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PENNSYLVANIA FUNERAL DIRECTORS



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INDEPENDENT REGULATORY
REVIEW COMMISSION

October 26, 2007

Michelle T. Smey, Administrator
State Board of Funeral Directors
2601 N. 3rd Street
Harrisburg, PA 17110

Re: Unlicensed activity regulation 16-4816

Dear Ms. Smey:

The funeral press and trade journals have recently carried articles that are relevant to the current regulation being reviewed by the State Board.

- Owners of funeral and cemetery trusts in Michigan and Tennessee files bankruptcy. The states claim that \$76.5 million is missing. (See Exhibit A attached).
- A woman in Florida that had attended a visitation and signed a guest book was contacted within two days of the funeral and solicited for a pre-arrangement for herself. This article contains information indicating one of the leading funeral conglomerates in the country regularly uses this method for sales leads. (See Exhibit B attached).
- A Pennsylvania CEO of a pre-need business was recently indicted, together with another and the company's attorney. This company sold caskets nationwide. "Prosecutors allege that 1,389 people bought future-need merchandise from the company, paying more than \$2.49 million. However, of that sum, only \$54,000 was placed into the required trust accounts. . . ." (See Exhibit C attached).

- The *Harrisburg Patriot-News*, today reports that “Americans have invested more than \$25 billion in prepaid funeral and burial services.” (See Exhibit D attached).
- In 1990, Mechem Financial and its CEO squandered \$4 million in preneed funds on jewelry, home improvements and a “\$48,000 sable coat.” It is unknown to date whether these funds were ever replaced. (See Exhibit E attached).
- In 2000, Commonwealth Partnership Trust and its principals were charged with defrauding “28 Pennsylvania funeral homes and 31 individuals out of more than \$7,300,000.” (See Exhibit F attached).

To say that there exists a serious lack of regulation with respect to consumers’ preneed monies is an understatement. How is this relevant to the current pending regulation? First, it is a clear indication that huge amounts of monies are at stake in preneed. Second, Pennsylvania has not done a good job of enforcing its current law regarding preneed. Third, and most relevant to the pending regulations, is the fact that because of the first two points, PFDA has serious reservations about any public good that can come from allowing unlicensed persons to offer to sell or sell preneed. In a 2005 Funeral Planning Study commissioned by PFDA, the Polk-Lepson Research Group found that over 87% of the people surveyed said they would prefer using a licensed funeral director. (See Exhibit G, attached).

PFDA offers the following specific and general suggestions for consideration in amending the originally promulgated regulation regarding unlicensed activity:

Specific Suggestions:

1. In the current draft of the regulation, at 13.206a (a) (2), define “close supervision”. For example, the Board may wish to require that a funeral director be personally in the funeral home and available for consultation during the time an unlicensed person meets with the consumer.
2. The disclosure requirements at 13.206a (a) (5) seem to be unnecessary as there would be no reason for such requirement if the unlicensed person is not selling or offering to sell preneed. Indeed, the only

document "presented by the unlicensed employee to the customer for signature or acknowledgement" would be the application for the life insurance.

3. PFDA suggests re-wording 13.206 a (c) (2) as follows:
Prepare worksheets, proposals or other estimates for funeral services which form the basis of the funding vehicle.

General Suggestions:

A. Registration and Bonding

- All funeral homes wishing to use unlicensed persons must be authorized by the Department to market pre-need. Such authorization will be given only after a thorough inspection/audit of the current pre-need program and such program must be in 100% compliance with the law;
- Such inspection of the current pre-need program will include Board approval of all documents, including the master trust, the individual trust and the Statement of Funeral Goods and Services as well as verification with the banking institution and/or insurance company that 100% of the monies are placed into the institution and remain there until the time of need;
- All unlicensed persons would be registered with the Board including name, address, telephone number and the funeral home which they represent and the supervisor of the funeral home;
- Unlicensed persons shall be employees or agents of only one funeral home and under the direct supervision of the owner or supervisor;
- A written employment contract must exist between the funeral home and the unlicensed person which must at a minimum include the name, address, telephone number, funeral home name, supervisor and express job description of duties including the following disclosure:

“No person other than a licensed funeral director shall offer to sell or sell preneed funeral arrangements. Any violation of this policy based upon Pennsylvania Funeral Law will result in immediate termination.”

- All unlicensed persons who handle currency, checks, money orders or any type of payment shall be bonded or insured for not less than \$50,000 per person.

B. Timing and Confirmation

- Unlicensed persons may offer final expense policies to consumers. However, the offer of the policy must not be tied to any specific funeral home nor may it be for a specific figure related in any way to the prices of a funeral home.
- After arrangements are made and funding is completed, the funeral director shall confirm receipt of the monies and inform the consumer of the specific institution where the monies are placed and the total sum of monies that are placed. A record of this letter must be kept in the consumer file until five years after the funeral is completed.

C. FTC Compliance

- An unlicensed person must present the General Price List of the funeral home when a consumer “asks, in person, about funeral goods, funeral services, or the prices of such goods and services.”

D. Direct Mail

- Unlicensed employees/agents of a funeral home may develop, control, distribute, and/or design direct mail marketing programs and arrange the appointment for funding of a preneed;

- All direct mail used by a funeral home shall contain the full name of the funeral home, the licensed supervisor or owner who is responsible for making arrangements and the name of the banking institution or the insurance company where the funds will be held;
- All leads received from direct mail shall be recorded in a log kept at the funeral home with the following information: the name of the person who called to set the appointment; the name of the licensed funeral director who made the arrangements and the name of the person who provided the funding for the funeral goods and/or services.

E. Telemarketing

- Unlicensed persons may telemarket to solicit preneed funeral appointments for the funeral home where they are employees or agents;
- Unlicensed persons must use a prepared script, approved by the licensed owner/supervisor of the funeral home. The script must include a statement that only a licensed funeral director can sell or offer to sell funeral goods and services. Such scripts must be dated and maintained by the funeral home for a period of 5 years from the date of use and made available for inspection.

F. Seminars

- Unlicensed persons may promote educational seminars for the purpose of providing accurate information regarding:
 - the history of the funeral home;
 - biographical information regarding the funeral directors;
 - fraternal, religious and community affiliations of the licensed funeral director;
 - historical, sociological and cultural trends with respect to death care.

- A licensed funeral director must be present for the entire seminar presented by unlicensed persons.

G. Aftercare

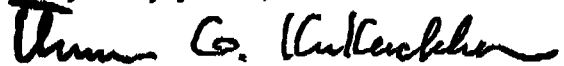
- Unlicensed agents may make post-funeral contacts no sooner than one year after the death of a family member;
- Unlicensed agents may use register books and car licenses for post-funeral contacts no sooner than one year after the attendees death.

We support the intent of the regulation as current drafted, however, as stated earlier, the paragraphs above are suggestions and additions that would help in monitoring the activities of unlicensed persons while at the same time providing an express list of what licensed persons can do pursuant to Judge Jones' suggestions in Walker and also maintaining compliance with the Ferguson decision.

As a final suggestion in an effort to clarify the roles of licensed and unlicensed persons, we would recommend repealing of 63 P.S. §479.13 (d) and 49 Pa. Code, §13.205 regarding tentative arrangements. These provisions were put in the law when employees answered the telephone or sat in the funeral home 24/7 if the funeral director was not available. Today, cell phones and beepers negate the need for unlicensed persons to perform such duties as the funeral director can be immediately reached through technology. Thus, there is no reason to provide for unlicensed persons making tentative arrangements after a death when a licensed funeral director can be instantly contacted.

PFDA is always available to meet with the Board to assist in any way to move this regulation forward. If we can be of assistance, do not hesitate to contact us.

Very truly yours,



Thomas Kukuchka, President

PFDA

cc:

Chairman, Senate Professional Licensure Committee
Chairman, House Professional Licensure Committee
John Jewett, Independent Regulatory Review Commission

State Board unlicensed activity reg

Clayton Smart bankruptcy filing lists \$35.5 million in debts for scandal-plagued Tennessee operations

Posted on March 26th, 2007, in [Columns](#)

The company that owns the Forest Hill funeral homes in Memphis, Tenn., owes a total of \$35.5 million to creditors ranging from Batesville Casket Co. to the Internal Revenue Service, according to recently filed bankruptcy documents, the Memphis Commercial Appeal reports. But one of the biggest debts listed, \$23.3 million, is to the 13,500 owners of prepaid funeral contracts. Their names cover a total of 351 pages in court records. The size of the debt and the number of creditors illustrate the scope of the case, which has sparked outrage among funeral policy holders. Problems at the three Forest Hill funeral homes and three cemeteries in the Memphis area became public in July when the funeral homes' majority owner, Oklahoma businessman Clayton Smart, announced that many families with paid-in-full contracts would have to pay \$4,000 extra to bury loved ones.

He said inflation and others' mismanagement had diminished the value of trust funds meant to cover the prepaid costs, but in January, Tennessee authorities accused Smart and business partner Stephen W. Smith of using shell companies to plunder the trust funds. Authorities say more than \$20 million is gone, but the defense has disputed that amount. State authorities in Michigan have seized control of 28 cemeteries Smart and Smith own there amid allegations that they took \$56.5 million from trust funds. Criminal investigations are ongoing.

Smart has denied wrongdoing, and Smith hasn't responded to interview requests. One of Forest Hill's parent companies filed bankruptcy in Oklahoma in January, a move that Tennessee authorities have said is merely meant to slow down a state civil lawsuit against the funeral home owners. Tennessee authorities have asked Oklahoma bankruptcy judge Terrence L. Michael to dismiss the case or transfer it to Tennessee. Michael hasn't ruled yet.

No matter what his decision is, the recently filed documents provide a window into a deeply troubled business. The documents suggest that the company's records are in disarray -- it never closed its books for the 2005 calendar year, according to an entry by restructuring officer J. Bill Koehler. Efforts to reach Koehler were unsuccessful. The documents also lists claims against the funeral home owners and their family members for payments on vehicles. The document gives little detail, but suggests that the owners and their family members bought the vehicles with company money and that the bankruptcy restructuring agent is attempting to get back the money for creditors.

The document lists claims against Smart, his wife, Nancy Smart, his son, Chris Smart, as well as Smith and Smith's daughter, Carol Kristjasson. It doesn't list the amount of the claims or the type of vehicles involved, with the exception of a Chevrolet Blazer owned by Kristjasson. The company owes taxes to several state, federal and municipal authorities, according to the documents. One of the largest debts is \$107,000 to the Internal Revenue Service for payroll taxes from Sept. 2006 through Jan. 2007.

"Unfortunately, it's not unusual to see unpaid withholding taxes in a bankruptcy case," said James E. Bailey III, a Memphis attorney who specializes in bankruptcy law. The funeral homes also owe money to law firms, including \$41,000 to Adams & Reece LLP, which was defending the funeral home owners in January when Tennessee began moving aggressively to freeze assets. The firm has informed the court that it would no longer be representing the funeral home owners, and Ronald D. Krelstein has taken over the defense. Efforts to reach Cannon F. Allen, the lead attorney who was handling the case for Adams & Reece, were unsuccessful.

Some of the creditors listed have ties to Smart. The firm lists a \$79,500 debt to Horseman Interiors, a horse trailer company that shares offices with the funeral home businesses in Muskogee, Okla. The IRS raided the offices in January. The bankruptcy documents show that revenue at the three Memphis-area funeral homes and three Memphis cemeteries as well as four cemeteries in Arkansas was \$3.8 million in 2006, down 10 percent compared to the

Exhibit A

previous year.

The main bankruptcy lawsuit is filed in the name of Forest Hill Funeral Home and Memorial Park-East LLC. The company, owned by Smart and Smith, has no relation to the Memorial Park funeral homes and cemeteries in Memphis. Another firm owned by Smart and Smith and listed as a parent company of the Forest Hill funeral homes and cemeteries in some documents, Indian Nation LLC, has also filed for bankruptcy in an Oklahoma court. Bailey said it's likely that the judge will handle any dispute over which company really owns the homes. "I don't know how meaningful the dispute over who owns what is in that case," he said.



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Fists of ham: Lessons from the preneed sales blunder that go



Posted on April 5th, 2007, in All Previous Columns
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Yesterday, as reported in FuneralWire, syndicated columnist "Dear Abby" delivered a s rep for calling a guest about preneed just 2 days after she attended a service. It was carried in the past week or so. If you missed it, simply click the "More" link under th page, then select the April 4 story, "Prenneed sales call to recent funeral guest prompts

Background: A "Dear Abby" reader, **Doris L. In Florida**, had attended the visitation granddaughter of Doris' 75-year-old friend. This funeral guest says she provided her n that the funeral home provided at the viewing, ostensibly so the firm could send a la But just two days after the cancer victim's funeral, the funeral guest got a call from t Doris' thoughts about the funeral...but the call quickly turned toward her own pre "unconscionable" and the funeral home's rep an "insensitive jerk." The syndicated colu under the pen name Abigail van Buren - clearly sympathized with the reader. "Wh director or a salesman, that person is his own worst enemy," she wrote in yesterd sensitivity for the feelings of others should not be in a people-oriented profession."

"I know of a conglomerate that does that as one of their primary lead sources," says Q Metairie, La., one of the nation's top third-party preneed marketers. Eagan wouldn't sa uses such tactics. Today, FuneralWire will place queries with the nation's top 5 p International, Stewart Enterprises, Carriage Services, Keystone North America an aforementioned sales tactics are part of their preneed strategy. We'll report the resu Abby" exchange has certainly piqued FuneralWire readers' interest ... and it certainly h

First, if you read this column with any regularity, you know that I strongly believe t attention to **both** service and sales - i.e., that their owners are not only dedicated care maverick spirit and passion for innovation. But while I tend to reject stark either/or ch also recognize that even the most entrepreneurial funeral homes must maintain a operation impinges on the firm's provision of quality, compassionate service, something

Second, my regular conversations with preneed sales experts and insurance-compan heavy-handed sales tactics of a decade or two ago simply don't work with today's approach, even in the 1980s and 1990s. It's not surprising that this "Dear Abby" reade the industry sometimes jokingly refer to as "God's Waiting Room." The Sunshine State deathcare markets. A large percentage of Florida's cemeteries and funeral homes ar

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have a history of aggressive advance sales...sometimes too aggressive. To be sure, e generate a complaint or two. But the sales tactics outlined in the "Dear Abby" letter plenty of FuneralWire readers share that view.

Decades ago, "we were dealing with the 'Bob Hope' generation," says Eagan. Many of t file and do this," when it came to preneed and many other matters. But many of th prospect file, he adds. The Baby Boomer and Gen X/Y consumers you serve today aren his firm would never employ tactics such as those outlined in the "Dear Abby" column "We believe in cutting through the 990 people (out of 1,000) who aren't interested and raised We're trying not to be offensive." Like most savvy preneed marketers, consumers who have clearly expressed an interest in pre-planning.

Third, Doris' complaint touches on one of the topics I'll be covering in just four weeks a May 6-9 at Caesars Palace Resort & Casino, Las Vegas, Nevada. (For more www.fhtechsummit.com or call 602-274-6464.) As you know, many funeral homes funeral's over and the bill has been paid. But it's downright rare for funeral homes to that info into a prospect database. On one hand, the funeral home cited in the "Dear A trying to gather some information from funeral guests. But what the firm did with disastrous. Even if Doris hadn't taken her complaint to "Dear Abby" - who, in turn, sha guest would have likely shared her disgust and dismay with dozens of friends ... neighbors about the funeral home's botched and insensitive sales efforts. And, it's sa home guests, like Doris, who filled out a card expecting to get a couple of service me There's no telling how much damage this funeral home has done to its future business sales effort.

So how can you do a better job of building your preneed business and deepening through your door?

*** Build a respectable amount of waiting time before you make an entree w holds a close connection to services you recently handled.** True, some funeral-waiting period of a year or even longer before talking preneed with arranging relatives to believe that the "sweet spot" is right about 2 weeks after the service. By that time, of the funeral, visitation or other service is still fresh in the minds of the spouse, adult Again, in the aforementioned "Dear Abby" scenario, a funeral-home rep made contact far too soon.

*** Be upfront about what you plan to do with the information you gather.** Do and phone number with the understanding that it would only be used to send her a lam information used for a preneed sales call that she didn't green-light in any way. "It s people off. It's a real problem," says Alan Creedy, president of Trust 100, Raleigh, N.C. "You've got your foot in the door - you've got the opportunity for a personal contact," connect in the consumer's mind," Creedy adds. "More needs to be done to get permissi

Actually, there has been an entire book written on this, Eagan points out: "*Permissi Friends Into Customers*" by Seth Godin, published in 1999 by Simon www.amazon.com/Permission-Marketing-Turning-Strangers-Customers/dp/0109294871e=UTF8&s=books&qid=1175792221&sr=8-1) The bottom line, Eagan the way" with preneed prospects.

*** Make good on the promises that you make when trying to get information f** that preneed sales call almost certainly came BEFORE the funeral home could send t reward for providing information during the service. That's just flat-out stupid. Whoev rep, sales manager, owner/location manager, or regional/national sales VP - should imagine any smart, follow-up scenario that would schedule a phone call any sooner tha only been mailed but, more importantly, been received by the funeral guest, based on

*** Be careful and strategic about any follow-up steps you take with friends and** on privacy and therefore, sensitive," Creedy says. "In a funeral setting, it's eve presentation next month, I will share with attendees several options for gathering mor come and go at the nation's funeral homes without any marketable trace. But, borrowin sharpest minds in preneed - Todd Dashley, former executive VP of Crown Hill Cemet work best when there are no surprises. Family members and funeral guests ought to ha

And so, I believe in providing response cards and/or beefing up register-book pages to believe it's crucial to allow those friends and relatives to "opt in" for what happens ne providing the information so that the deceased's immediately family can respond bac know about measures your funeral home has taken or will take to honor the dec

condolence page or a holiday remembrance program ... and/or whether they'd really li preneed or other future-service matters. And, in 90% or more of cases, the next step s

The problem, Creedy says, is that "most of the web sites I see in funeral service are p engineered toward reinforcing the funeral-home owner's ego and vanity than steering couldn't agree more with Creedy's assessment. **Upshot:** If you gather funeral-guest in stuff on your funeral home's website...and make sure there are plenty of services and f

*** Make sure the home page of your web site has a home page/first screen service guests and other consumers toward the resources they want or need.** weeks at the 2007 Funeral Home Technology Summit, but here's a quick preview: Wh the first things I should see is a menu that says "How can we help you?" Among the stage of the game are these:

- * How can I find the service times for a service that Smith Funeral Home & Cremat**
- * How can I post an online condolence for someone entrusted to your firm's care?**
- * How can I log into the "online register book" for a relative or friend whose serv Cremation Services?"**
- * How can I file an online remembrance for a friend or family member whose servi**
- * How can I receive alerts regarding upcoming remembrance offerings, web-site pos**
- * How can I make funeral pre-arrangements, lock in prices or otherwise help my Home & Cremation Services?**
- * How can I receive a funeral planning & remembrance toolkit offered FREE by S**

If your funeral-home web site doesn't offer options such as these as soon as a family site, guess what? Your web site is obsolete. Time for an update.

Executive Editor's Note: We are taking a short break. The next FuneralWire column Easter weekend!

FuneralWire Executive Editor Doug Hernan has covered the deathcare industry for m dozen awards for editorial excellence on stories he has reported, edited and/or written or call him at 301/230-2696.

Comments

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LOCAL NEWS

Casket salesman heads to prison

By Paula Reed Ward
Pittsburgh Post-Gazette

Joseph M. Stabile thought he was providing a service that would change the world, his lawyer said.

His company, Celestial Burial Case, sold pre-need caskets and burial vaults at huge discounts to American veterans.

It promised that the caskets, personalized with emblems from the American Legion, Veterans of Foreign Wars or Fraternal Order of Police, would be delivered upon the customers' deaths, with no hassle for their family members.

Except, more than 200 people received nothing upon their loved ones' deaths, other than continuing empty promises that their merchandise — or a check to reimburse them for it — was on its way.

In all, the federal government contended that Mr. Stabile ripped off hundreds of people for nearly \$2.5 million.

In April, Mr. Stabile pleaded guilty to conspiracy and fraud.

Yesterday, Senior U.S. District Judge Gustave Diamond ordered Mr. Stabile, 40, of Forest Hills, to spend nearly 7½ years in prison. Restitution will be determined at a hearing Nov. 14.

Assistant U.S. Attorney Stephen S. Stallings offered videotaped depositions from nine victims from around the country.

One woman testified that her husband, a 30-year Air Force veteran, bought his and

his wife's caskets after seeing an ad for Celestial in his VFW magazine. But when Betty Carter's husband died, Celestial never sent the casket.

Her husband was actually laid out on a table for the viewing until she intervened and bought a \$3,000 casket.

In another instance, a victim awaiting a casket testified that Mr. Stabile said the shipment had been held up because of a Code Orange terrorism alert.

But Mr. Stabile's public defender, Michael Novara, tried to argue that his client is bipolar and narcissistic.

"It should be clear, this was a failed business, not some kind of scheme to pick on vulnerable veterans," he said, at times both pleading and shouting at the judge.

Mr. Novara asked for a downward departure from the recommended prison term of 70 to 87 months because of his client's mental illness.

The judge, however, refused.

It didn't matter that Mr. Stabile wasn't living a lavish lifestyle off the money he'd taken.

"You think you need to have a \$6,000 shower curtain before you become a serious white-collar criminal?" Judge Diamond asked. "He expresses virtually no remorse, no reason for this court to believe, given the opportunity, he won't go out and do the same thing again."

Paula Reed Ward can be reached at pward@post-gazette.com or 412-253-2620.

City approves Dick Corp move to SouthSide Works

By Mark Belko
Pittsburgh Post-Gazette

The city planning commission cleared the decks yesterday for the move of the Dick Corp. headquarters to the South Side.

Members unanimously approved plans for the construction of a five-story office building at Sidney and Hot Metal streets in the SouthSide Works complex to house the company, now based in Jefferson Hills.

"I think it's great that the Dick Corp. is moving into the city," commission member Todd Reidbord said.

Dick will occupy at least a floor of the 152,700 square-foot office building, architect Rob Pfaffman said.

Others will be recruited for the rest of the space. The \$14.5 million project, being built on Urban Redevelopment Authority land, has attracted interest from other potential tenants, but no firm commitments so far, Mr. Pfaffman said.

There also will be some street-level space set aside for retail. Candidates may include a cafe or coffee shop given that the building is located only a block or so from the South Side riverfront trail.

Construction is expected to start in December or January and take about a year. A 286-space

parking lot on the south side of Sidney Street will be built for the project. Bike racks also will be available at both entrances to the glass and brick building.

The developer also is hoping to seek an environmentally friendly LEED certification for the structure but is still waiting for final budget projections to determine if that is feasible.

Dick will move about 100 employees to the South Side firm may add more as it expands.

The corporation had considered relocating its headquarters to The Waterfront complex at Homestead earlier in the decade and had worked on a building there for a year before deciding against the move in late 2006 because of cost concerns.

Also yesterday, the commission was briefed on plans by craft industries to convert the G.C. Murphy store and several adjacent structures on Fifth Avenue Downtown into street shops, 46 apartments and the home of the Downtown YMC.

The Y will be on the second floor. The apartments will be on the third to the seventh floor, depending on which building is involved.

Mark Belko can be reached at mbeiko@post-gazette.com or 263-1262.

Alleged K-9 taunter to attend anger management classes



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LINDA RHODES
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FIVE YEARS AGO THE WORLD WAS HORRIFIED BY THE VIDEOTAPE KILLING OF DANIEL



Examine pre-need funerals

Q: Last week you wrote about planning for funerals but I'd like to better understand pre-need contracts. One of my father's friends was taken advantage of by a company selling such a plan. Any tips?

A: As you learned last week, you can take a number of steps to preplan a funeral to reduce costs and potential conflicts among family members and lessen the risk of emotional overspending.

You can completely prearrange the funeral without prepaying. Some people pay the expenses in advance to assure that no debt will be incurred burying them and to lock in prices. The term "pre-need" is commonly used to describe steps you can take in advance of planning for a funeral rather than "at-need" when someone has died.

Pre-need funeral contracts can be offered by licensed funeral homes and pre-need sellers who receive commissions and might be represented by national funeral chains. Cemeteries also sell pre-need services that might cover the purchase of plots, vaults, headstones, cremation and landscaping.

It's big business: Americans have invested more than \$25 billion in prepaid funeral and burial services.

It's big business: Americans have invested more than \$25 billion in prepaid funeral and burial services.

NOW HIS FATHER IS POURING HIS GRIEF INTO FIGHTING H

BY MARY WARNER
Of The Patriot-News

An event that horrified people worldwide in 2002 — the videotaped beheading of an American reporter in Pakistan — was for Daniel Pearl's deeply



RHODES: Follow tips on pre-need services

Continued from Page C1

services. There are reputable companies, however, there are also predators.

Here are consumer tips on pre-need funeral services:

- Know whom you are talking to. Is this a salesperson who is receiving a commission from a funeral chain or preneed business? Is it a sales person for a cemetery or a local funeral home? Find out whom they represent and ask to see licenses and any other legal documents giving them the right to sell their product in Pennsylvania. Ask how long they have been in business and check out their history with the Better Business Bureau www.mybbb.org or call at 364-3250.

- Know exactly what you are paying for. Get a detailed list of what is covered and have them spell out what is not covered. The cost of some services are determined only at the time of need when someone has died.

- Ask a trusted family member or a lawyer to review the contract before you sign it. You have three days after you have signed it to change your mind.

- Make sure the contract has a cancellation clause. You might change your mind or move to another state and choose to be buried there. If you've set up a Pre-need Trust Contract, then under the law you must receive back what you paid into the trust.

- Get a guaranteed price plan. This protects you from future price increases. You

also want to make sure that the funds in your pre-need trust increase in value. Ask them where the money is being invested. Find out what will happen to remaining trust fund earnings after all the funeral expenses are paid. Are these pre-need arrangements portable and/or transferable without penalty? Find out if your funeral arrangements can be transferred to another funeral establishment, or if the cemetery will buy the plot back if you move out of the area or change your mind.

Other ways to pay in advance for funeral services include:

- Buy a life insurance policy equal to the value of the funeral expenses and arrange for a beneficiary to disperse the funds as per your instructions.

- Buy funeral insurance through a funeral establishment upon which they become your beneficiary.

Again, make sure the price is guaranteed. Usually, they keep any funds remaining after the arrangements have been carried out.

- earmark a savings account specifically designed to cover your funeral expenses, and detail how and who should withdraw the funds at the time of your death in your will.

- Set up a pay on death account through your bank that designates a funeral establishment to be the beneficiary of these funds for the expressed purposes of your funeral expenses.

In Pennsylvania, funeral directors must report to the State Board of Funeral Directors each prepaid contract within 90 days of executing the contract, and report with-

in 30 days when they have fulfilled the contract.

If you have complaints regarding a preneed contract or other funeral service issue, you can contact the State Board of Funeral Directors toll free Complaints Hotline at 800-822-2113 or Bureau of Consumer Protec-

tion of the Pennsylvania Office of the Attorney General at 787-9707.

LINDA RHODES is a former state secretary of aging. Send questions to www.lindarhodes.com or in care of The Features Department, The Patriot-News, P.O. Box 2265, Harrisburg, PA 17105.

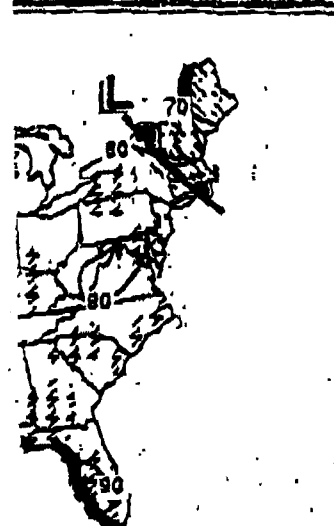
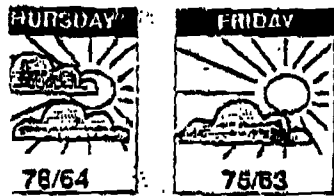
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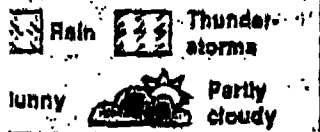
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Omaha	85/63/pc	85/65/pc
Orlando	89/74/ra	89/72/pc
Phoenix	89/70/ra	100/71/ra
Portland OR	88/47/pc	88/48/ra
Raleigh	90/66/ra	88/67/ra
Richmond	87/64/pc	89/65/pc
Salt Lk. City	72/49/pc	72/48/pc
San Fran.	86/50/ra	84/49/ra
Seattle	83/47/pc	87/47/c
St. Louis	88/67/pc	90/70/ra
Syracuse	78/58/ra	88/61/pc
Tampa	90/75/ra	91/74/pc
Washington	90/72/pc	89/70/pc
Yonkers	89/64/ra	84/67/ra

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Pre-need funeral planning can lead to grave situation

By JAMES ANDERSON
Associated-Press Writer

While few people like talking about funerals, especially their own, many are choosing to get such arrangements out of the way while still alive and well.

About 1 million people a year pre-arrange their funerals, compared to 22,000 in 1960, according to the American Association for the Advancement of Retired Persons. That figure is expected to reach 5 million a year by 2000, the Washington, D.C.-based association says.

Pre-need plans offer several advantages: They spare survivors the hassle of making hasty arrangements and coming up with the money to pay for them. They also ensure that services are just what the deceased had wanted.

At an average \$3,000 price tag, funeral directors also like them because they ensure future business.

But like any other investment, a pre-need arrangement is only as dependable as the company that manages it.

One such firm, Mecham Financial Inc., of Erie, Pa., received \$9.2 million in pre-need funds from 250 funeral directors in Pennsylvania and Ohio between 1986 and 1989. It squandered \$4 million before filing for bankruptcy last year, a bankruptcy trustee testified in court.

The trustee, Robert G. Dwyer, claimed that Mecham's chief executive officer, John Copple, bought \$366,000 in jewelry, more than

Like any other investment, a pre-need arrangement is only as dependable as the company that manages it.

\$500,000 in home improvements and a \$48,000 sable coat with company funds. Since 1988, Mecham had consistently denied reports of financial mismanagement.

"In that case the (state) funeral board was well advised of the problems in advance but no apparent action was taken," said industry analyst Lee Norrgard of the AARP.

By investing in Mecham, the Pennsylvania funeral directors violated a state law requiring that pre-need funds be placed in an insured banking institution. The Pennsylvania Department of State is negotiating settlements with 120 funeral homes mandating that the pre-need contracts be honored, said spokeswoman Iris Grumbly. The settlements could include civil fines, she said.

"We were concerned when Mecham was offering a 10 percent return on their money and our own trust was offering a 6 percent return. It just never made sense," said John Erickson, executive director of the 1,200-member state Funeral Directors Association.

LATE RIEFS

Daily Record wire reports.

Ice search escapees

white male, 5-foot-9, 140 pounds, with brown eyes and brown hair. He was last seen wearing blue jeans and a black short-sleeved shirt.

Harrison said Warrell is a white male, 6 foot, 180 pounds, brown eyes, brown shoulder-length hair with a ruddy complexion and freckles. He was wearing blue jeans and a gray short-sleeved shirt.

pervisor.

Men's eagle feathers plucked by police

EVERETT — Two men who police said may have intended to feather their nests at a gathering of American Indians were charged with illegal possession of eagle plumage.

U.S. Department of Justice



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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

Exhibit F

Page 2

March 3, 2000

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 \$51,000 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.

Page 3

March 3, 2000

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

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.

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

Use Of Licensed Funeral Director...

When respondents were asked with whom they would prearrange or prefinance a funeral, over three-fourths (77.0%) said they would use a funeral home or funeral director.

Using a five point scale ranging from "1, not important" to "5, very important," respondents rated the importance of using a licensed funeral director when making funeral arrangements.

→ The majority of respondents (87.5%) indicated some level of importance as seen by ratings of 5 (77.2%) or 4 (10.3%).

Only 5.6% assign little importance to the use of a funeral director. These respondents gave ratings of 1 or 2.

When asked what differences, if any, they perceive between making arrangements with a funeral home or a cemetery, respondents offered a variety of differences. The most common are:

- Funeral director plans service 39.6%
- Cemetery sells plot of land 26.2%
- Funeral director sells accessories 12.1% .

About a fourth of the respondents (23.0%) do not know what the difference is. Approximately, another fourth (23.5%) believe there is no difference.

Exhibit G

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