

BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of
GEORGE A. OTTO

PETITION FOR ORDER

Respondent.

File No. S-01004(LX)

The staffs of the Bureau of Licensing & Compliance and the Enforcement Unit, Bureau of Registration & Enforcement, of the Division of Securities, Department of Financial Institutions, State of Wisconsin have conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof allege as follows:

1. George A. Otto ("Otto") is a securities agent (CRD #2703773) with a last known residence address at 2437 S. 117th St., West Allis, WI 53227;
2. At all times material hereto Otto was licensed as a securities agent with a broker-dealer;
3. On or around December 8, 1998, Otto offered and sold interests in non-conforming insurance policies (the "viatical settlements") to at least two persons in Wisconsin;
4. The viatical settlements were investment contract securities as defined by DFI-Sec 1.02(6)(a), Wis. Adm. Code and sec. 551.02(13), Wis. Stats.;
5. The viatical settlements are not registered for offer and sale under Ch. 551, Wis. Stats.;
6. By offering and selling unregistered securities Otto has violated sec. 551.21, Wis. Stats.;
7. Otto was not licensed as an agent of the company for whom he sold the viatical settlements;
8. Otto's actions in not being licensed for that company constitute a violation of sec. 551.31(1), Wis. Stats.
9. On their broker-dealer new account forms the investors, who are in their 70's and retired, indicated that their risk tolerance was moderate and their objective was long term growth;
10. The viatical settlements were portions of non-conforming policies, policies that were still within the two year period of contestability (One policy had 23.2 months left, the other had 22.2 months);

11. The policies that were viated ranged in face value from \$1-2.5 million and were taken out on 1) a 77 year old male with Coronary Artery Disease and hypertension and 2) an 84 year old male with tuberculosis and hypertension;
12. Recently obtained million dollar policies on the elderly are among the riskiest policies that an investor can purchase;
13. The recommendation of these viatical settlement policies is recommending to a customer the purchase of a security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs;
14. Otto's actions as described in paragraphs 3 and 7 through 11 are deemed, pursuant to DFI-Sec 4.06, Wis. Adm. Code, to be "dishonest or unethical business practices" or "taking unfair advantage of a customer" and provide the basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the suspension of an agent's license;
15. Otto's employing broker-dealer in its compliance bulletin repeatedly stated that its agents could not participate in the sale of viaticals;
16. Otto did not inform his employing broker-dealer of his transactions involving viaticals and did not obtain permission from the firm to sell them;
17. Otto effected securities transactions not recorded on the regular books and records of his employing broker which is deemed, pursuant to DFI-Sec 4.06(2)(c), Wis. Adm. Code to be a "dishonest or unethical business practice" or "taking unfair advantage of a customer" and provides a basis, pursuant to sec. 551.34(1)(g), Wis. Stats., for the suspension of an agent's license;
18. Otto had another person sign the application for the viaticals, even though the investors had dealt only with him;
19. In a compliance report to his then employing broker-dealer, date March 10, 1999, Otto stated that he did not sell any viatical settlements during the previous year.

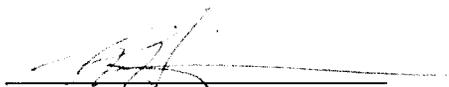
20. Otto was discharged from his last employing broker-dealer on January 16, 2001 for failure to pay fees.

THEREFORE, the staff of the Division of Securities petitions the Administrator for the issuance of the attached Order

DATED this 24th day of April, 2001.



David A. Cohen
Supervising Attorney
Bureau of Registration & Enforcement



Kenneth L. Hojnacki
Director
Bureau of Licensing & Compliance