



# COMMISSION NEWS

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

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TO: EDITORS, NEWS DIRECTORS  
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## **ARIZONA CORPORATION COMMISSION ORDERS SECURITIES FIRM TO PAY \$2,000,000 FOR NOT PROPERLY SUPERVISING THEIR SALES AGENTS.**

The Arizona Corporation Commission ordered WMA Securities, Inc. ("WMAS") of Duluth, Georgia, to pay \$1,954,597.67 to 52 investors, most of whom are Arizona residents, for not properly supervising its sales agents. WMAS also must pay a \$100,000 penalty to the State. Investors lost nearly \$2 million when WMAS salesmen involved them in unregistered investments offered by Federal Funding Foundation Corporation ("FFFC"), a now defunct company located in Mesa, and investments in Phoenix based Plus More Trust ("PMT").

In the order, to which WMAS consented, WMAS agreed to repay investors their entire investment plus 10% interest from the date of investment and pay a \$100,000 penalty to the State of Arizona. WMAS also agreed to implement extensive and comprehensive new compliance procedures and remedial measures to prevent future violations of the Arizona's securities laws. The Commission also issued separate orders against FFFC's Vice President, John M. Frick of Tempe and against two WMAS salesmen, Kent Brown of Mesa and Christopher Castrogiovanni of Scottsdale in connection to the sale of the investments offered by FFFC.

Commissioner-Chairman Jim Irvin stated, "The Securities Division did an excellent job to secure the full return of these investors' money plus interest. The Commission intends to send a clear message that salesmen engaged in selling unapproved products and their firms will be dealt with severely by this Commission."

Some of WMAS representatives sold their clients investments offered by FFFC and a closely related Phoenix company, Viaticum, Ltd. Viaticum, like FFFC, is also defunct. The investments offered by FFFC and Viaticum involved promissory notes, viatical settlements and fractional interests in a business trust. WMAS sales agents accounted for approximately \$970,000 or about 14% of all the funds invested through FFFC and Viaticum. WMAS did not authorize the salesmen to conduct any private securities transactions and the FFFC and Viaticum transactions were not recorded on the records of WMAS, the dealer with whom the salesmen were registered at the time of the transactions. Both FFFC and Viaticum are defendants in an ongoing civil racketeering lawsuit filed by the Commission and the Attorney General's Office alleging, among other things, fraud and theft.

Apart from the FFFC investments, other WMAS sales agents sold investments in PMT. Investors were told that PMT had access to very exclusive trading of high yield notes in foreign markets and thus could achieve the interest rates promised to investors. Investors in PMT received initial payments, but such payments subsequently ceased and investors' principal has not been returned. The PMT investments were not executed through WMAS and were not approved, nor authorized by WMAS. To date, WMAS and the Division have determined that thirty-one investors placed \$881,500 with PMT.

Michael Burton, Director of the Commission's Securities Division stated "Registered securities dealers must understand that they will be held legally and financially responsible for their agents' investment decisions if they fail to

properly supervise and train them." He encourages "anyone who has invested with Plus More Trust to contact John T. Walsh of the Securities Division at (602) 542-4242." Commissioner Renz Jennings also emphasized that "the Commission intends to see that dealers meet their obligation to reasonably supervise their salesmen by establishing and maintaining written procedures and to effectively enforce those procedures."

In another separate but related order, the Commission ordered Frick to pay \$50,000 in fines and restitution for his role in the sale of the FFFC investments. FFFC, in cooperation with Viaticum, Ltd., sold a total of approximately \$7,000,000 in three separate investments to at least 260 investors in a thirteen-month period from October 1995 to November 1996. Frick is also the subject of other Commission orders issued related to these investments and is a defendant with FFFC and Viaticum in the civil racketeering law suit filed by the Commission and the Attorney General's Office. This order against Frick will settle all remaining outstanding matters with the Commission including the civil racketeering lawsuit.

The Commission also imposed orders against two WMAS salespersons, Brown and Castrogiovanni. The Commission suspended Brown's securities license for six months, permanently barred him from acting as a securities supervisor, and imposed a \$9,300 penalty. The Commission suspended Castrogiovanni's securities license for 90 days and ordered him to pay \$1,950 in penalties and \$5000 in restitution. The Commission has previously issued orders against three other WMAS salespersons, Robert Scanlan, Girven Kent Stott and Lee May Blanche. Commission actions are currently pending against two other salespersons, Dwight Morris and Karlene Bailey.

The Commission encourages all Arizonans to contact the Securities Division at (602) 542-4242 to determine whether an investment is properly registered with the State. Commissioner Carl Kunasek said, "The Division is most often contacted by investors after they have lost their hard-earned money. While in this case the Division did obtain return of the consumers' funds, it is far better to obtain the available information before investing." Arizonans are also encouraged to contact the Division for free investor education material. The Division can be reached by fax at (602) 594-7470 or by E-mail at [accsec@ccsd.cc.state.az.us](mailto:accsec@ccsd.cc.state.az.us). More information about the Securities Division and the Commission can be found at the Division's website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us).