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Redding pair indicted in investment scam

Father, daughter accused of preying on seniors

By Jim Schultz
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A Redding father and daughter are among eight people indicted by a federal grand jury on felony charges alleging that they tried to bilk about 500 investors, many of whom are senior citizens, out of more than $25 million, officials with the U.S. attorney's office and Securities and Exchange Commission announced Thursday.

Donald Fred Neuhaus, 76, and his daughter, Kimberly Snowden, 42, both of Redding, were indicted Wednesday and were arrested and arraigned Thursday in U.S. District Court in Sacramento, said a spokeswoman with the U.S. attorney's office.

They are charged in the 26-count indictment with mail and securities fraud, as well as money laundering, she said.

It's alleged by the SEC that Neuhaus and Snowden and their businesses, Secure Investment Services Inc., American Financial Services Inc., Cash for Life and Lyndon Group Inc., orchestrated a 20-state investment fraud scheme that falsely promised safe, secure and profitable interests in life insurance policies known as viaticals while failing, among other things, to disclose the risks.

Many of the investors were elderly and sunk their retirement savings into the risky securities, according to the SEC. It's also alleged the pair pocketed $700,000 for their personal use while the alleged scam was on the verge of collapse.

"These perpetrators lined their own pockets and deliberately disguised the serious risks that investors faced, misleading senior citizens and others to believe they were making safe and secure investments when, in reality, they were being lured into a financial crisis," Linda Chatman, the SEC's enforcement division director, said in a statement.

Also indicted in the alleged fraud scheme are former Chico residents Robert Eberle, 68, and Barbara Eberle, 60, both of Las Vegas; Clifford Palm, 55, of Citrus Heights; Robert Koppel, 78, of Roseville; and David Goldenberg, 49, and Mark Eric Wolok, 42, both of Bloomfield, Mich.

Assistant U.S. Attorney Matthew Stegman said that the case, which dates back to 2001, was the focus of an extensive joint investigation conducted by the Internal Revenue Service, the state Department of Corporations and the U.S. Postal Inspection Service.

Stegman, who is prosecuting the case, said the indictment claims the defendants made numerous false statements and omitted material in selling viaticals, or life settlements, to hundreds of investors.

A viatical, which arose with the spread of AIDS, is a security involving the sale of a life insurance policy by a terminally ill or elderly person to a third party for less than its face value in return for a lump sum cash payment.

The buyer agrees to pay future premiums and collects the policy's full benefit upon the seller's death.

The SEC alleges that Neuhaus and Snowden misled investors by providing them with life expectancy estimates of the sellers that were supposedly certified by a physician who was, in reality, a convicted felon falsely posing as a doctor.

According to Stegman, the indictment alleges the defendants made a number of false statements to investors, including that the investment was risk-free, and that they did not need to be licensed to sell securities.

Furthermore, the indictment says the California Department of Corporations had issued an order prohibiting the defendants from selling viaticals and that the company they claimed was bonding the investment in the South Pacific island nation of Vanuatu was not a legitimate bonding company.

A civil enforcement action has also been filed by the SEC to preserve investorassets.

The maximum penalty for mail fraud is 20 years in prison and a fine of up to $250,000, while the maximum penalty for securities fraud is five years in prison and a $250,000 fine.

The maximum penalty for money laundering is 20 years in prison and a $500,000 fine, Stegman said.

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