

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573-CIV-MORENO

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 K. STEINER,

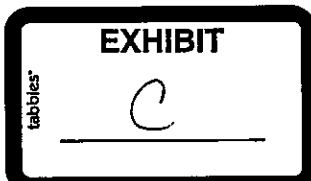
Defendants,

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

Relief Defendants.

**ORDER GRANTING
RECEIVER'S MOTION TO AUTHORIZE PROCEDURES FOR
RE-DESIGNATION OF BENEFICIAL INTERESTS IN INSURANCE POLICIES**

Roberto Martínez, the court-appointed receiver (the "Receiver") of Mutual Benefits Corp. ("MBC"), Viatical Benefactors, LLC ("VBLLC"), Viatical Services, Inc. ("VSI"), Anthony Livoti, Jr., P.A. and Anthony Livoti, Jr., solely in their capacity as trustee, has filed a motion for the Court to approve of procedures for the redesignation of beneficial interests in insurance



policies administered by the Receivership entities (the "Policies")¹ consistent with the policy disposition process directed by this Court in its September 14, 2005 Order on Disposition of Policies and Proceeds (DE#1339) (the "Disposition Order") and November 22, 2005 Order Clarifying Disposition Order and Approving Form of Notice (DE#1474) (the "Clarification Order"). The Court has considered the Motion, the representations of the Receiver therein, relevant portions of the record in this case, relevant authorities, and any objections filed, and makes the following findings and conclusions:

1. Adequate notice of the Motion has been provided to all parties in interest and/or will be provided pursuant to the additional notice approved by this Order. The Court has jurisdiction over this matter and the property of the Receivership estate.

2. On May 3, 2004 the Securities and Exchange Commission ("SEC") filed an action seeking entry of a temporary restraining order, preliminary injunction, permanent injunction and other relief with respect to the Receivership Entities (DE#1). On May 4, 2004, the Court entered a Temporary Restraining Order and Other Emergency Relief (DE#25), and entered an Order Appointing Receiver. (DE#26). On February 14, 2005 this Court entered its Order Granting Motion for Preliminary Injunction (DE#711), sustaining the Report and Recommendation of Judge Garber dated November 10, 2004 (DE#522), as supplemented on November 16, 2004 (DE#529).

3. The Order Appointing Receiver (DE#26) authorizes and directs the Receiver to "take immediate possession of all MBC, VBLLC and VSI property, assets and estate, and all other property of MBC, VBLLC and VSI of every kind whatsoever and wheresoever located belonging to or in the possession of MBC, VBLLC and VSI," and further authorizes and directs the Receiver to "administer such assets as is required in order to comply with the directions

¹ A list of the Policies is attached as Exhibit "A" to the Receiver's Motion.

contained in this Order, and to hold all other assets pending further order of this Court.” The Order provides that “Title to all property, real or personal, all contracts, rights of action and all books and records of MBC, VBLLC and VSI and their principals, wherever located within or without this state, is vested by operation of law in the Receiver.”

4. On September 14, 2005, this Court entered its Order on Disposition of Policies and Proceeds (DE#1339)(the “Disposition Order”). On November 22, 2005, the Court entered its Order Clarifying Disposition Order and Approving Form of Notice (DE#1474) (the “Clarification Order”). These Orders collectively directed that investors be provided an opportunity to vote on whether to keep, sell or surrender the policy(s) in which they had an interest, and authorized the manner by which the Receiver was to solicit investors’ elections. The decision as to how to dispose of each policy was to be determined by the vote of the majority of the interests in a policy that properly submitted votes with respect to the policy.

5. Pursuant to the Disposition Order and Clarification Order, investors were provided with a Notice to Investors describing the disposition process ordered by the Court, together with a Preference Form giving investors the opportunity to indicate their preference for retaining or selling each policy in which they had invested, was sent to each investor. In accordance with the foregoing Orders, voting on each of the Policies was conducted, the result of which is that approximately 3,037 policies with face value of approximately \$1,054,421,059.67 were designated to be retained (“Keep Policies”) and approximately 3,138 policies with face value of approximately \$383,850,782.72 were designated to be sold (“Sell Policies”).

6. The Court’s Disposition Order further directed that if investors voted to retain their interests in a policy by a majority vote, dissenting investors who had voted to sell would have their interest submitted for auction to the other investors in the policy. To facilitate this

process, the Receiver has designed and implemented a procedure for investors to submit their interest in a policy for sale, and for other investors in the policy to make competing bids for that interest. If a sale of a dissenting investor's interest in a policy cannot be completed, then the Receiver is to follow the directives of the Court in the Disposition Order: first seek to reduce the face value of the policy, and if that is not possible, advise the other investors that they must take over the dissenter's premium obligation or the policy will be sold.

7. For Sell Policies, the Receiver is to continue to make necessary premium payments until the policies can be sold to a purchaser, who will then have the right to designate the beneficiaries in the policy. The Receiver has already selected one portfolio of Policies designated to be sold pursuant to the Court-ordered disposition process, and has received a "stalking horse" offer to purchase approximately \$119 million (face value) of policies. A motion to approve that purchase agreement, and to approve bidding procedures for soliciting higher and better offers, was filed simultaneously with the Motion addressed herein.

8. For Keep Policies, the investors in each such policy will become responsible for paying the administrative obligations and premium obligations associated with the policies. If an investor fails to pay its pro rata share of the administrative and premium obligations, then that investor's interest may be forfeited and beneficial interests in the policy reallocated to other investors who make up the shortfall. The Receiver has already begun the process of issuing invoices for the administrative fees with respect to the Keep Policies and expects to begin billing for investors' pro rata share of the premium obligations shortly.

9. As described in the Receiver's Motion, the disposition process contemplated by the Disposition Order and Clarification Order necessarily requires that changes in beneficiaries be made with respect to the Policies in many different circumstances. Specifically, those

circumstances include the sale of Sell Policies to a purchaser, so that the purchaser may substitute beneficiaries; the forfeiture of investor interests in Keep Policies as a result of failure to pay administrative fees or premium obligations when due; the transfer of interests pursuant to the investor-to-investor sale process directed by this Court with respect to investors with interest in Keep Policies that they wish to sell to another investor in the policy; and transfers at the request of existing beneficiaries, to the extent that VSI establishes procedures for the processing of such requests.

10. Due to the practical difficulties in implementing such changes in light of the assignment of beneficial interests to multiple investors in a policy, the Court finds and concludes that it is necessary and appropriate that an order be entered directing that the beneficial interests in all Policies administered through the receivership be changed to the Receiver, or his designee, as Nominal Beneficiary, so that necessary adjustments (either as a result of reallocations of interests in Keep Policies, or sale of the Sell Policies) can be made by the Receiver without having to process such changes through each of the insurance companies. In the absence of the relief requested in the Receiver's motion, it will be impossible for the Receiver to effectuate the disposition process contemplated by the prior Disposition Order and Clarification Order.

Therefore, it is –

ORDERED as follows:

1. The Receiver, or his designee, is hereby designated as the Policy Owner or Absolute Assignee and Nominal Beneficiary with respect to all Policies administered through the Receivership, including those Policies listed in Exhibit "A" to the Receiver's Motion.

2. As Policy Owner / Absolute Assignee and Nominal Beneficiary, the Receiver will be responsible for maintaining current and accurate records of the beneficial interests in all

Policies, consistent with the terms of the Disposition Order. The Receiver will be strictly bound to only make changes to the ultimate beneficiaries as directed in the Disposition Order or as otherwise ordered by this Court, specifically:

- With respect to “Sell Policies,” upon the approval of a sale of a policy, to designate the purchaser or its designee as owner of the policy with the full right to designate and/or revoke beneficiaries, including with respect to any policy having an irrevocable beneficiary, whether or not such irrevocable beneficiary has consented to such change.
- With respect to “Keep Policies,” upon an investor’s failure to timely pay administrative or premium obligations and the consequent forfeiture of the investor’s interest in said policy and reallocation of interests in the policy.
- With respect to “Keep Policies” for which an investor has participated in the investor-to-investor sale process and authorized the transfer of his or her interest to another investor, upon the consummation of such transaction and consistent with the terms thereof.
- With respect to change of beneficiary requests by existing investors, pursuant to policies to be established by VSI as servicer.

3. All Insurers which have issued Policies administered by the Receivership are authorized and directed to comply with the foregoing directive to designate the Receiver or his designee as Policy Owner / Absolute Assignee and Nominal Beneficiary without necessity of further instruction or authorization, and are authorized and directed to rely on this Court’s Order as authority to do so without necessity of signatures or consents from existing Policy Owners /

Absolute Assignees and beneficiaries, whether recorded on the insurers' records as revocable or irrevocable beneficiaries.

4. Alternatively, and at the Receiver's election, the Receiver may provide written instructions to Insurers to re-designate Policy Owners / Absolute Assignees and beneficiaries consistent with the disposition process ordered by this Court; all Insurers are authorized and directed to honor and recognize such designations without necessity of signatures or consents from existing Policy Owners / Absolute Assignees or beneficiaries.

5. In furtherance of the proposed sale of certain Sell Policies as described in the Receiver's Motion to Approve Stalking Horse Purchase Agreement and Bidding Procedures, upon the entry of an order approving the sale of any of the Policies, each Insurer with respect to a policy included in such sale shall give full effect to the Sale Order and recognize all of the Buyer's (or Buyer's designee(s)') claims, options, privileges, right, title and interest in, to and under the Policies and the other Purchased Assets upon consummation of the Closing, including by effecting any change in the named owner and/or beneficiaries of the Policies upon direction by the Receiver or Buyer (or Buyer's designee(s)) without the necessity of Receiver or Buyer having to execute change of ownership and/or beneficiary forms (including with respect to any Policy having an irrevocable beneficiary, whether or not such irrevocable beneficiary has consented to such change).

6. All Insurers are authorized and directed to make payment of all proceeds, including death claim proceeds, to the Receiver or such party as the Receiver designates, following the earlier of the date of entry of this Order or the Receiver's submission of a requested change to an insurer.

6. The Receiver shall provide Notice of the relief provided herein by serving a Notice in substantially the same form as that attached as Exhibit "B" to his Motion to all Insurers and all beneficiaries with respect to the Policies. Any such interested party who did not previously have notice of the Receiver's Motion shall file and serve any objections thereto with twenty (20) days after service of the Notice. The Receiver may reply to any such objections within seven (7) days thereafter, and if any objections are filed the Court will then consider them and evaluate *de novo* whether to vacate or modify the relief provided herein.

DONE AND ORDERED in the Southern District of Florida on February _____, 2007.

HONORABLE FEDERICO A. MORENO
UNITED STATES DISTRICT JUDGE

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Counsel of Record