

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573-CIV-MORENO/SIMONTON

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MUTUAL BENEFITS CORP.,
JOEL STEINGER a/k/a JOEL STEINER,
LESLIE STEINGER a/k/a LESLIE STEINER,
PETER LOMBARDI,
and STEVEN STEINER,

Defendants,

VIATICAL BENEFACTORS, LLC,
VIATICAL SERVICES, INC.,
KENSINGTON MANAGEMENT, INC.,
RAINY CONSULTING CORP.,
TWIN GROVES INVESTMENTS, INC.,
P.J.L. CONSULTING, INC.,
SKS CONSULTING, INC., and
CAMDEN CONSULTING, INC.

Relief Defendants.

AMENDED COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, Securities and Exchange Commission (“SEC” or “Commission”) alleges that:

I. INTRODUCTION

1. The Commission brings this action to enjoin Defendants from committing further violations of the antifraud and registration provisions of the federal securities laws in connection with an offering of securities issued by Defendant Mutual Benefits Corporation (“MBC” or “the Company”). From late 1994 through the present, MBC has

raised at least \$1.067 billion from more than 29,000 investors nationwide and abroad by offering fractional interests in discounted life insurance policies known as viatical settlements. At the direction of its undisclosed principals, Joel Steinger a/k/a Joel Steiner (“J. Steinger”), a convicted felon with an extensive disciplinary history, his brother, Leslie Steinger a/k/a Leslie Steiner (“L. Steinger”), who also has a significant disciplinary history (collectively, the “Steingers”), and its president and vice president, Peter Lombardi (“Lombardi”) and Steven Steiner (“Steiner”), respectively, and through its offering materials and network of sales agents, MBC is making material misrepresentations to prospective investors and failing to disclose material information.

2. In particular, MBC – which is already banned in five states from selling these investments – is failing to disclose to investors that the life expectancy estimates assigned to a significant number of its policies were fraudulently assigned by MBC, at the direction of J. Steinger. These life expectancy figures determine, among other things, the rates of return to investors and the amount of funds to be escrowed for payment of future premiums. As a result, approximately 90% of MBC’s policies are well beyond their life expectancy estimates and, in a Ponzi-like fashion, new investor funds set aside to pay premiums on specific policies are being used to pay premiums of policies assigned to earlier investors. MBC, at the direction of Defendants, further make material misrepresentations concerning the profitability and safety of these investments, the risks associated with certain types of policies, the involvement of the Steingers and the consulting fee payments to them. Indeed, millions of investor funds have been paid to shell corporations formed by the individual Defendants and their relatives in the form of undisclosed “consulting fees.”

3. The SEC has grave concerns that without immediate action by the Court, additional investors will be defrauded, current investors will be lulled into making further investments, and additional funds will be diverted to the individual Defendants. Accordingly, the SEC seeks emergency relief against Defendants and their related companies, named as Relief Defendants herein, including a temporary restraining order and entry of preliminary injunction, an order freezing assets to preserve investors' assets and prevent the further mismanagement and diversion of funds, and the appointment of a receiver.

II. DEFENDANTS

4. Defendant MBC is a Florida corporation incorporated in October 1994 and located in Fort Lauderdale, Florida. MBC is licensed as a viatical settlement provider in the State of Florida. Numerous states have issued cease-and-desist orders against MBC and instituted proceedings. In addition, Kansas sued brokers offering investments in MBC.

5. Defendant J. Steinger is 54 years old and lives in Fort Lauderdale, Florida. J. Steinger is the de facto chief executive officer of MBC and has an extensive disciplinary background, including regulatory actions and a criminal conviction. His involvement in MBC's activities and his disciplinary history has not been disclosed to investors.

6. Defendant L. Steinger, 48, the brother of J. Steinger, lives in Fort Lauderdale, Florida. Although allegedly a "consultant" to MBC, L. Steinger is one of the principals of MBC and is in charge of running the company's sales force. L. Steinger has a civil disciplinary background similar to that of his brother. His involvement in MBC's activities and his disciplinary history have not been disclosed to investors

7. Defendant Lombardi is 53 years old and resides in Fort Lauderdale, Florida. Lombardi is listed as director and president of MBC in corporate filings in various states, and is touted to investors as MBC's president.

8. Defendant Steiner is 53 years old and resides in Fort Lauderdale, Florida. Steiner is listed as vice president of MBC in corporate filings in various states, which represents, among other things, that Steiner "participates in decision making processes that stand to affect [MBC's] long-term corporate operations." Steiner has described himself in meetings with investors and sales agents as an "owner" of MBC. Steiner is the brother of Joel and Les Steinger.

III. RELIEF DEFENDANTS

9. Relief Defendant Viatical Benefactors, LLC ("VBLLC") is a Delaware corporation incorporated in February 1996 and domiciled in Atlanta, Georgia. VBLLC is owned by MBC to operate in Texas and California, where MBC is not licensed. Although VBLLC's corporate filing lists Richard Meekins as its president, it is in fact controlled by J. Steinger.

10. Relief Defendant Viatical Services, Inc. ("VSI") is a Florida corporation incorporated in March 1996 and located at MBC's principal offices in Fort Lauderdale, Florida. Although VSI's corporate filing lists Ameer Khan as its president, it is in fact controlled by J. Steinger.

11. Relief Defendant Kensington Management, Inc. ("Kensington") is a Florida corporation incorporated in February 1996 with principal offices located at J. Steinger's home address in Fort Lauderdale, Florida. J. Steinger is Kensington's

president and, through Kensington, has received at least \$10.4 million in consulting fees from MBC.

12. Relief Defendant Rainy Consulting Corp. (“Rainy”) is a Florida corporation incorporated in July 1997 with principal offices located at L. Steinger’s home address in Fort Lauderdale, Florida. L. Steinger is Rainy’s sole officer and director. MBC has paid Rainy at least \$12.9 million in consulting fees.

13. Relief Defendant Twin Groves Investment, Inc. (“Twin Groves”) is a Florida corporation incorporated in February 2002 with offices listed in Miami, Florida. L. Steinger controls Twin Groves, which has received at least \$1.2 million from MBC in consulting fees.

14. Relief Defendant P.J.L. Consulting Inc. (“P.J.L.”) is a Florida corporation incorporated in May 1995 located in Fort Lauderdale, Florida at Lombardi’s home address. Lombardi is P.J.L.’s sole officer and director. MBC has paid P.J.L. at least \$12.1 million in consulting fees.

15. Relief Defendant SKS Consulting, Inc. (“SKS”) is a Florida corporation incorporated in May 2003 in Miami, Florida. Steiner controls SKS and is its incorporator. MBC has paid SKS at least \$3.8 million in consulting fees.

16. Relief Defendant Camden Consulting, Inc. (“Camden”) is a Florida corporation incorporated in March 1995 with the same address as MBC’s principal offices in Fort Lauderdale, Florida. Henry Fecker, III (“Fecker”) – Steiner’s life partner – is Camden’s sole officer and director and shares signature authority with Steiner on the company’s bank accounts. MBC has paid Camden at least \$8.37 million in consulting fees.

IV. JURISDICTION AND VENUE

17. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77t(b), 77t(d) and 77v(a); and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d), 78u(e) and 78aa.

18. Venue is proper in the Southern District of Florida because many of the Defendants’ acts and transactions constituting violations of the Securities Act and the Exchange Act occurred in the Southern District of Florida. In addition, the principal offices of Defendant MBC and the Relief Defendants are located in the Southern District of Florida, and Defendants J. Steinger, L. Steinger, Lombardi and Steiner all reside in the Southern District of Florida.

19. Defendants, directly and indirectly, have made use of the means and instrumentalities of interstate commerce, the means and instruments of transportation and communication in interstate commerce, and the mails, in connection with the acts, practices, and courses of business set forth in this Complaint.

V. THE FRAUDULENT OFFERING

A. MBC’s Fraudulent Offering

20. Since late 1994, MBC has operated as a viatical and life settlement provider, raising money from investors to purchase viatical and life settlement contracts. A viatical or life settlement contract involves the sale of a life insurance policy by a terminally ill person or senior citizen (known within the industry as a “viator”) at a price discounted from the face value of the policy. Investors pay the premiums, and receive the face value of the life insurance policy when the insured, or viator, dies. In turn, the viator receives a portion of

the proceeds of his life insurance policy as a lump sum. MBC has allocated investor funds to approximately 9,097 life insurance policies with an aggregate anticipated death benefit of approximately \$1.451 billion.

21. MBC promises investors guaranteed, fixed rates of return ranging from 12% to 72%, depending upon the term of investment chosen by the investor. The life expectancy of the viator as determined by MBC, in turn, determines the total rate of return. For example, MBC promises investors who select a policy insuring an individual with a one-year life expectancy a 12% return on the investment, investors who select a policy insuring an individual with a two-year life expectancy a 28% return, and investors who select a policy insuring an individual with a three-year life expectancy a 42% return.

22. MBC offers and sells its securities primarily through a national network of independent sales agents, consisting mainly of insurance agents, brokers and financial advisors. The Company also solicits investors directly through its Internet website. MBC, primarily at the direction of L. Steinger, oversees the activities of its sales agents through a staff of in-house sales directors.

23. MBC trains its outside sales force during multi-day training sessions called "MBC University." Steiner participates in these training sessions held at MBC's Fort Lauderdale headquarters, and other sessions held throughout the world. Steiner instructs future sales agents about the viatical industry in general, the humanitarian aspects of viatical settlements, MBC's philanthropic efforts, and MBC's excellent track record in the viatical settlement industry. During these sessions, Steiner does not disclose to future sales agents any information about his brothers' disciplinary history, J. Steinger's criminal conviction, or the cease-and-desist orders issued against MBC.

24. MBC's sales agents solicit potential investors through newspaper advertisements, direct mailings and sales seminars. MBC's "compliance department" reviews sales agents' advertisements for approval before publication. For their role in marketing the offering, MBC's sales agents receive a percentage commission, generally from 6% to 12%, based on the total investment. MBC also offers its agents incentives for reaching sales goals, such as all-expense paid vacations.

25. During their oral sales solicitations, MBC's sales agents assure investors that the investment opportunity is "guaranteed." Agents also regularly downplay the fact that the viator might live beyond his life expectancy. In fact, in some instances, agents lead prospects to expect their investment to mature early. The agents also steer discussions with investors away from potential risks to focus on the high returns and humanitarian aspects of MBC's offering.

26. MBC provides its sales agents with offering materials reviewed and approved by J. Steinger, which in turn, are given to investors. The offering materials include informational brochures, a viatical "purchase agreement," a "trust agreement," and testimonials from sales agents. In these materials, MBC boasts that it is "[t]he leader in the viatical and life settlement industry" and states that the investor ". . . receives a double-digit fixed total return that is not subject to stock market volatility or risks that characterize most other equity investments." The offering materials also include newspaper articles authored by Steiner that tout MBC's investments as safe, discuss new regulations designed to protect investors, and describe MBC as a superior operation and clean company with "thousands" of satisfied customers. MBC's website echoes much of the same information contained in the written materials, while emphasizing the sale of life settlements to investors.

27. MBC's offering materials explain to investors that their rates of return are based on the estimated life expectancies of the viators. The materials represent that "[a] state-licensed physician reviews the patient's history and medical records to evaluate the condition of the patient and projected life expectancy... [and] then confirms to MBC the insured's diagnosis and estimated life expectancy." The materials claim that an investor is assigned to a policy only after the licensed physician has determined the insured's life expectancy. MBC further assures investors that "funds sufficient to make premium payments for the estimated life expectancy will be paid or escrowed at the time of closing."

28. MBC's offering materials direct investors to make investment funds payable to MBC's designated escrow account. Investor monies are pooled in this interest bearing escrow account until such time as an insurance policy may be acquired and/or matched to the investor. Once investor funds are placed on a policy, in most cases, the policy is fractionalized to accommodate investments by multiple investors. Investors are also able to purchase the investment through their individual retirement accounts.

29. The amount of time investors' funds may be held by MBC pending placement on a policy depends on the company's ability to find and acquire insurance policies meeting its criteria. MBC's ability to do so is a direct function of the supply of such policies and it appears that this supply has not always been sufficient to meet MBC's needs. Apparently such shortfalls have been frequent, and several months may elapse between the time the investor gives MBC his funds and the time those funds are placed on a policy.

30. No registration statement has been filed or is in effect with the Commission in connection with the securities offered by MBC. In addition, MBC does

not require that its sales agents be licensed. Several of MBC's sales agents have been the subjects of state cease-and-desist orders in connection with the MBC offering.

31. From late 1994 through the present ("the relevant time period"), MBC has raised at least \$1.067 billion from over 29,000 investors nationwide and internationally through the unregistered offer and sale of securities in the form of fractionalized interests in viatical and life settlement contracts.

B. MBC's Assignment of Investor Funds to Policies

32. MBC acquires viaticated insurance policies through viatical brokers. When a broker is contacted by a potential viator, the broker seeks to obtain certain medical information, including any diagnosed illnesses and, when available, a life expectancy prognosis from the insured's physician. Upon receipt of this information, the broker forwards the viator's medical information to MBC to solicit a bid.

33. In its bid solicitation process, MBC has traditionally divided the viator files into two general groups: Acquired Immune Deficiency Syndrome (AIDS) files, and non-AIDS files. MBC's bidding department issues a bid on an AIDS file immediately upon receipt, prior to any independent medical evaluation. Once a viator accepts a bid, the AIDS file is forwarded to J. Steinger, who assigns fractional interests in the policy to investors awaiting placement. J. Steinger also determines the life expectancy that should be assigned to each viator. After the policy has been purchased and assigned to investors, MBC then forwards the AIDS file to a medical physician engaged by the Company, ostensibly for a review and confirmation of the life expectancy of the viator.

34. In contrast to the AIDS files, prior to making a bid on non-AIDS files, MBC forwards the medical records to MBC's medical physician to determine the viator's

estimated life expectancy. Upon receipt of the final life expectancy estimate from the reviewing physician, MBC places a bid on the policy. Once the viator accepts a bid, the non-AIDS file is forwarded to J. Steinger who then assigns the investors to the policies. In at least 20% of these cases, J. Steinger has rejected the life expectancy designation assigned by MBC's physician and directed that a shorter life expectancy be assigned.

35. For both AIDS and non-AIDS files, investors are assigned to a particular policy only after MBC confirms that the investors' funds have been properly deposited in MBC's escrow account. Payment is then forwarded to the viator. MBC distributes a "closing package" to each investor whose funds were placed on the policy. This closing package typically includes a letter from Lombardi enclosing certain information identifying the policy on which the investor's money has been placed and a copy of a letter or affidavit executed by an MBC medical physician purporting to confirm the viator's diagnosis and life expectancy estimate.

36. After closing the transaction with the viatical broker, MBC distributes investor funds to various MBC-affiliated entities that have post-closing obligations, including VSI, and a trustee appointed by MBC to administer the funds in its various premium escrow accounts, i.e., the funds set aside to make future premium payments on the policies on behalf of investors. A significant portion of investor funds are used to pay commissions to sales agents and, unbeknownst to investors, to various shell companies controlled by the individual Defendants and others in the form of "consulting fees."

37. Through VSI, MBC monitors the health of viators and tracks insurance premium obligations. When an insurance premium obligation becomes due, VSI issues payment instructions to the trustee who, in turn, issues a check to pay the insurance

premium. While MBC has sought to create the appearance that VSI is an independent entity, VSI is, in fact, run and controlled by MBC and J. Steinger. The president of VSI, Ameer Khan, was hired by and reports directly to J. Steinger who makes ultimate decisions for VSI. Moreover, VSI's books and records are made and kept by MBC.

C. Fraudulent Statements and Omissions Made By Defendants

38. In connection with the offer and sale of MBC's securities, Defendants made numerous material representations to prospective and current investors that they knew, or were reckless in not knowing, were false or misleading, and knowingly or recklessly failed to disclose material information to investors about, among other things, the viators' life expectancies, insurance premium escrow deficiencies, "guaranteed" fixed rates of return, the Steingers' background as well as payments to them, and the safety and security of the investments.

(i) False and Misleading Life Expectancy Letters and Affidavits

39. MBC is failing to disclose to investors that about 65% of all of the Company's active policies have assigned life expectancies that were not based on any meaningful review or confirmation by an independent physician, contrary to the representations in its offering materials. During the period between late 1996 through May 2001, MBC engaged several licensed physicians to provide life expectancies for viators diagnosed with AIDS. Drs. Clark Mitchell ("Mitchell") and Edgar Escobar ("Escobar") were the two most active physicians hired by MBC to ostensibly perform these services.

40. Substantially all of the life expectancies purportedly assigned by Mitchell and Escobar were in fact determined by J. Steinger. At no time did either doctor ever

review any of the viators' medical records to confirm their diagnosis or establish an independent estimated life expectancy, as was being represented to investors. Instead, Mitchell and Escobar merely issued fraudulent life expectancy letters and/or affidavits drafted by MBC's employees which contained life expectancy figures that had already been designated by J. Steinger. The life expectancy estimates ostensibly issued by Mitchell and Escobar account for about 65% of MBC's current active policies.

41. MBC used another physician, Dr. Anthony LaMarca ("LaMarca"), to provide life expectancy determinations for viators diagnosed with a variety of other terminal illnesses. In these cases, however, J. Steinger rejected LaMarca's life expectancy designation about 20% of the time. In most of these instances, LaMarca would issue a shorter life expectancy that proved to be more acceptable to J. Steinger.

(ii) Failure to Disclose that the Vast Majority of MBC's Policies are Beyond Their Assigned Life Expectancy

42. MBC is failing to disclose to investors and potential investors that the vast majority of its active policies are beyond their life expectancy. Since 1994, MBC has sold fractionalized interests in at least 9,097 insurance policies to more than 29,000 investors. As of September 30, 2003, approximately 81% of these policies remained active and in force. Of the active policies, 90% have surpassed the life expectancy assigned by MBC.

43. MBC is also lulling investors with regard to the expected maturity date of their investment. MBC's "Customer Service Department" fields calls from investors frustrated that their investments have not matured. Following an inquiry from a frustrated investor, MBC typically distributes a letter updating the investor on the status of the investment. This letter states, among other things, that the viator has not died and

advises the investor that all premiums due on the viator's policy have been paid. In one version of this letter, MBC represents to the investor that the viator's "health condition remains terminally-ill." These lulling representations are false and misleading given the fraudulent life expectancy letters issued by MBC's physicians at the direction of J. Steinger.

(iii) Failure to Disclose Premium Escrow Deficiencies

44. MBC is failing to disclose to investors the existence of serious cash deficiencies in MBC's premium escrow accounts and that these deficiencies may impair MBC's ability to satisfy future premium obligations. As of September 30, 2003, more than 74% of MBC's active policies have a zero (or negative) escrow balance. Cash flow projections for all of MBC's escrow accounts establish that some will be deficient by September 30, 2004 and all will be deficient by September 30, 2009.

45. Further analysis of MBC's premium escrow accounts also reveals that because of the shortfalls in its escrowed funds, MBC has effectuated a premium payment scheme similar to traditional "Ponzi" schemes. For example, a total of approximately \$3.6 million originally set aside to pay premiums on specific policies in one premium escrow account were used to pay premiums on other policies in that account whose premium escrows were exhausted. Moreover, as of September 30, 2003, approximately \$4.5 million has been transferred from one of MBC's premium escrow accounts to another premium escrow account in order to cover shortfalls in the latter account. Investors are not told that their funds are being used to pay life insurance premiums on other policies.

46. Additionally, MBC's representation that "funds sufficient to make premium payments for the estimated life expectancy will be paid or escrowed at the time of closing" are untrue for at least 61 policies. For each of these particular policies, MBC failed to set aside sufficient funds to cover the premium payments due during the life expectancy of the viator. These 61 policies have an aggregate face value of approximately \$79 million and represent investments by about 1,300 investors.

(iv) Misrepresentations of Guaranteed Fixed Rates of Return

47. MBC's representations to investors and potential investors regarding its rates of returns are false and misleading. Because of the serious problems with the life expectancies assigned to some of MBC's policies and the deficiencies in the Company's premium escrow account, investors may be faced with the prospect of having to place additional funds with MBC in order to cover future premium payments. If this were to occur, it would result in a reduction of the returns that are being promised to investors. While MBC's offerings materials do state that, in the event the premium reserve is exhausted, the investor "may be responsible for a payment of his/her pro rata share of any unpaid premium," the disclosure in materials on this point is inadequate given the gravity of the situation at hand. Additionally, when investors have inquired about the prospect of paying additional funds, sales agents, at the direction of MBC downplay this possibility and mislead investors into believing that this rarely happens.

(v) Failure to Disclose the Steingers' Involvement as Principals in MBC and the Payments Made to Them

48. MBC is failing to disclose that J. Steinger and L. Steinger continue to play key roles in the management of MBC's business operations. In addition, investors are

not being told that at least \$33 million in funds collected in MBC's offering have been paid to the Steingers.

49. MBC also is failing to disclose the 1998 SEC injunction against the Steingers for their violations of the anti-fraud and registrations provisions of the federal securities laws, as would be required under Regulation S-K had MBC properly registered their offering.

(vi) Failure to Disclose the Risks Associated with MBC's Purchase of Group and Term Life Policies

50. Since 1994, approximately 35% of the insurance policies sold by MBC were group or term life insurance policies. Given that group policies are subject to substantial risk, such as the insolvency of the sponsoring employer, union or association, and that term policies are, by design, scheduled to terminate upon a date certain, MBC's failure to disclose to investors its purchase of these types of policies constitutes a significant undisclosed risk

(vii) Failure to Disclose State Securities Actions

51. In the materials distributed to investors, MBC touts itself as the leader in the viatical and life settlement industry. However, MBC is failing to disclose to investors the fact that at least five states, Alabama, Alaska, Indiana, Pennsylvania and Vermont, have issued cease-and-desist orders against MBC and its principals for securities fraud and registration violations. In addition, the state of Kansas issued a cease-and-desist order against the sales agents who sold the investment opportunity in that state. In complete disregard for these state cease-and-desist orders, MBC directs its sales agents to circumvent the orders by having them tell investors to use out-of-state addresses.

D. The Role of MBC's Management

52. The individual Defendants have fraudulently made, and directed and authorized to be made, the material misrepresentations and omissions to prospective and actual investors as set forth above.

53. J. Steinger, L. Steinger and Steiner founded MBC in 1994 and have since shared control of MBC. Notwithstanding the prior judgments of permanent injunction entered against them in connection with their activities at MBC, the Steingers divided the primary management responsibilities into two divisions.

54. Specifically, J. Steinger primarily directs the acquisition of insurance policies from viators and the assignment of investors to the policies. In connection with the AIDS policies, J. Steinger has also personally determined the life expectancy that would be assigned to each viator in AIDS files purchased by MBC. J. Steinger has also approved MBC's offering materials distributed to investors. He further participates in the direction of MBC's sales activities, conducting monthly sales meetings with MBC's in-house sales directors and through regular communications with agents in the field.

55. L. Steinger's primary duties center on raising investor funds and coordinating MBC's sales force. In this capacity, L. Steinger conducts meetings with his in-house sales force and frequently communicates with MBC's independent sales agents, both orally and in writing. L. Steinger also performs a supporting role in the assignment of investors to policies, by undertaking the task when J. Steinger is out of the office or otherwise unavailable.

56. Lombardi is listed as the president of MBC, and regularly signs communications to investors. MBC's materials include a welcome letter, signed by

Lombardi, acknowledging receipt of the investor's funds. In this letter, Lombardi tells the investor that, by purchasing a life insurance policy, "you are providing [a] humanitarian service while securing a superior fixed return on all funds used to purchase Life policies." Lombardi also advises investors in writing when their funds are placed on policies purchased by MBC, identifying the insurance company, death benefit and viator life expectancy assigned by MBC. In addition, Lombardi sends investors another letter enclosing a copy of the purported independent reviewing physician's report.

57. In addition to written communications, Lombardi also regularly meets and speaks with investors about MBC. For example, Lombardi gives investors tours of MBC's offices, and touts the security of investing with MBC. In speaking with offerees, Lombardi reiterates some of the statements made by MBC's sales agents, including representations regarding the guaranteed rates of return. Lombardi also reassures prospective investors as to the safety of investing with MBC by pointing out the size of MBC's offices, its number of employees and the volume of viator files.

58. Steiner is vice president of MBC and the public face of the company. Steiner participates in all or most initial sales training sessions for new in-house and outside sales agents, meets with prospective and existing MBC investors, and directs MBC's philanthropic activities in the community. During meetings with prospective sales agents and investors, Steiner touts the safety and humanitarian nature of viatical settlement investments, assures investors that life expectancies are determined by doctors prior to their being placed on policies, and makes glowing remarks about MBC as the leader in the viatical industry. On at least one occasion, Steiner assured a group of investors that most of the policies matured on time or before their life expectancy date, and that the longest period

an investor had had to wait was two years. Steiner also wrote articles in newspapers and business journals (provided in investor packets) touting viatical settlement investments, new regulations designed to protect investors, and specifically referring to MBC as a superior operation and clean company with “thousands” of satisfied customers.

VI. CLAIMS FOR RELIEF

COUNT I

Sale of Unregistered Securities in Violation of Sections 5(a) and 5(c) of the Securities Act

(As Against All Defendants)

59. The Commission repeats and realleges paragraphs 1 through 58 of this Complaint.

60. No registration statement was filed or in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the securities and transactions described in this Complaint.

61. Since a date unknown but since at least January 1995 through present, Defendants MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, have: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise; (b) carried securities or causing such securities, as described in this Complaint, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described in this Complaint, without a

registration statement having been filed or being in effect with the Commission as to such securities.

62. By reason of the foregoing, Defendants MBC, J. Steinger, L. Steinger and Lombardi, directly and indirectly, have violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

Fraud in Violation of Section 17(a)(1) of the Securities Act

(As Against All Defendants)

63. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

64. Since a date unknown but since at least August 1996 through the present, Defendants MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by use of the mails, in the offer or sale of securities, as described in this Complaint, have knowingly or recklessly employed devices, schemes or artifices to defraud.

65. By reason of the foregoing, Defendants MBC, J. Steinger, L. Steinger and Lombardi, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1).

COUNT III

**Fraud in Violation of Section 10(b) of the Exchange Act
and Rule 10b-5, thereunder**

(As Against All Defendants)

66. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

67. Since a date unknown but since at least August 1996 through present, Defendants MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, have knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

68. By reason of the foregoing, Defendants MBC, J. Steinger, L. Steinger and Lombardi, directly or indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

COUNT IV

Fraud in Violation of Sections 17(a)(2) and 17(a)(3) of the Securities Act

(As Against All Defendants)

69. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

70. Since a date unknown but since at least August 1996 through present, Defendants MBC, J. Steinger, L. Steinger, Lombardi and Steiner, directly and indirectly, by use of the means or instruments of transportation or communication in interstate commerce and by the use of the mails, in the offer or sale of securities, as described in this Complaint, have: (a) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (b) engaged in transactions, practices and courses of business which are now operating and will operate as a fraud or deceit upon purchasers and prospective purchasers of such securities.

71. By reason of the foregoing, Defendants MBC, J. Steinger, L. Steinger and Lombardi, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(2) and 77q(a)(3).

COUNT V

**Aiding and Abetting MBC's Violations of Section 10(b) of the Exchange Act and
Exchange Act Rule 10b-5, thereunder**

(As Against Defendant Lombardi)

72. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

73. Since a date unknown but since at least August 1996 through present, Defendant MBC, directly and indirectly, by use of the means and instrumentality of interstate commerce, and of the mails in connection with the purchase or sale of the securities, as described in this Complaint, have knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which have operated as a fraud upon the purchasers of such securities.

74. During the relevant time period, Defendant Lombardi, knowingly or recklessly, substantially participated in MBC's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

75. By reason of the foregoing, Defendant Lombardi aided and abetted MBC's violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

COUNT VI

Section 20(a) -- Control Persons Liability for MBC's Violations of Section 10(b) of the Exchange Act and Rule 10b-5, thereunder

(As Against Defendants J. Steinger and L. Steinger)

76. The Commission repeats and realleges paragraphs 1 through 58 of its Complaint.

77. Defendants J. Steinger and L. Steinger were, directly or indirectly, control persons of Defendant MBC for purposes of Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a).

78. Defendant MBC has violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

79. As control persons of MBC, Defendants J. Steinger and L. Steinger are jointly and severally liable with and to the same extent as MBC for its violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

VII. RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

A. Declaratory Relief

Declare, determine and find that the Defendants committed the violations of the federal securities laws alleged in this Complaint.

B. Temporary Restraining Order, Preliminary and Permanent Injunctive Relief

Issue a Temporary Restraining Order, a Preliminary Injunction and a Permanent Injunction, restraining and enjoining the Defendants, their officers, agents, servants,

employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (a) Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c); (b) Section 17(a)(1) of the Securities Act, 15 U.S.C. § 77q(a)(1); (c) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, thereunder, 17 C.F.R. § 240.10b-5 and (d) Sections 17(a)(2) and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77(q)(a)(2) and 77(q)(a)(3).

C. Disgorgement

Issue an Order requiring the Defendants and Relief Defendants to disgorge all ill-gotten profits or proceeds that they have received as a result of the acts and/or courses of conduct complained of herein, with prejudgment interest.

D. Penalties

Issue an Order directing the Defendants to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78(d)(3).

E. Asset Freeze and Accounting

Issue an Order temporarily freezing the assets of the Defendants and Relief Defendants until further Order of the Court, and requiring accountings by the Defendants.

F. Appointment of Receiver

Issue an Order appointing a Receiver over the assets of MBC and Relief Defendants VBLLC and VSI to marshal and safeguard all of said assets, and any other duties the Court deems appropriate, and to prepare a report to the Court and the Commission detailing the activities of the Defendants and the whereabouts of investor funds.

G. Records Preservation and Expedited Discovery

Issue an Order requiring the Defendants and Relief Defendants to preserve any records related to the subject matter of this lawsuit that are in their custody, possession or subject to their control, and to respond to discovery on an expedited basis.

H. Further Relief

Grant such other and further relief as may be necessary and appropriate.

I. Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may hereby be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

Respectfully submitted,

June ____, 2005

By: _____

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