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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Donald F. Neuhaus
American Financial Services, Inc.
Cash for Life
3355 Sunset Drive
Redding, CA 96001

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25210, 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Donald F. Neuhaus was a principal, partner, or owner of American Financial Services, Inc., and Cash for Life, operating in California.
2. At all relevant times, American Financial Services, Inc., a company, form unknown, was operating in California.
3. At all relevant times, Cash for Life, a company, form unknown, was operating in California.
4. Beginning no more than four years ago, Donald F. Neuhaus, American Financial Services, Inc. and Cash for Life offered or sold securities in the form of viaticals, otherwise defined as “viatical settlement contract or fractionalized or pooled interest therein; life settlement contract or a fractionalized or pooled interest therein,” to California residents.

1 5. Donald F. Neuhaus, American Financial Services, Inc. and Cash for Life
2 solicited potential investors through direct mailings and through contacts developed in
3 conjunction with insurance or other business interests. Donald F. Neuhaus, American
4 Financial Services, Inc. and Cash for Life promised investors guaranteed returns anywhere
5 from 16% to 31% for investments ranging from 1 to 4 year terms. Several investors were
6 promised returns up to or even exceeding 100%.

7 6. The Department of Corporations has not issued a permit or other form of
8 qualification authorizing Donald F. Neuhaus, American Financial Services, Inc. or Cash for
9 Life to offer or sell the viatical investments in this state. The viatical investments offered and
10 sold by Donald F. Neuhaus, American Financial Services, Inc. and Cash for Life are not
11 exempt from the qualification requirement under Section 25110 of the California Corporate
12 Securities Law of 1968.

13 7. The viatical investments offered and sold by Donald F. Neuhaus, American
14 Financial Services, Inc. and Cash for Life fail to meet the exemption from qualification of
15 securities under Corporations Code §25102(q), without limitation, as follows:

16 a. Failure to comply with §25102(q)(1) in that investors were not qualified
17 purchasers and did not meet the provisions of that section;

18 b. Failure to comply with §25102(q)(3) by failing to provide the required
19 disclosures and other information;

20 8. In addition, Donald F. Neuhaus, American Financial Services, Inc. and Cash
21 for Life made material misrepresentations or omissions of material facts in conjunction with
22 the offer and sale of viatical investments, including, but not limited to, the following:

23 a. That the investor was purchasing “a life insurance policy, or policies,”
24 when, in fact, the investor was purchasing a fractionalized interest in the death benefit of a
25 life insurance policy;

26 b. That the investment was backed by a “Financial Guarantee Bond” and
27 not disclosing any details about the bonding company;

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1 c. That the “absolute yield-per-year is disclosed from inception” when, in
2 fact, it is not.

3 d. That “in no case” will the payout be more than 6 months past the
4 defined “maturity date.”

5 e. Failing to clearly disclose that the investment will potentially be illiquid
6 far longer than the designated period, thereby reducing the potential rate of return;

7 f. Failing to disclose that the viatical investment was a security under
8 California law;

9 g. Failing to disclose that the issuers were required to be licensed broker-
10 dealers, but were not;

11 h. Failing to disclose that the sales agents were required to hold a valid
12 securities sales license issued by the National Association of Securities Dealers, but did not;

13 9. None of the above parties, Donald F. Neuhaus, American Financial Services,
14 Inc. and Cash for Life, have obtained a certificate as a broker-dealer from the California
15 Corporations Commissioner or have qualified as an agent by the Commissioner to offer or
16 sell securities in this state.

17 10. Based upon the foregoing findings, the California Corporations Commissioner
18 is of the opinion that the viatical investment offered and/or sold by Donald F. Neuhaus,
19 American Financial Services, Inc. and Cash for Life is a security subject to qualification
20 under the California Corporate Securities Law of 1968 and is being or has been offered or
21 sold without being qualified in violation of Corporations Code §25110.

22 11. The California Corporations Commissioner is of the further opinion that the
23 securities offered and/or sold by Donald F. Neuhaus, American Financial Services, Inc. and
24 Cash for Life were offered and/or sold based upon material misrepresentations or omissions
25 of material facts in violation of Corporations Code §25401.

26 12. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Donald F.
27 Neuhaus, American Financial Services, Inc. and Cash for Life are hereby ordered to **desist**
28 **and refrain** from the further offer or sale in the State of California of securities in the form of

1 viatical investments, unless and until qualification has been made under said law or unless
2 exempt.

3 13. Absent qualification or exemption in the offer or sale of securities, Donald F.
4 Neuhaus, American Financial Services, Inc. and Cash for Life have also effected
5 transactions in securities as broker-dealers without first having applied for and secured from
6 the Commissioner a certificate, then in effect, authorizing these persons to act in that
7 capacity, in violation of §25210 of the Corporate Securities Law of 1968.

8 14. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Donald F.
9 Neuhaus, American Financial Services, Inc. and Cash for Life are hereby ordered to **desist**
10 **and refrain** from effecting any transaction in, or inducing or attempting to induce the
11 purchase or sale of any security in this state, unless and until they have applied for and
12 secured from the Commissioner a certificate, then in effect, authorizing these persons to act
13 in that capacity.

14 This Order is necessary, in the public interest, for the protection of investors and
15 consistent with the purposes, policies, and provisions of the Corporate Securities Law of
16 1968.

17 Dated: February 24, 2003

18 Sacramento, California

20 DEMETRIOS A. BOUTRIS
21 California Corporations Commissioner

22
23 By _____
24 VIRGINIA JO DUNLAP
25 Acting Assistant Commissioner
26 Enforcement and Legal Services
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