhaus and Snowden, who ran Secure Investment, pocketed at least \$740,000 in the past two years from the scheme, said SEC lawyer Thomas Eme.

Officials said investors were promised returns of up to 125 percent.

"I knew it was too good to be true," said David Parnham, 42, a Citrus Heights man who invested \$70,000 with Secure Investment. He learned of the criminal charges after being contacted by The Bee. He said he was promised a 60 percent return, and "you can't get rates of return like that," he said. He hasn't received any money on his investment.

It's far from certain whether investors will get their money back. In a lawsuit filed as the criminal indictment was unsealed, the SEC said the scheme "has been heading for collapse."

The Redding company needs \$3.1 million to keep up with premium payments. Otherwise the policies will lapse -- and become worthless. As of July 31, the company had only \$63,000 in its bank accounts, the SEC said.

But Secure Investment does have something more valuable than its bank accounts -- life insurance policies worth tens of millions of dollars.

"There are real assets left," said the SEC's Dicke. The SEC moved to have a receiver appointed to take control of Secure Investment and those policies.

In some viatical fraud cases, the receiver will obtain a loan to make premium payments and keep the policies from lapsing. In others, the receiver may simply sell off the policies to an investor.

Neither strategy guarantees that investors will be made whole, however.

Besides Neuhaus and Snowden, the indictment names four of their sales agents: Robert Koppel, 78, of Roseville; Clifford Palm, 55, of Citrus Heights; and former Chico residents Robert Eberle, 68, and his wife Barbara Eberle, 60, now of Las Vegas.

At a hearing in U.S. District Court in Sacramento on Thursday, prosecutor Matthew Stegman said Koppel made at least \$500,000 selling the investment policies, while Palm made \$219,000.

Also indicted were two Michigan men, David Goldenberg, 49, and Mark Eric Wolok, 42, owners of a surety bond company that supposedly guaranteed the investments and the hefty returns. Their company "was a shell corporation," the indictment said.

The SEC lawsuit named Neuhaus, Snowden, Secure Investment and two affiliated businesses they have operated, American Financial Services Inc. and Lyndon Group Inc.

In 2003, Neuhaus, then doing business as American Financial Services and Cash for Life, was hit with a cease-and-desist order by the California Department of Corporations. The order said Neuhaus had failed to obtain an investment broker's license and was misleading investors about certain aspects of the viaticals product. In the charges filed Thursday, prosecutors said investors were never told about the cease-and-desist order.

Officials said investors also were deceived about the life expectancies of the people who purchased the original insurance policies. Many investors were given certificates signed by a man named "George Kindness, M.D." but Neuhaus was told nearly two years ago that Kindness wasn't a doctor, the SEC said.

Investors contacted by The Bee were stunned to learn of the charges. "That just makes me sick," Parnham said. "I got other people into this, too; I got other friends into this."

The SEC said many of the investors were seniors.

Neuhaus, Snowden, Palm and Koppel were arraigned Thursday before U.S. Magistrate Dale A. Drozd. Palm pleaded not guilty and was released on bond. The other three didn't enter pleas and were also released on bond.

Goldenberg and Wolok were arrested in Michigan and released on bond. Arrest warrants were outstanding for the Eberles.

Go to: [Sacbee](#) / [Back to story](#)

This article is protected by copyright and should not be printed or distributed for anything except personal use.
The Sacramento Bee, 2100 Q St., P.O. Box 15779, Sacramento, CA 95852
Phone: (916) 321-1000

[Copyright © The Sacramento Bee](#)