

## Southern District of Florida

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### Press Release

#### DOCTOR PLEADS GUILTY TO ROLE IN \$956 MILLION SECURITIES AND HEALTH CARE FRAUDS

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December 27, 2006

##### FOR IMMEDIATE RELEASE

R. Alexander Acosta, United States Attorney for the Southern District of Florida, and Jonathan I. Solomon, Special Agent in Charge, Federal Bureau of Investigation ("FBI"), announced today the guilty plea of defendant **Clark Mitchell** before United States District Judge Paul C. Huck in Miami. **Clark Mitchell**, a medical doctor once associated with Mutual Benefits Corp. ("MBC"), pled guilty to securities fraud in connection with his role in a viatical and life settlement scheme in which 28,000 investors lost approximately \$956 million, in violation of 15 U.S.C. §§ 78j(b) and 78ff(a), 17 C.F.R. §240.10b-5, 18 U.S.C. § 2. **Mitchell** also pled guilty to conspiracy to commit health care fraud in connection with his employment at Community Healthcare/CenterOne, Inc ("CenterOne"), a South Florida AIDS clinic, in violation of 18 U.S.C. §371. Pursuant to the terms of his plea agreement, **Mitchell** faces a prison sentence of 10 years and a fine of over \$5 million. **Mitchell** also agreed to be responsible for approximately \$367 million in restitution payable to MBC investors, and more than \$500,000 of restitution for the health care fraud. Sentencing is scheduled for March 7, 2007.

According to the facts admitted by **Mitchell**, MBC's principals directed an international network of sales agents and marketing directors who fraudulently induced investors to purchase interests in viatical and life settlements through a series of material misrepresentations concerning the safety and security of the investments. A viatical or life settlement is a transaction in which an investor purchases an interest in a terminally ill or elderly person's life insurance policy death benefit in return for a lump-sum cash payment. An investor in a viatical or life settlement realizes a profit if, when the insured dies and the policy matures, the policy benefit is greater than the price paid for the policy. The longer an insured lives, the more premium payments must be made to prevent the policy from lapsing and becoming worthless.

MBC's sales agents and marketing materials falsely led investors to believe that MBC's policies were safe by claiming that an "independent" state-licensed physician would determine a life expectancy after evaluating the insured's health condition. Instead, fraudulently low life expectancies figures on thousands of policies were by dictated by MBC's principals to doctors, including **Mitchell**. Investors were then sent letters and affidavits which falsely claimed that the doctor completed a review of the insured's medical condition to determine the life expectancy assigned to the policies. During his association with MBC, **Mitchell** signed more than 5,000 of these fraudulent letters and affidavits.

MBC also misled investors by promising to escrow enough money to pay for anticipated insurance premiums. However, given the fraudulently low life expectancies dictated to

**Mitchell** by MBC's principals, MBC compensated for insufficient premium reserves by creating an unsustainable "Ponzi" scheme that used premium funds from recently sold policies to pay premium obligations on older policies that failed to mature.

In connection with his guilty plea to conspiracy to commit health care fraud, **Mitchell** also admitted that from 1996 through May 2001, while he served as Medical Director of an AIDS clinic called CenterOne, he and others fraudulently inflated Medicare bills by more than \$500,000 by falsely claiming that AIDS patients received more extensive treatments than had actually been provided at the clinic.

Victims/investors may obtain information concerning this case, or submit victim impact statements concerning this case at <http://www.usdoj.gov/usao/fls/VictimWitness.html>.

Mr. Acosta commended the investigative efforts of the FBI and the Southeast Regional Office of the Securities and Exchange Commission. The matter is being handled by Assistant United States Attorney Andrew K. Levi and Special Assistant United States Attorney Ryan Dwight O'Quinn.

Attachments:

[Plea Agreement \(PDF\)](#)

[Superseding Information \(PDF\)](#)

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at <http://www.usdoj.gov/usao/fls>. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov> or on <http://pacer.flsd.uscourts.gov>.

Technical comments about this website can be e-mailed to the [Webmaster](#). PLEASE NOTE: The United States Attorney's Office does not respond to non-technical inquiries made to this website. If you wish to make a request for information, you may contact our office at 305-961-9001, or you may send a written inquiry to the United States Attorney's Office, Southern District of Florida, 99 NE 4th Street, Miami, FL 33132.