

FILED BY SC D.C.

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

98-6442

CAROL W. CLINE
CLERK U.S. DIST. CT.
S.D. OF FLORIDA
SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,
vs.
JOEL STEINGER and LESLIE STEINGER
Defendants.

CASE NO.
CIV-MIDDLEBROOKS
MAGISTRATE JUDGE
TURNOFF
COMPLAINT FOR
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.

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

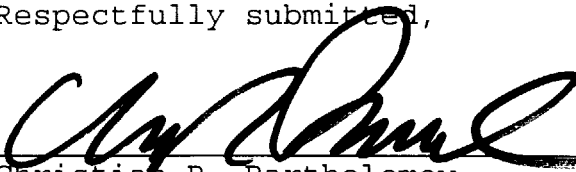
Grant such other and further relief as may be necessary and appropriate.

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
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The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I (a) PLAINTIFFS
SECURITIES AND EXCHANGE COMMISSION

DEFENDANTS
JOEL STEINGER and LESLIE STEINGER
MAGISTRATE JUDGE TURNOFF

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF
 (EXCEPT IN U.S. PLAINTIFF CASES)
Florida 33131

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

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:
Florida 33131
 DADE, MONROE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, INDIAN RIVER, OKECHOBEE, 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 (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

Citizen of This State	PTF DEF <input type="checkbox"/> 1 <input type="checkbox"/> 1	Incorporated or Principal Place of Business in This State	PTF DEF <input type="checkbox"/> 4 <input type="checkbox"/> 4
Citizen of Another State	<input type="checkbox"/> 2 <input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5 <input type="checkbox"/> 5
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3 <input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6 <input type="checkbox"/> 6

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)

DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

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

V. NATURE OF SUIT (PLACE AN X IN ONE BOX ONLY)

A CONTRACT <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability	A PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	B PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury—Med Malpractice <input type="checkbox"/> 365 Personal Injury—Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	B FORFEITURE/PENALTY <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	A LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	A BANKRUPTCY <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 A PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark B SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) A FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	A OTHER STATUTES <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 810 Selective Service <input checked="" type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 990 Other Statutory Actions
A REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	A CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights	B PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 General Habeas Corpus <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights				

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 Judge from Magistrate Judgment
 Appeal to District

VII. REQUESTED IN COMPLAINT: CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 **DEMAND \$** _____ **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 Christian R. Bartholomew

UNITED STATES DISTRICT COURT S/R I-2 RPV 6/98 FOR OFFICE USE ONLY: Receipt No. _____ Amount: _____ Date Paid: _____ N/IFP: _____