

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573-CIV-MORENO/SIMONTON

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MUTUAL BENEFITS CORP.,
JOEL STEINGER a/k/a JOEL STEINER,
LESLIE STEINGER a/k/a LESLIE STEINER,
PETER LOMBARDI,
and STEVEN STEINER,

Defendants,

VIATICAL BENEFACTORS, LLC,
VIATICAL SERVICES, INC.,
KENSINGTON MANAGEMENT, INC.,
RAINY CONSULTING CORP.,
TWIN GROVES INVESTMENTS, INC.,
P.J.L. CONSULTING, INC.,
SKS CONSULTING, INC., and
CAMDEN CONSULTING, INC.,

Relief Defendants.

NIGHT BOX
FILED

JAN 19 2006

CLARENCE MADDOX
CLERK, USDC / SDFL / MIA

SECOND AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission alleges that:

I. INTRODUCTION

1. The Commission brings this action to enjoin the Defendants from committing further violations of the antifraud and registration provisions of the federal securities laws in connection with an offering of securities Defendant Mutual Benefits Corporation ("MBC" or "the Company") issued. From late 1994 through the present,

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MBC raised more than \$1 billion from approximately 31,000 investors nationwide and abroad by offering fractional interests in discounted life insurance policies known as viatical settlements. At the direction of its principals, Joel Steinger a/k/a Joel Steiner ("J. Steinger"), his brothers Leslie Steinger a/k/a Leslie Steiner ("L. Steinger") and Steven Steiner, and its president Peter Lombardi, and through a network of sales agents, MBC made material misrepresentations to prospective investors and failed to disclose material information.

2. In particular, MBC failed to disclose to investors it was fraudulently assigning life expectancy estimates to a significant number of its policies. These life expectancy figures determined, among other things, the rates of return to investors and the amount of funds to be escrowed for payment of future premiums. As a result, approximately 90% of MBC's policies are well beyond their life expectancy estimates. In addition, MBC used, in a Ponzi-like fashion, new investor funds set aside to pay premiums on specific policies to pay premiums of policies assigned to earlier investors. MBC, at the Defendants' direction, further made material misrepresentations concerning the profitability and safety of these investments, the risks associated with certain types of policies, the Steingers' involvement in the Company, and the consulting fees paid to them. Indeed, millions of investor funds, under the guise of undisclosed "consulting fees," have been paid to Defendant-owned shell corporations.

3. Accordingly, the Commission seeks relief against the Defendants and their related companies, named as Relief Defendants herein, including entry of injunctions, disgorgement and civil penalties.

II. DEFENDANTS

4. Defendant MBC is a Florida corporation incorporated in October 1994 and located in Fort Lauderdale, Florida. MBC is licensed as a viatical settlement provider in the State of Florida. Numerous states have issued cease-and-desist orders against MBC and instituted proceedings. In addition, Kansas sued brokers offering investments in MBC in that state.

5. Defendant J. Steinger was MBC's *de facto* chief executive officer and has an extensive disciplinary background, including regulatory actions and a criminal conviction. His involvement in MBC's activities and his disciplinary history was not disclosed to investors.

6. Defendant L. Steinger, the brother of J. Steinger, lives in Fort Lauderdale, Florida. Although allegedly a MBC "consultant," L. Steinger was an undisclosed principal of MBC and was primarily in charge of running the company's sales force. L. Steinger has a civil disciplinary background similar to that of J. Steinger. His involvement in MBC's activities and his disciplinary history was not disclosed to investors.

7. Defendant Lombardi resides in Fort Lauderdale, Florida. Lombardi was listed in corporate filings as MBC's president and is its only official shareholder.

8. Defendant Steiner is 53 years old and resides in Fort Lauderdale, Florida. Steiner was a founder of MBC and has served as its Vice President since 1998. Corporate applications for viatical licenses state, among other things, that Steiner "participates in decision making processes that stand to affect [MBC's] long-term corporate operations." In MBC's Viatical Settlement Provider Annual Report, Steiner is described as an individual who "is responsible for the conduct of the provider's affairs or

has the ability to exercise significant control over [MBC].” Steiner has described himself in meetings with investors and sales agents as an “owner” of MBC. Steiner is the Steingers' brother.

III. RELIEF DEFENDANTS

9. Relief Defendant Viatical Benefactors, LLC (“VBLLC”) is a Delaware corporation incorporated in February 1996 and domiciled in Atlanta, Georgia. VBLLC operates in Texas and California, where MBC is not licensed. Although VBLLC’s corporate filing lists Richard Meekins as its president, in reality J. Steinger controlled VBLLC.

10. Relief Defendant Viatical Services, Inc. (“VSI”) is a Florida corporation incorporated in March 1996 and located at MBC’s principal offices in Fort Lauderdale, Florida. Steiner and his life partner, Henry Fecker, originally founded VSI. In 1998, Ameer Khan became VSI’s president. Although VSI’s corporate filings list Khan as its president, in reality J. Steinger controlled VSI. VSI’s primary function is to track the status of viators’ health and to monitor premium payments on MBC’s policies.

11. Relief Defendant Kensington Management, Inc. (“Kensington”) is a Florida corporation incorporated in February 1996 with principal offices located at J. Steinger’s home address in Fort Lauderdale, Florida. J. Steinger is Kensington’s president and, through Kensington, has received at least \$10.4 million in consulting fees from MBC.

12. Relief Defendant Rainy Consulting Corp. (“Rainy”) is a Florida corporation incorporated in July 1997 with principal offices located at L. Steinger’s home

address in Fort Lauderdale, Florida. L. Steinger is Rainy's sole officer and director. MBC has paid Rainy at least \$12.9 million in consulting fees.

13. Relief Defendant Twin Groves Investment, Inc. ("Twin Groves") is a Florida corporation incorporated in February 2002 with offices listed in Miami, Florida. L. Steinger controls Twin Groves, which has received at least \$1.2 million from MBC in consulting fees.

14. Relief Defendant P.J.L. Consulting Inc. ("P.J.L.") is a Florida corporation incorporated in May 1995 and located in Fort Lauderdale, Florida at Lombardi's home address. Lombardi is P.J.L.'s sole officer and director. MBC has paid P.J.L. at least \$12 million in consulting fees.

15. Relief Defendant SKS Consulting, Inc. ("SKS") is a Florida corporation incorporated in May 2003 in Miami, Florida. Steiner controls SKS and is its incorporator. Since May 2003, MBC has paid SKS at least \$5,792,632 in consulting fees.

16. Relief Defendant Camden Consulting, Inc. ("Camden") is a Florida corporation incorporated in March 1995 with the same address as MBC's principal offices in Fort Lauderdale, Florida. Fecker is Camden's sole officer and director and shares signature authority with Steiner on the company's bank accounts. Camden was set up to operate as a "joint bank account" for Fecker and Steiner. From 1995 to 2003, MBC paid Camden at least \$12,445,629 in consulting fees. Other than some interior decoration and client tracking in 1994 and 1995, Fecker has never worked for MBC. Fecker has never performed consulting work for MBC. Rather, Camden served as a conduit for MBC to make undisclosed payments to Steiner.

IV. JURISDICTION AND VENUE

17. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

18. Personal jurisdiction over the Defendants and venue are proper in the Southern District of Florida because many of the Defendants’ acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. In addition, the principal offices of MBC and the Relief Defendants are located in the Southern District of Florida, and Defendants J. Steinger, L. Steinger, Lombardi and Steiner all reside in the Southern District of Florida.

19. The Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

V. THE FRAUDULENT OFFERING

A. MBC’s Fraudulent Offering

20. Since late 1994, MBC has operated as a viatical and life settlement provider, raising money from investors to purchase viatical and life settlement contracts. A viatical or life settlement contract involves the sale of a life insurance policy by a terminally ill person or senior citizen (known within the industry as a “viator”) at a price discounted from the face value of the policy. Investors pay the premiums, and receive the face value of the life insurance policy when the insured, or viator, dies. In turn, the viator receives a portion of

the proceeds of his life insurance policy as a lump sum. MBC has allocated investor funds to approximately 9,097 life insurance policies with an aggregate anticipated death benefit of approximately \$1.4 billion.

21. MBC promised investors guaranteed fixed rates of return ranging from 12% to 72%, depending upon the term of investment the investor selected. For example, MBC promised investors who selected a policy insuring an individual with a one-year life expectancy a 12% return on the investment, investors who selected a policy insuring an individual with a two-year life expectancy a 28% return, and investors who selected a policy insuring an individual with a three-year life expectancy a 42% return. The investor does not receive the promised return, however, until the viator dies. Thus, many investors who purchased a policy with a “one-year” life expectancy have waited several years without receiving a return on their investment.

22. MBC offered and sold its securities primarily through a national network of independent sales agents, consisting mainly of insurance agents, brokers and financial advisors. The Company also solicited investors directly through its Internet website. MBC, primarily at L. Steinger’s direction, oversaw the activities of its sales agents through a staff of in-house sales directors.

23. MBC trained its outside sales force during multi-day training sessions, held on a monthly basis, called the “Life Settlement Academy” or “MBC Viatical University.” Steiner regularly participated in those training sessions held at MBC’s Fort Lauderdale headquarters. During those sessions, Steiner instructed future sales agents about the viatical industry in general, the humanitarian aspects of viatical settlements, MBC’s philanthropic efforts, and MBC’s purported excellent track record in the viatical industry.

24. During those sessions at the MBC Viatical University, Steiner did not disclose to sales agents any information about his brothers' disciplinary history, J. Steinger's criminal conviction, or the cease-and-desist orders issued against MBC, all of which he was aware of. Steiner also did not inform sales agents about MBC's abysmal record in predicting life expectancy. Although Steiner told sales agents that MBC relied on independent doctors to determine life expectancy, he did not inform them of the arrests of several of those doctors, of which he was aware. Nor did he disclose to them that the doctor who performed the majority of the life expectancy evaluations, Dr. Clark Mitchell, was an employee of the Steingers. J. Steinger and Steiner hired Dr. Mitchell to work at Community Health Care/Center One, a clinic J. Steinger managed and where Steiner was Chairman of the Board and President. Instead of making these disclosures, Steiner took the sales agents on a tour of Community HealthCare/Center One to promote MBC's "good works." Steiner knew or should have known of each of these material omissions but did not inform the sales agents of these material facts.

25. MBC's sales agents solicited potential investors through newspaper advertisements, direct mailings and sales seminars. MBC's "compliance department" reviewed sales agents' advertisements for approval before publication. For their role in marketing the offering, MBC's sales agents received a commission, generally between 6% and 12% of the total investment. MBC also offered its sales agents incentives for reaching sales goals, such as all-expense paid vacations.

26. During their oral sales solicitations, MBC's sales agents assured investors that the investment opportunity was "guaranteed." Agents also regularly downplayed the fact that the viator might live beyond his life expectancy. In fact, in some instances, sales

agents led prospective investors to expect their investment to mature early. The sales agents also steered discussions with investors away from potential risks to focus on the high returns and humanitarian aspects of MBC's offering.

27. MBC provided its sales agents with offering materials that J. Steinger and L. Steinger approved, which in turn were given to investors. The offering materials included informational brochures, a viatical "purchase agreement," a "trust agreement," and testimonials from sales agents. In these materials, MBC boasted that it was "[t]he leader in the viatical and life settlement industry" and that the investor ". . . receives a double-digit fixed total return that is not subject to stock market volatility or risks that characterize most other equity investments."

28. The offering materials also included newspaper and published magazine articles Steiner authored that touted MBC's investments as safe and "very low risk," discussed new regulations designed to protect investors and described MBC as a superior operation and clean company with "thousands" of satisfied customers. In these articles, Steiner stated that MBC "remained the undisputed leader in the viatical business by adhering to the law" and claimed that MBC actively lobbied for strong regulation to protect purchasers of viatical and senior settlements, and to fight fraud in the industry. MBC's website echoed much of the same information contained in the written materials, while emphasizing the sale of life settlements to investors. A sample of the articles Steiner authored is attached as Exhibit "A."

29. MBC's offering materials explained to investors that their rates of return were based on the estimated life expectancies of the viators. The materials represented that "[a] state-licensed physician reviews the patient's history and medical records to

evaluate the condition of the patient and projected life expectancy... [and] then confirms to MBC the insured's diagnosis and estimated life expectancy." The materials claimed that an investor was assigned to a policy after the licensed physician determined the insured's life expectancy. MBC further assured investors that "funds sufficient to make premium payments for the estimated life expectancy will be paid or escrowed at the time of closing."

30. MBC's offering materials directed investors to make investment funds payable to MBC's designated escrow account. Investor monies were pooled in this interest-bearing escrow account until such time as an insurance policy was acquired and/or matched to the investor. Once investor funds were earmarked for a policy, the policy was, in most cases, fractionalized to accommodate multiple investors on a single policy. Investors were also able to purchase the investment through individual retirement accounts.

31. The amount of time MBC held investors' funds pending placement on a policy depended on the company's ability to find and acquire insurance policies meeting its criteria. MBC's ability to do so was a direct function of the supply of such policies and it appears this supply was not always sufficient to meet MBC's needs. Apparently such shortfalls were frequent, and several months elapsed between the time the investor gave MBC his or her funds and the time those funds were placed on a policy.

32. No registration statement has been filed or is in effect with the Commission in connection with the securities MBC offered. In addition, MBC did not require its sales agents to be licensed. Several of MBC's sales agents have been the subjects of state cease-and-desist orders in connection with the MBC offering.

B. MBC's Assignment of Investor Funds to Policies

33. MBC acquired viatical insurance policies through viatical brokers. When a potential viator contacted a broker, the broker sought to obtain certain medical information, including any diagnosed illnesses and, when available, a life expectancy prognosis from the insured's physician. Upon receipt of this information, the broker forwarded the viator's medical information to MBC to solicit a bid.

34. In its bid solicitation process, MBC traditionally divided the viator files into two general groups: Acquired Immune Deficiency Syndrome ("AIDS") files, and non-AIDS files. MBC's bidding department issued a bid on an AIDS file immediately upon receipt, prior to any independent medical evaluation. Once a viator accepted a bid, the AIDS file was forwarded to J. Steinger, who assigned fractional interests in the policy to investors awaiting placement. J. Steinger also determined the life expectancy that should be assigned to each viator. After the policy was purchased and assigned to investors, MBC then forwarded the AIDS file to a medical physician the Company hired, ostensibly for the physician to independently determine the life expectancy of the viator. As explained below, doctors did not independently review the vast majority of the AIDS policies. Instead, J. Steinger and others at MBC predetermined the life expectancies assigned to a policy, and subsequently doctors and other individuals who purported to be doctors rubber-stamped those expectancies.

35. In contrast to the AIDS files, prior to making a bid on non-AIDS files, MBC forwarded the medical records to MBC's retained medical physician to determine the viator's estimated life expectancy. Upon receipt of the final life expectancy estimate from the reviewing physician, MBC placed a bid on the policy. Once the viator accepted a bid,

the non-AIDS file was forwarded to J. Steinger, who then assigned the investors to the policies. In at least 10% of these cases, J. Steinger rejected the life expectancy MBC's retained physician assigned and directed that a shorter life expectancy be assigned.

36. For both AIDS and non-AIDS files, investors were assigned to a particular policy only after MBC confirmed that the investors' funds had been properly deposited in MBC's escrow account. Payment was then forwarded to the viator. MBC distributed a "closing package" to each investor whose funds were placed on the policy. This closing package typically included a letter from Lombardi enclosing information identifying the policy on which the investor's money was placed, and a signed copy of a letter or an affidavit from a MBC retained medical physician that purported to be an independent prediction of the viator's diagnosis and life expectancy.

37. After closing the transaction with the viatical broker, MBC distributed investor funds to various MBC-affiliated entities that had post-closing obligations, including VSI and an MBC-appointed trustee to administer the funds in its various premium escrow accounts (i.e., the funds set aside to make future premium payments on the policies on behalf of investors). A significant portion of investor funds were used to pay commissions to sales agents and, unbeknownst to investors, to various shell companies the individual Defendants controlled and others in the form of "consulting fees." From 1995 to 2004, MBC paid at least \$68 million to various shell companies the individual Defendants controlled.

38. Through VSI, MBC monitored the health of viators and tracked insurance premium obligations. When an insurance premium obligation became due, VSI issued payment instructions to the trustee who, in turn, issued a check to pay the insurance

premium. Although MBC sought to create the appearance that VSI was an independent entity, in reality MBC and J. Steinger controlled VSI. J. Steinger hired the president of VSI, Ameer Khan. Khan reported directly to J. Steinger, who made the ultimate decisions for VSI. Moreover, MBC's accountants kept VSI's books and records and reported the balance of those accounts to J. Steinger.

C. The Defendants Made Fraudulent Statements and Omissions

39. In connection with the offer and sale of MBC's securities, the Defendants made numerous material representations to prospective and current investors that they knew, or were reckless in not knowing, were false or misleading, and knowingly or recklessly failed to disclose material information to investors about, among other things, the viators' life expectancies, MBC's track record in predicted life expectancy, insurance premium escrow deficiencies, "guaranteed" fixed rates of return, the Steingers' background, payments to the Steingers and others, and the safety and security of the investments.

(i) False and Misleading Life Expectancy Letters and Affidavits

40. MBC and the individual Defendants failed to disclose to investors that at least 65% of the Company's active policies were assigned life expectancies that were not based on any meaningful review or independent physician's confirmation, contrary to the representations in its offering materials. Between late 1996 and May 2001, MBC engaged several physicians to provide life expectancies for viators diagnosed with AIDS. Drs. Mitchell and Edgar Escobar were the two most active physicians MBC hired to ostensibly perform these services.

41. In fact, J. Steinger determined substantially all of the life expectancies Mitchell and Escobar purportedly assigned to MBC's viators. At no time did either doctor ever review any of the viators' medical records to establish an independent estimated life expectancy, as the Defendants represented to investors. Instead, Mitchell and Escobar merely issued fraudulent life expectancy letters and/or affidavits, drafted by MBC's employees, that contained life expectancy figures J. Steinger had already designated. Mitchell and Escobar's purported life expectancy estimates account for at least 65% of MBC's current active policies.

42. MBC used another physician, Dr. Anthony LaMarca, to provide life expectancy determinations for viators diagnosed with a variety of other terminal illnesses. Starting in 1998, Dr. LaMarca prepared more than 6,200 life expectancy letters for MBC. In many cases, however, J. Steinger rejected LaMarca's life expectancy designation and directed MBC employees to tell Dr. LaMarca to amend the letter to reflect a shorter life expectancy. In most, if not all, of these instances, LaMarca issued a shorter life expectancy in accordance with J. Steinger's request. Since 2000, Dr. LaMarca has amended 543 of his reviews and changed approximately 10% of his original life expectancy letters to shorter time periods at MBC's request.

43. Another purported doctor MBC used to perform approximately 168 life expectancies, George Kindness of AmScot Medical Laboratories, was not a licensed physician and does not possess a medical degree. Kindness was similarly pressured to lower his original expectancy determinations and kept his life expectancies low at MBC's request.

44. The Defendants failed to inform investors that MBC did not use independent doctors or that MBC manipulated the life expectancy letters. J. Steinger was aware of the manipulation because he directed it. Steiner and the other Defendants knew Dr. Mitchell was not an “independent” doctor but an employee of Community Health Care who was wholly dependent on the Steingers and Steiner for his salary, but they failed to disclose this information to investors.

45. The Defendants also failed to inform investors about the sordid history of several of these “independent” doctors. The Defendants, including Steiner, all knew Dr. Mitchell was arrested in 2001 for felony fraud based on allegations that he fabricated life expectancies for MBC, but failed to disclose this fact to investors. Nor did the Defendants perform or request any review of Dr. Mitchell’s work to check for accuracy. Instead, J. Steinger asked Mitchell to continue signing life expectancy letters. In addition, Dr. Escobar surrendered his medical license in February 2004 during a state Medicaid fraud investigation. The Defendants similarly failed to inform investors of this fact or to perform any review of his work for accuracy.

(ii) Failure to Disclose that the Vast Majority of MBC’s Policies are Beyond Their Assigned Life Expectancy

46. The Defendants also failed to disclose to investors and potential investors that the vast majority of MBC’s active policies exceeded their life expectancy. Since 1994, MBC has sold fractionalized interests in at least 9,097 insurance policies to more than 31,000 investors. Since at least 1998, the majority of MBC’s active policies have gone significantly past MBC’s designated life expectancy. To date, of all the active policies, 92% have surpassed MBC’s designated life expectancy. Of the active HIV/AIDS policies, 99% are beyond their life expectancy.

47. Although the Defendants knew that the majority of their policies were not maturing within the time frame MBC had assigned, they did not inform investors of their dismal track record in predicting life expectancies. Instead, MBC misled sales agents and investors by telling them MBC was the leader in the business, and disseminated to sales agents a "Partial Maturity List" that listed the maturities of a few selected policies that misleadingly suggested that most of MBC's policies matured on time. In other instances, L. Steinger and MBC's sales agents falsely represented that MBC's policies matured on or before the MBC assigned life expectancy date 80% of the time.

48. In 1996, following the XI International AIDS Conference held in July 1996 in Vancouver, Canada, where it was publicly announced that new drug cocktails were effective in significantly extending life expectancy in AIDS sufferers, Steiner, along with the Steingers, came into a MBC sales meeting and assured the sales agents that the drug cocktails would become ineffective, and that the insured would ultimately die. They also told the sales agents and to advise prospective investors of Steiner's remarks that the drug therapies were not a cure.

49. By 1997, when it was well known in the medical and viatical industry that new drug therapies were effective and were significantly increasing the life expectancies of people afflicted with AIDS, MBC did not change its approach to bidding and selling AIDS policies. MBC did not advise new investors about the effects new treatments were having on the viatical settlement industry. To the contrary, in the late 1990s, MBC addressed investors' concerns about new AIDS treatments by informing them that the treatments did not work for all individuals. MBC also provided to prospective investors articles that stressed the new treatments were not effective for all AIDS patients and that

many people were still dying of AIDS. At the same time MBC was downplaying the effect of new AIDS treatments to prospective investors, however, it was telling existing investors whose policies were beyond their predicted life expectancies that the new AIDS treatments were working and were the cause of those policies' late maturations. Even as late as 1998, when MBC knew AIDS patients were living longer, MBC never changed its procedure. It continued to assign 12-36 month life expectancies to AIDS policies, and failed to set aside sufficient premium funds for longer periods as to those policies.

50. MBC also lulled investors who were experiencing problems with late maturations. Lombardi, L. Steinger, Steiner and others at MBC received numerous complaints regarding the maturity rate of MBC's policies. These complaints were generally directed to MBC's "Customer Service Department." Following an inquiry from a frustrated investor, MBC typically distributed a letter updating the investor on the status of the investment. This letter typically stated, among other things, that the viator had not died and advised the investor that all premiums due on the viator's policy had been paid. In one version of this letter, MBC represented to the investor that the viator's "health condition remains terminally-ill." These representations were misleading given the fraudulent life expectancy letters MBC's physicians had issued at J. Steinger's direction. L. Steinger falsely told investors that their policy's failure to mature was an abnormality.

51. On April 11, 2000, Steiner falsely represented to a large group of investors and potential investors during a sales pitch in Venice, Florida at the Pelican Pointe Country Club that "a very, very small portion of the portfolio" lived beyond life expectancy and that the longest any individual had lived past life expectancy was "two

years.” In fact, by April 2000, more than 70% of MBC’s policies were past life expectancy and hundreds were past life expectancy by more than two years. Indeed, Steiner admitted to sales agent Howard Mandel following the April 11, 2000 meeting that MBC had problems with its AIDS policies not maturing.

(iii) Failure to Disclose Premium Escrow Deficiencies

52. The Defendants failed to disclose to investors the existence of serious cash deficiencies in MBC’s premium escrow accounts and that these deficiencies might impair MBC’s ability to satisfy future premium obligations. As of September 30, 2003, more than 74% of MBC’s active policies had a zero (or negative) escrow balance. Cash flow projections for all of MBC’s escrow accounts establish that all will be deficient by September 30, 2009.

53. Further analysis of MBC’s premium escrow accounts also reveals that because of the shortfalls in its escrowed funds, MBC effectuated a premium payment scheme similar to traditional “Ponzi” schemes. For example, a total of approximately \$3.6 million originally set aside to pay premiums on specific policies in one premium escrow account was used to pay premiums on other policies in that account whose premium escrows were exhausted. Moreover, as of September 30, 2003, approximately \$4.5 million was transferred from one of MBC’s premium escrow accounts to another premium escrow account in order to cover shortfalls. Investors were not told that their funds are being used to pay life insurance premiums on other policies.

54. Additionally, MBC’s representation that “funds sufficient to make premium payments for the estimated life expectancy will be paid or escrowed at the time of closing” proved untrue for at least 61 policies. For each of these particular policies,

MBC failed to set aside sufficient funds to cover the premium payments due during the life expectancy of the viator. These 61 policies have an aggregate face value of approximately \$79 million and represent investments by about 1,300 investors.

(iv) Misrepresentations of Guaranteed Fixed Rates of Return

55. MBC's representations to investors and potential investors regarding its rates of returns were false and misleading. Because of the serious problems with the life expectancies assigned to some of MBC's policies and the deficiencies in the Company's premium escrow account, investors face the prospect of having to place additional funds with MBC to cover future premium payments. In that event, investors promised returns would be reduced or investors could even lose money on their investment. While MBC's offerings materials did state that, in the event the premium reserve was exhausted, the investor "may be responsible for a payment of his/her pro rata share of any unpaid premium," such disclosures are inadequate given the gravity of the situation. Additionally, when investors inquired about the prospect of paying additional funds, sales agents, at the Defendants' direction, downplayed this possibility and misled investors into believing this never could happen.

(v) Failure to Disclose the Steingers' Involvement as Principals in MBC and the Payments Made to Them

56. The Defendants failed to disclose that J. Steinger and L. Steinger played key roles in the management of MBC's business operations. In addition, the Defendants failed to inform investors that at least \$33 million in funds collected in MBC's offering were paid to the Steingers and the Relief Defendant companies they controlled.

57. The Defendants also failed to disclose to investors the 1998 SEC injunction against the Steingers for their violations of the anti-fraud and registration

provisions of the federal securities laws. Such disclosures would be required under Regulation S-K had MBC properly registered its offering.

(vi) Failure to Disclose the Risks Associated with MBC's Purchase of Group and Term Life Policies

58. Since 1994, approximately 35% of the insurance policies MBC sold have been group or term life insurance policies. Group policies are subject to substantial risk, such as the insolvency of the sponsoring employer, union or association, and that term policies are designed to terminate upon a date certain. Therefore, MBC's failure to disclose to investors its purchase of these types of policies constitutes a significant undisclosed risk.

(vii) Failure to Disclose State Securities Actions

59. In the materials distributed to investors, MBC touted itself as the leader in the viatical and life settlement industry. MBC, however, failed to disclose to investors that at least five states, Alabama, Alaska, Indiana, Pennsylvania and Vermont, issued cease-and-desist orders against MBC and its principals for securities fraud and registration violations. In addition, the State of Kansas issued a cease-and-desist order against the sales agents who sold MBC investments in that state. To circumvent these state cease-and-desist orders, MBC directed its sales agents to tell investors in those states to use out-of-state addresses. Steiner did not inform investors during his various meetings with them the existence of the cease-and-desist orders.

D. The Role of MBC's Management

60. The individual Defendants have fraudulently made, and directed and authorized to be made, the material misrepresentations and omissions to prospective and actual investors as described above. J. Steinger, L. Steinger, Lombardi and Steiner founded

MBC in 1994 and shared control of MBC, with each overseeing various aspects of the Company.

61. J. Steinger directed the acquisition of insurance policies from viators and the assignment of investors to the policies. J. Steinger also personally determined the life expectancy assigned to each viator for the AIDS policies MBC purchased. J. Steinger approved MBC's offering materials distributed to investors. He further participated in the direction of MBC's sales activities, conducting monthly sales meetings with MBC's in-house sales directors and having regular communications with agents in the field.

62. L. Steinger's primary duties centered on raising investor funds and coordinating MBC's sales force. In this capacity, L. Steinger conducted meetings with his in-house sales force and frequently communicated with MBC's independent sales agents, both orally and in writing. L. Steinger also performed a supporting role in assigning investors to policies by undertaking the task when J. Steinger was out of the office or otherwise unavailable.

63. Lombardi was MBC's president, and regularly signed communications to investors. MBC's materials included a welcome letter, which Lombardi signed, acknowledging receipt of the investor's funds. In this letter, Lombardi told the investor that, by purchasing a life insurance policy, "you are providing [a] humanitarian service while securing a superior fixed return on all funds used to purchase Life policies." Lombardi also advised investors in writing when their funds were placed on policies MBC purchased, and identified the insurance company, death benefit and viator life expectancy. In addition, Lombardi sent investors another letter enclosing a copy of the purported independent reviewing physician's report.

64. In addition to written communications, Lombardi also regularly met with investors about MBC. For example, Lombardi gave investors tours of MBC's offices and touted the security of investing with MBC. In speaking with prospective investors, Lombardi reiterated part of MBC's sales agents' pitches, including representations regarding the guaranteed rates of return. Lombardi also reassured prospective investors about the safety of investing with MBC by pointing out the size of MBC's offices, its number of employees and the volume of viator files.

65. Steiner served as MBC's vice president and the Company's public face. Steiner participated in most if not all of the initial sales training sessions for new in-house and outside sales agents at MBC's Viatical University. Steiner regularly made presentations at sales seminars attended by large groups of prospective and existing MBC investors. During meetings with prospective sales agents and investors, Steiner touted the safety and humanitarian nature of viatical settlement investments, assured investors that independent doctors determine the insured's life expectancies prior to the investor being assigned to a policy, and spoke glowingly about MBC as the leader in the viatical industry. Steiner also reiterated some of MBC's sales agents' statements, including representations regarding the guaranteed rates of return. In addition, Steiner reassured prospective investors about the safety of investing with MBC by pointing out the size of MBC's offices, its number of employees and the volume of viator files.

66. On average, these sales seminars occurred once a month in locations nationwide and abroad. Between 2000 and 2004, Steiner made presentations in Venice, Florida; Taipei, Taiwan; London; Dublin; Costa Del Sol, Spain; Malaga, Spain; Vienna, Austria and Honolulu as well as other locations. During one such presentation, in Venice,

Florida on April 11, 2000, Steiner assured a group of investors that most of the policies matured on time or before their life expectancy date, and that the longest period an investor had had to wait past maturity was two years. Steiner also stated that the new AIDS treatments had made predicting life expectancy “a much more specific diagnosis in terms of what life expectancy is.” A transcript of this seminar is attached as Exhibit “B.”

67. Steiner made several misstatements and omissions to investors during these seminars that he knew or should have known were false, given his position at the Company, his close relationship with the other Defendants, and the information available to him at MBC. Steiner, among other things, failed to inform investors: 1) that independent doctors did not determine the viators’ life expectancies MBC designated, 2) that MBC had an abysmal track record of predicting life expectancies, 3) of insurance premium escrow deficiencies, 4) of the Steingers’ disciplinary and criminal background, their positions within the Company, and payments to them, 5) about the various State cease-and-desist orders and 6) about the risks of the investments.

VI. CLAIMS FOR RELIEF

COUNT I

Sale of Unregistered Securities in Violation of Sections 5(a) and 5(c) of the Securities Act

(As Against All the Defendants)

68. The Commission repeats and realleges paragraphs 1 through 67 of this Complaint.

69. No registration statement was filed or in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the securities and transactions described in this Complaint.

70. Since a date unknown but since at least January 1995 through present, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, have: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise; (b) carried securities or causing such securities, as described in this Complaint, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described in this Complaint, without a registration statement having been filed or being in effect with the Commission as to such securities.

71. By reason of the foregoing, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, have violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

Fraud in Violation of Section 17(a)(1) of the Securities Act

(As Against All the Defendants)

72. The Commission repeats and realleges paragraphs 1 through 67 of its Complaint.

73. Since a date unknown but since at least August 1996 through the present, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and

by use of the mails, in the offer or sale of securities, as described in this Complaint, have knowingly or recklessly employed devices, schemes or artifices to defraud.

74. By reason of the foregoing, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

Fraud in Violation of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder

(As Against All the Defendants)

75. The Commission repeats and realleges paragraphs 1 through 67 of its Complaint.

76. Since a date unknown but since at least August 1996 through present, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, have knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

77. By reason of the foregoing, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly or indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

COUNT IV

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

(As Against All the Defendants)

78. The Commission repeats and realleges paragraphs 1 through 67 of its Complaint.

79. Since a date unknown but since at least August 1996 through present, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described in this Complaint, have: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (b) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

80. By reason of the foregoing, MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT V

Aiding and Abetting MBC's Violations of Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5, thereunder

(As Against Defendant Lombardi)

81. The Commission repeats and realleges paragraphs 1 through 67 of its Complaint.

82. Since a date unknown but since at least August 1996 through present, MBC, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, have knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

83. During the relevant time period, Lombardi, knowingly or recklessly, substantially participated in MBC's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

84. By reason of the foregoing, Lombardi aided and abetted MBC's violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

COUNT VI

Section 20(a) -- Control Persons Liability for MBC's Violations of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder

(As Against Defendants J. Steinger and L. Steinger)

85. The Commission repeats and realleges paragraphs 1 through 67 of its Complaint.

86. J. Steinger and L. Steinger were, directly or indirectly, control persons of MBC for purposes of Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a).

87. MBC has violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

88. As control persons of MBC, J. Steinger and L. Steinger are jointly and severally liable with and to the same extent as MBC for its violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

VII. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

A. Declaratory Relief

Declare, determine and find that the Defendants committed the violations of the federal securities laws alleged in this Complaint.

B. Permanent Injunctive Relief

Issue a Permanent Injunction, restraining and enjoining the Defendants, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (a) Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); (b) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1); (c) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, thereunder, 17 C.F.R. § 240.10b-5 and (d) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

C. Disgorgement

Issue an Order requiring the Defendants and Relief Defendants to disgorge all ill-gotten profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

D. Penalties

Issue an Order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

E. Accountings

Issue an Order requiring Defendants to file accountings.

F. Records Preservation

Issue an Order requiring the Defendants and Relief Defendants to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control.

G. Further Relief

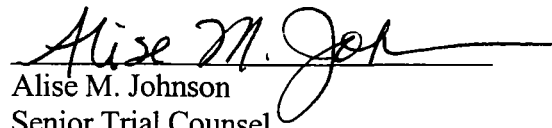
Grant such other and further relief as may be necessary and appropriate.

H. Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or Commission motion for additional relief within the jurisdiction of this Court.

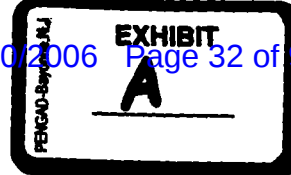
January 19, 2006

By:


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EXHIBIT A



A New View of Viatical Settlements:

Staggering losses in the stock market force investors to look for other investment options

By Steven Steiner, Vice President of Mutual Benefits Corporation

According to Bloomberg Business News, Charles Schwab Corporation's clients sustained \$56.2 billion in market losses in April 2000, as declining technology stocks shaved the value of their holdings at the biggest discount brokerage firm by 7%. The decline in account values for Schwab's 6.9 million customers came as the company reported the lowest level of monthly asset inflows since last October. The decline in assets, along with a 9% monthly slide in daily stock trades, underscore how April's 15.5% plunge in the NASDAQ Composite Index hammered the broad cross-section of investors who make up Schwab's customers. These staggering losses have forced investors in the stock market to look for other means to insure investing success, and many are now turning to viatical and senior settlements.



Steven Steiner, Vice President
Mutual Benefits Corporation

Viatical and senior settlements offer a rate of return that is generous and fixed, from 12% to 72% and is based on estimated life expectancies of one to six years. The viatical settlement involves the purchase of a life insurance policy from someone who is terminally ill or from a senior citizen by a private purchaser at a percentage of the face value of the policy. This allows the policy seller to use the cash received now in any way he or she deems fit. The purchaser's principal is secure and there is very low risk. At Mutual Benefits Corporation (MBC), your clients can purchase a viatical settlement that is secured by a B+ or better rated insurance company. Upon maturity, the principal and return is sent directly to the purchaser by the insurance company. Viaticals can also be used for IRAs, SEPs, Keoghs and other pension programs. For example, with a fixed return of 42%, a \$25,000 investment returns \$35,500; a \$50,000 investment returns \$71,000 and an \$100,000 investment returns \$142,000. Viaticals carry absolutely no stock market risk, and as a bonus, they are truly humanitarian in nature. These settlements provide a real financial service to thousands of people in need.

At MBC, our selling agents receive the highest commissions in the industry. We offer our agents the best underwriting available, weekly commissions, immediate placement, co-

op advertising, free pre-qualified leads for producers, luxury incentive vacations and complete customer service. In addition, through our legal counsel, we are working with state regulators all over the country to ensure the future growth of the industry. We have become one of the country's most vocal supporters for additional legislation to protect purchasers of viatical and senior settlements.

MBC is the largest viatical and senior settlement provider in the country that is licensed in more states than any other company that funds policies through individual purchasers. MBC was incorporated in 1994 and has worked closely with more than 19,000 satisfied individual purchasers of viaticals and senior settlements. We are an active member of the Viatical and Life Settlement Association of America and have helped more than 13,000 terminally ill

individuals and senior citizens all over the country by offering a program that provides a practical solution for financial hardship.

Learn how to become a Mutual Benefits Corporation agent at 1-800-896-7990

Email: mutualben@aol.com
www.mutualbenefitscorp.com

Steven Steiner is the Vice President of Mutual Benefits Corporation. Mr. Steiner is the spokesman for the company who handles all inquiries from the media in addition to overseeing agent relations and conducting seminars on the viatical industry for new agents and investors. He has represented the company at seminars and at press conferences in cities all over the United States, in Latin America and in Asia. Mutual Benefits Corporation is an active member of the Viatical and Life Settlement Association of America and is licensed in more states than any other viatical company that funds policies through individual purchasers.

AZ-CORPCOMM-00466

THE BUSINESS JOURNAL

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Broward E

New laws help protect investors

As the vice president of Mutual Benefits Corp., the country's largest viatical settlement company, I am well aware of the recent charges and allegations against certain people who have fraudulently sold nonexistent life insurance policies from the terminally ill to individual investors for personal gain.

A viatical settlement involves the purchase of a life insurance policy from someone who is terminally ill. This allows the person to use the money in any way he or she deems fit, and the investor then becomes the beneficiary of the policy.



**Guest
Notebook**
Steven Steiner

Unfortunately, Ponzi schemes have, in some cases, caused investors to suffer staggering losses and tarnished the viatical industry. Another problem has been the unlawful practice of "cleansheeting," when a person lies on his or her insurance

application to fraudulently obtain a life insurance policy, or does not revealing a pre-existing condition, and the policy is sold while still in its contestability period.

The viatical business is a young industry that was until recently unregulated, and as any new industry, it can and does attract fraudulent activity.

These isolated practices have generated negative publicity on the viatical industry as a whole. Now, many states are paying closer attention to issues that involve the purchase and sale of viatical settlements. Florida already has put into place a number of new laws that govern the viatical industry, along with 25 other states.

Select members of the VAA (Viatical Association of America), including Mutual Benefits, have been working directly with the Florida Department of Insurance to help enact new laws and regulations to increase protection for not only the seller of the life insurance policy but for the consumer who may purchase that policy in a viatical settlement transaction.

Originally, various state and industry officials agreed that laws needed to be enacted to protect viators (the terminally ill). However, the need arose for equal legal protection for the

consumer, the purchaser of these policies.

Florida was one of the first states in the country to enact laws that require viatical companies to have a license to conduct business. Now, with the Viatical Association of America's support, Florida is the first to require that sales agents who raise funds for the purchase of viatical policies have a life insurance license. Sales agents must provide key information to purchasers before a transaction is complete.

The VAA has taken the position that consumer protection for the purchaser must equal the protection already in place to protect the seller. Mutual Benefits has been proactive in helping to enact these laws in Florida. Through legal counsel, we are currently working on similar legislation and regulations in other states including Tennessee, Alaska, Michigan, Texas, Ohio and Iowa. Additional states are soon to follow.

For anyone interested in investing in a viatical, do your homework. The industry was conceived in the early 1980s when the AIDS epidemic was sweeping the country. The viatical settlement provided terminally ill individuals with life insurance policies the power to sell those policies and use the money for upgraded medical care or to enhance the remainder of their lives. Other people interested in viatical settlements are those afflicted with a terminal illness such as cancer, leukemia, heart disease, ALS, Parkinson's and others.

Today, however, life expectancy is sometimes harder to foretell. That is why the new laws say the investor of any viatical policy must receive certain medical information on the policy before a transaction is complete.

Consumer protection can be guaranteed if the investor deals with a company that handles only noncontestable policies and who pays the premiums on the policy, even if the viator lives longer than expected, as does Mutual Benefits Corp. Would-be investors need to make sure that the company they choose to do business with has a good track record and is a member of the Viatical Association of America or another national viatical organization. □

Readers interested in learning more about viatical settlements may call Mutual Benefits Corp. at (800) 896-7990.

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No Matter What You've Heard, Viaticals Are A Great Investment

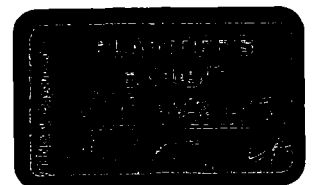
By Steven Steiner

Vice President of Mutual Benefits Corporation

Over the past six years, Mutual Benefits Corporation (MBC) has sold over 14,000 life insurance policies to individual investors nationwide, and as a leading company in this field, I want to share some inside tips on why viaticals are a great investment. A viatical settlement is simply the sale of life insurance benefits from a terminally ill insured person to a third party. In these transactions, the terminally ill patient receives cash for their life insurance policy to use for better medical care or to fund a more comfortable, secure lifestyle. The investor in the policy becomes the owner and or beneficiary of the policy, and ultimately collects the death benefit when the insured dies. MBC was established in Ft. Lauderdale, Florida in 1994 and today is the largest viatical settlement company in the country. We are licensed in more states than any other viatical company that funds policies through individual investors and we have aided in the sale of life insurance policies for thousands of terminally ill individuals all over the United States. Often, this program is the only solution to financial worries that accompany the many dilemmas the terminally ill face. People who are interested in viatical settlements are those afflicted with a terminal illness such as AIDS, cancer, leukemia, heart disease, ALS, Parkinson's and others. In most cases, the terminally ill utilize the money to provide upgraded medical care or to help fund a more comfortable lifestyle.

Now that the industry is becoming more regulated, make sure that when you approach an investor, that he/she knows that you only will represent non-contested policies and, if your state requires, that you have a life insurance license. In the state of Florida, the law requires that you must have a life insurance license and you must reveal certain information on the policy being sold in order to protect both the investor and viator.

MBC is an active member of the Viatical Association of America and is involved with giving back to the community. Over the past years, they have donated to such various charitable organizations as the National Association of People with AIDS, Boys and Girls Club of Broward County, United Foundation for AIDS, Food For Life, Muscular Dystrophy Association, CenterOne, AmFAR, Children's Diagnostic and Treatment Center, Target's Cure AIDS Now: Toys for Kids with AIDS, The March of Dimes, The Ryan White Foundation, Florida AIDS Ride and many others. Vice President Steven Steiner is a frequent guest speaker on AIDS Awareness and Education at area organizations and schools.



Article for Agent's Sales Journal

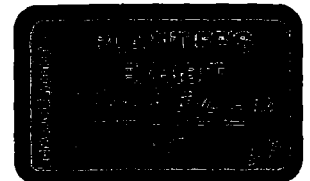
Why Viaticals Are a Good Investment
By Steven Steiner, Vice President, Mutual Benefits Corporation

A viatical settlement is the purchase of a life insurance policy from someone who is terminally ill by a private buyer. This allows the policy seller to use the money in any way he or she deems fit, and the purchaser then becomes the beneficiary of the policy. People who are interested in viaticals have a terminal illness such as AIDS, cancer, heart disease, ALS, Parkinsons, and others. Like other viatical companies, Mutual Benefits Corporation of Ft. Lauderdale, has helped thousands of terminally ill individuals all over the country by offering a program that provides a practical solution for financial hardship. In addition, we have more than 14,000 satisfied individual purchasers to date, and that number grows each and every day. To what do we attribute to our success and longevity in a business which has faced controversy over the past few years? We know the product, fund only non-contestable policies, and we adhere to and help guide the changing laws, which now govern this industry.

Viaticals are successfully sold to private purchasers by positioning them as an alternative to CDs, stocks, annuities and bonds. The payment for such a life insurance policy allows the purchaser to make a humanitarian gesture of allowing the terminally ill to receive the money they need while still living, and it provides the potential for earning a superior fixed rate of return of 12 to 72%. Viatical settlements provide a win-win solution for the seller (viator) and the purchaser. The investment is secured if the policies originate from an insurance company with a rating of B+ or better (insurance companies are rated by A.M. Best based on assets). After reviewing other financial options, individuals have had to readjust the risk to reward ratio by factoring in the dramatic reduction in bond, C.D., money market and savings account yields in recent years. Viatical settlements eliminate concern over adverse market conditions because they are not like a stock risk and they are eligible for IRA's SEP's and other qualified plan rollovers.

An agent can best approach a potential purchaser by positioning the viatical as a product that compares to other investment opportunities such as C.D.s and annuities, and, unlike some other products, viaticals offer a high fixed rate of return of 12 to 72 %. Buyers like the security of a higher return on their investment. Once the policy matures, the purchaser receives payment directly from the insurance company. Viaticals are best marketed by advertisements in trade journals, direct mail pieces, seminars for potential investors, newsletters, previous client contacts, by referrals and by other methods.

Currently, there are twenty-six states that have enacted laws to increase protection for not only the seller of the life insurance policy, but for the consumer who may purchase that policy in a viatical settlement transaction. Many states require that if you are going to represent viatical transactions, you must have a life insurance license. Florida was one of the first states in the country to enact laws which require that viatical companies have a license to conduct business, and now, with the Viatical Association of America's (VAA)



support, is the first state to require that sales agents who raise funds for the purchase of viatical policies have a license. By law, sales agents must provide key information to purchasers before a transaction is complete. The current focus on legislation to protect this industry with the staunch support of the VAA guarantees that this business will thrive and continue to offer investors a solid investment opportunity with a high rate of return.

For agents interested in representing viatical settlements as an investment option for your clients, do your homework. Purchaser protection is assured if you deal with viatical companies that only handles non-contestable life insurance policies and who pay the premiums on the policies, even if the viator lives longer than expected, like Mutual Benefits Corporation. Sales agents need to make sure that viatical company they choose to do business with has a good track record and is a member of the Viatical Association of America or another national viatical organization.

About Mutual Benefits

Mutual Benefits, established in 1994, is the largest viatical settlement company in the country and has worked closely with more than 14,000 satisfied individual purchasers of viaticals. They are an active member of the Viatical Association of America and have helped thousands of terminally ill individuals all over the country by offering a program that provides a practical solution for financial hardship. From the onset, Mutual Benefits has funded only non-contestable policies. They have set up an infrastructure to track the progress of our clients, and we offer a host of services to help enhance the quality of their lives. Mutual Benefits is licensed in more states than any other viatical company who funds policies through individual purchasers. Scores of testimonials and thank you letters from grateful insureds cover the walls of their main office.

If you are interested in learning more about viatical settlements, please do not hesitate to call Mutual Benefits Corporation at: 1-800-896-7990.

FOCUS On: Viatical Settlements

Florida Viatical Firm Helps Revise Model Law

FORT LAUDERDALE, Fla. (Business Wire) — Mutual Benefits Corporation (MBC) is contributing in drafting proposed language for the National Association of Insurance Commissioners (NAIC) new model law governing the viatical and life settlement industry.

Senior counsel for MBC, Michael McNerney of the law firm Brinkley, McNerney, Morgan, Solomon & Tatum, LLP, is participating with the

"We spend a lot of time, money and resources proposing regulations. Strong laws not only give the viatical business longevity, strong regulations go a long way to instill consumer confidence."

— Steven Steiner, Mutual Benefits Corp.

NAIC Viatical Working Group in suggesting language that would expand the law to cover life settlements, strengthen the

anti-fraud provisions and provide increased purchaser protection.

McNerney has collaborated with legislators and regulators in states such as Florida, Maine, Michigan, Arizona, California, Kansas, Alaska, Tennessee, and Ohio to suggest revisions to their viatical laws.

In fact, MBC was a major contributor to the new provisions added to Florida's viatical law, Senate Bill 1956, enacted in July 2000, which adopted many of the provisions now being suggested to the NAIC.

These revisions reflect the importance of increased purchaser protection and follow the general approach taken by legislatures in other states. The NAIC is reviewing Florida's Senate Bill 1956 to consider language for its model law. MBC believes this should be a properly regulated industry.

"We favor comprehensive and clear laws and want to see the industry regulated," said Steven Steiner, vice president of MBC. "We spend a lot of time, money and resources proposing regulations. Strong laws not only give the viatical business longevity, strong regulations go a long way to instill consumer confidence."

The group working on the viatical law for the NAIC is being led by the Louisiana Department of Insurance, Lester Dunlap, and has representatives from 15 other Departments of Insurance. In addition to purchaser protection and disclosure, the model viatical law the group is revising includes such issues as expanding the law to cover life settlements, advertis-

ing guidelines, marketing guidelines, strengthening anti-fraud divisions of the law, and specifying what type of licenses are needed to sell viaticals. Currently, some states view viaticals as a securities product, while other states govern viaticals as an insurance product. The model law recognizes these differences and addresses the licenses needed in each state to sell viaticals and life settlements. The model law will be

Some states view viaticals as a securities product, while others govern viaticals as an insurance product.

The model law recognizes these differences and addresses the licenses needed in each state to sell viaticals and life settlements.

available for public comment by December. The NAIC will then encourage state departments of insurance to review the model and to enact changes in their state.

MBC has been the country's leading viatical and senior settlement provider since 1994 and is licensed in more states than any other viatical company that funds policies through individual purchasers. MBC's policy has always been to protect both the viators and purchasers by funding only noncontestible policies from insurance companies rated B+ or better by AM Best, Moody's or Standard and Poors. MBC has viaticated policies with face values totaling more than \$700 million.

(This article was supplied to Business Wire by MBC.)

texasagent@hillpublishing.com

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Subj: Mutual Benefits Corporation Remains Untarnished in the...
Date: 11/10/99 12:23:58 PM Eastern Standard Time
From: AOL News

Mutual Benefits Corporation Remains Untarnished in the Onslaught of Negative Publicity Targeting the Viatical Industry

FORT LAUDERDALE, Fla.-(BUSINESS WIRE)--Nov. 10, 1999--

As a Leader in This Industry, MBC is Active in the Legislation

to Rid the Business of Companies Who Break the Law

All over the country there have been charges and allegations against people who have fraudulently sold non-existent life insurance policies from the terminally ill to individual investors for personal gain.

Referred to as Ponzi Schemes, they have, in some cases, caused investors to suffer staggering losses. These isolated practices have generated negative publicity on the viatical industry as a whole. Now, many states are paying close attention to issues that involve the purchase and sale of viatical settlements and in the coming months, we'll witness changes in the laws which govern the viatical industry. Mutual Benefits Corporation (MBC), the country's largest viatical settlement company, has a mission: they want the world to know that they are one of the "good guys." MBC Vice President Steven Steiner stated, "For the past five years we have fought to rid this industry of individuals who have broken the law and who have taken advantage of the terminally ill and private investors who have purchased their life insurance policies. This has made it even more difficult for many terminally ill patients who desperately need money for better medical care to sell their policies." MBC not only provides the terminally ill with a much-needed financial service, they take into account their physical and emotional needs as well. Added Steiner, "We have set up an infrastructure to track the progress of our clients, and we offer a host of services to help enhance the quality of their lives."

MBC has been working directly with Florida Department of Insurance and the State Legislature to help enact laws to protect terminally ill life insurance policy holders and investors and to expose unethical companies who break the law. According to General Counsel for MBC, Michael McNemey, "Mutual Benefits Corporation is a leader in proposing laws in Florida and throughout the country that are designed to protect investors and terminally ill who wish to sell their policies." McNemey also serves as Chair of the Viatical Association of America's Committee on Purchaser Protection Regulation.

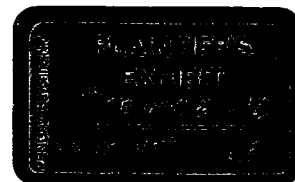
As the number-one viatical company in the country, Mutual Benefits Corporation of Fort Lauderdale, has helped thousands of terminally ill by offering a program that provides a practical solution for financial hardships. Established in 1994, MBC has issued only uncontestable policies and is licensed in more states than any other viatical company that funds policies through individual investors. The viatical settlement involves the purchase of a life insurance policy from someone who is terminally ill by a private investor, which allows the individual to use the money in any way he or she deems fit. People who are interested in viatical settlements are those afflicted with a terminal illness such as AIDS, Cancer, Leukemia, Heart Disease, ALS, Parkinson's and others. Often, the terminally ill utilize the money to provide upgraded medical care or to help fund a more comfortable lifestyle they would otherwise not have if not for the sale of their life insurance policy. Scores of testimonials from grateful insureds cover the walls at the company's office.

More than that, MBC is an active member of the Viatical Association of America and year after year, they have donated thousands of dollars to such charitable organizations as the National Association of People with AIDS, Boys and Girls Club of Broward County, United Foundation for AIDS, Muscular Dystrophy Association, CenterOne, AmFAR, Children's Diagnostic and Treatment Center, Target's Cure AIDS Now, Toys for Kids with AIDS, and so many others. MBC Vice President Steven Steiner is a frequent guest speaker on AIDS Awareness and Education at area organizations and schools.

For further information or to request an interview with a representative from Mutual Benefits Corporation,

CONTACT:

Mutual Benefits Corp., Fort Lauderdale



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Viatical, Senior Settlement Company Providing Input To NAIC Drafting Of Model Law To Regulate Industry

FORT LAUDERDALE, Fla. — Mutual Benefits Corporation (MBC), a leading viatical and senior settlement provider, said August 31, that it is assisting the National Association of Insurance Commissioners (NAIC) in the drafting of a model law designed to regulate this industry.

Steven Steiner, vice president of MBC, said his company is licensed in more states than any other viatical company that funds policies through individual purchasers. He said MBC favors comprehensive and clear laws and regulations that instill consumer confidence and provide the business with longevity.

Michael McNerney, of the law firm of Brinkley, McNerney, Morgan, Solomon & Tatum, LLP, who is senior counsel for MBC, has been participating with the Viatical Working Group of NAIC and has suggested language to expand the model law to include life settlements and strengthen the anti-fraud provisions as well as providing increased purchaser protection.

Concept Explained

Steiner explained that the sale of a life insurance policy by someone who is terminally ill to a private purchaser is known as a viatical settlement. He said it had been MBC's position to protect both the viators and the purchasers by funding only non-contestable policies from insurance companies rated B+ or better by the recognized rating agencies.

There are regulatory laws in 9 states and Steiner said that senior counsel McNerney has collaborated with the legislators and regulators in those states to suggest revisions of their existing laws. The states

are Florida, Maine, Michigan, Arizona, California, Kansas, Alaska, Tennessee, and Ohio.

Steiner said that MBC was a major contributor to new provisions added to the Florida viatical law, in Senate Bill 1956, enacted in July of this year. Steiner said that the Florida provisions are now being suggested to the NAIC working group, because they reflect the importance of increased purchaser protection and follow the general approach taken by the legislatures in other states. He said NAIC's working group is reviewing the Florida provisions.

Louisiana Heads Working Group

The NAIC working group is chaired by the Louisiana Department of Insurance (Lester Dunlap), and has representatives from fifteen other departments. In addition to purchaser protection and disclosure, Steiner said, the group is considering the expansion of the model viatical law to cover life settlements, advertising guidelines, marketing guidelines, strengthening anti-fraud provisions of the law, and specifying what type of licenses are needed to sell viaticals.

Currently, Steiner said, some states view viaticals as a securities product, while other states govern viaticals as an insurance product. He said the model law recognizes these differences and addresses the licenses needed in each state to sell viaticals and life settlements. The model law will be available for public comment by December 2000. The NAIC will then encourage state departments of insurance to review the model and to enact changes in their state, Steiner said.





FRONT PAGE STORY

New provisions added to Florida's viatical law

State legislatures around the country have enacted a number of laws governing the procedure for the sale of a life insurance policy by a terminally ill person, referred to as a viatical settlement. The policy sellers (viators) receive much-needed cash for a percentage of their policies and the purchasers become the beneficiaries on the policies.

Senate Bill 1956 calls for additional disclosures about the specifics of these transactions to be made available to purchasers, stronger penalties to be instituted against fraudulent activities, and the law expanded to cover

nonviatical transactions, commonly referred to as life settlements. The emerging life settlement market is quickly gaining in popularity because senior citizens are realizing that they can sell an unwanted life insurance policy for cash, and the new provision to the Florida viatical law reflects the importance of this market.

Mutual Benefits Corp., the Viatical Association of America and other viatical companies, such as The Medical Escrow Society, successfully participated in getting these provisions approved by the Florida Legislature. General counsel for Mutual Benefits

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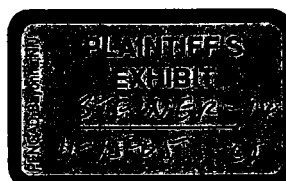
Viatical law, S.B. 1956

• continued from page 1

Corp., Michael J. McNerney, who previously authored several provisions of the Florida viatical law, has once again contributed to the strengthening of the law. McNerney worked directly with the Florida Department of Insurance and the Attorney General's office in proposing these amendments.

Vice President of MBC Steven Steiner said, "Since we began this company over six years ago, it has been our highest priority to protect the rights of the terminally ill and those who purchase their policies. As the industry has grown, we've witnessed many companies come and go, some of whose business practices were highly suspect. To preserve the integrity of this industry and the good it has done for thousands upon thousands of terminally ill individuals, we have taken an active role with the Florida Department of Insurance in further regulating the viatical industry. Along with our law firm of Brinkley, McNerney, Morgan, Solomon & Tatum, LLP, we've not only helped the terminally ill, but we have now helped to further ensure consumer protection for the purchasers. I'd like to think that we have played a key role in finally validating this industry and preserving its future growth."

If you'd like to receive the full text of Senate Bill 1956, or if you require any further information, please contact Kim Morgan at Mutual Benefits Corp. at (800) 896-7990, or e-mail to mutualben@aol.com. ▼



MBC SEC 1118

EXHIBIT B

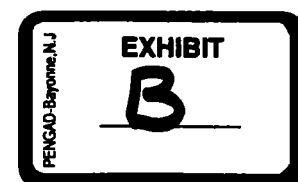
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TRANSCRIPTION OF AUDIOTAPE RECORDING

ITMO: SEC vs. Mutual Benefits, et al

TAPE TITLE: Recruiting Seminar

MBC 4/2000 (Romanus)



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1 MR. CHANEY: Mr. Mandel is a leading national authority on
2 viatical settlements and travels the entire country, giving
3 seminars and lectures.

4 He conducts workshops, he (inaudible) and also purchases.

5 He has a B.A. from Berkman College and managed a very
6 successful company in Fort Lauderdale, Florida for 12 years
7 prior to joining Mutual Benefits.

8 And before I bring up our two guest speakers, I just wanted
9 to mention that in each one of you - each one of you
10 received a packet of materials.

11 Because of the regulatory authority who closely regulates my
12 business, I just need to report to them who attended our
13 program tonight. So, I would appreciate it if you would fill out
14 the confidential workshop report card. You need to put your
15 name and address on it. We'd appreciate it very much. So
16 we have a record for the State.

17 So, without further ado, I'd like to introduce our first guest
18 speaker,

19 Mr. Steven Steiner.

20 (Applause.)

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1 MR. STEINER: Thank you all for being here this
2 evening. It's great for me to give talks in the United States,
3 especially my home State of Florida, and get to speak to
4 people and hopefully educate them about a lot of things
5 above and beyond the viatical industry.
6 Is everyone here familiar with the term "viatical" and what the
7 viatical industry is all about? Is there anyone that doesn't
8 know what the viatical industry is? Nobody?
9 Then you might know that the word "viatical" is a Latin word
10 meaning peace for the journey. And it's just that. We look at
11 this industry as providing a livelihood and a life line to people
12 who are terminally ill and who are dying.
13 And I just want to talk about how I got involved in this
14 industry and how my company is involved in this industry in
15 a certain way that's very special and means a lot to so many
16 of us.
17 I, about ten years ago, was asked to get involved in bringing
18 the company together. And I had just recently been taking
19 care of my mother and lost her to heart disease, and I took a
20 couple of months off to kind of get my life back together
21 again.

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1 And I didn't really know much about this industry. And I
2 decided to go ahead and do something. It was really awful
3 when I thought about what I did, but I made believe that I
4 was very sick. And I went ahead and I signed away for
5 every bit of information from every existing viatical company
6 across the United States.

7 And in a real short time, I started getting packages and kits
8 and questionnaires and applications. And I started filling
9 them out. And in a shorter time, I started getting calls from
10 people from all over the United States. Calls that were very
11 urgent and very aggressive, and kind of really turned me off
12 a bit.

13 I felt like I was putting a car in the paper for sale and I was
14 getting a real hard closing plan, and I was really a bit
15 perturbed. And I - I saw through something, an industry that
16 was very special in a way, in terms of the way to respond to
17 people you're dealing with.

18 And I thought there was a degree of dignity and composure
19 and patience and respect that wasn't given to these people.

20 And I did not feel that I got that on the other end of the
21 phone. I felt as if I was selling a car and these were strong

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1 closers, kind of knocking my doors down, and I did not like it.
2 When I came home from my few months off, came and sat
3 down to (inaudible) and decided to talk about what I thought
4 about the industry, I laid my cards on the table. And I am
5 very fascinated by the industry and convinced of how
6 important this industry is to people who are desperately in
7 need of funds, but I wanted to do it a different way entirely.
8 I've gotta be there for these claims after we've wrote their
9 policy. That's a huge statement to make. We're dealing with
10 Fort Lauderdale, Florida, and at that time, a tremendous
11 volume of young adults who are dying from AIDS and living
12 with AIDS, we were selling them policies, but for a fee. We
13 really used them.
14 I've been a volunteer at a place called Center One in Fort
15 Lauderdale, which is Broward County's largest and oldest
16 HIV/AIDS service center.
17 To give you an idea of the magnitude of the agency, we've
18 got close to 6,000 active clients. And being involved in
19 teaching or support and our volunteers, and in attempting to
20 get support for these, I realized what these people really
21 needed.

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1 Now, I just asked, well, how would you do this? How would
2 you continue the relationship after we wrote their policy?
3 And at that time, very simple things, like walk your dog or
4 cat, taking people to the drug store for their meds, driving
5 people to the doctor to see their doctors.

6 A lot of our people were so sick they couldn't drive. Couldn't
7 even afford to have food. And the most challenging of all
8 was trying to talk moms and dads, sisters and brothers and
9 loved ones, into getting involved with that person's illness.
10 That still proves to be the most challenging.

11 For a very short time, we were inundated with people
12 who wanted to sell their policies to us. This is a buddy of
13 mine, and he's sure to keep his current duties. And we
14 started getting policies from all over the United States.
15 And I stopped and thought for a moment and I realized that
16 the only good thing that happens to the group of terminally-ill
17 people, was the amazing network that occurred. And if you
18 do something good for somebody, they share that. And
19 that's where market shares are rewarded.

20 My next problem was, how are we going to provide this kind
21 of service to people and clients that did not live in Florida,

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1 that couldn't be reached by a lot of my people in Florida.
2 And we got together different databases, every major
3 organization across the United States, that had anything to
4 do with HIV and AIDS at that time, any social service
5 organization, any home labs, or managing for doctors, for
6 residency, for support, and we founded this national
7 database that gave birth to a sister company called VSI.
8 And what VSI does today, it's become a company with thirty
9 to forty of its own employees, most of them are social
10 workers, and they're keeping up with our clients all over
11 America, helping manage their lives.
12 They're a 24-hour, seven day a week crisis hotline where
13 people can call if they need anything, if there's an
14 emergency around, and we help manage people's lives living
15 with terminal illness, HIV/AIDS, and all the other ones that
16 are dealing with Mutual Benefits today.
17 We're also, ultimately (inaudible), with the wait to accept our
18 plan. Because we have a very important responsibility to our
19 purchasers now, in a very timely fashion (inaudible) the way.
20 There's a lot of paperwork involved that we have to obtain,
21 and VSI has become not only a wonderful social service

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1 agency, but it's become a way to track our client base, which
2 is a very important responsibility ultimately that we have. It's
3 one that I'm not thrilled with talking about, but it's part of this
4 business.

5 I want you to know, for those that have been involved in the
6 viatical industry, I want you to know what you've allowed us
7 at Mutual Benefits to do and continue to do. This is not a
8 wham, bam, thank you kind of thing. We (inaudible) on
9 quality. We've talked about how we help people after the
10 fact.

11 But, I've been given the incredible job at the company, a job
12 of giving money away and helping people. A job that has
13 ultimately led to the building of a medical center that Mutual
14 Benefits has built that sees over ten hundred and fifty
15 patients that never, ever had the luxury of having life
16 insurance. These people have no health insurance.

17 It started out as a dream of mine, three to five years ago. A
18 dream that involved leasing a doctor, and you can do that
19 through the University of Miami, that involved a parts vendor
20 that we can borrow for medical equipment and furniture and
21 painting walls myself, to a facility right now that has full-time

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1 health care professionals, real doctors, and has never, ever
2 turned anybody away regardless of their station in life.
3 And Mutual Benefits paid for this up until a point in time over
4 a year ago when the State realized what we were doing, and
5 allowed me to pursue getting grant money, which we have.
6 And I think we're up to about \$400,000 a year from State
7 funds right now. But, for those of you who are aware, I
8 mean that certainly doesn't touch the tip of the iceberg for
9 what the cost of medical care allows.
10 The biggest commitment the company has is to education.
11 And if this is the only thing - the very only thing I leave you
12 with tonight in speaking to you, in terms of what you
13 remember from this presentation, I beg of you that this is
14 something that you will take home and share with your kids,
15 your grandchildren, your loved ones.
16 One-third - that's one-third of all new HIV infection in the
17 United States, is occurring in young adults between the ages
18 of 13 and 22. Think about that. Of our kids, a third are
19 vulnerable to the virus.
20 A virus that was labeled and classified as a gay disease,
21 because of the different lifestyle and different persuasions:

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1 Well, that's not the case anymore.

2 We finally were allowed to produce an educational video that
3 I have lobbied for for years, that is being played in schools
4 across the country, letting our kids know that they are
5 vulnerable to getting this virus.

6 One small portion of our fund is used for sending me across
7 the country, speaking about this. Speaking to kids in
8 schools, in the schools that will allow me to come into, and
9 educate people that this virus has no boundaries. That this
10 virus has become a major epidemic in this country.

11 The second prominent group of infection are heterosexual
12 women in this country. That's Number Two. For those of
13 you who don't get the Fort Lauderdale newspaper, last year
14 there was a headline in the Broward section. A complete
15 rash of - a terrible epidemic of older people, retired people,
16 that had AIDS.

17 Three of them were three gentlemen that I knew and
18 took care of at Center One. These are gentlemen in their
19 eighties that were ill. Had the typical symptoms of someone
20 that might be of their age - high blood pressure, a couple of
21 heart bypass operations, one was a diabetic, and they got so

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1 terribly ill and no one could figure out what was wrong with
2 them.

3 They did blood tests finally when they exhausted every
4 option, until they finally tested for HIV and the AIDS virus.

5 These gentlemen had full-blown AIDS, and had had it for
6 years and had gone misdiagnosed.

7 There was a 69-year-old lady who is in our (inaudible) this
8 year right now who has full-blown AIDS. Who travels to
9 condominiums talking to people about the fact that they, too,
10 are vulnerable to getting HIV.

11 What I want to impress upon all of you is that this is a
12 wonderful business for a lot of people who took advantage of
13 the investment and gave them a very safe investment and
14 gave them a very healthy return in today's climate. But you
15 need to know what we do at Mutual Benefits.

16 We need to know where some of this (inaudible) many
17 people from getting sick. From educating or helping people
18 and taking care of people when they're sick. We have really
19 taken this industry and validated it, and made it an industry
20 that everybody respects in our community and our company.
21 This is not an easy business to be in. There are many days

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1 where I've had to get out and (inaudible). Walk outside and
2 see some smiling faces or see the beach or drive my car.
3 We're getting to young people, for the most part, who are
4 dying. And they come to us. And you see kids planning
5 their funerals.

6 And I remember when I was 27 or 28, to me the most
7 important thing was what kind of car I drove or where I was
8 going that weekend on a date. These kids are planning
9 funerals, alone, most of them. And it's been a reality check.
10 It's devastating at times. It's changed all of our lives at
11 Mutual Benefits. And we don't take anything for granted
12 anymore. We're very grateful for what we have. But when
13 you realize what we're doing, I mean, (inaudible) giving
14 these people, it reinforces our convictions that we're doing
15 the right thing.

16 For most of these young adults, these people that are
17 terminally ill, they were going to lose their policies. Paying a
18 premium on a life insurance policy, because they're terribly
19 expen - becomes a luxury. They want to stay in their own
20 homes. They've got rent to pay and a mortgage to pay.
21 They've got health insurance. They've got medication, all

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1 kinds of therapy. Perhaps a car payment.
2 Paying for a premium on a life insurance policy becomes
3 almost a luxury. That's not priority. And this whole
4 transaction allows people to live the balance of their lives
5 with some dignity, to stay in their homes. And if their tooth
6 aches, they can take acupuncture today, or psychotherapy,
7 or massage therapy - things that are not covered by using a
8 self health insurance policy.

9 So, we're very proud of this industry. we're proud of what
10 this company has done to give back. We hope we're setting
11 an example for this industry, in terms of the way we do good
12 business.

13 Some money has been raised - millions and millions of
14 dollars has been raised every year to give out to different
15 charities. And I am challenged right now as our portfolio has
16 become quite diverse.

17 Because we're dealing in so many awful, terminal illnesses,
18 one, I know because I live with the HIV/AIDS community, I'm
19 getting an education. Because my path now is to help those
20 different organizations across the country and (inaudible)
21 people, and see what we can do to help them as well.

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1 So, it's an extraordinary thing and it's an extraordinary
2 business. And, you know, I don't know of anything today,
3 where you can be generous philanthropic, and I know
4 everybody in this room has or wants to be philanthropic, and
5 wants to give something, and gave something to be
6 charitable, I know you all have or most of you have.
7 But it's a difficult decision. Where do I give money to? How
8 do I give money? How much to who and when? (Inaudible)
9 every day run into it. What an incredible way to be able to
10 invest your money to get a very substantial return and a very
11 safe investment and help people.
12 Enjoy profits and helping so many people that are in such
13 dire straits. I don't know of anything today that will allow you
14 to do that. If there is, tell me. I want to hear about it.
15 So, in closing, because there's lots of things that Mr. Mandel
16 wants to talk to you about, about the financial end of the
17 business transaction, I invite all of you - it's only a two-and-a-
18 half hour drive to Fort Lauderdale, to come and visit and see
19 what we do firsthand.
20 I know it will really inspire you, it will change a lot of lives,
21 and you'll see what this company does above and beyond

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1 the transaction. What really makes us the largest viatical

2 company in the United States.

3 I invite you all to come visit our medical facilities, visit our

4 offices, visit our staff. These are people who have been with

5 us since Day One, whose lives have all been touched and

6 changed by this.

7 Thank you very much for giving me this wonderful

8 opportunity. I'll be here to answer any questions after Mr.

9 Mandel has finished. Thank you.

10 (Applause.)

11 MR. MANDEL: I'm not going to use the microphone. I've

12 got a loud voice. So, can everybody hear me?

13 (Whereupon, the audience responded in the
affirmative.)

15 MR. MANDEL: One of the reasons that we're here, above

16 and beyond meeting all of you, is for our agent, Skip

17 Chaney, who all of you know very, very well, I imagine - he's

18 been here for a long time. He's a pillar of the community.

19 He does a lot of things, charitable-wise. His commitment to

20 the community is very, very strong, and he has a good bond

21 with the community.

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1 We run our business through people like him. We don't go
2 out there and solicit anybody to do this personally. We have
3 no representatives out on Columbus that do this.

4 We believe that a person who's trying to give, and all of
5 these types of people all over the country, look at our
6 company, and if they feel comfortable enough to take our
7 product to you, we feel we have a successful product and
8 successful company.

9 What I'm going to talk about tonight is, because I understand
10 that a lot of you in here are investors in viaticals, a lot of you
11 in here are aware of viaticals, and a lot of you in here might
12 have thought about investing into viaticals. So, I'm going to
13 switch my presentation around a little bit as I normally would
14 do, and talk a little bit different in terms of reinforcing the
15 decision that you might have made.

16 The ones that have made investments might be, at this point
17 in time, saying, hmm, I wonder if what I did was the right
18 thing? Some of you have thought about it and have not got
19 involved in this yet. Maybe you never heard this type of
20 presentation.

21 And the ones that maybe have heard other things about this,

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1 really have heard some good, some bad, and maybe want to
2 hear a different side of the story.
3 Being in this area of Florida, you know what I'm saying.
4 There's a lot of different information out there about this
5 product. Some of it good, some of it not so good. And the
6 reason that we come and we make a commitment to come
7 out and make these trips, is to talk to you in person.
8 We're not hiding behind a telephone. We're not hiding
9 behind anything. We feel we have a great product. And I
10 think I can demonstrate to you tonight what the product
11 really can do.
12 One of the first things I want to talk about is, every person in
13 here is
14 investment-oriented. Every person in here has either been a
15 business man and owns his own business, or has worked for
16 somebody and accumulated some type of wealth, whatever
17 that wealth might be.
18 And every person in here has a different strategy and a
19 different idea how they want to make investments.
20 A lot of people in here are older, have been around a
21 heck of a lot longer than I have, and have seen an awful lot

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1 more than I have. And probably, over the course of the last
2 five years, the most visible place to put your money is the
3 stock market.

4 Last five years, you didn't have to be a genius to predict
5 what was going to happen. All you had to do was call your
6 stock broker and say, I've got this amount of money, put it in
7 something. I don't care what you put it in, put it in
8 something. And at the end of the year, you would get a
9 statement and would ignore what it was put in.

10 But for these people that are a little bit older, they respond
11 that that has not always been the case with the stock
12 market. There have been some great rides up, and there's
13 been some great and disastrous rides down.

14 And when you've made the bulk of your money - remember,
15 we've got to talk about what your plan in - when you've made
16 the bulk of your money, are you looking to put your principal
17 at risk? That's the bottom line.

18 Because no matter how great the stock market is,
19 there's a chance that it could go in the opposite direction
20 than it has gone over the last five years. And if it does go
21 that direction and it's significant, it could affect the principal.

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1 And all that five years of laughter and going out to dinners
2 and talking about the great returns you had in the stock
3 market, now you're starting to worry. How come my broker's
4 not calling me and advising me to sell?
5 God, you look at your statement and you say to yourself, I
6 know I had more money than that last quarter. So, let's just
7 try to think about the reality of it and say to ourselves, what
8 am I trying to accomplish?
9 Am I trying to accomplish making money? Do I want to
10 make money? Because if you want to make money, you've
11 got to risk your principal. Or do I want to preserve what I
12 have?
13 Now, to preserve what you have, you don't have to risk your
14 principal. And there's a lot of people in here that know about
15 a lot of different investments. There are annuities, there are
16 bonds, there are CDs, there's a savings account.
17 There's your back yard. You've got a big back yard and you
18 want to put money in a can. There's a lot of different ways
19 people save their money. And a lot of them are good, and a
20 lot of them are not that great.
21 Well, one of the things that I saw and I've been looking at,

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1 because I read the newspaper every day because I'm an
2 investor, too. I might be a little younger. My ideas might be
3 a little bit different. But I've got to try to grow my money, just
4 like everybody else in here that has, prior to me, growing
5 their money, it's a good economy, old economy, growth
6 value, gross shares, making sense of the marketing
7 mayhem.
8 Even investment advisors today don't know what's going on.
9 They have no clue. They don't know if the market's going
10 up. They don't know if the market's going down. Or they
11 don't know if the market's going to be flat.
12 So, this is something that you need to consider when you're
13 talking to an investment advisor. What's my goal? What do
14 I want to do? Am I looking to make money, because then I
15 have to risk my principal.
16 Now, to talk about the product that we offer, where does this
17 product fall? Well, I think this product falls somewhere in the
18 middle. It's a conservative product. And why are we
19 conservative? Because there is no risk of the principal.
20 Every person here that's gotten involved with our product
21 becomes the irrevocable beneficiary of an insurance policy.

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1 And I'm willing to bet my last nickel in my pocket that every
2 single person in here has an insurance policy, and their
3 spouse, or one of their children are the beneficiaries of that
4 policy.

5 So, if you feel it was a good - a good, sensible thing to get
6 an insurance policy, and you feel comfortable that this
7 insurance policy eventually is gonna pay off, you're doing
8 nothing different than what we do. The only difference is, we
9 offer returns that, in this product - in a fixed product, in a
10 conservative product, can be (inaudible).

11 In our product, what we offer is, we offer three things. We
12 offer a high rate of return, we offer low risk and security of
13 principal.

14 Now, where does the risk fall? That's what I'd like to talk
15 about. Because that's what I'm interested in. Where's the
16 risk here? If it's too good to be true, it's too good to be true.
17 Where on earth is the risk in this product?

18 It's very simple. The risk in our product is, unfortunately, a
19 person lives. That's the risk of our product. Period.

20 The person that I invested in, the individual that I gave
21 money to to better his life, to enjoy whatever time he may

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1 have left on this earth - and believe me, these people are
2 terminal, and we're going to talk about that in a little bit, but
3 you know, that might lead to another question.
4 If that person should live beyond the projected life
5 expectancy, the annual rate of return - not the fixed rate of
6 return - is going to start to diminish. Let me explain to you
7 what I mean.
8 With our product, you're receiving a fixed rate of return. Not
9 like a CD. You go out to the bank, you buy a CD, it's six
10 percent on your money. At the end of the year, you go to the
11 bank, you have the principal plus six percent.
12 With our product, if you went into a three-year program, you
13 put up "X" amount of dollars and you get back 42 percent.
14 That's mind blowing. It's projected to pay out in three years.
15 Is that number etched in stone like a CD? No, it's not. It's a
16 projection. It's a life expectancy.
17 And no matter how good or how the doctors that look at this,
18 no matter how they look at this in terms of medical
19 information, which is what they review, and all the other
20 things, criteria that they have to go through to come up with
21 the three-year life expectancy, it's still an estimate based

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1 upon everything they've seen.

2 And enough people in here understand that when you go to

3 the doctor and he tells you something, in most cases it's

4 what they call an educated opinion. It's an opinion based on

5 a lot of medical information. And usually their opinions are

6 excellent.

7 We trust doctors. You want to believe the doctor. But it's

8 still an opinion. It's a medical opinion. So, what happens is,

9 we're going to give you 42 percent. You're going to get that.

10 That can never change.

11 The question becomes, when do I get it? Because three

12 things can happen. You can get that money early - you can

13 get that money earlier than three years, but a person has to

14 pass away.

15 You can get that money right on a

16 three-year timeline. Or, the person could live beyond what

17 we anticipated and you're going to have to wait to get that 42

18 percent.

19 Now, let's look at the disadvantages. Let's say you did go

20 into a three-year program with a 42 percent fixed return.

21 And let's say that our estimate was off. We anticipated three

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1 years. That was the estimate that the doctors put on it. But
2 the person actually lived four years. Or, lived five years.

3 Worse-case scenario, this 42 percent would be paid
4 out to you. And let's say you were paid out in five years.
5 That's an eight percent return if you annualize it on a yearly
6 basis. Forty-two divided by five is eight.

7 I'd like to see a raise of hands in here right now, anybody in
8 a fixed product - a CD or annuity, fixed - or bond, or savings
9 accounts, making more than eight percent on their money
10 with no risk of principal. Because, if you are, please come
11 up and tell me, because I'm - I'm in the wrong bank.

12 So, what this program offers you, it offers you a fixed return
13 in this paid time period that's going to be a lot greater, in our
14 opinion, than the traditional markets that you've been
15 accustomed to - the main three markets, the annuities, CDs,
16 savings accounts, bonds, things of that nature.

17 And what this program provides is three different life
18 expectancies. So, you can take advantage of any one of
19 these life expectancies.

20 Now, as a company, are we off? Do we have people that
21 have lived beyond these life expectancies? Absolutely. As

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1 a company, have we had people that have matured earlier
2 than these life expectancies? Absolutely. The majority fall
3 usually somewhere right around these time lines.

4 What have we done in five-and-a-half years to make sure, or
5 at least to put ourselves in the best position for success?

6 That is a very important question.

7 And there are a lot of you - and I'm gonna put this right back
8 on your footsteps for a second - a lot of you in here were
9 business owners. And for the women, a lot of you here were
10 housewives.

11 Any business that's worth it's grain of salt has to adapt and
12 change. Because, if you don't, if you stay there, if you do
13 exactly what you're doing when you started out in your
14 business career, or if you started out as a housewife,
15 watching a baby and you didn't change, you didn't do things
16 differently Day Two, Day Three, Day Four, Day Five, until
17 you finally understood what the right things were, things
18 were never going to get better.

19 In our company's off on the same road. Things have
20 happened in our industry that we had to make adjustments
21 for. We know, were we always correct in everything we've

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1 done? No. But is anybody?

2 But, after five-and-a-half years, we've been able to continue
3 when most of the other companies are long gone, out of this
4 industry.

5 (Whereupon, Side A of the audio tape
6 recording ended.)

7 MR. MANDEL: -- that we have made adjustments for. We
8 know, were we always correct in everything we've done?

9 No. But is anybody?

10 But, after five-and-a-half years, we've been able to continue
11 when most of the other companies are long gone, out of this
12 industry. Because they weren't in a position to invest
13 enough, take the time to examine what we've done in the
14 past, and look at this business and say, how do we get
15 better?

16 What has come into this business that's made this business
17 change? Medication. Medical technology. Medical
18 technology has helped every person in this room. People
19 today are living longer. People have more choices of
20 medications. Doctors have more information. This has
21 helped society, in general.

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1 And in our case, these people that are terminally-ill, that are
2 unfortunate, they've been able to take advantage of some of
3 these medications. And the people right in this room and
4 people all over this country and all over this world who have
5 participated in this program have helped these individuals
6 that are terminally-ill, maybe live an extra year. Maybe live
7 an extra year-and-a-half. Maybe even live two years.

8 And you have to say to yourself, you know, I'm a fortunate
9 person. I've lived a good life. I have some money. I don't
10 need all my money to go out and spend. I'm probably going
11 to leave it to my children, or whatever. Isn't it a nice gesture
12 to be able to help somebody less fortunate than we are
13 maybe live an extra half a year, maybe live an extra year?

14 Well, these medications undeniably have worked. As
15 a matter of fact - and I'd be more than happy to pass this out,
16 and we've know this, and we've always known it - that in the
17 New York Post on the Tuesday,
18 March 14th edition, one of the headlines said, "Lethal HIV.
19 Are protease inhibitors hurting more people than they're
20 helping?"

21 What we know is that the medications that help people have

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1 another side --

2 (Whereupon, there was a break in the audio
3 tape recording.)

4 MR. MANDEL: -- do it, where your money is, where your
5 money's not. Feel free to ask.

6 UNIDENTIFIED AUDIENCE MEMBER: How is the principal
7 kept safe?

8 MR. MANDEL: Okay. How is the principal kept safe is the
9 question.

10 When you make a purchase into this program, you are
11 becoming an irrevocable beneficiary on a life insurance
12 policy with a life insurance company that's rated at least B-
13 plus or better.

14 You are entering into a contractual agreement with the
15 insurance companies, not Mutual Benefits. When this policy
16 does mature, the insurance company will be compensating
17 you like a regular death benefit of any insurance policy.

18 So your principal is safe because the insurance company is
19 the one that's going to pay the death benefits. Not Mutual
20 Benefits. We don't hold your money. We don't pay you. We
21 don't collect your money.

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1 And, just like an annuity, the contractual agreement with the
2 insurance company is short-standing.

3 Now, in some states there are - I think most states, there's
4 even a guarantee clause where the state itself guarantees
5 death benefits and things of that nature, which gives
6 unilaterally more (inaudible) - I think in most states about
7 \$300,000.

8 So, even if the insurance company went under, which they
9 don't - I think in the industry of the insurance market, there's
10 been two that have gone under, but over 200 years, and
11 both those companies, the state guarantee came in and took
12 them over and made everything whole.

13 MR. ROMANUS: How do you keep track of the HIV
14 individuals and the life expectancy as they go along?

15 MR. STEINER: Can I hear that question again, please?

16 MR. MANDEL: How do we keep track of these individuals
17 throughout their life expectancy?

18 MR. STEINER: Great question. When I talked about a
19 company called VSI, which has become the sister company
20 of Mutual Benefits, VSI started with a friend of mine and
21 myself in Fort Lauderdale doing things that we thought were

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1 necessary to help people at a local level and things that we
2 talked about.
3 Mundane things like cleaning houses and taking people to
4 the doctor, you know, medications, and getting families
5 involved in their sons' and daughters' illnesses. Now VSI
6 has grown, just the company, has now grown to be the
7 largest in the country to be a separate company with almost
8 forty people.
9 Two-thirds of them are social workers that do nothing all day
10 long but help our clients across the country. They're there to
11 help them with their needs. There to direct them to
12 resources. A lot of poor kids that are sick go home to die.
13 And a lot of poor kids are living in the very big cities of Los
14 Angeles, or New York, or Texas, or wherever. And when
15 they get really sick, mom and dad let them come home.
16 And oftentimes, mom and dad live in liberal small
17 communities like Wallace, Alabama, for instance, which was
18 a very dear person next to me right now that's dying. In
19 which mom and dad got him a trailer on the back of the farm.
20 He's living in a trailer right now, because they're afraid that
21 someone in the community or in their town will find out that

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1 their son is dying from AIDS.

2 His Daddy's got a little poultry shop in town, and his Mom's
3 afraid that they'd torch the shop. So, the moms and dads
4 and the care givers become so dependent on us, the city
5 slickers, to help them with their sons' and daughters'
6 illnesses that they're calling us constantly.

7 Can you help me get this? Take Mark to the Indigo
8 Clinic - it's in Nashville - it's the closest big hospital to
9 Wallace, Alabama. They're depending on us. And VSI gets
10 very involved on a daily basis in these people's lives. And
11 they follow their lives. And most times if someone passes
12 away, VSI counsellors are the first people to know.
13 So it's a very involved tracking process that's more of a
14 social worker/client kind of relationship than an actual
15 tracking process is. A strong bond with clients.

16 MR. ROMANUS: You're talking about bond there, but what
17 about the actual physical condition, like a doctor would say
18 they have so much - so many months before the end, or
19 what?

20 MR. STEINER: What we have in most cases is, we get
21 medical updates. We have purchasers that are concerned

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1 and want to know, for whatever reason, what the progress is
2 of that person involved.

3 Mutual has a very large customer service department that
4 works hand-in-hand with VSI. And if a purchaser wants to
5 know, how is a patient doing, what's going on, VSI can get a
6 medical update on that person.

7 The initial diagnosis - the initial diagnosis of someone
8 forecasting, is set at the very beginning. And it's changed a
9 lot. I mean, Howie touched on the things we're dealing with
10 right now.

11 When someone comes to MBC that has
12 AIDS - you know, you've got to remember, the portfolio is
13 very diversified these days. So, the viatical industry,
14 because of AIDS, has become a viable opportunity to all
15 kinds of terminal illnesses.

16 But, let's talk about the AIDS patient that comes today to get
17 underwritten. There's an extensive amount of medical
18 information on that patient. Where years ago, there weren't
19 many things available to someone living with AIDS.

20 AZT, maybe, coupled with a DDI. Today, because of the
21 complexity of protease inhibitors and combination therapies,

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1 and the problems people are having with them, they'll have
2 at least seen an infectious disease doctor. In most cases,
3 they're seeing a cardiologist. Some a nephrologist for kidney
4 failure and liver failure, and it's a huge portfolio of medical
5 information.

6 So, that looking at this medical information today versus
7 yesterday, makes the diagnosis that much more definite.
8 Because people aren't dying from AIDS. They're dying from
9 heart disease and heart attacks today. They're dying from
10 kidney failure and liver failure.

11 I mean, things that are happening from medications that
12 people take and how accustomed the medications being
13 made are common, like chemotherapy.

14 Well, chemotherapy - chemotherapy has never been a walk
15 in the park. It's horrible. We've all lived through that. We've
16 had loved ones that have gone that route that had cancer.

17 Someone living with full-blown AIDS is consuming, instead,
18 some 25 and 40 pills every single day of their life. Pills that
19 are so toxic in the side effects. Toxicity that we've never
20 seen before. And if you miss one dose of those meds, one
21 day --

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1 You may be feeling great, you may go out for a
2 couple of drinks with a friend, and you miss one day of
3 taking pills, you can develop a new strain of HIV like that.
4 So, I mean, the difficulty in living on those medications and
5 the side effects, and the medical files that we get today on
6 these people, make it a very - much more difficult task, in
7 terms of evaluation, but it's a must more specific diagnosis,
8 in terms of what the life expectancy is.

9 MR. ROMANUS: So what you're telling me is that you can -
10 if I buy one of these policies, and I call you, you can tell me
11 pretty close of how much time the individual has, and - and
12 you keep that much of a track on them, and I can call you
13 just about any time and find out?

14 MR. STEINER: Yes. That's correct. And remember, when
15 we get a file on somebody, we're getting a file from many
16 attending physicians. All of their notes from Day One on that
17 person's illness. And they are asked to determine what they
18 think the life expectancy is.

19 Then that file and all of the collaborative equity
20 between all of those doctors who, through our independent
21 reviewing physician that we have that looks at all of this

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1 information, and collaborates with them to come up with a
2 projected life expectancy.

3 It's a very costly and time-consuming part of this business.

4 But it's become that way because of the medications that
5 have become available. I hope that answers your question.

6 Yes, sir?

7 UNIDENTIFIED AUDIENCE MEMBER: I don't think that
8 gentleman's question was fully answered. I think he asked,
9 how do you keep track of the person that we invested in,
10 Number One, and should he be traced down, supposed he
11 doesn't cooperate by submitting to medical reports?

12 In my case, the person I invested in does not or refuses to
13 submit to medical reports.

14 MR. STEINER: The language today has changed with the --
15 The release that is signed specifically giving us permission,
16 VSI permission, to obtain whatever information they want
17 from the attending physician. That was something that was
18 done, I think, over the last year or two. And you --

19 In terms of being compliant, of all the thousands and
20 thousands of people we've done this for, a majority, and I'd
21 say as high as ninety percent of them, were (inaudible)

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1 reaction, and depend on us for help.

2 Yeah, there are five or ten percent of the people that are

3 very angry. They're dying. They're in a lot of discomfort.

4 And they're angry. And sometimes they have a very bad

5 day, and maybe it's difficult to stay, maybe hard to find them.

6 But we've got such a database of information on them and

7 whoever's involved in their life, there are investigators. Our

8 social workers do make contact and they do find out what's

9 going on.

10 UNIDENTIFIED AUDIENCE MEMBER: I understand they

11 find out what's going on, but if the - if the person refuses to

12 submit to a physical and get an updated report, where does

13 the investor stand in not knowing - or where does he stand in

14 not knowing what's going on?

15 MR. STEINER: Let me explain.

16 UNIDENTIFIED AUDIENCE MEMBER: I just happen to be

17 a case-in-hand --

18 MR. STEINER: There may be cases like that, I'm sure. I

19 can just tell you this, that's certainly a minority.

20 When you're living with AIDS, your doctor becomes, other

21 than your family or your loved ones, the single most

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1 important person in your entire life.

2 When you're on medications and combination therapies,

3 your blood work is done every two or three weeks. Because,

4 in two or three weeks, you may build up a resistance to the

5 medication you're taking.

6 And we look at things like T-cells, and bio loads, and the

7 (inaudible) tests that we perform to let that person know, in

8 fact, that the medication is working. So there's a

9 tremendous bond between patient and doctor, more so than

10 any other disease or illness that I can think of, where these

11 people religiously go to their doctors.

12 Because not only do they depend on them for their major

13 medications and tests, the side effects are horrible. The

14 neuropathy involved with living with AIDS is that the disease

15 upon itself is often (inaudible) - and drugs can help the pain.

16 And to get those scripts and those drugs, you must see your

17 doctor to get prescriptions. So, there's a tremendous bond

18 between the two.

19 All our job is to make sure that we are in contact with

20 everybody, and those that don't want our help, and they're

21 few and far between, obviously you might have a person like

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1 that that you're involved in, there are still routine visit to the
2 doctor.

3 And there's a disclosure right now, in anything that we do,
4 that the doctor must provide Mutual Benefits, VSI, with
5 updates. And that person must sign off on that now before
6 they're even allowed to do the transaction.

7 MR. ROMANUS: Now, in the same token, if we request a
8 report from you, do we get a detailed report directly from you
9 of the - what was done?

10 MR. STEINER: From the customer service department.

11 MR. ROMANUS: What other department?

12 MR. STEINER: The company goes back to their doctor and
13 he gives us a report.

14 MR. ROMANUS: Okay. But, do we get it on a particular
15 basis, or do we have to request it --

16 MR. STEINER: No, you have to - you've got to request it.

17 MR. ROMANUS: Okay. And then, how often can request
18 this, and if - you're saying we'll get a detailed report of the
19 progress of the individual?

20 MR. MANDEL: Correct. Yeah, you have to request it. How
21 - how often does somebody request it? Once every six

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1 months. If

2 it's - if it's a case that's over the life expectancy.

3 One thing that I like to say up front is, we changed it. We've

4 learned from (inaudible) - where a person might not be

5 cooperative. We had to figure out if this was a problem for

6 our business.

7 The most important individual to us is the person that's

8 making the purchase - you. We have no business without

9 you. That - that, we must get up - get right up front.

10 And the reality of our business is, because what we are,

11 we're a sales organization. In reality, we help a lot of people.

12 There's no question about it. But, if we're going to exist, and

13 we've been in business for five-and-a-half years, we have to

14 have repeat business.

15 Where do we get repeat business? From people like you

16 that have had success. And sometimes, even though the

17 success might not have been as great as you wanted it to be

18 financially, if you're in communication, you're comfortable.

19 One of the things that we have had to overcome over the

20 course of five-and-a-half years is learning how to

21 communicate through this business.

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1 Remember, this business is not that new a business. And
2 learning how to communicate with our investors, and our
3 agents, and everybody else that we work with, is a growing
4 experience. And that's the reason we're here.

5 We're certainly not looking to hide or skirt any issues.
6 Some issues are a little bit more difficult than others, but
7 we've made significant improvements in how we deal with
8 our investors and our agents and the individuals that we
9 need information from.

10 Yes, sir?

11 UNIDENTIFIED AUDIENCE MEMBER: How would you
12 determine how much a percent die of the drugs or the
13 possibility of treating with --

14 MR. MANDEL: When we first started - and, again, this is
15 another consideration that we've changed - when we first
16 started, if the person had two years to live, we put this on
17 two year's worth of premiums.

18 But we have a program - a five-step program, which I'll be
19 happy to supply, that we sell to insure that there would
20 always be enough premium money.

21 Well, over the whole time we've gotten more information

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1 about the medical side - the protease inhibitors, the drugs,
2 and this and that - we decided, once we started to see this
3 information surface, we were going to increase our premium
4 product by now setting aside one-and-a-half times the life
5 expectancies.

6 So, again, that two-year case, instead of putting aside two
7 years, we put aside three years. But for those of you that
8 are in our program, I'll tell you, our five-step program insures
9 that we will have plenty of premium money.

10 By the way, the day of this meeting, there's over \$6,000,000
11 in premium money in the company - which over \$2,000,000
12 is in excess to what we need.

13 How do we grow our premiums? Number One, is the way I
14 described. We set aside one-and-a-half times what the life
15 expectancy is. And that money is put into an
16 interest-bearing account - escrow account, held by a law firm
17 in Fort Lauderdale, Florida. The law firm's 25 years old, very
18 highly rated.

19 That money grows in interest at five percent - I think it's 4.95
20 percent daily. That's the first way we grow that fund.

21 The second way we grow that fund is, early maturity. Let's

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1 say we take that two year case. We've got \$3,000 worth of
2 premium on it, a thousand a year - one-and-a-half times life
3 expectancy.

4 Let's say that person dies in the first year. There's \$2,000 of
5 unused premium money that we have. The money stays in
6 the account. It doesn't come to you, it doesn't come to us. It
7 stays in the account to grow the premium fund.

8 The third way we grow our premium fund is something that's
9 called "Disability Waiver." A lot of people have disability
10 waiver clauses in their policies. And the sheer definition of a
11 terminal illness allows for this to kick in.

12 And, again, let's say after the first year this policy allows the
13 disability waiver. We have 2,000 excess premium dollars
14 that we never used. It stays in the pot.

15 The fourth way we grow our premium fund is, we have VSI,
16 who Steve has talked about. It's a completely separate
17 company that's privately insured.

18 They have to have reinsurance that if the first plan ever runs
19 out of money, they're given a premium at closing - additional
20 premium. That money is put into an interest-bearing
21 account, and it just sits there to - for ever if the case that this

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1 one should not have the money in it. That's the fourth way.
2 The fifth way we insure that these policies will never lapse is,
3 if we run out of money in the first plan and the second plan,
4 the lawyer, Anthony Maloney, who acts as the Trustee, he
5 has a fiduciary responsibility to contact every investor sixty
6 days prior, ninety days prior, to a premium payment needing
7 to be made, and will contact you and ask for your prorata
8 share.

9 We never see that happening. We have over \$2,000,000 in
10 excess business. But, what's important, this is a well
11 thought out plan. A very well thought out --

12 MR. STEINER: (Inaudible) --

13 MR. MANDEL: Yes, sir?

14 MR. STEINER: I want to set
15 straight - I don't know what you've heard, again, about this.
16 One of the pioneers putting this company together is a
17 gentleman by the name of Michael McDermott. He was an
18 attorney in Fort Lauderdale, Florida in a very, very large law
19 firm.

20 Howie can elaborate on the way we rate attorneys. Mike's
21 been practicing law for 25 years and has many - some of the

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1 main utility companies as clients.
2 Mike put Mutual Benefits together from Day One. Mike
3 wrote the legislation and the model act for the State of
4 Florida with the Department of Insurance for this industry.
5 Mike now travels all over the United States to different
6 places. They're getting involved in enacting legislation to
7 perfect this industry, showing them the model act in Florida
8 and showing them how it works.

9 And the act was designed, Number One, to protect the
10 purchasers, people like yourself, all making sure the viator
11 gets a certain amount of money of the proceeds depending
12 on their life expectancy.

13 And Mike is on the board of the VAA, the Viatical Association
14 of America, which is our premier organization, naturally, that
15 regulates and is involved in this industry.

16 He's shared with the security
17 department - with the securities branch of that organization.
18 And all he does is look and has looked to put safety guards
19 and valves in it to make this as safe as possible for
20 everybody.

21 MR. ROMANUS: Now, you've got the life expectancy --

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3 0 0 4 5

1 MR. CHANEY: -- just a second - where we're gonna - we
2 have to serve the salad and the meal. And I don't want to
3 disturb any questions. But what I'd like to do is to let the
4 servers serve. And if you have an individual question, the
5 three of us will circulate while you're eating your meal, and
6 answer whatever questions you have.

7 That will allow the servers to serve.

8 MR. ROMANUS: I've just got a quick question.

9 MR. CHANEY: Just raise your hand if you have a question.

10 We'll be glad to come --

11 MR. ROMANUS: Life expectancy, you've got one, two and
12 three. Now, you're telling me there's no guarantee, which I
13 can understand that. But, what is the most of the HIV or any
14 individual has lived; is it fifty percent more, a hundred
15 percent more, or is it ten, twenty, thirty times the life
16 expectancy?

17 MR. STEINER: (Inaudible) --

18 MR. ROMANUS: I can't hear you.

19 MR. STEINER: Two years beyond.

20 MR. ROMANUS: Two years beyond.

21 MR. STEINER: A very, very small portion of the portfolio.

3 0 0 4 6

1 MR. ROMANUS: Okay.

2 MR. STEINER: You'd be amazed to see how many people
3 died way before the life expectancy. We didn't talk about
4 that, but I can get you more information on that.

5 MR. ROMANUS: Yeah.

6 MR. STEINER: Your name, sir?

7 MR. ROMANUS: John Romanus.

8 MR. STEINER: Nice to meet you, John. Steve Steiner.

9 MR. ROMANUS: I'll talk to you.

10 MR. STEINER: Please. We'll get whatever you want.

11 MR. ROMANUS: Okay.

12 MR. STEINER: Okay? Thank you. Thank you for
13 your interest, too.

14 MR. ROMANUS: Okay.

15 (Whereupon, the audio tape recording of the
16 presentation ended.)

17 * * * * *

18 (Whereupon, an audio tape recording of a
19 telephone call began.)

20 MR. ROMANUS: Testing, one, two, three, four, five, six,
21 seven, eight, nine, ten.

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3 0 0 4 7

1 RECORDED MESSAGE: Welcome to (inaudible) - a
2 McCloud USA company. For the current time and
3 temperature, just enter 8463. That's T-I-M-E on your touch-
4 tone keypad. If you already know what you'd like to hear,
5 please enter that four-digit code now. If you're not sure --

6 (Whereupon, keypad tones were heard.)

7 RECORDED MESSAGE: Virgo. Here's your astrological
8 forecast for July 21st. Your lucky number for today is 309.
9 Today, Virgo, you're compatible with Gemini.

10 (Whereupon, the audio tape recording ended.)

11 * * * * *

3 0 0 4 8

CERTIFICATE

STATE OF FLORIDA)

: ss.:

COUNTY OF MIAMI-DADE)

I, Janice D. Cannoles, Transcriber, do hereby certify that I transcribed the foregoing audio taped recording; that the foregoing pages, numbered from 1 to 53, inclusive, constitute a true transcription of the CD recording as transcribed by me; and that this transcript was prepared under my supervision and control.

I FURTHER CERTIFY that I am not an attorney or counsel of any of the parties, nor a relative or employee of any attorney or counsel connected with this action, or financially interested in this action.

WITNESS my hand and official seal in the City of Miami, County of Miami-Dade, State of Florida, this 7th day of December, 2004.

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Janice D. Cannoles, Transcriber

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