

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

American Benefits Group, Inc., National Viatical Trust, Inc.,
Richard G. Doggett and Kenneth L. Henderson,

Respondents.

File No. ODS 00-124

ORDER TO CEASE AND DESIST

On April 17, 2002, the Administrator (Administrator) of the Oklahoma Department of Securities (Department) was served with a Recommendation to Issue an Order to Cease and Desist against American Benefits Group, Inc., National Viatical Trust, Inc., Richard G. Doggett and Kenneth L. Henderson (collectively referred to as "Respondents") (Recommendation), pursuant to Section 413 of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71 §§ 1-413, 501, 701-703 (2001).

Pursuant to Section 413 of the Act, such notice constitutes valid personal service as to Respondents.

The Notice specified that failure to request a hearing within fifteen (15) days of service will result in the issuance of an order to cease and desist. No request for hearing or any other response has been received by the Administrator within the time limits specified in the Notice.

The Administrator, being fully advised in the premises, hereby finds that this action is necessary and appropriate in the public interest and sets forth the following Findings of Fact and Conclusions of Law.

Findings of Fact

1. At all times material hereto, National Viatical Trust, Inc. (NVT) was described as having a business address of 6 Commerce Drive, Suite 2000, Cranford, New Jersey. NVT purported to be a Cayman Islands corporation that issued, offered and sold viatical investment contracts.

2. At all times material hereto, American Benefits Group, Inc. (ABG) was described as having a business address of 3350 Cumberland Circle, Suite 1900, Atlanta, Georgia. ABG was a Georgia corporation that marketed and sold NVT viatical

investment contracts issued by NVT. ABG was not registered under the Act to transact business in the state of Oklahoma as a broker-dealer or agent.

3. At all times material hereto, Richard G. Doggett (Doggett) was the Trustee for NVT or the President and Trustee for NVT. Doggett was not registered under the Act to transact business in the state of Oklahoma either as a broker-dealer or as an agent.

4. At all times material hereto, Kenneth L. Henderson (Henderson) was the Vice-President of ABG. Henderson was not registered under the Act to transact business in the state of Oklahoma as a broker-dealer or as an agent (collectively, NVT, ABG, Doggett and Henderson shall be referred to as "Respondents").

5. Beginning in or about September, 1997, Respondents offered and sold to the public (Investors) written agreements relating to the purchase of the life insurance policy death benefits of individuals (Viators). Traditionally, the Viator is a person who is terminally ill and has a life expectancy of only a few years or less. A viatical settlement contract establishes the terms under which a viatical settlement company pays compensation or anything of value to the Viator, which compensation or value is less than the expected death benefit of the insurance policy, in return for the Viator's assignment, transfer, sale, devise, or bequest of the death benefit or ownership of the insurance policy to the viatical settlement company. The payment to the Viator is based on the amount of the policy and the life expectancy of the Viator. The Investors contract to purchase a percentage share of the proceeds from the Viator's life insurance policy upon the death of the Viator (Viatical Investment Contracts).

6. The Viatical Investment Contracts were offered by Respondents primarily through newspaper advertisements and sales agents.

7. The efforts and responsibilities of NVT in connection with the viatical settlement contracts and Viatical Investment Contracts included:

- a. accepting or rejecting proposed Viators;
- b. conducting independent evaluation and review of medical records;
- c. purchasing the policy of the Viator;
- d. ensuring the transfer of ownership of the insurance policy;
- e. registering the Investor with the life insurance company as the irrevocable beneficiary;
- f. providing closing documents to the Investor;
- g. tracking the status of the Viator until death; and

h. completing all documents required for the death benefits claim.

8. Respondents offered and sold interests in Viatical Investment Contracts to Investors. The efforts of Respondents in offering and selling the interests in the Viatical Investment Contracts included:

- a. screening prospective agents;
- b. establishing and monitoring business practices of all agents;
- c. establishing an escrow account known as a "Premium Reserve Account" to pay life insurance premiums;
- d. assuming responsibility for payment of premiums on the life insurance policies;
- e. assisting NVT in the Viator tracking process;
- f. processing documents between the Investor and NVT;
- g. providing documents to potential Investors; and
- h. acting as an agent on behalf of Investors to acquire Viatical Investment Contracts.

9. Each purchaser of a Viatical Investment Contract issued by NVT was required to execute an application with ABG (Viatical Investment Application). The Viatical Investment Application appointed ABG to act as the agent of the purchaser in the negotiation and purchase of Viatical Investment Contracts. By the terms of the Viatical Investment Application, ABG was to identify, qualify, and purchase, on behalf of the Investor, interests in death benefits of life insurance policies. Profits were determined by the type of plan and life expectancy term selected by the Investor. Upon the closing of the transaction, the purchaser received a certified closing statement. The interest represented by the closing statement was transferable by the purchaser.

10. A purchaser who executed the Viatical Investment Application had no role in the evaluation of a Viator's medical condition or life expectancy or the actual selection of a life insurance policy. Instead, Investors were forced to rely on the Respondents' judgement and discretion to create a Viatical Investment Contract interest that was suitable for investment purposes.

11. After a policy was acquired, Respondents administered all aspects of the investment. They tracked the Viator's status, established a premium reserve account and ensured that policy premiums were paid.

12. Respondents offered and sold Viatical Investment Contracts under what was referred to as a "Trust" plan. Under the Trust plan, NVT stated that "Trust plan participants shall never be required to pay life insurance premiums." Furthermore, NVT was obligated to re-purchase all interests in Trust plan Viatical Investment Contracts at the end of a 36 month period following the viatical settlement date. NVT stated that the Trust plan funded this re-purchase obligation through financial guarantee bonds issued by various well-funded international insurance companies. The Trust program Investors simply signed the Viatical Investment Application, delivered their money, and waited passively to receive their money at either the time of their Viator's death or at the end of 36 months, whichever occurred first.

13. The Viatical Investment Contracts were not registered pursuant to Section 301 of the Act and no claim of an exemption from the registration provisions of the Act was filed with the Administrator pursuant to Section 401 of the Act.

14. In connection with the offer and sale of Viatical Investment Contracts, Respondents utilized newspaper advertisements and provided brochures and other promotional literature to Investors in and/or from the state of Oklahoma.

15. The promotional literature used by Respondents in connection with the offer and sale of Viatical Investment Contracts was not filed with the Department prior to use in accordance with Section 402 of the Act.

16. Respondents, directly and indirectly, made untrue statements of material fact to Investors in connection with the offer, sale and purchase of Viatical Investment Contracts including, but not limited to, the following:

- a. that an investment in a Viatical Investment Contract has no risk to principal;
- b. that the Viatical Investment Contracts are guaranteed by the Oklahoma Life and Health Insurance Guaranty Association;
- c. that Investors in the Trust plan would automatically receive their funds from NVT at the end of 36 months, if their Viators were still alive;
- d. that NVT insures its ability to fulfill its insurance policy repurchase obligation by acquiring financial guarantee bonds from qualified financial institutions;
- e. that participants in the Trust plan shall "never" have to pay the life insurance premiums of Viators; and
- f. that ABG had established a "Premium Reserve Account" to pay life insurance premiums.

17. Respondents omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made not misleading to Investors in connection with the offer, sale and purchase of Viatical Investment Contracts including, but not limited to, the following:

- a. that a Viatical Investment Contract is a security;
- b. that the Viatical Investment Contracts were not registered as securities under the Act nor were they exempt from registration;
- c. that NVT employed agents who were not registered under the Act;
- d. that there was substantial risk to principal in the Viatical Investment Contracts;
- e. that Trust plan Investors may have to pay life insurance premiums to keep the life insurance policies in effect; and
- f. that Trust plan Investors may not receive their funds from NVT at the end of 36 months, if their Viator is still alive.

18. Based upon the foregoing willful violations of the Act, it is in the public interest to issue an order to cease and desist against Respondents.

Conclusions of Law

1. The Viatical Investment Contracts offered and sold by Respondents are securities as defined in Section 2 of the Act.

2. Respondents offered and sold unregistered securities in the state of Oklahoma, in violation of Section 301 of the Act.

3. Respondents ABG, Doggett and Henderson transacted business in the state of Oklahoma as broker-dealers or agents without being registered under the Act, in violation of Section 201 of the Act.

4. Respondents NVT and ABG employed agents in the state of Oklahoma who were not registered under the Act, in violation of Section 201 of the Act.

5. Respondents made untrue statements of material fact and omitted to state material facts in connection with the offer and/or sale of securities in the state of Oklahoma, in violation of Section 101 of the Act.

6. Respondents used sales literature in connection with the offer and sale of securities in the state of Oklahoma without filing such sales literature with the

Department and without receiving an indication from the Administrator that he had no objection to its distribution or use, in violation of Section 402 of the Act.

7. The Administrator has the authority under Section 406 of the Act to order Respondents to cease and desist from engaging in violations of the Act.

8. It is in the public interest to order Respondents to cease and desist from engaging in violations of the Act.

ORDER

IT IS HEREBY ORDERED that Respondents cease and desist from engaging in any violation of the Act.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 23rd day of August, 2002.

(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF
THE OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 23rd day of August, 2002, a true and correct copy of the above and foregoing Order to Cease and Desist was mailed by certified mail, return receipt requested, delivery restricted to addressee, with postage prepaid thereon addressed to:

American Benefits Group, Inc.
3350 Cumberland Circle, Suite 1900
Atlanta, GA 30339

National Viatical Trust, Inc.
6 Commerce Drive, Suite 2000
Cranford, NJ 07016

Richard G. Doggett
6 Commerce Drive, Suite 2000
Cranford, NJ 07016

Kenneth L. Henderson
3350 Cumberland Circle, Suite 1900
Atlanta, GA 30339


Brenda London Smith
Paralegal