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INDEPENDENT REGULATORY  
REVIEW COMMISSION

2604

**VIA HAND DELIVERY**

May 31, 2007

Michelle Smey, Chief, Business Licensing Division  
State Board of Funeral Directors  
P.O. Box 2649  
Harrisburg, PA 17105

BUSINESS  
LICENSING DIVISION

2007 MAY 31 PM 3:38

RECEIVED

Re: Proposed Rulemaking to 49 Pa. Code,  
Sec. 13.204 and 13.224 as well as Regulation 16a-4817

Dear Ms. Smey:

Please consider this correspondence as a supplement to our May 11, 2007, correspondence concerning the above proposed regulation.

As noted previously, the Pennsylvania Funeral Directors Association wishes to support the proposed regulation but suggest that it be strengthened even further. The Commonwealth's review of forms has been at best, nominal and should be more extensive. The current review process is really only cursory including basic criteria such as those listed in Sec. 13.204. There is neither a thorough review of the Master Trust document nor how it is inter-related to the individual pre-need trust document. This has created difficulties in the past.

Former companies and current companies have a basic form approved and yet the Master Trust document did not comply with the Funeral Directors Law, banking law or current court decisions. Two prime examples of this is where Mechem Financial had its form approved and once they told

Michelle Smey, Chief, Business Licensing Division  
State Board of Funeral Directors  
May 31, 2007  
Page Two of Three

funeral directors they were in compliance, within a few years, \$4-\$9 million dollars was gone. Funeral directors were held responsible for making good on the funerals.

In 1998, a company named Commonwealth Partnership Trust (CPT) had a similar approach where their forms were approved by the Commonwealth. CPT Principals were convicted of stealing \$7-\$8 million of preneed funds as well. Had a more thorough review of all the documents been done, these issues may have been prevented.

There are currently programs in this Commonwealth that offer preneed to funeral directors where forms have been reviewed but violate Funeral Directors Law and perhaps securities law. As an example, there is a master trust document that allows for the loaning of preneed trust funds even though the Department of Banking has stated years ago that one cannot borrow preneed funds. This has been done in the past.

Another example is funeral directors who have taken trust monies and had them converted to life insurance policies solely for the purpose of obtaining a commission. This has been done without the consumers' knowledge or consent.

There should be more scrutiny of preneed funds and the documents that control them. Over the past 25 years, millions of dollars have been missing because of lack of enforcement and review by the Commonwealth. New statutes are not necessary. What is necessary is a more comprehensive review of the forms, perhaps by the Department of Insurance, the Securities Commission, Department of Banking and the Funeral Board, prior to approval being given.

PFDA strongly encourages the State Board to commit to a process that would provide a comprehensive review of all forms to prevent scenarios

Michelle Smey, Chief, Business Licensing Division  
State Board of Funeral Directors  
May 31, 2007  
Page Three of Three

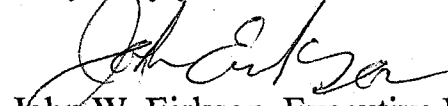
such as those that have happened historically. This process would protect consumers as well as the licensee population from unscrupulous entities.

PFDA also wishes to go on record as opposing the licensure fee increase unless the Commonwealth provides greater oversight with respect to preneed and enforcement of the current law. PFDA has advocated for years that the Commonwealth should review all forms. It should be mandatory for Banking, Insurance, Securities and the Funeral Board to sign off on such forms prior to approval.

In addition, the Commonwealth must be more attentive to enforcing statutes and regulations regarding unlicensed practice. One count Orders to Show Cause are ridiculous when dealing with companies that have operated illegally for decades. This is not in the interest of the profession or the consumer. One count Orders to Show Cause only reinforce improper behavior.

Should you have any questions, I am available at your convenience to discuss these matters.

Very truly yours,



John W. Eirkson, Executive Director  
PFDA

Enclosures

c: Honorable Michael Sturla  
Honorable Robert Tomlinson  
Honorable Harry Readshaw



May 11, 2007

Michelle Smey, Administrator  
State Board of Funeral Directors  
P.O. Box 2649  
Harrisburg, PA 17105-2649

Re: Proposed Rulemaking to 49 Pa. Code, §13.204 and §13.224

Dear Ms. Smey:

The Pennsylvania Funeral Directors Association is submitting the within written comments pursuant to the 30 day public comment period as noticed in the Pennsylvania Bulletin.

PFDA is in agreement with the proposed amendments to the above named sections of the code. However, it is not sufficient for the Board to review only the form for the Statement of Funeral Goods and Services.

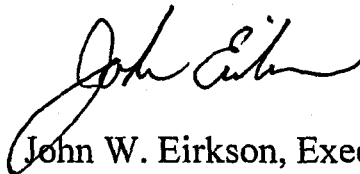
PFDA has been in the preneed trust and insurance business for over two decades. We currently hold over \$70 million in trust and insurance preneed funds. The Board and IRRC should be aware that there are two other documents that dictate the terms of the agreement between the consumer and the funeral director. Those documents are the individual trust agreement between the consumer and the funeral director and the master trust agreement between the funeral director and the bank. Both of these documents detail terms such as how the monies can be invested and in what vehicle; what happens in the event of cancellation or non-performance or if the consumer moves to another funeral home; what fees and expenses can be

taken from the account; and in some cases, whether or not the funeral director can receive monies back from the bank (such as 30% on the merchandise sale).

PFDA has never permitted funeral directors to receive anything back from the bank. However, there are currently programs in this Commonwealth that do allow such returns, which we believe violates the spirit, if not the letter of the 100% trusting requirement. Therefore, PFDA's position that the State Board should include in any forms review, the requirement of all documents that effect the transaction between the consumer and the funeral director in order to eliminate programs that are not in compliance with the law and that have the potential for ultimately harming the consumer.

I have attached a copy of the documents used by our trust program for your review. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John Eirkson".

John W. Eirkson, Executive Director  
PFDA

Encs.

Smey corr re 13.204 and 13.224

### HISTORICAL BACKGROUND

Section 13C of the Pennsylvania Funeral Director Law deals with the subject of payments to funeral directors for pre-paid funeral services. Essentially, it requires that the funeral director place such moneys in trust in a banking institution in Pennsylvania to be withdrawn only upon performance of the funeral contract. In 1986-1987 sales of pre-need was a very popular item within the funeral directing industry in Pennsylvania and various programs were offered to Pennsylvania funeral directors to assist them in handling pre-need funds. One such program was offered by Mechem Financial, Inc., a Pennsylvania corporation which had experience through its sister corporation in Ohio (Mechem Financial of Ohio, Inc.). The State Board of Funeral Directors expressed an interest in the handling of pre-need funds by funeral directors and invited all those who were offering pre-need programs to Pennsylvania funeral directors to appear before the Board and explain how their program operated. In December, 1987, John Copple (the founder and operator of Mechem Financial, Inc.) appeared before the Board with his counsel and explained, in detail, to the Board the fashion in which his program operated. He also submitted to the Board the various documents, contracts, trust instruments, etc. utilized by Mechem Financial, Inc. The Board listened but asked no questions.

Shortly thereafter the Pennsylvania Funeral Directors Association through their counsel appeared before the State Board of Funeral Directors and suggested to them that a review of the Mechem documents indicated that this corporation was not a "banking institution" in Pennsylvania and therefore was not qualified to accept pre-need funds from funeral directors. The State Board did nothing. The Pennsylvania Funeral Directors Association told the State Board of Funeral Directors that they had an obligation to advise licensed funeral directors in Pennsylvania as to whether or not Mechem was qualified to accept funds and that if the Board had any doubts themselves as to the status of Mechem as a banking institution, they should request an Attorney General's opinion to guide them. The Board did nothing.

In the meantime, Mechem's representatives roamed Pennsylvania telling funeral directors "we explained our program to the State Board of Funeral Directors and we have received their approval." The PFDA notified the Board of this fact and asked the Board to notify Mechem and Pennsylvania funeral directors that Mechem Financial, Inc. did not have the approval of the State Board of Funeral Directors. The Board did nothing.

In 1988, PFDA notified the State Board of Funeral Directors that Mechem was in trouble in Ohio and that, at the request of the

Ohio Board of Funeral Directors, the Ohio Attorney General had brought injunctive action on the basis of Mechem not being a banking institution in Ohio. The PFDA requested that the Pennsylvania Board follow the example of the Ohio Board and either:

- (1) request an Attorney General opinion on the Mechem matter, or
- (2) request the Attorney General's permission to bring injunctive action.

The Board did nothing.

Mechem Financial, Inc. in Ohio filed in federal bankruptcy. The Pennsylvania Board and the Office of Attorney General were notified and took no action.

The PFDA notified the State Board of Funeral Directors that Mr. Copple, on behalf of Mechem, was investing pre-need funds in rare coins (a highly speculative investment).

The PFDA notified the Pennsylvania Securities Commission of Mechem's unauthorized investments. The Securities Commission issued a cease and desist order (which Mechem promptly appealed and continued its activities).

Agent Zorn of the Erie office of the Federal Bureau of Investigation in the course of investigating Mechem Financial, Inc.'s activities requested the State Board of Funeral Directors to give him access to the filings with the State Board. The State Board refused to supply this information citing their own regulation regarding the "confidentiality" of such reports.

The PFDA notified the State Board and the Office of Attorney General that Mechem continued to invest in rare coins, that Mechem was transferring assets from the Pennsylvania corporation to the Ohio corporation and requested that the State Board of Funeral Directors warn Pennsylvania funeral directors that Mechem was not a "banking institution" within the meaning of Section 13C of the Funeral Director Law. The State Board of Funeral Directors responded by saying that the Board has no jurisdiction over Mechem and that the Board cannot tell a funeral director with whom he can or cannot invest moneys and that the Board's jurisdiction would come into play if, and only if, a funeral director should fail to perform the pre-need contract.

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◆<sup>1</sup> Meanwhile, Mechem was filing, annually, with the Pennsylvania State Board of Funeral Directors on behalf of funeral directors participants, reports regarding the pre-need contracts for which mechem Financial, Inc. had obtained moneys. The Board did not bother to look at any of these filings.

The PFDA notified the State Board of Funeral Directors and the Office of Attorney General that Mechem had filed an "accounting" with the Orphan's Court of Erie County (a document that would verify or disprove the information contained in Mechem's annual filings with the State Board of Funeral Directors regarding pre-need funds) and requested the Board scrutinize the proffered "accounting." The Board refused to do so.

Mechem Financial, Inc. filed in bankruptcy in the Federal Court for the Western District of Pennsylvania. The PFDA notified the State Board of Funeral Directors of this fact and suggested the Board contact the bankruptcy trustee to see if they could be of assistance to him in handling this delicate matter. The Board did nothing.

Recently the Pennsylvania State Board of Funeral Directors, "authorized and instructed" the Board prosecutors to bring disciplinary action against any Pennsylvania funeral director who invested with Mechem Financial, Inc. because Mechem Financial, Inc. is not a "banking institution" within the meaning of Section 13C. The Board prosecuting attorneys, without individual investigation, are demanding that funeral directors who at any time had transferred moneys to Mechem Financial, Inc., sign a consent decree or face prosecution and disciplinary action. The proposed consent decrees embody provisions which we deem of doubtful legal validity in that they:

- (1) Purport to authorize the funeral director to substitute for trust moneys he received from consumers (and should have placed in a banking institution) an insurance policy purchased from a "Board approved trust/insurance program," and,
- (2) Purport to authorize the funeral director to convert to his own use any trust funds that might be authorized to be paid on behalf of consumers in the bankruptcy action.

We, like the AARP, believe that these proposals are not in the best interests of the consuming public and have the potential for causing further losses to Pennsylvania citizens.





U.S. Department of Justice

David M. Barasch  
United States Attorney  
Middle District of Pennsylvania

Federal Building, Suite 220  
P.O. Box 11754  
228 Walnut Street  
Harrisburg, PA 17108-1754

717-221-4482  
FAX 717-221-4582

March 3, 2000

PRESS RELEASE

David M. Barasch, United States Attorney for the Middle District of Pennsylvania, and Bruce R. Chambers, Inspector in Charge, Philadelphia Metro Division, United States Postal Inspection Service have announced that three New Jersey men and a Lebanon County resident have been indicted on charges they defrauded 28 Pennsylvania funeral homes and 31 individuals out of more than \$7,300,000.

R. STEVEN STACKPOLE, age 51, formerly of Oradell, New Jersey, his son SCOTT STACKPOLE, age 33, of Leonia, New Jersey, JOSEPH CORDO, age 49, of Toms River, New Jersey, and JEFFREY KLEPPER, age 43, of 87 Walden Road, Lebanon, Pennsylvania, are charged in a 58 Count, Middle District of Pennsylvania Indictment with Mail Fraud, Conspiracy and Money Laundering offenses.

The charges allege the four defrauded the individuals out of approximately \$1,500,000 between November of 1994 and

September of 1997, and the funeral homes out of approximately \$5,800,000 between April of 1996 and September of 1997.

Allegedly, the defendants induced the victims to invest in a company owned and operated by R. STEVEN STOCKPOLE and GAVIN T. GREENE in New York, New York, known as EA International Trust (EAIT). The investors were told their monies would be invested by EAIT in the stock market. However, less than one-third of the \$7,300,000 was invested in that manner. The only other "investments" EAIT allegedly made was \$61,000 for a two bedroom condo in Hackensack, New Jersey and \$85,000 in a topless dance club in the Bronx.

The Indictment avers that more than two-thirds of the \$7,300,000 was misspent by the defendants on excessive operating expenses and their own compensation. Allegedly, SCOTT STACKPOLE received \$389,395, R. STEVEN STACKPOLE \$634,057, and GREEN \$816,211. Another \$303,000 was paid to a bankrupt insurance agency operated by R. STEVEN STACKPOLE in New Jersey and another \$177,000 was paid to a management company owned by SCOTT STACKPOLE. CORDO allegedly received more than \$330,000 and employed \$50,000 of these funds to purchase a boat. KLEPPER allegedly received more than \$267,000 and another \$38,000 to avoid a Sheriff's sale of his 87 Walden Road, Lebanon, PA residence. The government is seeking the forfeiture of both the boat and the residence in the Indictment.

Among other material non-disclosures, the Indictment alleges KLEPPER and R. STEVEN STACKPOLE failed to reveal to the investors that they had been convicted and indicted on fraud charges. \$96,000 of the investor monies were allegedly used to pay . KLEPPER's court ordered restitution in his 1994 federal fraud conviction. In March of 1997 R. STEVEN STACKPOLE was indicted by the State of New Jersey on charges that he had defrauded numerous investors in that state between 1989 and 1994. STACKPOLE was subsequently convicted and is presently serving a prison sentence on those charges.

The monies invested by the funeral homes were derived from the sale of pre-need, funeral service contracts. A pre-need funeral service contract is an arrangement whereby an individual pays for funeral services in advance of death. Pennsylvania law requires funeral directors to deposit the funds derived from such sales into an escrow account at a Pennsylvania banking institution, or to transfer same "in trust to a banking institution in this Commonwealth, conditioned upon its withdraw or disbursement only for the purpose for which such money was accepted." 69 Pa. C.S.A. § 479.13(c).

The Indictment alleges the defendants persuaded two Pennsylvania banks, USBancorp in Johnstown, Pennsylvania and the Nazareth National Bank in Nazareth, Pennsylvania to serve as trustees for the funeral homes and to invest their pre-need funds

Page 4  
March 3, 2000

with EAIT. A local business, Commonwealth Partnership Trust (CPT), 702 Cumberland Street, Lebanon, PA, was incorporated by KLEPPER and CORDO to promote the sale and administration of funeral home investments with EAIT. According to the Indictment, KLEPPER allegedly paid JAMES BUTLER, a former Assistant Vice President of Nazareth National Bank, more than \$16,000 in "commissions" for his help in securing funeral home investments with EAIT.

BUTLER has already plead guilty to an Information charging him with Misprison of a Felony in U.S. District Court, Harrisburg and is presently awaiting sentencing. Under the terms of a Plea Agreement filed with the Court, BUTLER is cooperating with the government in connection with it's investigation of these activities. GAVIN GREENE has similarly executed a plea agreement calling for his guilty plea to an Information charging him with Mail Fraud. GREENE's plea agreement also requires him to cooperate with the government.

The case was investigated by the Harrisburg Office of the FBI and the Scranton Office of the United States Postal Inspection Service. The case is being prosecuted by Assistant United States Attorney Kim Douglas Daniel.

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An Indictment or Information is not evidence of guilt but simply a description of the charge made by the Grand Jury and/or United States Attorney against a defendant. A charged Defendant is presumed innocent until a jury returns a unanimous finding that the United States has proven the defendant's guilt beyond a reasonable doubt or until the defendant has pled guilty to the charges.

IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA :

v. :

R. STEVEN STACKPOLE,  
SCOTT STACKPOLE,  
JEFFREY KLEPPER, and  
JOSEPH CORDO :

Criminal No. 1:00-CR-46  
(J. Caldwell)

INDICTMENT

The Grand Jury Charges:

COUNTS 1 - 11  
(Mail Fraud)

FILED  
HARRISBURG, PA

FEB 16 2000

MARY E. D'ANDREA, CLERK  
Per [Signature]

A. Background

1. At all times pertinent hereto, GAVIN T. GREENE was the President and R. STEVEN STACKPOLE was the Vice-President of EA International, Inc. (EAI). EA International Trust (EAIT) was a New Jersey corporation that operated as a division of EAI. EAIT was owned equally by STACKPOLE and GREENE and they served as its co-trustees. R. STEVEN STACKPOLE and GREENE had signature authority on EAI and EAIT accounts. EAI's and EAIT's offices were originally located in Oradell, NJ and were later moved to 237 Park Avenue, New York, NY.

Certified from the record  
Date 2/17/00  
Mary E. D'Andrea, Clerk  
Per [Signature]  
Deputy Clerk

2. SCOTT STACKPOLE is R. STEVEN STACKPOLE's son. At all times pertinent hereto, SCOTT STACKPOLE functioned as EAI's and EAIT's office manager under the name of Harris Coordinating Services, Inc.

3. At all times pertinent hereto, JOSEPH CORDO resided in New Jersey.

4. At all times pertinent hereto, JEFFREY KLEPPER resided at 87 Walden Road, Lebanon, Pennsylvania. On September 2, 1994, KLEPPER was convicted of a federal fraud offense in the U.S. District Court for the District of Delaware. As part of his sentence KLEPPER was ordered to pay \$103,510 in restitution.

5. In November of 1994 R. STEVEN STACKPOLE, GAVIN GREENE, and JOSEPH CORDO began soliciting investments from private individuals with EAIT. Upon his release from prison in February of 1995, KLEPPER also began selling the EAIT investments to individual investors. The individuals were told EAIT would invest their money in stocks selected by EAIT's investment manager, Maidstone Financial, Inc., a New York, NY investment banking firm. The investors were promised annual returns of 12% on 1 and 5 year investments and were assured EAIT was IRA "rollover-qualified" for federal income tax purposes. The individuals were also told their investments were fully insured. As a result, between November of 1994 and September of 1997, 31 individuals invested approximately \$1,506,436 with EAIT. EAIT paid CORDO and KLEPPER substantial commissions on the investments.

6. In late 1995 R. STEVEN STACKPOLE, GREENE, KLEPPER, and others began soliciting investments from Pennsylvania funeral homes with EAIT. The monies

targeted were the funds generated by the funeral homes' sale of pre-need, funeral service contracts. A pre-need, funeral service contract is an arrangement whereby an individual pays for funeral services in advance of death. Pennsylvania law requires funeral directors to deposit the funds derived from such sales into an escrow account at a Pennsylvania banking institution, or to transfer same "in trust to a banking institution in this Commonwealth, conditioned upon its withdrawal or disbursement only for the purposes for which such money was accepted." See 69 Pa.C.S.A. § 479.13(c).

7. Commonwealth Partnership Trust, Inc. (CPT) was incorporated by KLEPPER and CORDO to serve as EAIT's agent in the sale and administration of funeral home investments with EAIT. KLEPPER and CORDO each owned 50% of CPT. KLEPPER served as CPT's President; CORDO was listed as its Vice-President. KLEPPER exercised control over CPT's bank accounts in Pennsylvania. CPT's offices were located at 702 Cumberland Street, Lebanon, PA.

8. R. STEVEN STACKPOLE, GREENE and KLEPPER persuaded USBancorp in Johnstown, Pennsylvania and later Nazareth National Bank in Nazareth, Pennsylvania, hereinafter referred to as "the banks," to serve as trustees for the funeral homes and to invest their pre-need money in "Private Placement Annuity Contracts" with EAIT. Like the individual investors, the banks and the funeral homes were told EAIT would invest their money in stocks selected by its investment manager, Maidstone Financial. EAIT agreed to return the funds in each pre-need account upon the customer's death. In the interim, EAIT agreed to pay annual interest of 6 to 11 percent

on the pre-need accounts, the rate of return depending upon the amount of money invested by each funeral home.

9. EAIT agreed to pay CPT 20% of every funeral home dollar it received. In order to induce investments, CPT paid a portion of its 20% to the director of each funeral home that invested with EAIT as a "finders fee."

10. EAIT sent the banks a monthly statement reflecting the earnings and the account balance for each funeral home. CPT sent each funeral home a monthly statement itemizing the earnings and balances on each pre-need, customer account. Like the individual investors, the banks and the funeral directors were assured their investments with EAIT were fully insured.

11. The pre-need funds were deposited into trust accounts at the banks before they were wired to an EAIT account in New York. Between April of 1996 and September 23, 1997, the two banks wired approximately \$5,807,068 from 28 Pennsylvania funeral homes to EAIT.

**B. The Scheme And Artifice to Defraud**

12. Between November of 1994 and December of 1998, in the Middle District of Pennsylvania and elsewhere, the defendants,

**R. STEVEN STACKPOLE,  
SCOTT STACKPOLE, and  
JEFFREY KLEPPER,**

and others, known and unknown to this grand jury, did devise a scheme and artifice to defraud the individual investors, the banks, and the funeral homes, hereinafter referred to as



"the investors," and did obtain their money and property; to wit, approximately \$7,313,504, by means of false and fraudulent pretenses, representations and promises, and by failing to disclose material facts regarding their investments and the disposition of same.

**C. Manner and Means of the Scheme to Defraud - The False Representations And The Non-Disclosures of Material Facts**

13. Contrary to what had been represented to the investors, less than one third of the money was invested by EAIT in stocks selected by its investment manager, Maidstone Financial. Of approximately \$7,313,504 sent to EAIT, only \$2,390,000 was deposited by EAIT into its Maidstone Account. Of this amount EAIT withdrew \$712,000 for operating expenses. None of these material facts were disclosed to the investors.

14. Moreover, EAIT's Maidstone Account performed very poorly. Between December of 1994, when the Account was opened, and April of 1995, EAIT invested \$140,488 in the Account. By August of 1995 the Account had incurred \$101,990 in trading losses. Thereafter, EAIT made no further investments in the Account until June of 1996. Although there were sporadic deposits between June of 1996 and August of 1997, at no time did the stock in the Account have a value greater than \$1,262,041. None of these material facts were disclosed to the investors.

15. Other than the Maidstone Account, the only other "investments" EAIT made was \$61,813 for a two-bedroom condominium in Hackensack, NJ and \$85,766 in a topless dance club in the Bronx, NY. None of these material facts were disclosed to the investors.

16. More than two thirds of the money was spent by the defendants on operating

expenses and their own compensation. JOSEPH CORDO received \$209,420, SCOTT STACKPOLE received \$389,395, R. STEVEN STACKPOLE collected \$634,057, and GAVIN GREENE was paid \$816,211. Additional sums were spent on other ventures they owned or controlled. For example, \$303,753 was paid to a bankrupt insurance agency R. STEVEN STACKPOLE operated in New Jersey and \$177,321 was paid to Harris Coordinating Services, Inc. None of these material facts were disclosed to the investors.

17. EAIT sent approximately \$1,075,336 of the investor funds to CPT. Of this amount CPT paid \$267,594 to KLEPPER and \$128,241 to CORDO. Other payments were made by CPT and EAIT on KLEPPER and CORDO's behalf. For example, approximately \$50,000 was spent on a boat for CORDO that was titled in New Jersey under KLEPPER's name. In 1996 EAIT advanced KLEPPER approximately \$88,512 to avoid a Sheriff's Sale of his Lebanon, PA residence and to title the property under a straw party's name. Another \$15,000 was spent on an in-ground swimming pool and more than \$29,000 was used to pay monthly mortgage payments. Moreover, \$96,310 was used to pay KLEPPER's court ordered restitution. None of these material facts were disclosed to the investors.

18. KLEPPER also paid James Butler, an Assistant Vice-President in Nazareth National Bank's Trust Department, \$16,623 in "commissions" for his help in securing funeral home investments with EAIT. None of these material facts were disclosed to the investors.

19. In order to deceive the investors into believing their investments were profitable and in order to perpetuate the longevity of the scheme, EAIT used a portion of the investors' money to pay death claims, to make refunds, and to make monthly interest

payments to some of the individual investors. EAIT and CPT also mailed false statements to the investors which misrepresented the true status of their accounts.

20. On March 25, 1997, R. STEVEN STACKPOLE was indicted by the State of New Jersey and charged with Conspiracy, Theft by Deception, Misapplication of Entrusted Property, and Misconduct by a Corporate Official. The charges alleged STACKPOLE defrauded an unspecified number of investors out of more than \$75,000 between 1989 and 1994. None of these material facts were disclosed to the investors.

21. On June 18, 1997, Nazareth National Bank learned STACKPOLE had been indicted in New Jersey. On or about June 27, 1997, US Bancorp resigned as a trustee for the funeral homes and terminated its relationship with EAIT. None of these material facts were disclosed to the funeral homes or the individual investors.

22. In August of 1997 the Nazareth National Bank became concerned that EAIT had not invested sufficient funds in its Maidstone Account and that EAIT was financially unsound. As a result, the Nazareth National Bank refused to send any more funeral home money to EAIT after September 23, 1997. None of these material facts were disclosed to the funeral homes or the individual investors.

23. On or about October 1, 1997, the Pennsylvania Securities Commission served subpoenas on EAIT, CPT and the Nazareth National Bank in connection with its investigation of EAIT's business activities. In order to appease the Nazareth National Bank, R. STEVEN STACKPOLE resigned as a trustee of EAIT on October 20, 1997. Although STACKPOLE purportedly resigned, he continued to manage and direct EAIT's affairs

thereafter. None of these material facts were disclosed to the funeral homes or the individual investors.

24. Between September of 1997 and February of 1998 KLEPPER participated in several meetings and telephone conversations with representatives of EAIT and the Nazareth National Bank regarding these events and EAIT's dire financial situation.

25. Upon the urging of the Nazareth National Bank, on February 28, 1998, EAIT's Maidstone Account was liquidated and approximately \$440,000 in proceeds was released to another company hired to replace EAIT. Even though some of the money in the Account was attributable to individual investors, the funds were used to purchase term life insurance policies for pre-need customers. None of these material facts were disclosed to the individual investors or the funeral homes.

26. Even though KLEPPER knew EAIT had been replaced by another company, that EAIT's Maidstone Account had been liquidated, that the proceeds of the Account had been used to purchase term life insurance, and that EAIT had no other substantial assets, CPT sent itemized statements to the funeral homes for the months of March, April, May and June of 1998 indicating their investments were not only intact, but growing.

27. In July of 1998 one of the individual investors asked KLEPPER for a refund of his \$168,000 investment with EAIT. KLEPPER tried to dissuade the investor from doing so by assuring him his money was safe and by telling him a series of lies, including a representation that EAIT still had its funeral home business and had replaced Maidstone Financial with another very successful fund manager.

28. Some individual investors elected to receive monthly interest payments from EAIT. In order to conceal EAIT's financial insolvency, KLEPPER forwarded money to SCOTT STACKPOLE, who then sent EAIT monthly interest checks for August, September and October 1998 to two investors in Pennsylvania.

29. In July of 1998 another individual who was then residing in Florida requested a partial refund of his investment with EAIT. In order to further conceal the fact that EAIT was financially insolvent, on October 13, 1998, CORDO wired \$7,000 from a CPT account in New Jersey to SCOTT STACKPOLE, who then sent the investor an EAIT refund check for \$7,000.

30. Contrary to what had been represented, there was no insurance coverage for any of the investors' losses.

**D. The Mailings And Interstate Carrier Deliveries**

31. In furtherance of the above described scheme and artifice to defraud, on or about the dates set forth below, in the Middle District of Pennsylvania and elsewhere, the Defendants,

**R. STEVEN STACKPOLE,  
SCOTT STACKPOLE, and  
JEFFREY KLEPPER**

did knowingly cause any matter or thing, to wit; EAIT checks, to be delivered by mail and commercial interstate carrier to the addresses set forth below, according to the direction thereon:

COUNT	DATE	AMOUNT	ADDRESS	VIA
1	1/23/97	\$23,015	702 Cumberland Street Lebanon, PA	US MAIL
2	4/16/97	\$32,654	702 Cumberland Street Lebanon, PA	US MAIL
3	6/05/97	\$130,186	702 Cumberland Street Lebanon, PA	FEDERAL EXPRESS
4	7/24/97	\$361,154	702 Cumberland Street Lebanon, PA	FEDERAL EXPRESS
5	8/18/97	\$25,600	702 Cumberland Street Lebanon, PA	US MAIL
6	8/22/98	\$1,975	620 East Maple Street Lebanon, PA	US MAIL
7	8/22/98	\$1,525	100 Morrissey Drive Lebanon, PA	US MAIL
8	9/18/98	\$1,975	620 East Maple Street Lebanon, Pennsylvania	US MAIL
9	9/18/98	\$1,525	100 Morrissey Drive Lebanon, PA	US MAIL
10	10/19/98	\$1,975	620 East Maple Street Lebanon, Pennsylvania	US MAIL
11	10/19/98	\$1,525	100 Morrissey Drive Lebanon, PA	US MAIL

All in violation of Title 18, United States Code, Section 1341.

**The Grand Jury Further Charges:**

**COUNT 12**

**Conspiracy To Commit Mail Fraud**

**A. The Conspiracy**

1. Between November of 1994 and December of 1998, in the Middle District of Pennsylvania and elsewhere, the Defendants,

**R. STEVEN STACKPOLE,  
SCOTT STACKPOLE,  
JEFFREY KLEPPER, and  
JOSEPH CORDO**

did unlawfully, willfully and knowingly combine, conspire, confederate and agree with themselves and with others, known and unknown to the Grand Jury, to commit the crime of Mail Fraud, 18 U.S.C. § 1341.

**B. Objectives of The Conspiracy**

2. It was an objective of the Conspiracy to defraud the individual investors, the banks, and the funeral home investors with EAIT, as set forth in Counts 1 - 11 of this Indictment, and obtain their money, approximately \$7,313,504, which said Counts are specifically incorporated herein.

**C. Overt Acts in Furtherance of the Conspiracy**

3. For purposes of this Section, the overt acts of the defendants that are set forth in Section C of Counts 1 - 11 of this Indictment are specifically incorporated herein.

**All in violation of Title 18, United States Code, Section 371.**

**The Grand Jury Further Charges:**

**COUNT 13**

**Conspiracy to Commit Money Laundering**

**A. The Conspiracy**

1. Between November of 1994 and December of 1998, within the Middle District of Pennsylvania and elsewhere, the Defendants,

**R. STEVEN STACKPOLE,  
JEFFREY KLEPPER, and  
JOSEPH CORDO**

did conspire and agree with one another and with others known and unknown to the Grand Jury, to commit certain offenses under Title 18, United States Code, Sections 1956 and 1957, as follows:

(a) to conduct and attempt to conduct financial transactions affecting interstate commerce, which transactions involved the proceeds of specified unlawful activity, (1) with the intent to promote the carrying on of such specified unlawful activity, and (2) knowing that the transaction was designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity, and (3) knowing that the transaction was designed in whole and in part to avoid a transaction reporting requirement under Federal law, and that while conducting and attempting to conduct such financial transaction knew that the property involved in the financial transactions, represented the proceeds of some form of unlawful activity, in violation of 18 U.S.C. § 1956(a)(1); and

(b) to knowingly engage, and knowingly attempt to engage in monetary transactions in criminally derived property that was of a value greater than \$10,000, in violation of 18 U.S.C. 1957;

**B. Overt Acts in Furtherance of The Conspiracy**

2. On diverse occasions during the course of the Conspiracy, R. STEVEN



STACKPOLE authorized, caused and directed the transfer of funds in excess of \$10,000 from EAIT and EAI accounts in New York to CPT and JEFFREY KLEPPER accounts at the Northwest Savings Bank in Lebanon, PA.

3. On diverse occasions during the course of the Conspiracy, JEFFREY KLEPPER authorized, caused and directed CPT checks in excess of \$10,000 to be issued and paid at the Northwest Savings Bank in Lebanon, PA.

4. On diverse occasions during the course of the Conspiracy, JOSEPH CORDO had EAIT structure payments to him via checks in amounts less than \$10,000 in order to avoid financial transaction reporting requirements. CORDO would give the checks to another individual who would cash them on his behalf in New Jersey.

5. In July of 1996 JEFFREY KLEPPER and his wife, Debra Klepper, sold their residence at 87 Walden Road, Lebanon, PA on paper to one Michael Smith, who held the property on their behalf as a straw party. KLEPPER provided Smith with \$41,613 to effect his "purchase" and false CPT employment and earnings records to qualify him for mortgages on the property. Thereafter, KLEPPER paid Smith's mortgage payments with CPT checks.

6. In June of 1997 JOSEPH CORDO purchased a 1997 SEA RAY boat in Brick, New Jersey for \$77,000, in part, with \$9,900 cash. The boat was invoiced, titled and financed under KLEPPER's name. The \$1,087 monthly finance payments and the boat's repairs were paid with CPT checks.

7. The substantive Money Laundering, 18 U.S.C. § 1956, and Unlawful Monetary

Transaction, 18 U.S.C. § 1957, Counts of this Indictment (Counts 13-57) are specifically incorporated herein as additional overt acts in furtherance of the Conspiracy.

**All in violation of Title 18, United States Code, Section 1956(h).**

**The Grand Jury Further Charges:**

**COUNTS 14 - 20**

**Unlawful Monetary Transactions  
In Excess of \$10,000**

On or about the below listed dates, in the Middle District of Pennsylvania, the  
defendants,

**R. STEVEN STACKPOLE and  
JEFFREY KLEPPER,**

did knowingly engage in monetary transactions in criminally derived property that was of  
a value greater than \$10,000, which said property was derived from specified unlawful  
activity, to wit; in that **R. STEVEN STACKPOLE and JEFFREY KLEPPER** caused the  
below described EA International Trust (EAIT) checks and wire transfers to be deposited  
into accounts at the Northwest Savings Bank in Lebanon, Pennsylvania, said checks and wire  
transfers constituting proceeds derived from the crime of Mail Fraud, 18 U.S.C. § 1341, as  
set forth in Counts 1 - 11 of this Indictment:

COUNT	DATE	ITEM DEPOSITED	NORTHWEST ACCOUNT
14	5/2/96	\$40,000 (wire transfer)	JEFFREY KLEPPER
15	8/2/96	\$48,512 (wire transfer)	CPT
16	1/23/97	\$23,015 (check)	CPT
17	4/16/97	\$32,654 (check)	CPT

COUNT	DATE	ITEM DEPOSITED	NORTHWEST ACCOUNT
18	6/06/97	\$130,186 (check)	CPT
19	7/24/97	\$361,154 (check)	CPT
20	8/18/97	\$25,600 (check)	CPT

All in violation of Title 18, United States Code, Section 1957.

The Grand Jury Further Charges:

COUNTS 21 - 25  
Unlawful Monetary Transactions  
In Excess of \$10,000

On or about the below listed dates, in the Middle District of Pennsylvania, the  
defendant,

**JEFFREY KLEPPER,**

did knowingly engage in monetary transactions in criminally derived property that was of  
a value greater than \$10,000, which said property was derived from specified unlawful  
activity, to wit; in that **JEFFREY KLEPPER** caused the below described checks to be paid  
at the Northwest Savings Bank in Lebanon, Pennsylvania, said checks constituting proceeds  
derived from the crime of Mail Fraud, 18 U.S.C. § 1341, as set forth in Counts 1- 11 of this  
Indictment:

COUNT	DATE	AMOUNT	PAYEE	PAYOR ACCOUNT
21	5/09/96	\$40,000	PA NATIONAL BANK	JEFFREY KLEPPER
22	8/05/96	\$41,613	MIKE SMITH	CPT
23	8/01/97	\$50,000	US CLERK OF COURTS	CPT
24	3/04/98	\$46,310	US CLERK OF COURTS	CPT
25	4/01/98	\$65,000	CPT	CPT

All in violation of Title 18, United States Code, Section 1957.

**The Grand Jury Further Charges:**

**COUNTS 26 - 38**  
**Money Laundering**

On or about the dates set forth below, in the Middle District of Pennsylvania, the defendants,

**JEFFREY KLEPPER and**  
**JOSEPH CORDO,**

did knowingly conduct and attempt to conduct financial transactions affecting interstate commerce, to wit; the payment of Commonwealth Partnership Trust (CPT) checks at the Northwest Savings Bank in Lebanon, Pennsylvania, which said checks involved the proceeds of a specified unlawful activity, to wit; Mail Fraud, 18 U.S.C. § 1341, as set forth in Counts 1- 11 of this Indictment, said checks having been tendered for finance payments on a 1997 Sea Ray Boat, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity and that while conducting and attempting to conduct such financial transactions knew that the property involved in the financial transactions, to wit; the funds in the amounts set forth below, represented the proceeds of some form of unlawful activity:

COUNT	DATE	AMOUNT	PAYEE
26	7/25/97	\$1,087	CIT GROUP
27	8/20/97	\$1,087	CIT GROUP
28	10/27/97	\$2,175	CIT GROUP

COUNT	DATE	AMOUNT	PAYEE
29	12/11/97	\$1,087	CIT GROUP
30	1/20/98	\$1,087	CIT GROUP
31	2/11/98	\$1,087	CIT GROUP
32	3/02/98	\$1,087	CIT GROUP
33	3/27/98	\$1,087	CIT GROUP
34	4/29/98	\$1,087	CIT GROUP
35	6/05/98	\$1,087	CIT GROUP
36	6/29/98	\$1,087	CIT GROUP
37	7/28/98	\$1,087	CIT GROUP
38	8/19/98	\$1,087	CIT GROUP

All in violation of Title 18 United States Code, Section 1956(a)(1)(B)(i) and Section 2.

**The Grand Jury Further Charges:**

**COUNTS 39 - 52**  
**Money Laundering**

On or about the dates set forth below, in the Middle District of Pennsylvania, the  
defendant,

**JEFFREY KLEPPER**

did knowingly conduct and attempt to conduct financial transactions affecting interstate commerce, to wit; the payment of Commonwealth Partnership Trust (CPT) checks at the Northwest Savings Bank in Lebanon, Pennsylvania, which said checks involved the proceeds of a specified unlawful activity, to wit; Mail Fraud, 18 U.S.C. § 1341, as set forth in Counts 1- 11 of this Indictment, said checks having been tendered for mortgage payments on real estate located at 87 Walden Road, Lebanon, PA, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity and that while conducting and attempting to conduct such financial transactions knew that the property involved in the financial transactions, to wit; the funds in the amounts set forth below, represented the proceeds of some form of unlawful activity:

COUNT	DATE	AMOUNT	PAYEE
39	3/24/97	\$1,859	EQUITY ONE
40	4/17/97	\$1,770	EQUITY ONE
41	5/13/97	\$1,770	EQUITY ONE
42	6/12/97	\$1,770	EQUITY ONE



COUNT	DATE	AMOUNT	PAYEE
43	7/11/97	\$1,770	EQUITY ONE
44	8/06/97	\$1,770	EQUITY ONE
45	9/08/97	\$1,770	EQUITY ONE
46	10/01/97	\$1,770	EQUITY ONE
47	12/17/97	\$1,859	EQUITY ONE
48	1/21/98	\$1,859	EQUITY ONE
49	2/25/98	\$1,859	EQUITY ONE
50	3/04/98	\$1,770	EQUITY ONE
51	3/27/98	\$1,859	EQUITY ONE
52	5/13/98	\$1,859	EQUITY ONE

All in violation of Title 18 United States Code, Section 1956(a)(1)(B)(i), and Section 2.

**The Grand Jury Further Charges:**

**COUNTS 53 - 57**  
**Money Laundering**

On or about the dates set forth below, in the Middle District of Pennsylvania, the  
defendants,

**JEFFREY KLEPPER, and  
R. STEVEN STACKPOLE**

did knowingly conduct and attempt to conduct financial transactions affecting interstate commerce, to wit; the payment of Commonwealth Partnership Trust (CPT) checks at the Northwest Savings Bank in Lebanon, Pennsylvania, which said checks involved the proceeds of a specified unlawful activity, to wit; Mail Fraud, 18 U.S.C. § 1341, as set forth in Counts 1- 11 of this Indictment, said checks having been tendered as funeral home director finder's fees, with the intent to promote the carrying on of said specified unlawful activity, and that while conducting and attempting to conduct such financial transactions knew that the property involved in the financial transactions, to wit; the funds in the amounts set forth below, represented the proceeds of some form of unlawful activity:

COUNT	DATE	CHECK No.	AMOUNT
53	12/26 /96	217	\$2,281
54	3/31/97	209	\$2,241
55	4/24/97	239	\$1,288
56	5/27 /97	257	\$7,404
57	6/16/97	366	\$15,533

All in violation of Title 18 United States Code, Section 1956(a)(1)(A)(i), and  
Section 2.

**The Grand Jury Further Charges:**

**COUNT 58**  
**Money Laundering Forfeitures**

1. The preceding Counts of this Indictment are specifically incorporated herein for the purpose of alleging forfeitures to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982.

2. The real and personal property listed below was involved in each of the offenses alleged above in Counts 13 through 57 of this Indictment or is property traceable to such property, in that it constitutes money or other property that was the subject of said transactions, constitutes or is derived from proceeds the defendants,

**R. STEVEN STACKPOLE,  
JEFFREY KLEPPER, and  
JOSEPH CORDO,**

obtained, directly or indirectly, as the result of such offenses, or constitutes property used in any manner or part to commit or to facilitate the commission of said offenses:

(a) **Real Property:**

All real estate located at 87 Walden Road, Lebanon, Pennsylvania, and described in the Deed recorded at Deed Book 339, Page 1110 in the Office of the Recorder of Deeds of Lebanon County, Pennsylvania;

(b) **Personal Property:**

A 1997 Model 280 BR Sea Ray Boat, Hull No. SERT2007B797, Engine Serial Nos. OK03179 and OK175201; and

(c) **Any and all other property of the defendants or of any of said defendants up**

to the value of the property described in each count of conviction.

By virtue of the commission of the offenses charged in Counts 13 through 57 of this  
Indictment by the defendants,

**R. STEVEN STACKPOLE,  
JEFFREY KLEPPER, and  
JOSEPH CORDO,**

any and all right, title and interest the defendants may have in the above-described real and  
personal property is vested in the United States and is hereby forfeited to the United States  
pursuant to Title 18, United States Code, Section 982(a)(1) and Title 21, United States Code,  
Section 853.

In the event that any of the real or personal property involved in the offenses alleged  
above in Counts 13 through 57 of this Indictment or traceable to such property, or any  
property constituting money or other property that was the subject of said transactions,  
property constituting or derived from proceeds the defendants obtained, directly or indirectly,  
as the result of such offenses, or property used in any manner or part to commit or to  
facilitate the commission of said offenses, as a result of any act or omission of the defendant:

- (a) cannot be located upon exercise of due diligence,
- (b) has been transferred, sold to, or deposited with a third party,
- (c) has been placed beyond the jurisdiction of the Court,
- (d) has been substantially diminished in value, or
- (e) has been commingled with other property which cannot be divided  
without difficulty,


the United States demands the forfeiture of other property of the defendants up to the value  
of the real and personal property described above, pursuant to Title 18, United States Code,

Section 982 and Title 21, United States Code, Section 853(p).

A TRUE BILL

Tom Cade  
GRAND JURY FOREPERSON

Date: 2/16/00

  
\_\_\_\_\_  
DAVID M. BARASCH  
U.S. ATTORNEY

# YOCIM, SKIBA, MOORE & NASH

ATTORNEYS AT LAW  
345 WEST SIXTH STREET  
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JOSEPH A. YOCIM  
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Telephone 814/454-6345  
Fax 814/456-6603

July 25, 1991

Robert G. Dwyer, Esquire  
Trustee  
Mechem Bankruptcy Case  
Knox Law Firm  
120 West 10th Street  
Erie, PA 16501

Re: American Association of Retired Persons  
1909 K Street N.W.  
Washington D.C. 20049  
(AARP) by Stephen Zaleznick, Esquire  
and Robin Talbert, Esquire of Counsel  
through Local Counsel Gary H. Nash, Esquire  
Comments and Objections to Alternative Trust Form  
Proposals

Dear Mr. Dwyer:

In response to your memorandum dated July 10, 1991, American Association of Retired Persons (AARP) is filing the following comments and objections to your alternative trust form proposals:

1. As the Honorable Judge Bentz previously concluded in In re Mechem Financial, Inc., 125 B.R. 151 (Bkrtcy. W.D. Pa. 1991), "The individual purchasers are creditors of the debtor although they may also have claims against the funeral directors to the extent they are not made a whole from the debtor's estate." As creditors they are entitled to notice and an opportunity to be heard prior to the court proceeding with any replacement trust plan.

2. Even if the individual funeral directors put forth some type of replacement trust unless that replacement trust encompasses all interests which should have been earned and paid to the consumer's trust by the debtor, the consumer remains a claimant at least to the extent of that unpaid interest and is entitled to notice to file a proof of claim.

3. All of the consumer creditors are fifth priority consumer claimants up to the amount of \$900.00 per individual claimant under 11 U.S.C. Section 507(a)(6).

In addition to the above objections to the replacement trust mechanism with no notice to individual consumers, the AARP submits the following comments in regards to the three replacement trust agreement proposals submitted by Robert G. Dwyer, trustee on July 10, 1991:

1. Irrevocable Trust Agreement - Fully Funded Replacement Trust. If the replacement trust is based on full performance of the underlying specific contract between the funeral director and the consumer at the time of death and if the replacement trust is with a state licensed banking institution and is invested at an interest rate which produces a minimum of 5% A.P.R. per annum to keep pace with inflation and increases in funeral service costs, AARP agrees with that type of replacement trust. AARP would still argue that the consumer should receive notice in advance of creation of the trust and clearly should receive notice both in advance of creation of the trust and after creation of the trust to deal with their claims of lost interest on the invested funds; however, the "fully funded" replacement trust does in fact comply with 63 P.S. Section 479.13(c) by requiring the funds to be deposited in a banking institution. Furthermore, by immediately fully funding the replacement trust, the consumer is guaranteed continuing interest at banking market rates at an acceptable level of 5% A.P.R. per annum to help the account keep pace with inflation and increases in the service cost of the funeral services. It is the basic position of AARP that this fully funded replacement trust mechanism should be the only replacement trust mechanism offered to the funeral directors. Each other option does not create an immediately fully funded replacement trust and has some method of discounting the trust amount.\*

2. The irrevocable trust agreement funded by a single premium insurance or annuity product appears to violate 63 P.S. Section 479.13(c). The State Board and the trustee indicate that such substitute trust fundings have been permitted by the State Board in other cases in the past. The Board permitted this not through rulemaking, but solely through internal memoranda. The statutory language of 63 P.S. Section 479.13(c) is very clear and until there is a statutory change or at a minimum, administrative ruling, it is unclear that any authority exists to fund an irrevocable trust with a single premium insurance or annuity product. The Bankruptcy Court should not permit or sanction a method of funding a trust agreement which appears to violate the clear language of a State Statute. AARP is also concerned that one of the major solicitors for the insurance funded trust business is a company that appears on the 1989 and 1990 "Watch

List" of the National Association of Insurance Commissioners (N.A.I.C.) Insurance Regulatory Information System (I.R.I.S.). Given the recent failures of the number of large and small life insurance companies, the utmost care must be taken in selecting a replacement trust. If not the court could permit a replacement trust which might fail in much the same manner as the original Mechem trust. Finally, most insurance products do not pay an interest rate on an annual percentage rate basis that is comparable to the bank trust agreement rates. Many such policies would not even meet the minimum standard of 5% A.P.R. which is an industry accepted standard for pre-need plans to keep pace with funeral price increases over time.

3. Irrevocable Trust Agreements Secured by Irrevocable Letter of Credit - The trustee's proposal of a letter of credit of 120% of the current cost of the funeral selected by the customer utilizes a different definition and therefore a different monetary amount for the value of the replacement trust. The trustee has selected an arbitrary figure of 120% of that current cost figure rather than a varying actuarially correct figure with each individual customer based on life expectancy. An increase of 20% may be actuarially sound if an individual lives only 5 to 10 years beyond the date of creation of the trust but would not be actuarially sound for an individual who lived 30 or more years beyond the creation of the trust. The trustee takes the position that the funeral directors will absorb this difference at the time of the provision of the services but there is nothing in the original contract nor in the trust agreement that clearly spells out that obligation.

In summary, AARP would take the position that older consumers would be best protected by option no. 1 (the fully funded replacement trust). The only way that any funeral director will choose option no. 1 is if there are no options 2 or 3. Therefore, the best consumer protection choice among the trustee's proposals can only be realized if the other two options are not also extended to the funeral directors. AARP believes that the irrevocable letter of credit, option no. 3, may well be a sound financial guarantee of option no. 1. However, AARP believes that it should be mathematically based on the same figure for the cost of the funeral that is used for option no. 1 making it a clear financial guarantee of the performance of option no. 1. AARP is opposed to the single premium insurance or annuity product trust agreement for option no. 2 primarily because it does not comply with State law.

\*AARP also questions how the "fully funded replacement trust" will work without notice to those consumer purchasers who had revocable trust agreements.



Yochim, Skiba, Moore & Nash

Finally, AARP is attaching hereto and marking Exhibit A a letter written to the trustee Robert G. Dwyer dated April 23, 1991 from Lee E. Norrgard of the Washington office of AARP, Consumer Affairs, demonstrating that many of these concerns were addressed well in advance of this final trust agreement proposal. Hopefully the court will fully consider all of the above objections in crafting a final replacement trust proposal to the funeral directors limiting the range of choices to option no. 1 or more specifically a plan that complies with the State statute which they should have originally complied.

Respectfully submitted,

AMERICAN ASSOCIATION OF  
RETIRED PERSONS (A.A.R.P.)  
Stephen Zaleznick and  
Robin Talbert of Counsel  
Gary H. Nash, Esquire,  
Local Counsel

Gary H. Nash  
Gary H. Nash, Esquire

cc: Daniel Goodemote, Esq., Bureau of Consumer Protection  
Guy C. Fustine, Esquire  
John F. Mizner, Esquire  
Steven Baicker-McKee, Esquire  
Edgar Patrick Striffler, Esquire  
Gerald E. Malinowski, Esquire  
Joseph R. Polito, Jr., Esquire  
Daniel J. Barrett, Esquire  
Michael J. Jan Janin, Esquire  
Thomas K. Noonan, Esquire  
David C. Balmer, Esquire  
Honorable Warren W. Bentz  
Sally Engle, Director of Life Bureau  
Kathleen Wallace Grossman, Prosecuting Atty, PA Funeral Bd.  
John B. Barbour, Esquire  
Jay R. Rose, Esquire  
Thomas Michael McGraw, Esquire  
Toni M. Cherry, Esquire  
A. Groh Schneider, Esquire  
Thomas E. Kuhn, Esquire  
Thomas J. Mnarcik, Esquire  
Mark J. Shire, Esquire

Harry M. May  
Roger H. Taft, Esq.  
Mark L. Glosser, Esq.  
Clark Dearth

0485-let

# Pre-need funerals in question after questionable investment

By TERRY MUTCHLER  
Associated Press writer

**HARRISBURG (AP)** — A questionable investment in rare coins by an Erie-based company could rob more than 1,700 people of the funerals they planned and paid for in advance, a state official said.

Mechem Financial Inc., a company that marketed more than \$4.5 million in pre-need funeral plans, filed for bankruptcy, leaving the prepaid plans at risk.

Deputy Attorney General Daniel R. Goodemote said a recent trustees report from the company indicated its investment in rare coins may not have been a wise move. The coins, he said, may not have been worth what company officials originally thought, which has contributed to the bankruptcy filing.

Goodemote said the attorney general's office has filed to intervene in the filing in order to protect 1,753 consumers who made funeral arrangements in advance. His office became involved after receiving complaints from the American Association of Retired Persons.

Mechem official John Cople has an unpublished number and could not be reached for comment. Mechem attorney Randy Shapira did not return a reporter's telephone call Thursday.

Under the program, people paid for funerals in advance. As allowed by law, the funeral directors invested at least 90 percent of the money in a trust fund with Mechem. The money invested by funeral directors is at risk but it remained unclear whether the funerals are guaranteed, Goodemote said.

"The trust funds are definitely in jeopardy but it appears that the funeral directors may be on the hook for the funerals. But, we don't know yet," he said.

Goodemote said much of the outcome is still unclear because the attorney general's office only recently became involved in the proceedings.

Under its Chapter 7 bankruptcy action, Mechem would be liquidated and its assets distributed to creditors.

The following funeral homes on the list released by the state Attorney General's Office, have filed claims against Mechem Financial Inc. of Erie:

—Carl J. Spallino Funeral Home, Charleroi, \$47,292.62.

—Frank T. Mihalcik Funeral Home, Indiana, \$43,124.57.

—William M. Bogan Funeral Home, Canonsburg, \$64,683.43.

—Carmine J. Parise & Louis C. Parise Funeral Home, Carbondale, \$527.04.

—Martin Funeral Home, Butler, \$1,100.

—Jay E. Lowery Funeral Home, Athens, \$12,185.86.

—Thomas M. Steighner Funeral Home, Chicora, \$69,450.83.

—Mohney-Yargar Funeral Chapel Inc., DuBois, \$5,450.

—Ivory Funeral Home, Williamstown, N.J., \$10,166.37.

—Deely Funeral Home Inc., Punxsutawney, \$193,263.99.

—William R. May Funeral Home, \$48,890.13.

—Ellena Funeral Home, Russellton, \$26,164.49.

—Thomas M. Dolfi Funeral Home, \$2,029.

—Terry L. Beamer Funeral Home Inc., Brookville, \$1,902.11.

—Richard D. Hillis Funeral Home, Petrolia, \$60,714.36.

—Thomas D. English Funeral Home, Oakmont, \$58,107.72.

—James M. Higgins Funeral Home, Tidioute, \$76,873.61.

—Dearth Funeral Home, New Salem, \$20,331.18.

—Herond Funeral Home, Point Merion, \$35,177.

—Mark V. Yanaitis Funeral Home, Hudson, \$15,348.64.

—Nasevich Funeral Home, Philadelphia, \$106,820.50.

—Falk Funeral Home, Pennsburg, \$67,066.

—Shelly Funeral Home, Warrington, \$29,038.15.

—Frank Jay National Funeral Home, McDonald, \$5,500.

—Mark S. Patterson Funeral Home, Warren, \$79,973.66.

—Welch Funeral Home, Cord City, \$9,205.39.

—Kulik Funeral Home, Allentown, \$75,099.09.

—Kulik-Reinsmith Funeral Home, Emmaus, \$129,058.09.

—Kulik Funeral Home, Bethlehem, \$8,376.

—William H. Craig Funeral Home, McKeesport, \$68,884.05.

—Steighner Funeral Home, Chicora, \$70,648.54.

—John B. Greenlee Funeral Home, Bealsville, \$43,586.09.

—Glenn-Kidoo Funeral Home Inc., Zellenople, \$38,239.79.

—Ronald McDonald II Funeral Home, Kane, \$35,900.06.

—Deely Funeral Home Inc., Punxsutawney, \$200,981.34.

—Geibel Funeral Home, Butler, \$390,145.01.

—John S. Maykuth Funeral Home, Masontown, \$28,355.57.

—Joseph A. Tomon Funeral Home, Ellwood City, \$10,694.88.

—Linwood Ott Funeral Home Inc., Boyertown, \$164,529.20.

—McKinney Funeral Home Inc., Youngsville, \$106,550.60.

—Albert Lesko Funeral Home, Ronald V. Lucas Funeral Home, Braddock, \$107,904.26.

—Byham-Miller-Mizner Funeral Home, Inc., Meadville, \$18,627.03.

—John R. Orlando Funeral Home Inc., Erie, \$426,642.48.

—Marshall Funeral Home, Inc., Wampum, \$10,895.27.

—Scott Funeral Home, Erie, \$90,244.82.

—A.D. Campbell Funeral Home Inc., Beaver Falls, \$665,023.72.

—Funeral Support Services Inc., Beaver Falls, \$216,323.78.

—Funeral Support Services Inc., McKeesport, \$105,800.51.

—Guardian Funeral Plan Inc., McKeesport, \$802.20.

—Hatheway-Tedesco Funeral Home Inc., Meadville, \$92,428.11.

—James J. Alfieri Funeral Home, Wilmerding, \$48,329.

—A. Groh Schneider Funeral Home, Halboro, \$42,035.01.

# THE REPORTER

## PENNSYLVANIA FUNERAL DIRECTORS ASSOCIATION

### Copple Convicted on 34 Counts in Mechem Case

A jury deliberated for 4½ hours before returning guilty verdicts convicting John R. Copple of all 34 counts of mail fraud and three counts of tax evasion lodged against him in a case that Pennsylvania funeral directors have been following for nearly two years.

Assistant U.S. Attorney Ernest DiSantis Jr. called the conviction "one of the most significant white-collar prosecutions" ever to come out of the Erie office due to the "extent of fraud, the amount of losses to funeral directors and individual investors and amounts owed to the government for unpaid taxes."

DiSantis, who prosecuted the case, reported that trial evidence established that Copple used continued misrepresentations to induce funeral directors and individual investors to invest more than \$12 million with him. Although some of the money was to be held in trust for pre-need funeral plans, Copple was shown to have diverted about \$4 million for his personal use. He also placed funds that were thought to be in safe, conservative investments into the speculative market of rare coins.

Copple faces a maximum penalty of more than 150 years in prison and fines exceeding \$1 million. He is free on bond pending his sentencing, which is slated for December 1. Defense attorney Leonard Ambrose says that he will appeal the verdict.

"Although it is a relief that Copple has been put out of business," says PFDA Executive Director John Erikson, "for every shady investment scheme that folds, two or three will pop up overnight like mushrooms. One might think that funeral services would be safe from this type of abuse, but even the victims of Hurricane Andrew are being preyed on."

"Although the pre-need clients in the Mechem case will have their plans honored by the funeral homes," Kenneth Baylor of the Pennsylvania Funeral Trust points out, "we must be vigilant in guarding the funds entrusted to us."

"If a financial service company's return on investment sounds too good to be true it should send up a warning flag in your mind," says Baylor. "When it comes to investments, remember the old Aesop Fable about the tortoise and the hare: slow but steady wins the race."

*We will never get anywhere with our finances until we pass a law saying that every time we appropriate something we've got to pass another bill along with it stating where the money is coming from.* — Will Rogers

### INDEX

Copple Convicted in Mechem Case .....	1
News About the Profession .....	2
PR Pointers .....	2
State Board Undergoing Audit .....	3
Infectious Waste Seminar Set for Nov. 19 .	3
News Notes .....	4
PA Funeral Procession Law .....	5
Pennsylvania Funeral Trust .....	6
Invest in the Best .....	7
Infant Embalming Techniques, Part 3 .....	8
Board of Governors Meeting .....	8
College News .....	9
Calendar of Events .....	11
Classifieds .....	12