

Receiver for Mutual Benefits Corp., et al.
43 South Pompano Parkway PMB #101
Pompano Beach, FL 33069

NOTICE OF OBJECTION TO YOUR CLAIM

August 21, 2008

Recommended Claim Amount =

Investor No.

Policy (AP/CF) No.

NME (Claim) No.

Dear Claimant:

You are receiving this letter because you submitted a Claim Form in the Claims Process for the Mutual Benefits Corp. ("MBC") Receivership. We have received and reviewed your form. However, the Receiver is going to object to your claim in part.

First though, it is important to understand that the Receiver is NOT going to object to your claim in the amount reflected above. This is the amount that, according to the Receiver's records, you invested with MBC on the particular policy identified above. In fact, the Receiver will affirmatively recommend to the Court that your claim be recognized for this full amount for this particular policy. (Close to 90% of the Claim Forms received by the Receiver have had no objections to the amount listed as the amount of the claim.) Please remember that this does not mean that you will actually receive this full amount. The money that the Receiver will have to distribute to all of the investors and other claimants will be much less than all of the claims that have been received and accepted.

A summary of the basis for the Receiver's partial objection to your claim is as follows:

No Description Stated: *You returned your Claim Form and checked one of the boxes indicating that you did not agree with the amount recommended by the Receiver, but you did not provide any description of what your disagreement was. As a result, we understand you to be objecting to the amount recommended, but we do not know why you are objecting.*

Problems With Your Form: *You returned your Claim Form, but there is some defect in the way you filled it out that means we cannot accept it as is. For example, you may not have signed the form. Or, you may have provided essential information that is illegible. We have tried to contact everyone who submitted a form with this type of problem to fix the problem, but we have not been able to reach everyone and have not heard back from everyone. We encourage you to contact the Customer Services Line at Viatical Services, Inc. (VSI) at (954) 582-0220 to try to fix the problem with your Claim Form.*

Dispute With Basis Amount: *You have disagreed with the amount stated on the Claim Form that the Receiver's records show to be the amount you invested. We have reviewed all of the records available to us, and any records you may have submitted, and we continue to believe that we have accurately stated the amount you invested with MBC on this particular policy.*

Disagreement With Investment Amount: *You disagree with the amount that the Receiver has indicated is the amount you invested in this particular policy. The Receiver has reviewed all of the financial records available, including any documents you may have submitted, and the Receiver continues to take the position that this is the correct amount. Please keep in mind that you may have made more than one investment with MBC and may have had investments placed on more than one policy. You were sent Claim Forms for each different policy in which you have an investment interest. The amount reflected above is only for your investment placed on this particular policy.*

"Consequential Damages": *In addition to the amount of your investment with MBC, you are also seeking some form of "consequential damages" - that is, damages that are not directly related to the amount you invested, but that you believe resulted as a consequence of MBC's conduct. For example, some investors have claimed that they had to retain and pay an attorney as a result of MBC's conduct, or that they suffered other financial harms in their lives as a result of their investment, or that they have suffered mental distress as a result of their investment. The Receiver is sympathetic with the many types of harm that MBC's fraudulent conduct has caused to investors. However, it is the Receiver's position that the law in this type of case typically only recognizes "direct damages" as recoverable. More importantly, it would be too difficult to determine who has meritorious claims for "consequential damages" and who does not, and it*

would be too difficult to quantify those claims in any way that treats all of the investors fairly.

Investment Return: In addition to the amount of your investment, you are also seeking damages for the investment return that you may have been promised by MBC or one of its sales agents. For example, some investors have claimed that they were promised a return on their investment of 12% or 24% or more by MBC or one of its sales agents. The Receiver is sympathetic with the many types of harm that MBC's fraudulent conduct has caused to investors. However, it is the Receiver's position that the law in this type of case typically does not recognize this type of damages in a claims process. See, e.g., *CFTC v. Equity Financial Group, LLC*, 2005 WL 2143975, at *22-*23 (D.N.J. Sept. 2, 2005) (adopting Receiver's recommendation that "claims be recognized only for actual dollar amounts invested," and agreeing that "recognizing profits or other earnings in claims for distributions would be to the detriment of later investors and would therefore be inequitable"). In addition, the representations by MBC and its sales agents were part of the fraudulent conduct MBC carried out prior to the Receivership. Because MBC was involved in the fraudulent assignment of "life expectancies" to the insurance policies, the promises about expected returns were also based on fraud. It also appears that the "life expectancies" (and resulting promised "investment return") were often assigned without any rational basis other than a need to place policies with a certain purported "life expectancy" with investors. As a result, it would not be fair to base investors' claim amounts on fraudulent representations and promises.

Delay in Return of Investment/Lost Interest on Money: In addition to the amount of your investment, you are also seeking damages for the interest you could have received on your funds in another investment and/or the delay in receiving your funds back due to the "delay" in the insurance policy maturing "on time." For example, some investors have claimed that they should also receive 6% interest on the funds they invested, and have not received back, because they could have earned that amount in interest in other types of investments. And some investors have claimed that their policy should have matured long ago and they would have been able to invest their money and earn interest since that time. The Receiver is sympathetic with the many types of harm that MBC's fraudulent conduct has caused to investors. However, it is the Receiver's position that the law in this type of case typically does not recognize this type of damages in a claims process. See, e.g., *CFTC v. Equity Financial Group, LLC*, 2005 WL 2143975, at *22-*23 (D.N.J. Sept. 2, 2005) (adopting Receiver's recommendation that "claims be recognized only for actual dollar amounts invested," and agreeing that "recognizing profits or other earnings in claims for distributions would be to the detriment of later investors and would therefore be inequitable"). In addition, the "delay" in policies maturing "on time" is largely a result of the fact that MBC was involved in the fraudulent assignment of "life expectancies" to the insurance policies. It also appears that the "life expectancies" were often assigned without any rational basis other than a need to place policies with a certain purported "life expectancy" with investors. As a result, it would not be fair to base investors' claim amounts on fraudulent representations and promises.

Claim for Premiums/Administrative Fees: In addition to the amount of your investment, you are also seeking damages for the amounts that you have had to pay in administrative fees or premiums or "shortfall" premiums on the policy interest that you have opted to "keep" as part of the disposition process in the MBC Receivership. The Receiver is sympathetic with the hardship that has been felt by many investors who are on "keep" policies and are paying administrative fees and premiums in order to keep the policies in force. However, it is the Receiver's position that the law in this type of case typically does not recognize this type of damages in a claims process. In addition, the investors in this Receivership were given a choice in the disposition process directed by the Court as to how they wanted to try to mitigate their losses - by voting to sell their policy interest or by voting to "keep" their policy interest. Those who chose to "keep" their policy interest were aware that they would have to pay their share of premiums and administrative fees going forward as a consequence of their choice.

Trade Creditor: You are reflected in the Receiver's records as being a "trade creditor" of MBC or Viatical Benefactors, LLC (VBLLC). That is, you were not an investor with MBC and instead provided goods or services prior to May 4, 2004 that you claim you did not receive payment for. The Receiver is putting you on notice that the Receiver may seek to have ALL trade creditor claims subordinated to the claims by the investors who were the victims of MBC's fraudulent conduct. Because the funds collected by the Receiver will not be sufficient to pay all of the accepted investor claims (or even a substantial portion of each investor's claim), this would result in no payment to any trade creditor. The basis for this objection would include the following: (a) this is an equitable Receivership in an action brought by the Securities and Exchange Commission principally for the benefit of victim investors, (b) the victim investors in general have borne the financial brunt of MBC's fraudulent conduct, and (c) MBC's fraudulent conduct was directed towards investors. The Receiver is still considering the issue of subordination of trade creditor claims at this time. However, you are being put on notice of this objection and should respond as you see fit. In addition, the Receiver will object to the claims submitted by any sales agents or employees of MBC or VBLLC, and will object to the claims submitted by any law firms who performed pre-Receivership work, on the grounds that their services furthered MBC's fraud and/or prolonged MBC's existence and fraudulent conduct and so should not be recognized.

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Given the number of these letters that must be mailed out, it is not practical for the Receiver to write you an individualized letter, and we can only provide a summary of the basis for the partial objection to your claim. You can find more information on the Claims Process and on the Receiver's objections at www.mbcreceiver.com.

If you do not agree with the Receiver's objection and would like to challenge it and continue with your claim for an amount in addition to the amount listed above, then you must respond to this letter and state your position. You may send your response by mail to the above address or by e-mail to mbcclaims@vsi-services.com. Please note that, pursuant to the Court's Order Authorizing Claims Process, if you want to continue with the additional claim(s) that you have made above and beyond the amount listed above, you **MUST** respond to this letter by **September 22, 2008**, by stating your position in as much detail as you wish. You can do so in the lines provided below. If you previously submitted documents with your Claim Form, you do not need to re-submit them. If you do not respond to this letter, then you will be deemed to have waived your chance to challenge the Receiver's objection and will be treated as consenting to the amount listed above as the amount of your claim.

The Court in this case will decide what types of claims made by investors and other claimants will or will not be recognized. A hearing before the Court on this is scheduled for **October 21, 2008 at 2:00pm** on the 13th Floor (Judge Federico Moreno) of The Wilkie D. Ferguson, Jr. United States Courthouse, 400 N. Miami Avenue, Miami, Florida.

IF YOU DO NOT WANT TO CONTINUE WITH YOUR OBJECTION AND YOU AGREE WITH THE AMOUNT PRINTED ABOVE, YOU DO NOT NEED TO DO ANYTHING AND YOU DO NOT NEED TO RESPOND TO THIS LETTER

Sincerely,

Receiver for Mutual Benefits Corp.

Claimant's Position Statement:

SAMPLE DOCUMENT