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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Clifford Albert Palm
Ronald Jay Mack
Palm Estate Services
10240 Ophir Road
Newcastle, CA 95658

DESIST AND REFRAIN ORDER
(For violations of sections 25110 and 25210, 25401 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Clifford Albert Palm was a principal, partner, owner, or control person of Palm Estate Services, operating in California.
2. At all relevant times, Ronald Jay Mack was a principal, partner, owner, or control person of Palm Estate Services, operating in California.
3. At all relevant times, Palm Estate Services a company, form unknown, was operating in California.
4. Beginning no more than four years ago, Clifford Palm, Ronald Mack and Palm Estate Services offered or sold securities in the form of viaticals, otherwise defined as “viatical settlement contract or fractionalized or pooled interest therein; life settlement contract or a fractionalized or pooled interest therein,” to California residents.
5. Palm Estate Services, Clifford Palm and Ronald Mack solicited potential investors through direct mailings and through contacts developed in conjunction with

1 insurance or other business interests. Palm Estate Services, Clifford Palm and Ronald
2 Mack promised investors guaranteed returns anywhere from 16% to 31% for investments
3 ranging from 1 to 4 year terms. Several investors were promised returns up to or even
4 exceeding 100%.

5 6. The Department of Corporations has not issued a permit or other form of
6 qualification authorizing Palm Estate Services, Clifford Palm or Ronald Mack to offer or sell
7 the viatical investments in this state. The viatical investments offered and sold by Palm
8 Estate Services, Clifford Palm and Ronald Mack are not exempt from the qualification
9 requirement under Section 25110 of the California Corporate Securities Law of 1968.

10 7. The viatical investments offered and sold by Palm Estate Services, Clifford
11 Palm and Ronald Mack fail to meet the exemption from qualification of securities under
12 Corporations Code §25102(q), without limitation, as follows:

13 a. Failure to comply with §25102(q)(1) in that investors were not qualified
14 purchasers and did not meet the provisions of that section;

15 b. Failure to comply with §25102(q)(3) by failing to provide the required
16 disclosures and other information;

17 8. In addition, Palm Estate Services, Clifford Palm and Ronald Mack made
18 material misrepresentations or omissions of material facts in conjunction with the offer and
19 sale of viatical investments, including, but not limited to, the following:

20 a. That the investor was purchasing “a life insurance policy, or policies,”
21 when, in fact, the investor was purchasing a fractionalized interest in the death benefit of a
22 life insurance policy;

23 b. That the investment was backed by a “Financial Guarantee Bond” and
24 not disclosing any details about the bonding company;

25 c. That the “absolute yield-per-year is disclosed from inception” when, in
26 fact, it is not.

27 d. That “in no case” will the payout be more than 6 months past the
28 defined “maturity date.”

1 e. Failing to clearly disclose that the investment will potentially be illiquid
2 far longer than the designated period, thereby reducing the potential rate of return;

3 f. Failing to disclose that the viatical investment was a security under
4 California law;

5 g. Failing to disclose that the issuers were required to be licensed broker-
6 dealers, but were not;

7 h. Failing to disclose that the sales agents were required to hold a valid
8 securities sales license issued by the National Association of Securities Dealers, but did not;

9 9. None of the above parties, Palm Estate Services, Clifford Palm or Ronald
10 Mack, have obtained a certificate as a broker-dealer from the California Corporations
11 Commissioner or have qualified as an agent by the Commissioner to offer or sell securities
12 in this state.

13 10. Based upon the foregoing findings, the California Corporations Commissioner
14 is of the opinion that the viatical investment offered and/or sold by Palm Estate Services,
15 Clifford Palm and Ronald Mack is a security subject to qualification under the California
16 Corporate Securities Law of 1968 and is being or has been offered or sold without being
17 qualified in violation of Corporations Code §25110.

18 11. The California Corporations Commissioner is of the further opinion that the
19 securities offered and/or sold by Palm Estate Services, Clifford Palm and Ronald Mack were
20 offered and/or sold based upon material misrepresentations or omissions of material facts in
21 violation of Corporations Code §25401.

22 12. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Palm
23 Estate Services, Clifford Palm and Ronald Mack are hereby ordered to **desist and refrain**
24 from the further offer or sale in the State of California of securities in the form of viatical
25 investments, unless and until qualification has been made under said law or unless exempt.

26 13. Absent qualification or exemption in the offer or sale of securities, Palm Estate
27 Services, Clifford Palm and Ronald Mack have also effected transactions in securities as
28 broker-dealers without first having applied for and secured from the Commissioner a

1 certificate, then in effect, authorizing these persons to act in that capacity, in violation of
2 §25210 of the Corporate Securities Law of 1968.

3 14. Pursuant to Section 25532 of the Corporate Securities Law of 1968, Palm
4 Estate Services, Clifford Palm and Ronald Mack are hereby ordered to **desist and refrain**
5 from effecting any transaction in, or inducing or attempting to induce the purchase or sale of
6 any security in this state, unless and until they have applied for and secured from the
7 Commissioner a certificate, then in effect, authorizing these persons to act in that capacity.

8 This Order is necessary, in the public interest, for the protection of investors and
9 consistent with the purposes, policies, and provisions of the Corporate Securities Law of
10 1968.

11 Dated: February 24, 2003

12 Sacramento, California

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14 DEMETRIOS A. BOUTRIS
15 California Corporations Commissioner

16
17 By _____
18 VIRGINIA JO DUNLAP
19 Acting Assistant Commissioner
20 Enforcement and Legal Services
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