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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before
3 the Arizona Corporation Commission, in the Second
4 Floor Conference Room of said Commission, 1200 West
5 Washington Street, Phoenix, Arizona, commencing at
6 9:31 a.m. on the 5th day of June, 2003.

7
8 BEFORE: MARC E. STERN, Administrative Law Judge

9
10 APPEARANCES:

11 For Arizona Corporation Commission Staff:

12 Mr. Phillip A. Hofling
13 Securities Division
14 1300 West Washington, Third Floor
Phoenix, Arizona 85007

15 For the Respondent:

16 ROSHKA HEYMAN & DeWULF, PLC
17 By Mr. Paul J. Roshka, Jr.
Mr. Alan S. Baskin
18 Mr. James M. McGuire
One Arizona Center
19 400 East Van Buren, Suite 800
Phoenix, Arizona 85004

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22 DAWNA J. BOSWELL, RPR
23 Certified Court Reporter
Certificate No. 50326

1 ALJ STERN: This Prehearing Conference is now
2 open in the matter of Mutual Benefits Corporation in
3 Docket Number S-03464A-03-0000.

4 My name is Marc Stern. I'll preside over
5 this matter this morning, and for purposes of this
6 proceeding at this time, let's take appearances on
7 behalf of the Division.

8 MR. ROSHKA: Phillip Hofling for the
9 Division.

10 ALJ STERN: Okay. And for the respondent.

11 MR. ROSHKA: Paul Roshka, Alan Baskin, and
12 James McGuire. Mr. McGuire isn't here today.

13 ALJ STERN: Okay. Well, here we are back to
14 viatical land, and I think the first time this stuff
15 came up was at Federal Funding. And you were in that,
16 right? Weren't you in Federal Funding at some point?

17 MR. ROSHKA: We represented Federal Funding.

18 ALJ STERN: Yes, I thought you did, for a
19 while at least.

20 MR. ROSHKA: For a while.

21 ALJ STERN: Okay. Is the Division and
22 respondent -- I assume this case, this big issue of
23 pre-Act change is going to be litigated further, do
24 you think --

25 MR. ROSHKA: I think that's fair.

1 ALJ STERN: -- beyond here? The Division
2 expects that?

3 MR. HOFLING: Yes.

4 ALJ STERN: How many witnesses is the Division
5 going to call in their case if you know at this point?

6 MR. HOFLING: I would say it would be a
7 substantial number of witnesses. A lot depends upon
8 whether or not we are able to stipulate to a number of
9 the facts.

10 ALJ STERN: Okay. You said the magic word.
11 Okay. Where does the Division stand on the
12 post-change in the Act, what is it, July 2001?

13 MR. HOFLING: 2000.

14 ALJ STERN: 2000, I'm sorry, which I guess I
15 saw something in the respondent's response about
16 making an offer of rescission. Have you guys
17 discussed that at all or is it being conducted under
18 the Commission's rule?

19 MR. HOFLING: No. That was a matter that was
20 discussed prior to the Division filing its notice, and
21 we weren't able to come to terms, and respondent has
22 voluntarily gone forward with their offer of
23 rescission.

24 MR. ROSHKA: That's correct, Mr. Stern. The
25 company advises me that they have commenced a

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1 rescission and intend to extend rescission to everyone
2 who purchased after the statutory change.

3 ALJ STERN: Okay. Did you guys provide a
4 list of investors for that post-July 2000 --

5 MR. ROSHKA: I believe we have.

6 MR. HOFLING: If you are referring to
7 documents you've provided over the last year --

8 MR. ROSHKA: That's correct.

9 MR. HOFLING: -- we're aware that they
10 provided some documents. I'm also aware that they may
11 not have made offers to some individuals. Whether
12 that's inadvertent or not, I don't know at this point
13 in time. There may be people out there that aren't on
14 the list.

15 ALJ STERN: How many Arizona investors here?

16 MR. ROSHKA: Total, pre and post?

17 ALJ STERN: Yes.

18 MR. HOFLING: I believe 300 or so.

19 ALJ STERN: And how many pre-2000?

20 MR. HOFLING: Well, there's probably, there's
21 approximately 150 post-2000, so it's roughly 150 to
22 200, I think. That's my best recollection.

23 MR. ROSHKA: That's a higher number than I
24 recall, but I didn't count them out before I came.

25 MR. HOFLING: It's an order of magnitude.

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1 It's not an exact number.

2 ALJ STERN: Okay. Well, if the respondents
3 go to hearing on this matter, how many witnesses are
4 we looking at, substantial number, too? Experts?

5 MR. ROSHKA: Mr. Stern, I'm not trying to be
6 cute, but I have no idea based upon the notice. I
7 don't know. As you know from the motion we filed,
8 we're having trouble figuring out who all these people
9 are, when these things occurred, and until we get more
10 clarity, I can't possibly answer your question.

11 ALJ STERN: Okay. I know you guys always
12 have trouble figuring out the Division's list.

13 MR. ROSHKA: Certainly do this time.

14 ALJ STERN: I think you do every time. I
15 think I do.

16 Okay. Let's go off the record for a minute
17 and sort of discuss this thing.

18 (A recess ensued.)

19 (Mr. James M. McGuire enters the
20 proceedings.)

21 ALJ STERN: Let's go back on the record.

22 The parties have been conducting some
23 off-the-record discussions along with the presiding
24 administrative law judge in this proceeding regarding
25 possible scheduling conflicts and the number of

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1 witnesses, and the parties have essentially agreed to
2 a second prehearing to be conducted in approximately
3 the first, around the first week of August, somewhere
4 between August 3rd and August 5th here at the
5 Commission or at possibly counsel's offices if there's
6 problems with finding a conference room or hearing
7 room.

8 Also, the Division has agreed to provide the
9 respondent with a list of prospective witnesses in
10 approximately 21 days. Whether or not they're called
11 will be subject to question, but it will assist the
12 respondent somewhat in preparing its case and moving
13 the case along.

14 Is there anything I've forgotten?

15 MR. ROSHKA: I don't think so.

16 ALJ STERN: Okay. So I will put out a
17 Procedural Order probably today or tomorrow just
18 finalizing the date downstairs when we can hopefully
19 have a room. If we have a problem, I will let you all
20 know so we can get a room somewhere.

21 With that, that concludes today's prehearing.
22 Thank you.

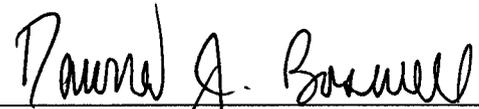
23 (The proceedings concluded at 10:19 a.m.)
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1 STATE OF ARIZONA)
 2) ss.
 3 COUNTY OF MARICOPA)
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7 I, DAWNA J. BOSWELL, Certified Court
 8 Reporter No. 50326 for the State of Arizona, do hereby
 9 certify that the foregoing printed pages constitute a
 10 full, true and accurate transcript of the proceedings
 11 had in the foregoing matter, all done to the best of
 12 my skill and ability.

13
 14 WITNESS my hand this 12th day of June, 2003.

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 16 _____
 17 DAWNA J. BOSWELL
 18 Certified Court Reporter
 19 Certificate No. 50326
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