

# BIZ OPPORTUNITIES & NEWS

## Woman suing Honda in small-claims court

Updated Tuesday, Jan. 03, 2012, The Associated Press

TORRANCE, Calif. -- **A woman who expected her Civic Hybrid to be her dream car wants Honda to pay for NOT delivering the 50 mpg it promised.**

But rather than joining other owners in a class-action lawsuit, Heather Peters is going **SOLO** against the automaker in small-claims court, **an unusual move that could offer a bigger payout.**

And if successful, it could open the door to a flood of similar lawsuits.

**A trial is set for Tuesday in Torrance, where American Honda Motor Co. has its West Coast headquarters.** Peters, a former lawyer, says that as her vehicle's battery deteriorated, it got only 30 mpg.

When Honda ignored her complaints, she filed legal papers seeking reimbursement for her trouble and the extra money she spent on gas. **The suit could cost the company up to \$10,000.**

If other Civic owners follow her lead, **she estimates that Honda could be forced to pay as much as \$2 billion in damages.** No high-priced lawyers are involved, and the process is streamlined.

"I would NOT be surprised if she won," said Richard Cupp Jr., who teaches product liability law at Pepperdine University. "The judge will have a lot of discretion, and the evidentiary standards are relaxed in small-claims court."

*Small-claims courts generally handle private disputes that do not involve large amounts of money.*

In many states, that means small debts, quarrels between tenants and landlords and contract disagreements.

A victory for Peters could encourage others to take the same simplified route, he said.

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## Florida man who offered to buy AMR will face trial

Posted Tuesday, Jan. 03, 2012

The Florida man who made surprise offers in March to buy AMR Corp. and Eastman Kodak violated federal anti-fraud statutes and will face trial to determine his penalties, a Florida federal judge ruled last week.

U.S. District Judge Paul Huck found that *Allen Weintraub sent the offers on behalf of his Sterling Global Holdings despite "having NO significant assets, NO funds on hand, NO other financing, and NO professional services engaged to complete the purported offers."*

Huck also found that Weintraub failed to disclose his past violations of U.S. securities laws, a \$1 million unpaid judgment against him and other significant adverse events.

Huck's Dec. 30 ruling comes in response to a lawsuit by the Securities and Exchange Commission against Weintraub, who on March 29 notified AMR, various institutional investors and media outlets **that he would pay about \$3.25 billion for AMR's outstanding shares.**

He said he was "a large shareholder" in AMR, the corporate parent of Fort Worth-based American Airlines, and told the Star-Telegram at the time that he had bank financing.

**He had made a similar \$1.3 billion offer for Kodak on March 19.** In May, the SEC sued Weintraub, alleging that he made "materially false or misleading statements and omissions" regarding his capabilities and his background. It asked the court to permanently restrain Weintraub from further violations of U.S. securities laws and sought an unspecified civil penalty.

In July, the **court awarded the SEC a default judgment after Weintraub failed to appear.** According to Huck's ruling, Weintraub never refuted "any of the SEC's factual assertions," refused to answer the SEC's questions and instead invoked his Fifth Amendment right to avoid self-incrimination.

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## Waco life insurance firm accused of systematic fraud

Updated Wednesday, Jan. 04, 2012, By Barry Shlachter

Waco-based Life Partners Holdings and three of its top executives were **ACCUSED** Tuesday by the Securities and Exchange Commission of "**systematically and materially**" **misleading investors** about the life expectancy of people whose life insurance policies it traded.

**The scheme INFLATED the value of the company's stock, according to a suit that the SEC's Fort Worth office filed in federal court in Waco.**

Investigators say CEO Brian Pardo sold about \$11.5 million of Life Partners stock at inflated prices while having information not available to the public about the company's dependency on short-lifespan estimates.

"Life Partners **DUPED** its shareholders by employing an unqualified medical doctor to assign baseless life expectancy estimates to the underlying insurance policies," said Robert Khuzami, director of the SEC's Division of Enforcement.

"This deception **MISLED** shareholders into thinking that the company's revenue model was sustainable when in fact it was illusory."

Pardo, 69, **DENIED** the accusations, saying: "It is very disappointing that the SEC has chosen to pursue litigation over issues that we believe have no merit and financial presentation issues that we do not believe are material.

"We have always done our best to deliver value to our shareholders and to run an honest and transparent company. We intend to vigorously defend ourselves against these meritless claims."

The federal action could become a political embarrassment to Gov. Rick Perry, who is running for the Republican presidential nomination.

Perry's campaign used Pardo's Cessna Citation X business jet and, according to The New York Times, acknowledged underpaying Pardo nearly \$23,000 for nine days early in Perry's White House quest.

**The SEC filing deals only with Life Partners, which served as a "life settlement" broker** -- pairing people who NO longer can afford their policy premiums with investors who took fractional interests in the policies. Sometimes policies were bought from companies who had insured key workers but then had little interest in the insurance after the employees left.

"The senior-most executives at Life Partners concealed significant RISKS to the business, manipulated financial statements with improper accounting, and knowingly profited from their misconduct by executing insider trades based on information that was not available to the public," said David Woodcock, director of the SEC's Fort Worth office.

**The three executives were identified as Pardo, counsel Scott Peden and Chief Financial Officer David Martin, the SEC said.**

The suit seeks unspecified civil penalties from the three as well as the return of stock trade profits and bonuses from Pardo and Martin.

In 1999, Life Partners hired Donald T. Cassidy, a Reno, Nev.-based oncologist trained in Galveston, to estimate people's life expectancy without having any actuarial education or experience, the complaint alleged.

"Pardo, Peden and Martin were AWARE that the Cassidy-rendered life expectancy estimates were systematically and materially SHORT," the SEC said.

In a life settlement transaction, the estimate of a person's life expectancy is crucial in figuring the market price that investors would pay.

MORE would be paid for policies of people who have shorter life expectancies since they would get their share of the interest in the death benefit sooner, the SEC complaint said.

**The market can be gamed by declaring life expectancies to be shorter than typical industry methodology would.**

From fiscal 2007 through the third quarter of 2011, the company MISSTATED net income by prematurely recognizing revenue while understating impairment expense by millions, because they were based on Cassidy's inaccurate analyses, it said.

Cassidy had been instructed to use life expectancy methodology worked up by Dr. Jack Kelly, also of Reno, who was the company's former underwriter and a part owner who "died unexpectedly" in 1999, the SEC said.

Cassidy, a 1974 graduate of the University of Texas Medical Branch at Galveston, got his marching orders during Kelly's funeral, the commission claimed. He was paid \$500 per life expectancy analysis, then given an additional \$15,000 a month, the SEC said.

By March 2009, Pardo, Peden and Martin "knew, or were RECKLESS in not knowing" that 90 percent of policies reviewed by Cassidy had **exceeded the doctor's life expectancy estimate, the SEC stated.**

**Cassidy made thousands of estimates, which were NEVER reviewed for accuracy,** during his decadelong affiliation with the Texas firm, it said.

Even when a consultant hired by a potential investor reported to Pardo in 2006 -- seven years into Cassidy's tenure -- that the doctor's figures had NOT been checked, no action was taken, the SEC said.

Cassidy could NOT be reached to comment Tuesday night. His answering service said, "Dr. Cassidy doesn't speak to reporters."

Among **MISLEADING statements to investors,** Pardo said during teleconferences in 2007 and 2008 that Life Partners was delivering "double-digit" returns, the SEC said.

But he knew such RETURNS were impossible even in the best-case scenarios, in which all of those insured die within the company's estimated life expectancy period, the SEC said. Actually, 2,900 insured people had outlived the company's predicted lifespan, it added.