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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

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AZ CORP COMMISSION
DOCUMENT CONTROL

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

DOCKETED BY

In the matter of:)
)
MUTUAL BENEFITS CORPORATION,)
)
Respondent.)

DOCKET NO. S-03464A-03-0000

**SECURITIES DIVISION'S RESPONSE AND OBJECTIONS
TO MUTUAL BENEFITS CORPORATION'S
SECOND REQUEST FOR PRODUCTION OF DOCUMENTS**

The Securities Division ("Division") of the Arizona Corporation Commission hereby responds to Mutual Benefits Corporation's ("MBC") Second Request for Production of Documents (the "Request") and produces or otherwise objects to the Request as follows:

1. "A copy of the SEC order of disgorgement and penalties of \$950,000 against MBC referred to in the letter dated June 16, 2003, from Mark Sendrow to Paul J. Roshka, Jr. (the "Letter")...." FN 1 "On this date, counsel for MBC wrote to Mr. Sendrow requesting that the information sought by this Request (see Exhibit "B") be provided informally.

The Division provided its response to MBC on July 14, 2003. A copy of that response is attached as Exhibit A along with the SEC's order attached as Exhibit B.

2. "All documents referring or relating to the order referred to in paragraph 1 above."

The Division will provide the requested documents to MBC under separate cover.

3. "All documents upon which the Securities Division Staff, or others working under the Securities Division's direction and control, or in concert with it, relied in connection with making of one or more statements to the effect that the SEC had entered an order of disgorgement and penalties of \$950,000 against MBC as referenced in the Letter."

1 The Division will provide certain of the requested documents to MBC under separate cover.
2 However, other documents covered by the request will not be provided on the basis of the
3 objections set forth below.

- 4 4. **“Documents sufficient to identify all persons whom the Securities Division, its**
5 **investigators, agents or employees contacted and informed of the order,**
6 **referred to in Exhibit “A,” against MBC.”**
- 7 5. **“Documents sufficient to identify the Securities Division’s investigators, agents**
8 **and employees who made the contacts referred to in Paragraph No. 3 above.**
- 9 6. **“All documents used or created by the Securities Division, its investigators,**
10 **agents or employees, during interviews of or communications with the persons**
11 **identified in paragraph 3 above, including but not limited to:**
 - 12 (i) **all scripts or other outlines used in the questioning of such persons,**
 - 13 (ii) **all notes taken during the course of the interviews or communications;**
 - 14 (iii) **copies of all audio recordings made during the course of the interviews**
15 **or communications; and**
 - 16 (iv) **all documents relied on or referred to by the Securities Division, its**
17 **investigators, agents or other employees during the course of the**
18 **interviews or communications.”**

15 The Division objects to Request Nos. 3 through 6 for three reasons. First, the Division
16 objects on the grounds that there is no right to discovery in an administrative contested case
17 proceeding. A.R.S. § 41-1062(4) states “no subpoenas, depositions or **other discovery** shall be
18 permitted in contested cases except as provided by agency rule or this paragraph.” Emphasis added.
19 The Rules of Practice and Procedure Before the Corporation Commission (the “Commission’s
20 Rules”) do not provide for “other discovery”, therefore, MBC has no right to this information.
21 While MBC may argue that the Arizona Rules of Civil Procedure (“ARCP”) apply to this
22 proceeding because the Commission’s Rules do not set forth a procedure for “other discovery, this
23 is not the case. Commission Rule R14-3-101 states that “[i]n all cases in which procedure is set
24 forth neither by law, nor by these rules, nor by regulations or orders of the Commission, the Rules
25 of Civil Procedure...shall govern.” In this case the ARCP does not apply because by law “other
26 discovery is not permitted under A.R.S. §41-1062(4).

1 The Division's second basis for objection rests on the grounds that MBC seeks information
2 that is protected from disclosure by the investigative privilege. *See, e.g., State ex rel. Corbin v.*
3 *Superior Court*, 99 Ariz. 383 (1966); *City of Tucson v. Superior Court*, 167 Ariz. 513 (1991).
4 Documents requested by MBC contain information involving investigative techniques and
5 assessments and the identities of witnesses and law enforcement personnel and are thus, subject to
6 the privilege. Furthermore, the confidentiality of Division investigative documents is clear. Under
7 A.R.S. § 44-2042 all information and documents obtained by the Division during the course of
8 "any examination or investigation are confidential unless the names, information or documents are
9 made a matter of public record." The information MBC seeks was obtained during the course of
10 the Division's investigation of MBC and is not a matter of public record.

11 Finally, the Division objects on the grounds that MBC seeks information that is protected
12 from disclosure by the work product privilege. "The privilege ... prevents an adversary from
13 obtaining documents which contain the mental impressions, conclusions, opinions or legal theories
14 of an attorney or other representative of a party concerning the litigation." *State ex rel. Corbin v.*
15 *Superior Court*, 140 Ariz. 123, 129, 680 P.2d 833, 830 Ariz. App. 1984. *See, also, Brown v.*
16 *Superior Court In and For Maricopa County*, 137 Ariz. 327 (1983). The documents or other things
17 requested by MBC were prepared by the Division and contain staff interpretations and/or mental
18 impressions of investors' investment experiences with MBC. These interviews and discussions
19 were conducted in anticipation of litigation and/or preparation for hearing.

20 With regard to request No. 6(iv), to the extent that such request is limited to the issue of the
21 SEC order as discussed in the Letter, the Division's will provide a response under separate cover.
22 Otherwise, the Division objects to this request for the reasons set forth in the preceding paragraphs
23 and on the grounds that the request is overbroad and not relevant. By its own filing, MBC has
24 narrowly defined the issue it seeks information about, that is, documents relating to the SEC order.
25 MBC's request goes far beyond that issue and constitutes nothing more than a fishing expedition.

26 ...

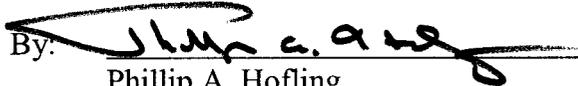
1 RESPECTFULLY SUBMITTED this 16th day of July, 2003.

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By: 
Phillip A. Hofling
Attorney for the Securities Division of
the Arizona Corporation Commission

6 ORIGINAL AND THIRTEEN (13) COPIES
7 of the foregoing filed this 16th day of July, 2003 with:

7

8 Docket Control
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007

10

11 Copy of the foregoing hand-delivered this 16th day
12 of July, 2003, to:

12 Mr. Marc Stern
13 Administrative Law Judge
14 Arizona Corporation Commission
15 Hearing Division
16 1200 West Washington
17 Phoenix, Arizona 85007

16

17 Copy of the foregoing mailed this 16th day
18 of July, 2003, to:

18 Paul J. Roshka, Jr. Esq.
19 Alan S. Baskin, Esq.
20 James M. McQuire, Esq.
21 One Arizona Center
22 400 East Van Buren Street, Suite 800
23 Phoenix, Arizona 85004

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23

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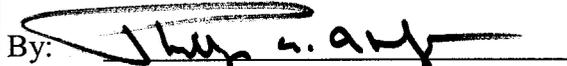
By: 

EXHIBIT A

COMMISSIONERS
MARC SPITZER - Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

JAMES G. JAYNE
INTERIM EXECUTIVE SECRETARY



MARK SENDROW
DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: accsec@ccsd.cc.state.az.us

ARIZONA CORPORATION COMMISSION

July 14, 2003

Paul J. Roshka, Esq.
Roshka, Heyman & DeWulf, PLC
One Arizona Center
400 East Van Buren, Suite 800
Phoenix, AZ 85004

Re: In the Matter of Mutual Benefits Corporation ("MBC")
Docket No. S-03464A-03-0000

Dear Mr. Roshka:

I write in response to the concerns you raise in your June 26, 2003, letter regarding the issue of the United States Securities and Exchange Commission ("SEC") order of disgorgement and penalties.

On May 5, 1998, the United States District Court Southern District of Florida entered a Final Judgment of Permanent Injunction and Other Relief ("Final Judgment") in Securities and Exchange Commission vs. Joel Steinger and Leslie Steinger, Case No 98-6442. A copy of the Final Judgment and Complaint for Injunctive and Other Relief ("SEC Complaint") is enclosed.¹ Insofar as MBC is not named in the case caption, you are correct that MBC was not a named defendant. However, the identity of the defendant, whether the corporate entity or its president, director, and sole shareholder, does not change the gist of the inquiry.

The Final Judgment permanently restrains and enjoins "Joel Steinger and Leslie Steinger, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them" from further violating the Securities Act of 1933 and Securities Exchange Act of 1934. The Final Judgment ordered the Steingers jointly and severally to pay disgorgement and prejudgment interest in the amount of \$850,000, "representing certain of the proceeds received by them pursuant to the activities described in the Complaint." The Final Judgment further ordered the Steingers to each pay a \$50,000 civil monetary penalty.

The SEC's complaint makes clear that Leslie Steinger was MBC's president, director, and sole shareholder. The SEC's complaint further makes clear that Leslie Steinger "was involved in all facets of MBC's business operations, including the offer and sale of viatical settlements to the investing public." The Steingers, according to the SEC Complaint, knowingly,

¹ The Steingers consented to the entry of the Final Judgment without admitting or denying the allegations in the SEC's Complaint other than admitting the jurisdiction of the court for purposes of entry of the judgment.

Paul J. Roshka, Esq.
July 14, 2003
Page Two

willfully, or recklessly engaged in acts that violated the federal securities laws. Those acts were done using MBC as the vehicle through which the violations were perpetrated.²

MBC sold approximately \$3.12 million in viaticals to Arizona investors during the period the SEC alleged the Steingers through MBC violated the federal securities laws. The fact of disclosure or nondisclosure of the SEC action to the investors is a legitimate component of the Division's investigation.

The Division intends to contact individuals who were asked the subject question to clarify that MBC was not itself a named defendant and to clarify the defendants' relationship to MBC. We will provide you with a copy of our correspondence.

I trust this response resolves your concerns.

Very truly yours,



Mark Sendrow
Director, Securities Division

Enclosures

² For example, on page 1 of the SEC's complaint, the complaint states "the Steingers, through Mutual Benefits Corporation ("MBC"), caused the sale of approximately \$100 million worth of unregistered viatical settlements to more than 1,190 investors nationwide." On page 3 the complaint states "the Steingers, through MBC, caused funds to be raised from investors nationwide..." and "the Steingers, through MBC, managed and administered the enterprise..." On page 4 the complaint states "[t]he offering materials directed investors to make their funds payable to 'MBC Special Trust Account'." On page 5 the complaint states "[t]he amount of time investors' funds were held pending placement on a policy depended upon MBC's ability to find and purchase policies..." On page 6 the complaint states "Specifically, MBC sold interests in..." On page 8 the complaint states "[c]ertain misleading sales practices were used in connection with MBC's sale of viatical settlements to investors."

EXHIBIT B

ED
CIVIL
CASE

MAY - 5 2003
ARIZ. CORP. COMM.
SECURITIES DIVISION

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

FILED BY [Signature] J.E.
MAY 06 2003
BARBARA J. JENNE
CLERK U.S. DIST. CT.
S.D. OF FLA. - MIAMI

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,
vs.
JOEL STEINGER and LESLIE STEINGER
Defendants.

CASE NO. **98-6442**
CIV-MIDDLEBROOKS
FINAL JUDGMENT OF
PERMANENT INJUNCTION
AND OTHER RELIEF
MAGISTRATE JUDGE
TURNOFF

Plaintiff Securities and Exchange Commission ("Commission"), commenced this action by filing its Complaint against Defendant JOEL STEINGER and Defendant LESLIE STEINGER (collectively "Defendants"). In its Complaint, the Commission seeks a permanent injunction to prohibit violations by Defendants of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a), 77e(c), and 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder. The Commission also seeks other relief, including disgorgement and civil penalties.

Without admitting or denying any of the allegations in the Commission's Complaint, except that they are admitting the jurisdiction of this Court for purposes of entry of this Final Judgment of Permanent Injunction and Other Relief ("Final Judgment"), Defendants have, simultaneously with the filing of the Complaint, consented to the entry of this Final Judgment. This Court having accepted such Consents and having jurisdiction over Defendants and the subject matter hereof, and being fully advised of the premises, orders and decrees as follows:

SCANNED

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I.

VIOLATION OF SECTIONS 5(a)
AND 5(c) OF THE SECURITIES ACT

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that JOEL STEINGER and LESLIE STEINGER, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly:

- (a) making use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell any security, in the form of common stock or any other security, through the use or medium of any prospectus or otherwise, unless and until a registration statement is in effect with the Commission as to such security;
- (b) carrying or causing to be carried through the mails or in interstate commerce, by means or instruments of transportation, any security, in the form of common stock or any other security, for the purpose of sale or delivery after sale, unless and until a registration statement is in effect with the Commission as to such security; or
- (c) making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy any security, in the form of common stock or any other security, through the use or medium of any prospectus or otherwise, unless and until a registration statement is filed with the Commission as to such security, or while a registration

statement filed with the Commission as to such security is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act, 15 U.S.C. § 77h,

in violation of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

II.

VIOLATION OF SECTION 17(a) OF THE SECURITIES ACT

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that JOEL STEINGER and LESLIE STEINGER, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, in the offer or sale of any securities, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails:

- (a) knowingly or recklessly employing any device, scheme or artifice to defraud;
- (b) obtaining money or property by means of any untrue statement of a material fact or omission to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading; or
- (c) engaging in any practice, transaction, or course of business which operates or would operate as a fraud or deceit upon the purchaser of any such security,

in violation of Sections 17(a)(1), 17(a)(2), and 17(a)(3) of the Securities Act, 15 U.S.C. §§ 77q(a)(1), 77q(a)(2), and 77q(a)(3).

III.

VIOLATION OF SECTION 10(b)
OF THE EXCHANGE ACT AND RULE 10b-5, THEREUNDER

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that JOEL STEINGER and LESLIE STEINGER, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly, indirectly or as a control person under Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), in connection with the purchase or sale of any security, by the use of any means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange:

- (a) employing any device, scheme or artifice to defraud;
- (b) making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading; or
- (c) engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person,

in violation 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, promulgated thereunder.

IV.

DISGORGEMENT AND PREJUDGMENT INTEREST

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that JOEL STEINGER and LESLIE STEINGER are jointly and several liable to pay disgorgement and prejudgment interest of \$850,000, representing certain of the proceeds received by them pursuant to the activities described in the Complaint.

V.

CIVIL MONEY PENALTIES

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that, pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), JOEL STEINGER shall pay a civil money penalty in the amount of \$50,000, and LESLIE STEINGER shall pay a civil money penalty in the amount of \$50,000.

VI.

PAYMENT OF MONIES

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that JOEL STEINGER and LESLIE STEINGER shall satisfy their monetary obligations hereunder by making three equal payments over a three month period, such payments to commence within five (5) days of the date of the entry of this Final Judgment. These payments shall be: (i) made by United States postal money order, certified check, bank cashier's check or bank money order; (ii) payable to the "United States Securities and Exchange Commission"; (iii) transmitted to the Comptroller, U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Mail Stop 0-3, Washington, D.C. 20549; and (iv)

mitted under cover of a letter which identifies JOEL STEINGER and LESLIE STEINGER as the Defendants in this action, a copy of which cover letter and money order or check shall be sent to Christian R. Bartholomew, Esq., Senior Trial Counsel, Securities and Exchange Commission, Southeast Regional Office, 1401 Brickell Avenue, Suite 200, Miami, Florida 33131.

VII.

RETENTION OF JURISDICTION

IT IS HEREBY FURTHER ORDERED, ADJUDGED AND DECREED that this Court will retain jurisdiction over this matter and over JOEL STEINGER and LESLIE STEINGER in order to implement and carry out the terms of this Final Judgment.

DONE AND ORDERED at 6:50 o'clock, P m. this 5 day of May, 1998, at Miami, Florida.


UNITED STATES DISTRICT JUDGE

cc: Christian R. Bartholomew, Esq.
Senior Trial Counsel
Securities and Exchange Commission
1401 Brickell Ave, Suite 200
Miami, FL 33131
(305) 982-6344
Counsel for Securities and Exchange Commission

Richard Ben-Veniste, Esq.
Weil, Gotshal & Manges LLP
1615 L Street, N.W., Ste. 700
Washington, D.C. 20036
Counsel for Joel and Leslie Steinger

Richard S. Kraut, Esq.
Storch & Brenner LLP
1001 Connecticut Avenue, N.W.
Washington, D.C. 20036
Counsel for Joel and Leslie Steinger

FILED BY SC D.C.

98 MAY -1 AM 9:49 UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CARLOS JUENKE
CLERK U.S. DIST. CT.
SECURITIES AND EXCHANGE COMMISSION,
S.D. OF FLA. MIAMI

Plaintiff,

vs.

JOEL STEINGER and LESLIE STEINGER

Defendants.

98-6442

CASE NO
CIV-MIDDLEBROOKS

MAGISTRATE JUDGE

COMPLAINT FOR TURNOFF
INJUNCTIVE AND
OTHER RELIEF

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") hereby alleges as follows:

1. The SEC brings this injunctive action against defendants Joel Steinger and Leslie Steinger based upon their violations of the securities laws in connection with their sale of "viatical settlements," i.e., interests in death benefits payable under life insurance policies written on terminally-ill persons. From October 1994 to April 1996, the Steingers, through Mutual Benefits Corporation ("MBC"), caused the sale of approximately \$100 million worth of unregistered viatical settlements to more than 1,190 investors nationwide. The Steingers misled investors during this offering by, inter alia, causing investors to be told that they held irrevocable interests in certain policies when they did not and that their funds were held in a "Special Trust Account" when that account was nothing more than an MBC checking account. The Steingers also misled investors by failing to disclose that investor funds would typically be held by MBC for several weeks or more prior to being placed on a policy, thereby negatively affecting the investment's annual rate of return.

SCANNED

Handwritten signature

Defendants

2. Joel Steinger, age 47, of Pompano Beach, Florida, was, during the relevant period, a consultant to MBC.

3. Leslie Steinger, age 42, of Pompano Beach, Florida, was, during the relevant period, the president, director, and sole shareholder of MBC.

Other

4. Viatical Benefits Foundation ("VBF") was at all relevant times funded by MBC. VBF acted as a reference for MBC and was a source of life insurance policies for it.

Jurisdiction

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

Nature of the Offering

6. During the period October 1994 to April 1996 (the "relevant period"), Joel Steinger was involved in many facets of MBC's business operations, including its offer and sale of viatical settlements to the investing public. Joel Steinger acted as a "consultant" to MBC and received payments from it.

7. Leslie Steinger, during the relevant period, was the president, director and sole shareholder of MBC. Leslie Steinger was involved in all facets of MBC's business operations, including the offer and sale of viatical settlements to the investing public.

8. From October 1994 through April 25, 1996, the Steingers, through MBC, caused funds to be raised from investors nationwide to purchase at a discount life insurance policies and then allocated to investors unregistered, fractionalized interests in the death benefits payable under those policies. Profits from the investment were realized by the Steingers through the difference between the amount investors contributed and the amount MBC paid for the policies, less costs, which included commissions paid to selling agents.

9. Investors were told that they would profit from the difference between the amount they paid for their interests in the life insurance policies and the amount paid out by the insurance company in the form of death benefits. Investors were guaranteed a total fixed rate of return which varied from 12% to 42% depending upon the investment option they chose. For example, an investor who invested in a policy insuring an individual with a one year life expectancy was guaranteed a 12% return on the investment; an investor who invested in a policy insuring an individual with a two year life expectancy a 28% return; and an investor who invested in a policy insuring an individual with a three year life expectancy a 42% return.

10. The investment was structured such that investors played no role in the management of the enterprise and were completely passive. The Steingers, through MBC, managed and administered the enterprise, including:

(a) identifying terminally-ill insureds satisfying certain medical criteria (e.g., a one to three year life expectancy);

(b) identifying life insurance policies satisfying certain legal standards;

(c) selecting insurance companies satisfying certain financial standards;

(d) negotiating and purchasing qualified life insurance policies at discounted rates;

(e) retaining ownership (and hence control over issues such as beneficiary assignments) of the policies;

(f) pooling investor funds and, in some instances, assigning fractionalized interests to investors;

(g) in some instances, paying premiums due under the policies after purchase to prevent lapse;

(h) monitoring the insureds' health; and

(i) submitting death benefit claims to the insurance company on behalf of the investors.

11. Life insurance policies were purchased through VBF, and through viatical policy brokers. VBF advertised in alternative life-style periodicals throughout the nation seeking terminally-ill individuals who desired to sell their life insurance policies.

12. During the relevant period, calls and mailings of offering materials created by the Steingers were made by sales agents to potential investors to sell viatical settlements. Sales agents received a percentage commission, generally around 6% to 8%, based upon the investor's total investment.

13. The offering materials directed investors to make their funds payable to "MBC Special Trust Account." Investor monies were pooled in this non-interest bearing account until such time as a policy was identified for purchase. Investor funds equalling the purchase price of the policy were then transferred to MBC's attorney's escrow account, which held the funds until the policy was purchased and the insured was paid.

14. The amount of time investors' funds were held pending placement on a policy depended upon MBC's ability to find and purchase policies meeting its stated criteria. There was normally at least a several week delay between the time an investor tendered his funds to MBC and the time those funds were finally placed on a policy; sometimes the delay was longer. Investors did not receive interest on their funds during this delay, and disclosure of this consequence of the delay was not made to investors in written materials or otherwise.

15. Investors also purchased viatical settlements through their individual retirement accounts ("IRA's"). This transaction was structured such that the IRA custodian purchased a note payable to the investor which was collateralized by the investor's interest in the policy. When the insured died and the death benefits were paid, the proceeds were sent to the investor's IRA account in exchange for retirement of the note.

16. MBC's offering materials represented that only policies that met certain criteria would be purchased. For example, the offering materials stated that investors would only be placed on policies that, among other things: (a) permitted absolute assignment of death benefits to a third-party, (b) permitted irrevocable beneficiaries, and (c) were beyond the contestability period. These requirements assertedly were adopted to protect investors' interests by ensuring that their beneficiary interests could not be revoked or contested.

17. MBC's offering materials further represented that investor monies would be held in MBC's "Special Trust Account" prior to being disbursed for the purchase of a policy.

Misleading Statements and Omissions of Material Fact

18. The Steingers caused certain misleading statements and omissions of material fact to be made to investors and prospective investors including, but not limited to, the following:

SGLI/VGLI Policies

19. During the period May 1995 through November 1995, while representing in offering materials that only assignable life insurance policies permitting the designation of irrevocable beneficiaries would be purchased, the Steingers caused MBC to sell to investors approximately \$3 million worth of death benefit interests in life insurance policies the Steingers had reason to believe were not assignable and did not permit irrevocable beneficiaries. Specifically, MBC sold interests in 34 Servicemen's Group Life Insurance ("SGLI") and Veteran's Group Life Insurance ("VGLI") policies to 265 investors. SGLI and VGLI policies insure the lives of active servicemen and veterans of the armed forces, respectively, and are underwritten by The Prudential Insurance Company of America ("Prudential"). The policies are administered by the Office of Servicemen's Group Life Insurance ("OSGLI").

20. SGLI and VGLI policies are governed by Title 38, Part 9 of the Code of Federal Regulations. 38 C.F.R. § 9.1, et seq. (1997). During the relevant period, Section 9.20 provided that SGLI and VGLI "insurance and the benefits thereunder are not assignable." 38 C.F.R. § 9.20 (1995). Moreover, Section 9.16(e)

provided during the relevant period that "[a] change of beneficiary may be made at any time and without the knowledge or consent of the previous beneficiary." 38 C.F.R. § 9.16(e) (1995).

21. Any assignments by SGLI/VGLI insureds during the relevant period to MBC were invalid as a matter of law, and beneficiary designations made in connection therewith were freely revocable at any time by the insureds.

22. The Steingers knew this for months, yet continued to cause interests in SGLI/VGLI policies to be sold as described above. In fact, at the time the Steingers were directing MBC to acknowledge to OSGLI that SGLI/VGLI beneficiary designations were "not irrevocable," they were representing to SGLI/VGLI investors that their interests were "irrevocable."

23. Eight of the approximately 34 SGLI/VGLI insureds whose policies MBC sold to investors subsequently named new beneficiaries, thereby revoking 69 MBC investors as beneficiaries on eight different policies.

Projected Rates of Return

24. The offering materials' disclosures concerning specific percentage returns, although not stating the annualized return, were misleading in light of the failure to disclose to investors the possibility that their funds might remain uninvested, without earning interest, for several weeks or more. Under such circumstances, this delay had the effect of lowering the annualized rate of return.

MBC's "Special Trust Account"

25. MBC's "Special Trust Account" was not a trust or escrow account. Rather, it was a business checking account over which Leslie Steinger had signature authority. During the relevant period, investor monies were not as secure and protected as the account description represented, as they were used to pay sales commissions.

The Steingers' Experience in the Viatical Industry

26. In connection with their offer and sale of viatical settlements, the Steingers misrepresented to others that they had experience in the viatical industry prior to forming MBC when, in fact, they had no such experience.

Deceptive Sales Practices

27. Certain misleading sales practices were used in connection with MBC's sale of viatical settlements to investors. Joel Steinger caused two individuals to take phone calls from prospective investors and falsely represent that they were MBC investors who had received a profit on their investment. Neither individual, at that time, had yet invested with MBC.

28. VBF was used as a reference. The Steingers instructed MBC's salesmen to give VBF's telephone number to prospective investors who wanted to perform due diligence on MBC. The Steingers then directed VBF representatives to recommend MBC to prospective investors. For a period of time, the Steingers did not disclose to prospective investors the relationship between MBC and VBF.

COUNT I

VIOLATIONS OF SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT

29. The SEC realleges paragraphs 1 through 28 of this Complaint as if fully restated.

30. No registration statement was filed or in effect with the SEC pursuant to the Securities Act and no exemption from registration exists with respect to the securities and transactions described herein.

31. Between October 1994 up through April 25, 1996, the Steingers, directly and indirectly:

- (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 caused such securities, as described herein, 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; 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 herein, without a registration statement having been filed or being in effect with the SEC as to such securities.

32. By reason of the foregoing, Defendants Joel Steinger and Leslie Steinger have violated and, unless permanently enjoined, will violate Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

COUNT II

VIOLATIONS OF SECTION 17(a) OF THE SECURITIES ACT

33. The SEC realleges paragraphs 1 through 32 of this Complaint as if fully restated.

34. Between October 1994 up through April 25, 1996, the Steingers, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce or by use of the mails, in the offer or sale of securities,

(a) knowingly, willfully or recklessly employed devices, schemes or artifices to defraud;

(b) obtained money or property by means of untrue statements of material facts and omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in transactions, practices, or a course of business which operated as a fraud and deceit upon the purchasers of such securities,

through acts which include the activities described in paragraphs 19 through 28, above.

35. By reason of the foregoing, Defendants Joel Steinger and Leslie Steinger have violated and, unless permanently enjoined, will violate Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the

Securities Act, 15 U.S.C. §§ 77(q)(a)(1), 77(q)(a)(2) and 77(q)(a)(3).

COUNT III

VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5

36. The SEC realleges paragraphs 1 through 35 of this Complaint as if fully restated.

37. Between October 1994 up through April 25, 1996, the Steingers, directly or indirectly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities have knowingly, willfully and/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 light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices or courses of business which have operated, or would operate as a fraud or deceit upon any person in connection with the purchase or sale of such securities,

through acts which include the activities described in paragraphs 19 through 28, above.

38. By reason of the foregoing, Defendants Joel Steinger and Leslie Steinger have violated and, unless permanently enjoined, will 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.

WHEREFORE, the SEC respectfully requests that the Court:

I.

Declaratory Relief

Declare, determine and find that Defendants Joel Steinger and Leslie Steinger committed the violations of the federal securities laws alleged herein.

II.

Permanent Injunctive Relief

Issue a Permanent Injunction, enjoining:

A. Defendants Joel Steinger and Leslie Steinger, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and 77e(c); and

B. Defendants Joel Steinger and Leslie Steinger, their officers, agents, servants, employees, attorneys, and all persons in active concert or participation with them, and each of them, from violating: (1) Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); and (2) 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.

III.

Disgorgement

Issue an Order requiring Defendants Joel Steinger and Leslie Steinger to disgorge proceeds received by them, directly or indirectly, pursuant to the activities described in this Complaint, with prejudgment interest.

IV.

Civil Money Penalties

Issue an Order directing Defendants Joel Steinger and Leslie Steinger to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78(d)(3), for violations of the federal securities laws as complained herein.

V.

Further Relief

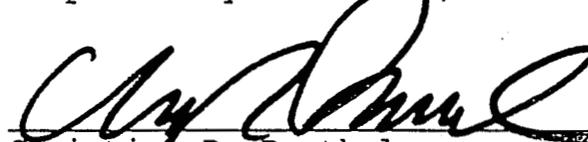
Grant such other and further relief as may be necessary and appropriate.

VI.

Retention of Jurisdiction

Further, the SEC 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.

Respectfully submitted,



Christian R. Bartholomew
Senior Trial Counsel
S.D. Fla. Bar No. A-5500258

Spencer C. Barasch
Assistant Director, Enforcement
D.C. Bar No. 388886

Dated: May 1, 1998

Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
1401 Brickell Avenue, Suite 200
Miami, Florida 33131
Telephone: (305) 982-6344
Facsimile: (305) 536-7465

copy exhausted

CIVIL COVER SHEET

98-6442

This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Civil Court for the purpose of initiating the civil docket.

CIV-MIDDLEBROOKS

MAGISTRATE JUDGE

TURNOFF

JOEL STEINGER and LESLIE STEINGER

A) PLAINTIFFS

SECURITIES AND EXCHANGE COMMISSION

DEFENDANTS

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF (EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT (IN U.S. PLAINTIFF CASES ONLY)

Broward / 98W 6442 / Middlebrooks / Turnoff

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)

Christian R. Bartholomew (305) 982-6344 SEC, 1401 Brickell Ave., #200, Miami

ATTORNEYS (IF KNOWN)

(d) CIRCLE COUNTY WHERE ACTION AROSE:

DADE, MONROE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKEECHOBEE, HIGHLANDS

II. BASIS OF JURISDICTION

(PLACE AN X IN ONE BOX ONLY)

- 1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES

(For Diversity Cases Only)

(PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

Table with columns for Plaintiff (PTF) and Defendant (DEF) citizenship options: Citizen of This State, Citizen of Another State, Citizen or Subject of a Foreign Country, Incorporated or Principal Place of Business in This State, Incorporated and Principal Place of Business in Another State, Foreign Nation.

IV. CAUSE OF ACTION

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE. Violations of Section 5 and 17 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934)

IVa. 0 days estimated (for both sides) to try entire case.

V. NATURE OF SUIT

(PLACE AN X IN ONE BOX ONLY)

Large table with categories: CONTRACT, REAL PROPERTY, PERSONAL INJURY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES.

VI. ORIGIN

(PLACE AN X IN ONE BOX ONLY)

- 1 Original Proceeding, 2 Removed from State Court, 3 Remanded from Appellate Court, 4 Refiled, 5 Transferred from another district (specify), 6 Multidistrict Litigation, 7 Appeal to District Judge from Magistrate Judgment

VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$

Check YES only if demanded in complaint: JURY DEMAND: YES NO

VIII. RELATED CASE(S) IF ANY

(See instructions): None

JUDGE

DOCKET NUMBER

DATE 5/1/98

SIGNATURE OF ATTORNEY OF RECORD

Handwritten signature of Christian R. Bartholomew

Christian R. Bartholomew

UNITED STATES DISTRICT COURT S/P I-2

FOR OFFICE USE ONLY: Receipt No.

Amount:

Date Paid

W/ifo: